



# 越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code: 00123



ANNUAL REPORT

2013



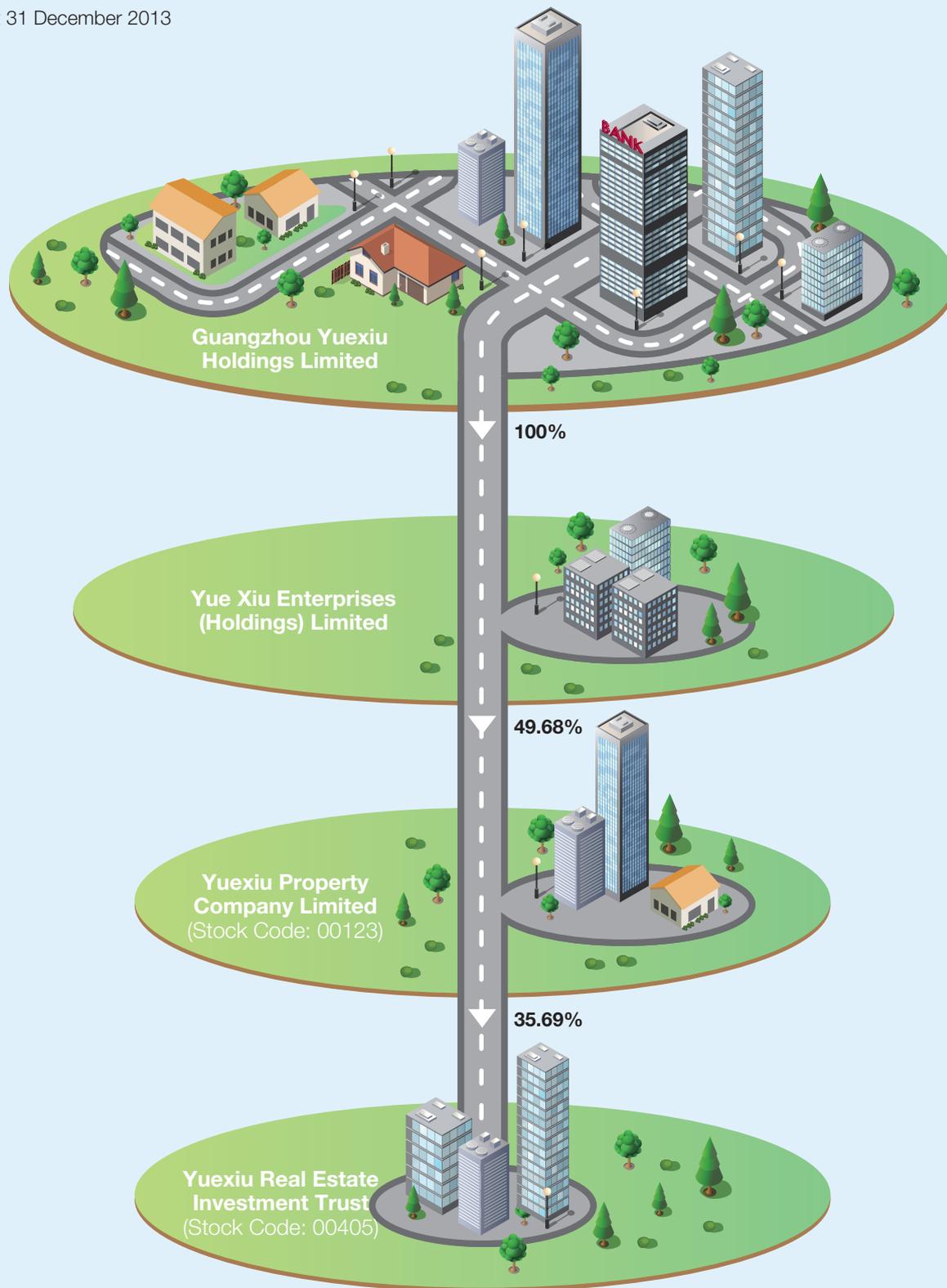
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# CORPORATE STRUCTURE

As at 31 December 2013



# 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 Banking 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

26th Floor  
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

For further information about  
Yuexiu Property Company Limited,  
please contact:  
Mr Ha Hang Leung, Alan  
Telephone : (852) 2593 2326  
Facsimile : (852) 2511 0832  
Email : [ir@yuexiuproperty.com](mailto:ir@yuexiuproperty.com)

# FINANCIAL HIGHLIGHTS

## INCOME STATEMENT HIGHLIGHTS

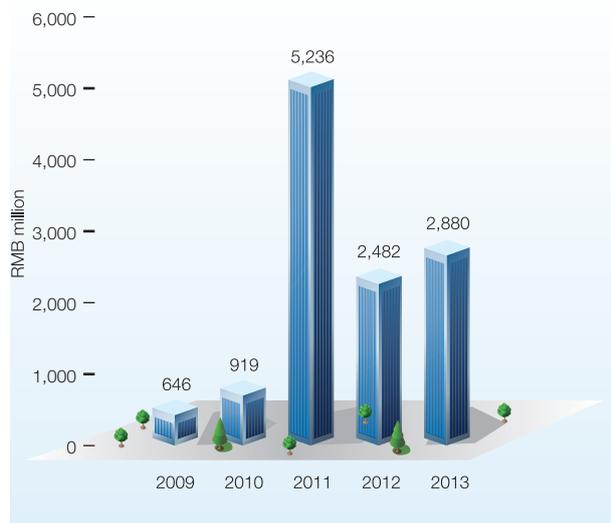
| RMB' 000                              | 2013              | For the year ended 31 December |                     |           |                     |
|---------------------------------------|-------------------|--------------------------------|---------------------|-----------|---------------------|
|                                       |                   | 2012                           | 2011<br>As restated | 2010      | 2009<br>As restated |
| Revenue                               | <b>14,208,873</b> | 8,119,945                      | 9,569,006           | 5,633,963 | 4,670,531           |
| Gross profit                          | <b>4,104,453</b>  | 3,857,881                      | 4,004,094           | 1,881,263 | 1,633,903           |
| Profit attributable to equity holders |                   |                                |                     |           |                     |
| – from continuing operations          | <b>2,880,343</b>  | 2,481,834                      | 5,235,666           | 918,840   | 646,013             |
| Basic earnings per share              |                   |                                |                     |           |                     |
| – from continuing operations (RMB)    | <b>0.3094</b>     | 0.2672                         | 0.5640              | 0.1228    | 0.0906              |

## BALANCE SHEET HIGHLIGHTS

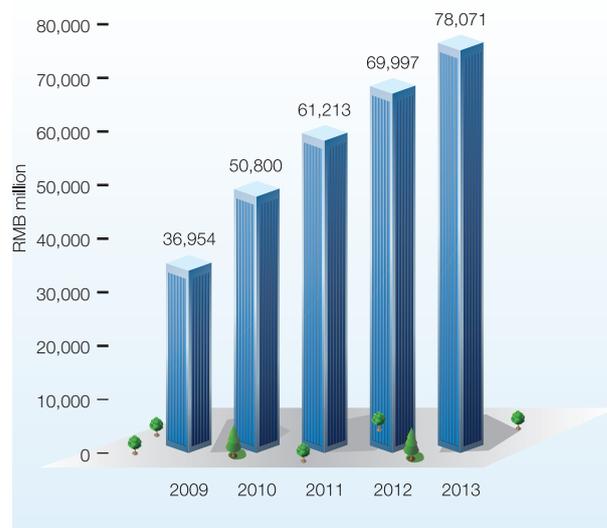
| RMB' 000  | 2013              | As of 31 December |                     |                     |                     |
|---|-------------------|-------------------|---------------------|---------------------|---------------------|
|   |                   | 2012              | 2011<br>As restated | 2010<br>As restated | 2009<br>As restated |
| Total cash (including cash, cash equivalents and charged bank deposits) | <b>8,374,233</b>  | 9,263,401         | 6,127,658           | 7,472,712           | 6,173,115           |
| Total assets  | <b>78,070,648</b> | 69,996,933        | 61,213,284          | 50,799,557          | 36,953,836          |
| Total assets less current liabilities                                   | <b>46,280,399</b> | 42,440,452        | 37,854,687          | 31,477,818          | 25,954,199          |
| Shareholders' equity  | <b>24,175,205</b> | 22,158,140        | 20,186,647          | 15,662,746          | 12,075,749          |
| Shareholders' equity per share (RMB)                                    | <b>2.593</b>      | 2.383             | 2.174               | 1.708               | 1.692               |



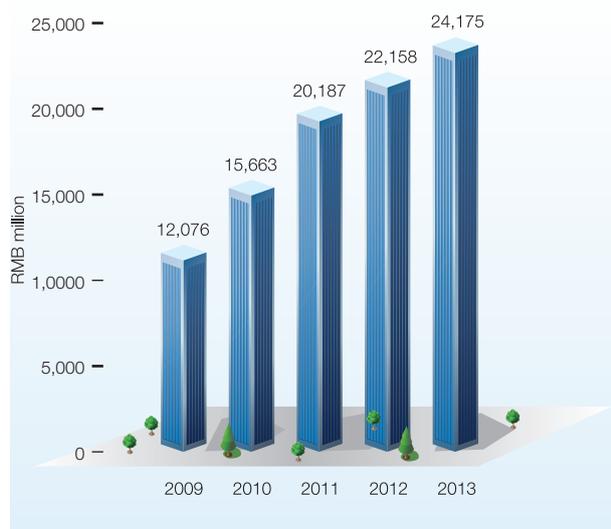
### Profit Attributable to Equity Holders – from continuing operations



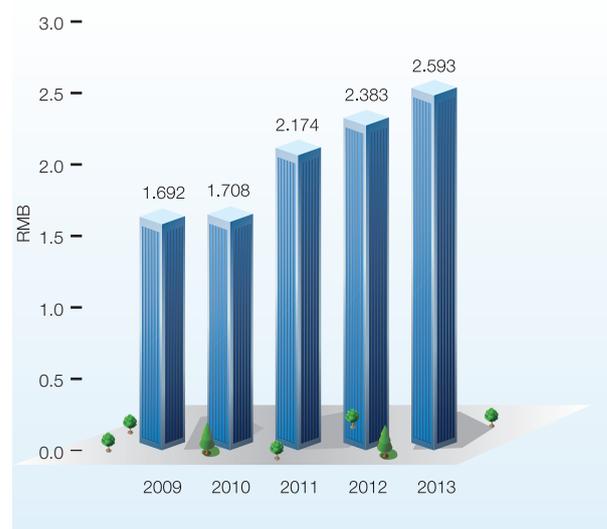
### Total Assets



### Shareholders' Equity



### Shareholders' Equity Per Share



# KEY EVENTS OF THE YEAR

The Group acquired a parcel of commercial land in Jianggan District, Hangzhou City through the innovative mode partnered with an investment fund for the first time, which demonstrated the Group's proactive engagement in diversified development models.

Guangzhou Fortune Center, located in Zhujiang New Town of Guangzhou City, is another international Grade-A office building under the Group following Guangzhou International Finance Center, and its topping up for the main structure was completed in June.



The Group successfully issued a fixed-rate US\$350 million 5-year bond and a US\$500 million 10-year bond for the first time, with coupon rates at 3.25% and 4.5% respectively. The issued bonds and the Group were granted the ratings of "BBB-" and "Baa3" by international rating agencies Fitch and Moody's respectively.



Yuexiu Property Research Institute was officially established, marking an important move of the Group in integrating industrial chain resources and increasing product and market competitiveness.



The Group acquired a parcel of residential land in Nanzhou Road, Haizhu District, Guangzhou for a total consideration of RMB2.461 billion, which further strengthened its strategic position and brand advantage in Guangzhou.

JAN

FEB

MAR

APRIL

MAY

JUNE

Mr. Zhang Zhaoxing, Chairman of the Group (formerly Vice Chairman and General Manager of the Group), was duly elected as a deputy of the 12th National People's Congress of the People's Republic of China.



The Group won the award of "Star of 2013 China Top 100 Real Estate Developers" jointly granted by the three research institutes of the Enterprise Research Institute under the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy.

The Group initiated two luxury residential developments in Hong Kong, "16 Tsing Tai Road" in West New Territories and "279 Prince Edward Road" in Kowloon, in April and September, respectively, marking a new move of the Group in constantly and actively promoting property developments in Hong Kong.





Mr. Lu Zhifeng resigned as Chairman of the Group due to retirement and Mr. Zhang Zhaoxing was appointed Chairman of the Group. Mr. Zhu Chunxiu was appointed Vice Chairman of the Group. The Group successfully completed the change to a new management team and started a new journey.

The Group was honored with the "Outstanding Chinese Property Developer Award 2013" by Economic Digest for the fifth consecutive year.



The Group acquired a parcel of land in Jingwu Road, Jiangnan District, Wuhan City with the total consideration of RMB9.01 billion through the joint venture with an investment fund, and continued to consolidated the strategic layout of "home base in Guangzhou and strategic expansion nationwide".



The world's highest building ascent challenge – the first Guangzhou International Finance Center National Ascent Challenge (廣州國際金融中心全國登高挑戰賽) was successfully held to celebrate the 30th anniversary of the establishment of the Group and advocate the green lifestyle of sports for all.

The Group was awarded "The Excellence of Listed Enterprise Award 2013" by Capital Weekly for the third consecutive year.

JULY

Guangzhou Fortune World Plaza, a large-scale whole-sale shopping mall with the main theme as an international center for shoes and leather goods, was officially opened, representing an important step in expanding the development of commercial properties by the Group.



AUG

SEP

The Group was awarded the "Corporate Governance Gold Award 2013" by "The Asset" Magazine, which fully demonstrated the Group's excellent performance in corporate governance. The Group's annual report for 2012 was also awarded the two international awards of "International ARC Awards – Honors Award – Financial Data" and the "MERCURY Excellence Award – Silver – Property Developments Category".

Guangzhou International Finance Center developed by the Group was awarded the "China Construction Engineering Luban Prize".

As of the end of 2013, the Group recorded an aggregate contracted sales value of approximately RMB14.634 billion, representing a year-on-year increase of 19.0%. The Group delivered a new record high in sales and achieved the upgraded sales target of RMB14.5 billion.

NOV

DEC



# CHAIRMAN'S STATEMENT





# CHAIRMAN'S STATEMENT

In 2013, by adhering to the objectives of “making steady progress with quality enhancement, facilitating development through innovative transformation” and the main theme of “three ensurings, three breakthroughs and three deepenings”, the Group successfully achieved numerous operating targets set at the beginning of the year with satisfactory results. This established a solid foundation for a new round of leap-forward development.



Mr Zhang Zhaoxing  
*Chairman*

## I. BUSINESS REVIEW

### Economic and Market Environment

2013 was the fifth year after the outbreak of the international financial crisis. Although recovery of global economy showed promising signs of an upturn, resistance still remained in sustaining the steady upturn. High unemployment and the gradual withdrawal of economic stimulus policies increased uncertainty and risk of economic recovery in developed countries. Although the economic growth of emerging markets and developing countries remained higher than developed countries, the growth had slowed down evidently, an indication of restructuring and optimizing their economic and industrial structures.

The Third Plenary Session of the 18th Central Committee of China's Communist Party issued development guidance to "comprehensively deepening reforms", the central government stabilized economic growth, optimized economic structure and facilitated reform through a series of measures and policies, which aimed at achieving stable and rapid growth in China's economy. The economic growth for 2013 was 7.7% in China, although higher than that of developed countries and emerging markets, had slowed down from double-digit to single-digit, which meant the central government put more focus on "quality" than "quantity".

In 2013, the central government still implemented numerous restrictive measures in the property market, but the regulatory focus was "facilitating the healthy and stable development of the property sector". As the demand of property market was robust, the property market recorded increases in both volume and price. According to the statistics released by the National Bureau of Statistics, the sales value, sales GFA and the selling price of commodity housing increased 26.3%, 17.3% and 7.7% respectively on a year-on-year basis.

### Operating Results Reached Another New Record High

In 2013, by adhering to the objectives of "making steady progress with quality enhancement, facilitating development through innovative transformation" and the main theme of "three ensurings, three breakthroughs and three deepenings", the Group successfully achieved numerous operating targets set at the beginning of the year with satisfactory results. This established a solid foundation for a new round of leap-forward development.

In 2013, the Group realized revenue of approximately RMB14,209 million, representing a year-on-year increase of 75.0%. Total revenue (including revenue from disposal of investment properties) was approximately RMB14,573 million, representing a year-on-year increase of 62.3%. As a result of the changes in product mix and geographic composition, the gross profit margin decreased to 28.9%, but still at par within the sector. Profit attributable to equity holders was approximately RMB2,880 million, representing a year-on-year increase of 16.1%. Basic earnings per share was approximately RMB0.3094, representing a year-on-year increase of 15.8%. Core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax impact and negative goodwill\*) was approximately RMB1,540 million, representing a year-on-year increase of 28.8%.

The Board proposed to declare a final dividend for 2013 of HK\$0.035 per share, which is equivalent to approximately RMB0.027 per share, together with the interim dividend of HK\$0.049 per share which was equivalent to approximately RMB0.039 per share, total dividends for the year ended 31 December 2013 will be HK\$0.084 per share which is equivalent to approximately RMB0.066 per share, representing 40% of the profit attributable to equity holders excluding fair value gains on revaluation of the investment properties and the related tax impact and negative goodwill per share.

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

## CHAIRMAN'S STATEMENT

### Property Sales Achieved Steady Growth

In 2013, the Group achieved steady growth in property sales with diversified sales strategies such as enhancing competitiveness and innovating marketing channels and mechanisms. The Group recorded aggregated contracted sales value of approximately RMB14,634 million and aggregate contracted sales GFA of approximately 1,155,200 sq.m., representing year-on-year increases of 19.0% and 11.6% respectively. As the sales performance was ahead of expectation, the Group upgraded the full-year sales target from RMB13,200 million to RMB14,500 million for the first time and the upgraded target was also accomplished successfully.

In addition, the Group delivered a new record high in the scale of sales for 2013. The Group's layout of "multiple-region support" was further strengthened. Eight of the twelve cities where the Group has presence delivered sales in 2013, including Guangzhou, Jiangmen, Zhongshan, Wuhan, Hangzhou, Kunshan, Shenyang and Yantai, which reduced policy and market risks in any single city and provided a strong base for the further expansion of the scale of sales.

### New Breakthroughs in Financing Channels

In January 2013, the Group successfully issued a fixed-rate US\$350 million 5-year bond and a fixed-rate US\$500 million 10-year bond for the first time, with coupon rates at 3.25% and 4.5% respectively. This issuance brought multiple benefits to the Group by diversifying funding channels, lowering funding cost and optimizing the tenor and maturity profile of the debt portfolio. The issued bonds and the Group were granted the ratings of "BBB-" and "Baa3" by international rating agencies Fitch and Moody's respectively, and the Group became one of the few Hong Kong listed domestic property developers with investment-grade ratings granted by these two rating agencies.

Furthermore, the Group also maximized the advantage of offshore capital markets with relatively low costs with a modest increase in offshore bank borrowings. As at the end of 2013, the ratio of onshore and offshore borrowings of the Group was adjusted to 43:57. The combined utilization of diversified financing channels further reduced financing costs, the average funding costs in 2013 decreased to 5.59%.

### A Nationwide Layout Solidified by the Innovative Development Model of Cooperation

In 2013, the Group also proactively engaged in diversified development models and partnered with an investment fund for the first time. Through effective resource integration with an aim of yielding complementary advantage, this model significantly enhanced the Group's financial flexibility. In addition, the model enabled the gearing ratio to be kept at a low level while allowing the Group to expand in scale at a faster rate. As a result, following the strategic orientation of "return to Tier 1 and Tier 2", the Group acquired 7 parcels of land in 4 cities which were Guangzhou, Hangzhou, Foshan and Wuhan, with a total consideration of approximately RMB20,124 million, and the total GFA was approximately 2.75 million sq.m., of which 4 of the land parcels were acquired through the innovative mode of cooperation, the land premium payable by the Group was only approximately RMB5,817 million.

As of the end of 2013, total landbank of the Group was approximately 15.26 million sq.m.. In terms of the attributable interest, the Group's landbank was approximately 12.59 million sq.m.. The Group's landbank had major presence in 12 cities in the Pearl River Delta, the Yangtze River Delta, Bohai Rim Economic Zone and Central China region, showing proven regional presence in the PRC.

### **Constant Reinforcing of Two Platforms**

The Group strived to enhance its commercial operating capabilities, effective operation were realized in commercial properties and commercial projects were commenced orderly. The leasing of Guangzhou Fortune World Plaza was conducted smoothly and the property was officially opened for business on 14 August 2013. Current contracted occupancy rate was 93%, which laid a solid foundation for the further implementation of the Group's development strategy of "DOS" (Development + Operation + Securitization). In addition, another key commercial property of the Group, Guangzhou Fortune Center, is progressing well and its topping up ceremony for the main structure took place on 19 June 2013. Leasing has commenced earlier than expected with smooth progress. Operating results of Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), an associated entity of the Group, also delivered stable growth in 2013. Six properties under Yuexiu REIT achieved an overall occupancy rate of approximately 92.6%, among which, the overall occupancy rate of Guangzhou IFC was approximately 88.0%, the office occupancy rate of which also reached 85.4%, a sharp increase of 15.2 percentage points above that at the end of 2012.

Meanwhile, the research and development platform of the Group continued to optimize its operation, with the initial set-up of the "product line system", the R&D capability was strengthened and the pace of standardization was accelerated. Moreover, the Group has also extended a number of R&D results into practical application and the standardization research results were applied in the construction of a number of projects, achieving effective cost-reduction.

### **Establishing Two-way Communication Channels with Capital Market**

In 2013, the Group continued to work on improving investor relations, enabling timely and effective communication with investors and analysts while allowing the middle and senior management of the Group to get a deeper understanding of the capital market. Thus, two-way communication channels between the Company and the capital market were established, through which shareholders and investors can gain more knowledge of the operation and development of the Company on the one hand, and give opinions on the capital market as reference for the management to formulate future operating strategies, on the other hand.

This effort and focus has also been confirmed and recognized by the capital market, with the reputation of our corporate brand continuing to strengthen. The Group was awarded the "Corporate Governance Gold Award", "The Outstanding China Property Developers Award 2013" and "Outstanding Listed Company Award" by "The Asset" Magazine, Economic Digest, and The Hong Kong Institute of Financial Analyst and Professional Commentators Limited, respectively. In addition, the Group was also granted the award of "2013 Outstanding Capital Financing Project in China" by the "Capital" magazine in respect of the successful transaction of the Guangzhou IFC. Further, the Group's annual report for 2012 was awarded the International ARC Awards — Honors Award — Financial Data.

## CHAIRMAN'S STATEMENT

### II. BUSINESS OUTLOOK

In 2014, recovery of global economies still remain uncertain, the central government announced the PRC's economic growth goal for 2014 at about 7.5% at the second meeting of the Twelfth CPC National People's Congress of the PRC. The economy of China will still maintain a relatively strong growth. In the working report of the Central Government submitted to the Twelfth CPC National People's Congress, it was pointed out that improving the housing supportive mechanism would be taken as one of the coordinated tasks for supporting and improving the livelihood of ordinary citizens, and will explicitly "target at different situations of various cities with different categories of regulatory measures, increase the number of small and medium size commodity housing units and the supply of joint ownership housing, suppress the speculative and investment demand, and facilitate the sustainable and healthy development of the property market". Meanwhile, with the gradual relaxation on one-child policy and the progress of new urbanization, it will have positive effect on the upward development of the property sector. However, the domestic liquidity problem is significant, the onshore funding cost is rising under the impact of various factors such as internet banking and interest rate marketization reform and the central government has speeded up the legislation process of the regulatory measures such as property tax. Overall, opportunities coexist with challenges for the China property market in 2014.

In such market condition, the Group will continue to maintain a sense of urgency for development and adhere to the objective of "enhancing strengths through reform and innovation, facilitating forward-leaping development through transformation and upgrade" by focusing on the main theme for the year of "three ensurings, three acceleratings and three strengthenings" to drive the performance of the Group in 2014.

#### Three Ensurings to Achieve Steady Growth

**Ensuring the steady improvement of operating results and operating quality.** As the Group has continuously increased its high quality landbank and speeded up the development of its projects, the Group has sufficient sellable resources, which provide a strong guarantee for the sustainable growth of the operating results in coming few years. As a result, based on the Group's operational condition and the development of the property market, the Group has set its sales target for 2014 at RMB22 billion, representing a 50% increase as compared to the aggregate value of contracted sales of RMB14.634 billion recorded in 2013.

**Ensuring Moderate Expansion.** The Group will continue to adopt the development mode of "deepening regional footholds" to expand its development in cities or regions in which the Group has footprints and leverage on its advantageous resources to focus on its development in Tier 1 and Tier 2 cities with a high population density, a wide industry market and a huge property market potential, and increase the landbank as appropriate according to the principle of "expenditure depends on available capital".

**Ensuring reliable financing for sustained development.** The Group will pre-arrange financing in response to changes in the macro environment to continuously expand financing channels. The Company will select the most suitable and cost-effective ways to source funding for the expansion of its businesses, ensuring that the Company's development is backed by reliable financing. In addition, the Group will treat the requirements set forth by the rating agencies as a primary factor in its development and strategic planning and endeavor to maintain the investment-grade ratings.

#### Three Acceleratings to Promote Transformation and Upgrade

**Accelerating exploration of merger and acquisition models to make leap-forward breakthroughs.** Following the strategic cooperation with other prominent developers to develop projects in 2012 and the debut cooperation with an investment fund to acquire land in 2013, the Group will continue to explore new approaches to develop projects by seeking strategic partners, so as to achieve leapfrog development.

**Accelerating innovation of business models to build differentiated core competitiveness.** The Group will proactively develop business models such as real estate financing and joint development. As regard land acquisition at the preliminary stage, it will enhance cooperation with the investment fund to establish a sustainable long-term joint operation model. As regard the operation of commercial projects at the final stage, it will improve interaction with Yuexiu REIT through two platforms, with the aim of further implementing the development strategy of “DOS” (Development + Operation + Securitization). In addition, the Group will continue to expand the channels for joint cooperation through strong partnership so that operating efficiency can be effectively increased.

**Accelerating optimisation of resources allocation to increase resources allocation efficiency.** The Group will analyze factors that affect cooperation with the investment fund to optimize and reinforce the model for cooperating with the investment fund. In addition to that, the Group will undertake further research into the resources available to the parent company and strengthen strategic cooperation with other subsidiaries of the parent company, to effectively increase the operating efficiency of the Company.

### Three Strengthenings to Promote Innovation

**Strengthening management of human resources management with the establishment of market-oriented employment mechanisms.** The Group will expedite the implementation of the management system for professional managers, with a further improvement in personnel selection, employment and training as well as reward and punishment systems. Remuneration systems, assessment systems and reward and punishment systems in line with market shall be formulated for implementation to facilitate the Group’s accelerated development.

**Strengthening comprehensive risk control to ensure sustainable growth.** The Group will review and improve its internal risk control and audit supervision systems, intensify audit on the value-added business, and make full use of the advisory function of internal audit. Meanwhile, the Group will impose stricter control over legal risks and potential risks underlying production safety, ensuring production to be carried out in a safe and orderly manner.

**Strengthening construction of value-creating headquarters to continuously improve control over project companies.** The Group will review and appraise the existing control systems to ensure that each function of the headquarters has clearer duties and responsibilities with the optimization of the power and responsibility system. Moreover, the Group will strengthen management throughout the process of project investment, normalize management mechanisms as well as assessment systems and reward and punishment systems. As such, centralized coordination for project companies’ land acquisition at the preliminary stage and operations at the later stage will be achieved gradually, thus improving the operating efficiency of projects.

## 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*

# MANAGEMENT DISCUSSION AND ANALYSIS





# MANAGEMENT DISCUSSION AND ANALYSIS

## REVENUE AND GROSS PROFIT

In 2013, the Group realized revenue of approximately RMB14,209 million (2012: RMB8,120 million), representing a year-on-year increase of 75.0%. The total revenue (including proceeds from sales of investment properties) was approximately RMB14,573 million (2012: RMB8,976 million), representing a year-on-year increase of 62.3%. The gross profit was approximately RMB4,104 million (2012: RMB3,858 million), representing a year-on-year increase of 6.4%, and the gross profit margin reached approximately 28.9%, representing a year-on-year decrease of 18.6 percentage points, mainly due to the difference of product mix and geographic composition, specifically more commercial properties with high gross margin were recognized in 2012. Moreover, margins was affected in the period on booking of lower-margin projects being sold during the market downturn and initial phases of newly launched projects.

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2013, profit attributable to equity holders of the Group was approximately RMB2,880 million (2012: RMB2,482 million), representing a year-on-year increase of 16.1%, due to fair value gains being recorded in respect of Guangzhou Fortune World Plaza in 2013. The core net profit excluding fair value gains on revaluation of investment properties and the related tax impact and negative goodwill was approximately RMB1,540 million (2012: RMB1,196 million), representing a year-on-year increase of 28.8%.

## CONTRACTED SALES

In 2013, the Group recorded an aggregate contracted sales value of approximately RMB14,634 million with an aggregate contracted sales GFA of approximately 1,155,200 sq.m., representing year-on-year increases of 19.0% and 11.6% respectively, which achieved approximately 100.9% and 97.1% of the full-year sales targets of RMB14,500 million and 1,190,000 sq.m. respectively. The average selling price was approximately RMB12,700 per sq.m., representing a year-on-year increase of 6.7%, due to the price increase in some projects and the introduction of new projects with relatively high average selling prices during 2013. As of the end of 2013, the Group had a total of 29 projects for sale, of which 7 were projects newly introduced in the year, being Guangzhou Lingnan Hillside, Guangzhou Lingnan Villas, Conghua Glade Greenland, Kunshan Paradiso Pavilion, Wuhan Starry Palace, Shenyang Starry Blue Sea and Yantai Starry Golden Sands.

Contracted sales are summarized as follows:

| No.   | Project  | Type                 | GFA<br>(sq.m.)   | Value<br>(RMB mil) | ASP<br>(RMB/sq.m.) |
|---|--|----------------------|------------------|--------------------|--------------------|
| 1   | Guangzhou Starry Winking   | Residential, parking | 1,100            | 44                 | 40,000             |
| 2   | Guangzhou Fortune Century Square   | Commercial           | 10,900           | 377                | 34,600             |
| 3   | Guangzhou Jiang Nan New Mansion  | Residential, parking | 13,300           | 381                | 28,600             |
| 4   | Guangzhou Paradiso Garden  | Residential          | 1,900            | 54                 | 28,400             |
| 5   | Guangzhou Paradiso Courtyard   | Residential          | 4,400            | 95                 | 21,600             |
| 6   | Guangzhou Lingnan Riverside/<br>Guangzhou Fortune Apartment              | Commercial           | 4,900            | 263                | 53,700             |
| 7   | Guangzhou Starry Golden Sands  | Residential          | 44,800           | 739                | 16,500             |
| 8   | Guangzhou Starry Wenhua  | Residential          | 43,500           | 1,033              | 23,700             |
| 9   | Guangzhou Starry Wenhua  | Residential          | 40,800           | 868                | 21,300             |
| 10  | Guangzhou Starry Wenyu   | Residential          | 38,200           | 858                | 22,500             |
| 11  | Guangzhou Paradiso Riverside   | Residential          | 77,500           | 1,108              | 14,300             |
| 12  | Guangzhou Paradiso Sunshine  | Residential          | 47,500           | 577                | 12,100             |
| 13  | Southern Le Sand   | Residential          | 176,900          | 1,785              | 10,100             |
| 14  | Huadu Glade Greenland  | Residential          | 15,800           | 118                | 7,500              |
| 15  | Guangzhou Lingnan Hillside   | Residential          | 79,900           | 1,471              | 18,400             |
| 16  | Guangzhou Lingnan Villas   | Residential          | 1,400            | 23                 | 16,400             |
| 17  | Conghua Glade Greenland  | Residential          | 34,100           | 206                | 6,000              |
| 18  | Conghua Glade Village  | Residential          | 4,100            | 50                 | 12,200             |
|   | Other projects   | N/A                  | 29,400           | 528                | 18,000             |
| <b>Subtotal (Guangzhou)</b>                       |  |                      | <b>670,600</b>   | <b>10,578</b>      | <b>15,800</b>      |
| 19  | Jiangmen Starry Regal Court  | Residential          | 102,200          | 699                | 6,800              |
| 20  | Zhongshan Starry Winking   | Residential          | 60,000           | 419                | 7,000              |
| 21  | Zhongshan Starry Junting   | Residential          | 10,400           | 86                 | 8,300              |
| <b>Subtotal (Pearl River Delta ex. Guangzhou)</b> |  |                      | <b>172,600</b>   | <b>1,204</b>       | <b>7,000</b>       |
| 22  | Hangzhou Starry City   | Residential          | 67,600           | 386                | 5,700              |
| 23  | Kunshan Paradiso Pavilion (formerly<br>known as Kunshan Huaqiao Project) | Residential          | 52,000           | 420                | 8,100              |
| <b>Subtotal (Yangtze River Delta)</b>             |  |                      | <b>119,600</b>   | <b>806</b>         | <b>6,700</b>       |
| 24  | Wuhan Starry Winking   | Residential          | 86,400           | 1,369              | 15,800             |
| 25  | Wuhan Starry Emperor (formerly known<br>as Wuhan Jiang'an Project)       | Residential          | 2,300            | 24                 | 10,400             |
| <b>Subtotal (Central China Region)</b>            |  |                      | <b>88,700</b>    | <b>1,393</b>       | <b>15,700</b>      |
| 26  | Shenyang Yuexiu Hill Lake  | Residential          | 5,300            | 42                 | 7,900              |
| 27  | Shenyang Starry Blue Sea   | Residential          | 20,300           | 151                | 7,400              |
| 28  | Yantai Starry Phoenix  | Residential          | 21,500           | 146                | 6,800              |
| 29  | Yantai Starry Golden Sands   | Residential          | 56,800           | 314                | 5,500              |
| <b>Subtotal (Bohai Rim Economic Zone)</b>         |  |                      | <b>103,900</b>   | <b>653</b>         | <b>6,300</b>       |
| <b>Total</b>                                      |  |                      | <b>1,155,200</b> | <b>14,634</b>      | <b>12,700</b>      |

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the Group's layout of "multiple-region support" was further strengthened. In terms of regional composition, Guangzhou accounted for approximately 72.3% of the aggregated contracted sales value of 2013, Pearl River Delta (excluding Guangzhou) accounted for approximately 8.2%, Yangtze River Delta accounted for approximately 5.5%, Central China Region accounted for approximately 9.5%, and Bohai Rim Economic Zone accounted for approximately 4.5%. In terms of type, residential properties and parking accounted for approximately 90%, commercial properties and others accounted for approximately 10%.

### RECOGNIZED PROPERTIES

In 2013, the recognized sales value (including the sale of investment properties of RMB364 million) and recognized sales GFA (including the sale of investment properties of 20,200 sq.m.) were approximately RMB13,509 million and 938,200 sq.m., representing year-on-year increases of 73.1% and 67.2%, and the average selling price was approximately RMB14,400 per sq.m..

Recognized sales are summarized as follows:

| No. | Project   | Type                 | GFA<br>(sq.m.) | Value<br>(RMB mil) | ASP<br>(RMB/sq.m.) |
|-----|---|----------------------|----------------|--------------------|--------------------|
| 1   | Guangzhou Fortune Century Square                            | Commercial           | 87,200         | 2,567              | 29,400             |
| 2   | Guangzhou Starry Winking                                    | Residential, parking | 2,900          | 115                | 39,700             |
| 3   | Guangzhou Jiang Nan New Mansion                             | Parking              | 13,300         | 380                | 28,600             |
| 4   | Guangzhou Lingnan Riverside/<br>Guangzhou Fortune Apartment | Commercial           | 33,700         | 606                | 18,000             |
| 5   | Guangzhou Starry Golden Sands                               | Residential          | 124,500        | 1,843              | 14,800             |
| 6   | Guangzhou Starry Wenhua                                     | Residential          | 67,100         | 1,438              | 21,400             |
| 7   | Guangzhou Starry Wenhan                                     | Residential          | 93,900         | 1,804              | 19,200             |
| 8   | Guangzhou Starry Wenyu                                      | Residential          | 46,400         | 961                | 20,700             |
| 9   | Guangzhou Paradiso Riverside                                | Residential          | 58,000         | 761                | 13,100             |
| 10  | Southern Le Sand  | Residential          | 103,300        | 701                | 6,800              |
| 11  | Huadu Glade Greenland                                       | Residential          | 23,800         | 175                | 7,400              |
| 12  | Conghua Glade Village                                       | Residential          | 4,000          | 48                 | 12,000             |
|     | Other projects  | N/A                  | 8,000          | 132                | 16,500             |
|     | Investment properties                                       | N/A                  | 20,200         | 364                | 18,000             |
|     | <b>Subtotal (Guangzhou)</b>                                 |                      | <b>686,300</b> | <b>11,895</b>      | <b>17,300</b>      |
| 13  | Jiangmen Starry Regal Court                                 | Residential          | 33,900         | 274                | 8,100              |
| 14  | Zhongshan Starry Winking                                    | Residential          | 117,600        | 686                | 5,800              |
|     | <b>Subtotal (Pearl River Delta ex. Guangzhou)</b>           |                      | <b>151,500</b> | <b>960</b>         | <b>6,300</b>       |
| 15  | Shenyang Yuexiu Hill Lake                                   | Residential          | 4,800          | 37                 | 7,700              |
| 16  | Yantai Starry Phoenix                                       | Residential          | 95,600         | 617                | 6,500              |
|     | <b>Subtotal (Bohai Rim Economic Zone)</b>                   |                      | <b>100,400</b> | <b>654</b>         | <b>6,500</b>       |
|     | <b>Total</b>  |                      | <b>938,200</b> | <b>13,509</b>      | <b>14,400</b>      |

## PROPERTIES SOLD BUT NOT YET RECOGNIZED

As of the end of 2013, the unrecognized sales value amounted to approximately RMB12,914 million, with unrecognized sales GFA of approximately 1,133,400 sq.m., and the average selling price was approximately RMB11,400 per sq.m.. Of the unrecognized sales value, approximately RMB8,795 million is expected to be recognized in 2014.

Properties sold but not yet recognized are summarized as follows:

| No.   | Project  | Type                 | GFA<br>(sq.m.)   | Value<br>(RMB mil) | ASP<br>(RMB/sq.m.) |
|---|--|----------------------|------------------|--------------------|--------------------|
| 1   | Guangzhou Fortune Century Square   | Commercial           | 2,000            | 55                 | 27,500             |
| 2   | Guangzhou Starry Winking   | Residential, parking | 700              | 35                 | 50,000             |
| 3   | Guangzhou Jiang Nan New Mansion  | Commercial           | 3,500            | 63                 | 18,000             |
| 4   | Guangzhou Paradiso Garden  | Residential          | 19,600           | 498                | 25,400             |
| 5   | Guangzhou Paradiso Courtyard   | Residential          | 4,400            | 95                 | 21,600             |
| 6   | Guangzhou Lingnan Riverside/<br>Guangzhou Fortune Apartment              | Commercial           | 51,200           | 1,156              | 22,600             |
| 7   | Guangzhou Starry Golden Sands  | Residential          | 9,300            | 166                | 17,800             |
| 8   | Guangzhou Starry Wenhua  | Residential          | 29,900           | 692                | 23,100             |
| 9   | Guangzhou Starry Wenhua  | Residential          | 9,800            | 197                | 20,100             |
| 10  | Guangzhou Starry Wenyu   | Residential          | 6,400            | 152                | 23,800             |
| 11  | Guangzhou Paradiso Riverside   | Residential          | 51,900           | 746                | 14,400             |
| 12  | Guangzhou Paradiso Sunshine  | Residential          | 73,800           | 877                | 11,900             |
| 13  | Southern Le Sand   | Residential          | 199,800          | 2,006              | 10,000             |
| 14  | Guangzhou Lingnan Hillside   | Residential          | 79,900           | 1,471              | 18,400             |
| 15  | Guangzhou Lingnan Villas   | Residential          | 1,400            | 23                 | 16,400             |
| 16  | Huadu Glade Greenland  | Residential          | 2,700            | 16                 | 5,900              |
| 17  | Conghua Glade Village  | Residential          | 100              | 1                  | 10,000             |
| 18  | Conghua Glade Greenland  | Residential          | 34,100           | 206                | 6,000              |
|   | Other projects   | N/A                  | 21,400           | 243                | 11,400             |
| <b>Subtotal (Guangzhou)</b>                       |  |                      | <b>601,900</b>   | <b>8,698</b>       | <b>14,500</b>      |
| 19  | Jiangmen Starry Regal Court  | Residential          | 77,800           | 486                | 6,200              |
| 20  | Zhongshan Starry Winking   | Residential          | 43,300           | 294                | 6,800              |
| 21  | Zhongshan Starry Junting   | Residential          | 10,400           | 86                 | 8,300              |
| <b>Subtotal (Pearl River Delta ex. Guangzhou)</b> |  |                      | <b>131,500</b>   | <b>866</b>         | <b>6,600</b>       |
| 22  | Hangzhou Starry City   | Residential          | 166,100          | 887                | 5,300              |
| 23  | Kunshan Paradiso Pavilion (formerly<br>known as Kunshan Huaqiao Project) | Residential          | 52,000           | 420                | 8,100              |
| <b>Subtotal (Yangtze River Delta)</b>             |  |                      | <b>218,100</b>   | <b>1,307</b>       | <b>6,000</b>       |
| 24  | Wuhan Starry Winking   | Residential          | 94,600           | 1,488              | 15,700             |
| 25  | Wuhan Starry Emperor (formerly known<br>as Wuhan Jiang'an Project)       | Residential          | 2,300            | 24                 | 10,400             |
| <b>Subtotal (Central China Region)</b>            |  |                      | <b>96,900</b>    | <b>1,512</b>       | <b>15,600</b>      |
| 26  | Shenyang Yuexiu Hill Lake  | Residential          | 5,200            | 47                 | 9,000              |
| 27  | Shenyang Starry Blue Sea   | Residential          | 20,300           | 151                | 7,400              |
| 28  | Yantai Starry Phoenix  | Residential          | 2,700            | 19                 | 7,000              |
| 29  | Yantai Starry Golden Sands   | Residential          | 56,800           | 314                | 5,500              |
| <b>Subtotal (Bohai Rim Economic Zone)</b>         |  |                      | <b>85,000</b>    | <b>531</b>         | <b>6,200</b>       |
| <b>Total</b>                                      |  |                      | <b>1,133,400</b> | <b>12,914</b>      | <b>11,400</b>      |

## MANAGEMENT DISCUSSION AND ANALYSIS

### LANDBANK

In 2013, the Group acquired 7 parcels of land with total GFA of approximately 2,745,300 sq.m. in Guangzhou, Hangzhou, Foshan and Wuhan. The total consideration was approximately RMB20,124 million.

The land acquisitions in 2013 are summarized as follows:

| No.          | Project  | Equity holding | Site area<br>(sq.m.) | GFA<br>(sq.m.)   | Total<br>consideration<br>(RMB mil) |
|--------------|--|----------------|----------------------|------------------|-------------------------------------|
| 1            | Hangzhou Lin'an Land Phase IV                    | 100%           | 161,600              | 386,100          | 339                                 |
| 2            | Guangzhou Haizhu Nanzhou Road Land               | 95.48%         | 42,700               | 152,600          | 2,461                               |
| 3            | Hangzhou Yuhang Shangyuan Road Land              | 100%           | 67,000               | 227,200          | 1,608                               |
| 4            | Hangzhou Jianggan Sanbao Land                    | 20%            | 12,300               | 63,800           | 584                                 |
| 5            | Foshan Chancheng Tongji Road Land                | 19%            | 56,000               | 299,200          | 1,772                               |
| 6            | Wuhan Jiangnan Jingwu Road Land                  | 7.6%           | 189,500              | 950,000          | 9,010                               |
| 7            | Guangzhou Luogang Yunpu Industrial District Land | 4.77%          | 147,200              | 666,400          | 4,350                               |
| <b>Total</b> |  |                | <b>676,300</b>       | <b>2,745,300</b> | <b>20,124</b>                       |

As of the end of 2013, the landbank of the Group reached approximately 15.26 million sq.m. with a total of 40 projects in 12 cities in the PRC with an improved balance between the regions, each of which continue to ameliorate its ability to support future growth in scale. In terms of the attributable interest, the Group's landbank was approximately 12.59 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 37.6% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 15.2%, Bohai Rim Economic Zone accounted for approximately 13.4%, Yangtze River Delta accounted for approximately 18.1%, the Central China Region accounted for approximately 14.5%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.5%. In terms of product mix, residential properties accounted for approximately 57.9% and commercial properties and others accounted for approximately 42.1%.

Landbank by the stage of development is summarized as follows:

| No. | Project   | Equity holding | Landbank<br>GFA<br>(sq.m.) | Properties<br>under<br>development<br>GFA<br>(sq.m.) | Properties<br>for future<br>development<br>GFA<br>(sq.m.) |
|-----|---|----------------|----------------------------|--|---|
| 1   | 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 Garden   | 95%            | 25,600                     | 25,600   | —   |
| 5   | Guangzhou Paradiso Courtyard  | 95%            | 9,600                      | 9,600  | —   |
| 6   | Guangzhou Haizhu Nanzhou Road Project   | 95.48%         | 152,600                    | —  | 152,600   |
| 7   | Guangzhou Fortune Apartment   | 99.06%         | 53,000                     | 53,000   | —   |
| 8   | Guangzhou Starry Golden Sands   | 100%           | 205,300                    | 205,300  | —   |
| 9   | Guangzhou Starry Wenhua   | 95%            | 40,000                     | 40,000   | —   |
| 10  | Guangzhou Paradiso Riverside  | 95%            | 305,000                    | 305,000  | —   |
| 11  | Guangzhou Paradiso Sunshine   | 95%            | 134,000                    | 134,000  | —   |
| 12  | Southern Le Sand  | 95.48%         | 2,286,100                  | 958,000  | 1,328,100   |
| 13  | Guangzhou Lingnan Hillside  | 95%            | 323,400                    | 323,400  | —   |
| 14  | Guangzhou Lingnan Villas  | 95.48%         | 325,000                    | 325,000  | —   |
| 15  | Guangzhou Lingnan Wood (formerly<br>known as Luogang Changling<br>Road Project)     | 47.74%         | 446,200                    | 446,200  | —   |
| 16  | Guangzhou Luogang Yunpu Industrial<br>District Project                              | 4.77%          | 666,400                    | —  | 666,400   |
| 17  | Conghua Glade Greenland   | 95.48%         | 188,700                    | 188,700  | —   |
|     | Other projects  | N/A            | 103,800                    | 43,700   | 60,100  |
|     | <b>Subtotal (Guangzhou)</b>   |                | <b>5,743,100</b>           | <b>3,535,900</b>                                     | <b>2,207,200</b>  |
| 18  | Jiangmen Starry Regal Court   | 95%            | 390,400                    | 331,100  | 59,300  |
| 19  | Zhongshan Starry Winking  | 95%            | 283,000                    | 137,300  | 145,700   |
| 20  | Zhongshan Starry Junting  | 100%           | 152,700                    | 152,700  | —   |
| 21  | Zhongshan Starry Peakfield (formerly<br>known as Zhongshan Bo'ai Road<br>Project)   | 95%            | 478,700                    | 113,000  | 365,700   |
| 22  | Zhongshan Paradiso Jadin (formerly<br>known as Zhongshan Dongsheng Town<br>Project) | 100%           | 427,300                    | 130,600  | 296,700   |
| 23  | Nanhai Starry Winking   | 95%            | 290,700                    | 290,700  | —   |
| 24  | Foshan Chancheng Tongji Road Project  | 19%            | 299,200                    | 277,700  | 21,500  |
|     | <b>Subtotal (Pearl River Delta ex.<br/>Guangzhou)</b>                               |                | <b>2,322,000</b>           | <b>1,433,100</b>                                     | <b>888,900</b>  |

## MANAGEMENT DISCUSSION AND ANALYSIS

| No.                                       | Project  | Equity holding | Landbank<br>GFA<br>(sq.m.) | Properties<br>under<br>development<br>GFA<br>(sq.m.) | Properties<br>for future<br>development<br>GFA<br>(sq.m.) |
|---|--|----------------|----------------------------|--|---|
| 25  | Shenyang Yuexiu Hill Lake  | 99.95%         | 290,700                    | 20,800   | 269,900   |
| 26  | Shenyang Starry Winking (formerly known as Shenyang Nanta Street Project)            | 100%           | 519,900                    | 175,500  | 344,400   |
| 27  | Shenyang Starry Blue Sea   | 100%           | 181,300                    | 170,000  | 11,300  |
| 28  | Yantai Starry Golden Sands   | 100%           | 589,900                    | 195,200  | 394,700   |
| 29  | Qingdao Starry Blue Bay (formerly known as Qingdao Licang Project)                   | 100%           | 466,400                    | 215,800  | 250,600   |
| <b>Subtotal (Bohai Rim Economic Zone)</b> |  |                | <b>2,048,200</b>           | <b>777,300</b>                                       | <b>1,270,900</b>  |
| 30  | Hangzhou Starry City   | 100%           | 1,920,800                  | 595,100  | 1,325,700   |
| 31  | Hangzhou Starry Gathering (formerly known as Hangzhou Yuhang Shangyuan Road Project) | 100%           | 227,200                    | 129,100  | 98,100  |
| 32  | Hangzhou Jiangnan Sanbao Project   | 20%            | 63,800                     | —  | 63,800  |
| 33  | Kunshan Paradiso Pavilion (formerly known as Kunshan Huaqiao Project)                | 48.45%         | 549,000                    | 175,000  | 374,000   |
| <b>Subtotal (Yangtze River Delta)</b>     |  |                | <b>2,760,800</b>           | <b>899,200</b>                                       | <b>1,861,600</b>  |
| 34  | Wuhan Starry Winking   | 100%           | 661,500                    | 661,500  | —   |
| 35  | Wuhan Starry Emperor (formerly known as Wuhan Jiang'an Project)                      | 95.48%         | 604,100                    | 414,100  | 190,000   |
| 36  | Wuhan Jiangnan Jingwu Road Project   | 7.6%           | 950,000                    | —  | 950,000   |
| <b>Subtotal (Central China Region)</b>    |  |                | <b>2,215,600</b>           | <b>1,075,600</b>                                     | <b>1,140,000</b>  |
| 37  | Hainan Simapo Island Project   | 47.50%         | 98,000                     | —  | 98,000  |
| <b>Subtotal (PRC)</b>                     |  |                | <b>15,187,700</b>          | <b>7,721,100</b>                                     | <b>7,466,600</b>  |
| 38  | Hong Kong Yau Tong Project   | 100%           | 70,500                     | —  | 70,500  |
| 39  | Hong Kong Treasure Court Project   | 100%           | 900                        | 900  | —   |
| 40  | Hong Kong Prince Edward Road Project   | 100%           | 3,800                      | 3,800  | —   |
| <b>Subtotal (Hong Kong)</b>               |  |                | <b>75,200</b>              | <b>4,700</b>   | <b>70,500</b>   |
| <b>Total</b>                              |  |                | <b>15,262,900</b>          | <b>7,725,800</b>                                     | <b>7,537,100</b>  |

## PROGRESS OF CONSTRUCTION

In recent years, the Group has been striving to augment its development and construction capabilities and shorten the development cycle of projects. Through strengthening control over and management of various points in newly-acquired projects in 2013, starting at an early stage and accelerating design, facilitating standardized application, the speed of project development has been significantly improved. The Group has achieved its objective of “commencement of construction within half a year and sales within one year after acquisition of land” for the majority of its projects and the shortest period from land acquisition to commencement of sales was only nine months. As projects were developed at a faster rate, the areas of new construction starts, completions and deliveries in 2013 all exceeded their objectives for the full year and recorded higher year-on-year increases.

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

| Construction Progress | Actual GFA<br>in 2012<br>(sq.m.) | Actual GFA<br>in 2013<br>(sq.m.) | Planned GFA<br>for 2014<br>(sq.m.) |
|-----------------------|----------------------------------|----------------------------------|------------------------------------|
| New constructions     | 2,578,100                        | 3,828,200                        | 1,713,000                          |
| Completions           | 1,062,800                        | 1,614,700                        | 1,133,000                          |
| Deliveries            | 561,100                          | 938,200                          | 1,041,200                          |

## INVESTMENT PROPERTIES

As at the end of 2013, the Group owned investment properties under lease of approximately 613,600 sq.m. in total, of which offices, commercial properties and parking lots and others accounted for approximately 8.5%, 60.2% and 31.3%, respectively. The investment properties under construction were approximately 355,600 sq.m., mainly comprising the commercial portions of Wuhan Starry Winking and Nanhai Starry Winking. The Group recorded rental revenue of approximately RMB457 million in 2013, representing a year-on-year decrease of 5.6%, mainly due to the injection of GZIFC into Yuexiu REIT.

During the year, the Group recorded the fair value gains on revaluation of investment properties of RMB1,975 million, representing an increase of 26% over the previous year. The increase was mainly attributable to a fair value gain recorded by Guangzhou Fortune World Plaza of approximately RMB1,630 million.

## OTHER GAINS

In May 2013, the Group completed the disposal of Guangzhou Tiyu Building Company Limited (廣州體育大廈有限公司) through its indirect wholly-owned subsidiary at the consideration (including shareholders' loans) of RMB830 million, profit on disposal (before tax) of approximately RMB59.81 million was recorded during the year, after deduction of withholding tax, profit on disposal (after tax) was approximately RMB33 million. The Group also disposed the equity interest in Shanghai Pufa Plaza with a disposal gain of approximately RMB36.08 million, and the Group also recorded a fair value gain on call options of approximately RMB47.64 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

During the year, selling and marketing costs of the Group were approximately RMB493 million, increased by 6% as compared to previous year. The increase in selling and marketing costs was mainly due to an increase in the number of projects outside Guangzhou as compared to previous year, and sales of such projects outside Guangzhou were carried out through third party agents and hence there was an increase in agency fees as compared to previous year. Selling and marketing costs accounted for 3.4% of the total contracted sales for the year, reduced by 0.4 percentage points as compared to 3.8% of last year points.

During the year, administrative expenses of the Group was approximately RMB817 million, decreased by 1.7% as compared to previous year. Administrative expenses accounted for 5.6% of the total contracted sales, reduced by 1.2 percentage points as compared to 6.8% of last year.

### FINANCE COSTS

During the year, interest expense of the Group were approximately RMB1,520 million, representing a decrease of 11% as compared to previous year. After deduction of capitalized interest expense of approximately RMB1,008 million, recognized expenses under finance costs were approximately RMB512 million, decreased by 7% as compared to approximately RMB553 million of last year. During the year, an exchange gain of approximately RMB194 million was also recognized as compared to an exchange loss of approximately RMB80 million recorded in last year.

### SHARE OF PROFIT FROM ASSOCIATED ENTITIES

During the year, overall share of net contribution from associated entities attributable to the Group decreased by 19.3% to approximately RMB199 million as compared to previous year. The share of profit was mainly contributed by the Yuexiu REIT, a 35.69% interest held by the Group.

The total amount of distributable income of Yuexiu REIT was approximately RMB599 million, representing an increase of 48.4% as compared to approximately RMB403 million of last year. The Group is expected to receive a cash distribution of approximately RMB214 million.

### EARNINGS PER SHARE

For the year ended 31 December 2013, basic earnings per share attributable to equity holders of the Company were RMB0.3094 (2012: RMB0.2672).

### FINAL DIVIDEND

The Board has recommended the payment of a final dividend for 2013 of HK\$0.035 per share which is equivalent to RMB0.027 per share (2012: HK\$0.022 per share which was equivalent to RMB0.018 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 9 June 2014. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 3 July 2014. Together with the interim dividend of HK\$0.049 per share which was equivalent to approximately RMB0.039 per share, total dividends for the year ended 31 December 2013 will amount to HK\$0.084 per share which is equivalent to approximately RMB0.066 per share.

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

## LIQUIDITY AND FINANCIAL RESOURCES

Operating cash receipts and committed banking facilities were the main sources of liquidity of the Group. The Group upheld prudent financial policies, emphasised 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 has also been focused on exploring more funding channels and the management of borrowing costs with an aim to reduce overall funding costs, establish an ongoing monitoring process and optimise the capital structure of the Group, which should in turn, enhance its resistance to risks.

The Group seized a suitable window in the market and successfully issued a US\$350 million 5-year fixed-rate note with a coupon rate of 3.25% and a US\$500 million 10-year fixed-rate note with a coupon rate of 4.5% for the first time in January 2013.

During the year, the Group had also completed bank borrowings of approximately RMB7.8 billion, brought in low-cost funding to partially replace existing borrowings with higher costs. As a result, the overall funding cost continued to decrease, with an average of 5.59% for the year compared to 7.03% for 2012, a drop of 1.44 percentage points. Meanwhile, with a series of optimization efforts on the current debt structure, the maturity profile had also improved, the proportion of the medium to long term borrowings had increased. The ratio of onshore to offshore borrowings was improved to 43:57 at the end of the year (2012: 60:40), with bonds accounting for 21% of total borrowings, borrowings with a maturity of over 5 years accounted for 15% of total borrowings (2012: 2.9%). The Group's overall financial condition maintained healthy and solid.

## WORKING CAPITAL

As at 31 December 2013, the Group's working capital (current assets less current liabilities) amounted to approximately RMB26,326 million (31 December 2012: approximately RMB27,275 million). The Group's current ratio (current assets over current liabilities) was 1.8 times. Cash and cash equivalents amounted to approximately RMB5,055 million (31 December 2012: RMB7,060 million). Charged bank deposits amounted to approximately RMB3,319 million (31 December 2012: RMB2,203 million). Undrawn bank facilities amounted to approximately RMB5,900 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarized as follow:

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Bank borrowings and bonds                           |                  |                  |
| Denominated in RMB                                  | 10,355,330       | 12,566,252       |
| Denominated in Hong Kong dollars                    | 7,357,686        | 7,250,185        |
| Denominated in United States dollars                | 6,152,157        | 314,323          |
| Total bank borrowings and bonds                     | 23,865,173       | 20,130,760       |
| Finance lease obligations                           | 193              | 161              |
| Overdrafts  | 86               | 56               |
| Total debts   | 23,865,452       | 20,130,977       |
| <b>Ageing analysis:</b>                             |                  |                  |
| Within one year                                     | 8,330,549        | 6,828,742        |
| In the second year                                  | 4,817,035        | 7,219,978        |
| In the third to fifth year                          | 7,020,496        | 5,490,657        |
| Beyond five years                                   | 3,697,372        | 591,600          |
| Total borrowings                                    | 23,865,452       | 20,130,977       |
| Less: Cash and cash equivalents                     | (5,054,749)      | (7,060,453)      |
| Net borrowings                                      | 18,810,703       | 13,070,524       |
| Shareholders' equity (excluding minority interests) | 24,175,205       | 22,158,140       |
| Total capitalization                                | 42,985,908       | 35,228,664       |
| Gearing ratio                                       | 43.8%            | 37.1%            |

### CAPITAL EXPENDITURES AND INVESTMENTS

During the year, the Group's capital expenditures on property, plant and equipment, construction in progress, investment properties and land use rights amounted to approximately RMB486 million.

## 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 alternative instruments to mitigate the interest rate exposure, when considered appropriate. Meanwhile, the Group will continue to explore more HK dollar borrowings so as to take the advantage of lower cost of financing. As at 31 December 2013, bonds accounted for 21% of total borrowings and a maturity of over 5 years accounted for 15% of total borrowings.

## FOREIGN EXCHANGE EXPOSURE

The 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 will closely monitor the foreign exchange fluctuation and its exposure. The Group will adopt alternative instruments to hedge the foreign exchange exposure when appropriate.

## COMMITMENTS FOR LEASEHOLD LAND AND PROPERTY, PLANT AND EQUIPMENT

Other than the above, the Group also had capital commitments in respect of purchases of property, plant, equipment and investment properties amounted to approximately RMB911 million (31 December 2012: RMB554 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 at 31 December 2013, total contingent liabilities relating to these guarantees amounted to approximately RMB2,781 million (31 December 2012: RMB1,887 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 (31 December 2012: RMB60 million). The Deed of Indemnity will expire on 30 May 2014.

As at 31 December 2013, certain subsidiaries of the Group jointly and severally provided guarantee of approximately RMB3,680 million (31 December 2012: RMB4,500 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 at 31 December 2013, the Group had approximately 6,050 employees (31 December 2012: 6,200 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the 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 year ended 31 December 2013 and included conditions relating to specific performance of the controlling shareholder of the Company.

- (a) On 1 April 2011, the Company, as borrower, entered into two bilateral agreements with two banks for unsecured term loan facilities in the aggregate amount of HK\$800 million. In particular, the first loan facility was a facility of up to HK\$500 million for a term of 3 years from the date of the relevant letter of offer, i.e., 10 March 2011. The second loan facility of up to HK\$300 million was for a term of 3 years from 1 April 2011, the date of the relevant facility agreement.
- (b) On 26 May 2011, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of up to HK\$400 million from the date of the acceptance of the facility. On 26 March 2012, the Company, as borrower, entered into a supplementary facility letter with the bank. The supplementary facility letter is for an additional loan facility of up to HK\$200 million.
- (c) On 16 June 2011, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of up to HK\$500 million from the date of the facility letter, i.e. 9 June 2011.
- (d) On 29 June 2011, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 3-year term loan facility of up to HK\$1,000 million from the date of the facility agreement.
- (e) On 27 June 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 5-year term loan facility of up to HK\$500 million from the date of the facility agreement.
- (f) On 9 November 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 18-month term loan facility of up to HK\$300 million from the date of the facility agreement.
- (g) On 14 December 2012, the Company, as borrower, entered into a HK\$3,800 million loan agreement with a group of banks with a final maturity in December 2015.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) 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.

Pursuant to the aforesaid loan agreements/facility agreements or letters, Yue Xiu Enterprises (Holdings) Limited, the substantial shareholder of the Company is required, at all times, (i) to be the single largest beneficial shareholder of the Company; (ii) to 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), (c), (d), (e), (f), (g), (h), (i) and (k). 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.

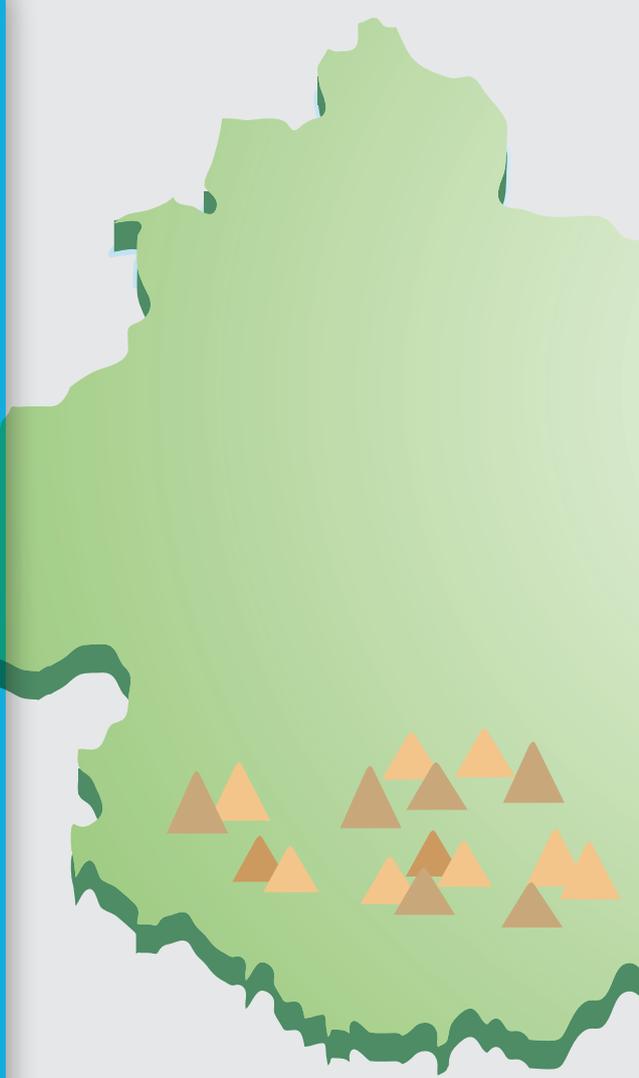
On 24 January 2013, the Company issued US\$350 million 3.25 per cent. notes due 2018 and US\$500 million 4.50 per cent. notes due 2023 to investors under a US\$2,000 million medium term note programme established on 11 January 2013. Pursuant to the terms and conditions of the programme, Guangzhou Yue 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 year ended 31 December 2013.

# PROPERTY DEVELOPMENT

| REGION       |  | GFA (sq.m.)                |
|--------------|--|----------------------------|
| ○            | Guangzhou                                  | 37.6%<br>5,743,100         |
| ○            | Pearl River Delta<br>(excluding Guangzhou) | 15.2%<br>2,322,000         |
|              | Zhongshan                                  | 1,341,700                  |
|              | Jiangmen                                   | 390,400                    |
|              | Foshan                                     | 589,900                    |
| ○            | Bohai Rim Region                           | 13.4%<br>2,048,200         |
|              | Yantai                                     | 589,900                    |
|              | Shenyang                                   | 991,900                    |
|              | Qingdao                                    | 466,400                    |
| ○            | Yangtze River Delta                        | 18.1%<br>2,760,800         |
|              | Hangzhou                                   | 2,211,800                  |
|              | Kunshan                                    | 549,000                    |
| ○            | Central Region                             | 14.5%<br>2,215,600         |
|              | Wuhan                                      | 2,215,600                  |
| ○            | Hainan                                     | 0.7%<br>98,000             |
|              | Haikou                                     | 98,000                     |
| ○            | Hong Kong                                  | 0.5%<br>75,200             |
| <b>TOTAL</b> |  | <b>100%<br/>15,262,900</b> |

| Development Stage |       | GFA (sq.m.) |
|-------------------|-------|-------------|
| PUD               | 50.6% | 7,725,800   |
| PFD               | 49.4% | 7,537,100   |



**Bohai Rim Region**

- Shenyang
- Qingdao
- Yantai

**Central Region**

- Wuhan

**Yangtze River Delta**

- Hangzhou
- Kunshan

**Pearl River Delta & Hong Kong**

- Guangzhou
- Jiangmen
- Zhongshan
- Foshan
- Hong Kong

**Hainan**

- Haikou



# GUANG ZHOU

- 1. Guangzhou Fortune Center
- 2. Guangzhou Lingnan Hillside
- 3. Southern Le Sand
- 4. Guangzhou Starry Wenyu
- 5. Guangzhou Starry Cullinan
- 6. Guangzhou Starry Golden Sands

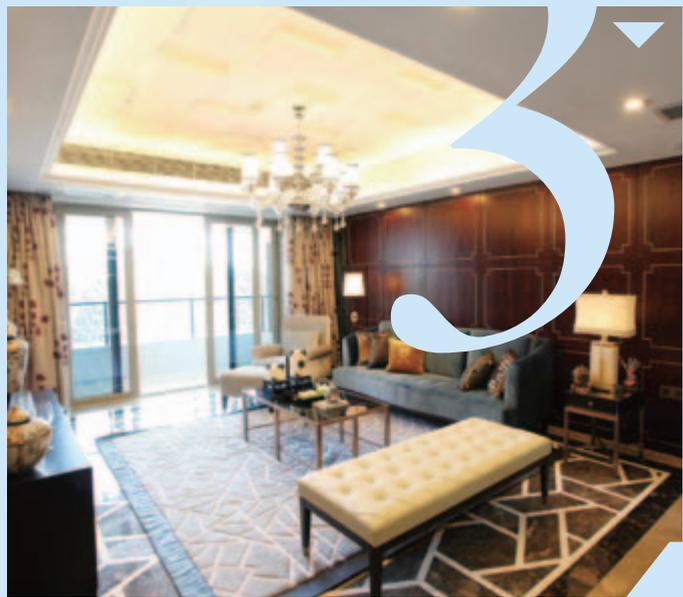




# OUTSIDE GUANG ZHOU

- 1. Yantai Starry Golden Sands
- 2. Nanhai Starry Winking
- 3. Wuhan Starry Winking
- 4. Zhongshan Paradiso Jadin
- 5. Hangzhou Starry City
- 6. Wuhan Starry Emperor





# GUANGZHOU

## ▶ GUANGZHOU LINGNAN HILLSIDE



Residential Project

GFA: 323,400 sq.m.  
Launch Year: 2013

Guangzhou Lingnan Hillside (廣州嶺南山畔) is located at Luogang Science City in Guangzhou and is planned to comprise 13 blocks of high-rise building and a commercial center. Located at the junction of Kexiang Road and Kaichuang Avenue and adjacent to the Jinfeng Station of the Guangzhou Metro Line 6, which is under construction, this project enjoys convenient traffic and living facilities with supermarket, sport and leisure facilities. The project is mainly of Lingnan style and adopts a dotted architectural layout, which emphasizes the traditional heritage of courtyard space, forming the “gardens in a park and gardens within woods” landscape. The project recorded hot sales on the date of launch in June 2013. Large-side units with a GFA ranging from 140 to 170 sq.m. in Phase II which were launched in October of the same year were also well received by the market. Contracted sales value for the year was approximately RMB1.5 billion.

## ▶ GUANGZHOU LINGNAN VILLAS

Guangzhou Lingnan Villas (廣州嶺南雅築) lies to the south of Kaiyuan Avenue in Luogang, Guangzhou and enjoys convenient traffic, only 30 minutes’ drive from Zhujiang New Town CBD. This project lies to the mountain to the east, south and north and is surrounded by a beautiful natural environment. It enjoys fresh air and a broad view, and represents a good place for living. This project is planned to comprise 15 blocks of apartments, with GFA ranging from 82 to 105 sq.m.. Commercial streets, kindergartens, swimming pools and tennis courts are also constructed to fully satisfy the living and leisure requirements of property owners.



Residential Project

GFA: 325,000 sq.m.  
Launch Year: 2013

# GUANGZHOU

## ▶ GUANGZHOU LINGNAN WOOD



Residential Project

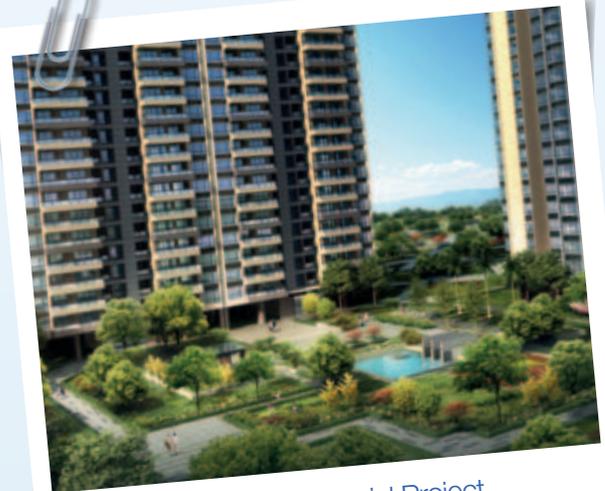
GFA: 446,200 sq.m.

Launch Year: 2014 (Expected)

Guangzhou Lingnan Wood (廣州嶺南林語) (formerly known as Luogang Changling Road Project) lies to the south of Changling Road, Luogang, Guangzhou, and is planned to comprise 88 villas and 16 blocks of high-rise buildings which will be jointly developed by the Group and Guangdong Poly Property Development Limited. This project is surrounded by mountains on three sides and boasts a beautiful natural environment. Commercial streets, swimming pools, hospitals and schools are constructed to provide a good living atmosphere. The project is only about 30 minutes' drive from Zhujiang New Town CBD and is adjacent to Luogang Coach Station, the Xiangxue Station of the Guangzhou Metro Line 6 which is under construction and the Changping Station of the Guangzhou Metro Line 21 which is under planning, all of which provides it with convenient traffic. The project is located in the Changlingju International Ecological Living District built by the Guangzhou Municipal Government, thus it has tremendous development potential.

## ▶ SOUTHERN LE SAND

Located in Nansha District, Guangzhou, Southern Le Sand (南沙濱海花園) is a matured large-scale development created by the Group after 10 years of refinement. It is a new marina zone integrating waterfront living, leisure, resort, investment and business, the development is constructed in 9 phases. Commercial facilities include commercial pedestrian streets, commercial office buildings, large-scale shopping malls, entertainment centers and super 5-star hotels, etc. With our 10 year excellent track record and the national policy to classify Nansha as a state-level new zone, the sales of this project has been ahead of the regional market. The latest phase with 12 blocks of high-rise building received good market response, contracted sales value for the year of 2013 amounted to approximately RMB1.8 billion.



Residential and Commercial Project

GFA: 2,286,100 sq.m.

# GUANGZHOU

## ▶ GUANGZHOU STARRY CULLINAN



Residential Project

GFA: 34,900 sq.m.  
Launch Year: 2014 (Expected)

## ▶ GUANGZHOU STARRY GOLDEN SANDS



Residential Project

GFA: 205,300 sq.m.  
Launch Year: 2011

Located at Haiye Road, Zhujiang New Town, Guangzhou CBD, Guangzhou Starry Cullinan (廣州星匯御府) is a 37-storey building. It has a total of 42 units, including 22 units with a GFA of over 300 sq.m. and 20 duplex units with a GFA of over 500 sq.m.. This project is located at the core area of the eastern part of Zhujiang New Town and enjoys convenient traffic. Within its vicinity, there are living and entertainment facilities including the Zhujiang Park which covers an area of 28 hectare, world-class resort hotels, premium restaurants, large shopping malls and premium primary and middle schools. In order to meet the needs of high-end buyers, the project invited HBA, a leader in the premium global luxury hotel design industry, to build super-premium comfortable space and offer private clubs and rooftop swimming pools, making the project a new master piece of the Group's high-end residential property projects.

Situated at Jinshazhou, Baiyun District, Guangzhou, Guangzhou Starry Golden Sands (廣州星匯金沙) is adjacent to Xunfenggang Station, which is the initial stop on Metro Line 6. Since the official opening of the Metro Line 6 at the end of 2013, the transportation network around the project has improved further, and the project has received more attention from the market. Comprising Western-style buildings and villas, the project is adjacent to the Xunfeng mountain in the north. The low-density community inside the project is next to a lake with a beautiful landscape. The project is rare of its kind at the heart of the city. Nestling in greenery which covers an area of over 70,000 sq.m., the residential project features several culturally-themed zones as well as sport facilities such as tennis and badminton courts and swimming pools.

# GUANGZHOU

## ▶ GUANGZHOU FORTUNE CENTER



Commercial Project

GFA: 211,500 sq.m.

Guangzhou Fortune Center (廣州財富中心) is located on the central axis of Zhujiang New Town of Guangzhou CBD and is positioned as an international grade-A office building. With a height of 310 meters and 68 storeys above ground, the roof-sealing of this project was completed in June 2013 and the whole project is expected to be completed in 2015. Guangzhou Fortune Center is another international grade-A office building developed by the Group after completion of Guangzhou International Finance Center. The construction, design and service management of this project, which are fully implemented in accordance with stringent international standards, highlight its international business image and high-end positioning and attract the attention of various premium tenants.

## ▶ GUANGZHOU FORTUNE WORLD PLAZA

Guangzhou Fortune World Plaza (廣州財富天地廣場) is located at Xiwan Road, Liwan District of Guangzhou City. It is a large-scale shopping mall with the main theme as an international center for shoes and leather goods. The project has over 2,500 shops and 2,600 car parks and is in the close vicinity of transportation hubs including Guangzhou Railway Station, Guangdong Coach Station and Guangzhou Coach Station. Guangzhou Fortune World Plaza was officially opened in August 2013. With the continuous development of surrounding business atmosphere and the overall improvement in the traffic network, the emerging business district cored by Guangzhou Fortune World Plaza has been growing rapidly.



Commercial Project

GFA: 266,000 sq.m.

Year of Commencement of Operation: 2013

# FOSHAN

## ▶ NANHAI STARRY WINKING



Residential and Commercial Project

GFA: 290,700 sq.m.  
Launch Year: 2014 (Expected)

Nanhai Starry Winking (南海星匯雲錦) is located at the junction of Nanhai Avenue, and Nanguai East Road in Nanhai District of Foshan City and the junction of Guangzhou-Foshan Metro Line and Foshan Metro Line 3. This project will be developed into a landmark including grade-A office building, high-end residential properties, shopping mall and serviced apartments, making it an incomparable fortune center along Nanhai Avenue.

## ▶ FOSHAN CHANCHENG TONGJI ROAD PROJECT

Foshan Chancheng Tongji Road Project (佛山禪城同濟路項目) is located at the junction of Tongji Road and Lingnan Road in Chancheng District of Foshan City. The project is situated in the city center of Foshan and is in close proximity to the Tongji Road and Pujun North Road stations of the Guangzhou-Foshan Metro Line. This project will be built into a large-scale Lingnan style complex including detached commercial complex, grade-A office building, Lingnan style residential properties, service apartments and commercial blocks. The project is in close proximity to the Foshan Municipal Government and Chancheng district government. It is also surrounded by large supermarkets, schools, hospitals, parks and well-equipped facilities and enjoys very favorable location.



Residential and Commercial Project

GFA: 299,200 sq.m.  
Launch Year: 2014 (Expected)

# ZHONGSHAN AND QINGDAO

## ▶ ZHONGSHAN STARRY PEAKFIELD



Residential Project

GFA: 478,700 sq.m.  
Launch Year: 2014 (Expected)

Zhongshan Starry Peakfield (中山星匯品峰) (formerly known as Zhongshan Bo'ai Road Project) is favorably located at the south of Bo'ai Road in Eastern District in Zhongshan City and enjoys convenient traffic. This project is planned to comprise 24 blocks of high-rise building and have large commercial ancillary facilities highlighting the project's value of suitability for residential and commercial uses. Constructed along the massif, the project have various property units which stand at different levels and have extremely good lighting and ventilation conditions. Coupled with water gardens and extra-wide space between blocks as well as modern architecture style, the project is able to meet the needs of customers for high-end living quality.

## ▶ QINGDAO STARRY BLUE BAY

Qingdao Starry Blue Bay (青島星匯藍灣) (formerly known as Qingdao Licang Project) is located in the core transportation and business area of Licang District, Qingdao City and enjoys significant geographical advantages and bright development prospect. To the west of the project is the mother bay of Qingdao City — Jiaozhou Bay. The project enjoys a frontline bayview with a beautiful environment and fresh air. The project is situated within a transportation hub area in Licang District and are close to Qingdao North Train Station as well as Qingdao Metro Line No.1 which is under construction and Qingdao Metro Lines No.3 and No.8 which are undergoing planning. With the successive completion of large city complexes and business headquarters around the project and the introduction of lessees, ancillary facilities surrounding the project will be increasingly developed. As the first project developed by the Group in Qingdao, Qingdao Starry Blue Bay maintained the high-end quality of the "Starry" series to build itself into a large coastal community in Licang District, Qingdao.



Residential Project

GFA: 466,400 sq.m.  
Launch Year: 2014 (Expected)

# WUHAN

## ▶ WUHAN STARRY WINKING



Residential and Commercial Project

GFA: 661,500 sq.m.

Launch Year: 2012

Wuhan Starry Winking (武漢星匯雲錦) is located at the junction of Jinghan Avenue and Qiaokou Road in the Qiaokou district in Wuhan. The land parcel is a core land plot of the “Han River Ecological Business Zone” in the “Twelfth Five-Year Plan” of the Wuhan Municipal Government, linking seamlessly with the No. 1 Light Rail Line of Wuhan, and it takes about 5 minutes to travel to Wuchang district and Hanyang district. It has plans to construct a grade A office tower of over 300 meters tall, a top class commercial shopping mall and a number of boutique high-end apartment blocks of over 130 meters tall. It is set to become a large-scale city complex housing residential units, shopping mall, business units and entertainment facilities under one roof. The project recorded hot sales after they were launched to the market in the fourth quarter of 2012. In 2013, contracted sales value totaled approximately RMB1.4 billion.

## ▶ WUHAN STARRY EMPEROR

Wuhan Starry Emperor (武漢星匯君泊) (formerly known as Wuhan Jiang'an Project) is located in Jiang'an District, Wuhan City. It is a metropolitan complex project with a total planned GFA of over 600,000 sq.m., including 4 blocks of office buildings with a height of 100 to 140 meters and 2-3 storey commercial podiums as well as 16 blocks of 10-32 storey high-rise apartments. The Tazi Lake near the project is the largest lake in city in the Hankou region with clear water, a beautiful environment and a comfortable living environment. The transportation is convenient as the land parcel is just 10 minutes' drive from the center of Wuhan City and it is adjacent to the Wuhan Metro Line No.8 which is under construction. In addition, there are established ancillary facilities, with schools, hospitals and large supermarkets nearby by the project.



Residential and Commercial Project

GFA: 604,100 sq.m.

Launch Year: 2013

# HANGZHOU

## ▶ HANGZHOU STARRY CITY



Residential and Commercial Project

GFA: 1,920,800 sq.m.

Launch Year: 2012

Hangzhou Starry City (杭州星匯城) is located in the Qingshan Lake Science and Technology Town (青山湖科技城) on the western side of Hangzhou City, Zhejiang Province. It will be an urban complex with high-end residential units, villas, 5-star hotels, grade-A offices and a large-scale shopping mall. The project is adjacent to the Qiangshan Lake National Forest Park, and it provides a comfortable living environment with clubhouse, swimming pool, schools and hotels. Upon completion, the project will become an innovative and inviting city combining leisure and resort living space, with technological research in innovation.

## ▶ HANGZHOU STARRY GATHERING

Hangzhou Starry Gathering (杭州星匯雲集) (formerly known as Hangzhou Yuhang Shangyuan Road Project) is located at the core development area of Hangzhou City and adjacent to Shangtang Expressway, just 10-minute drive to Hangzhou city center. Given the planned stations of the Hangzhou Metro Line 10 adjacent to it, this project enjoys convenient traffic and significant geographical advantages. Hangzhou Starry Gathering comprises 14 blocks of high-rise apartments and street shops. Outside the community, people can view the beautiful scenery of a branch of the Jinghang Grand Canal. The garden landscape with an area of more than 20,000 sq.m. built inside the community also adds to the beauty of the environment. This project has been surrounded by several large-scale residential projects developed by renowned developers and has attracted famous commercial projects, thus it has great appreciation potential.



Residential Project

GFA: 227,200 sq.m.

Launch Year: 2014 (Expected)

# CORPORATE SOCIAL RESPONSIBILITY REPORT

With “Realizing a Better Life” as its own responsibilities, the Group takes the performance of social responsibilities as one of the fundamental principles of corporate development and fulfills its corporate mission of “Bringing Returns to Shareholders, Staff and Society”. In 2013, the Group continued to innovate and further incorporated its corporate social responsibilities into its operations and corporate culture to promote the construction of its corporate social responsibility system, which achieved significant results.

## CHARITABLE AND VOLUNTEER ACTIVITIES

The Group actively participated in charitable activities such as supporting the poor. In 2013, the Group initiated its poverty relief work in Mashan Village, Baxiang Town, Fengshun Country, Meizhou City, Guangdong Province, a poor area, and the Group will continue its poverty relief work in this area until 2016 to ensure such work is carried out practically and effectively. In addition, property projects of the Group also actively fulfilled their social responsibilities jointly with customers. For example, the management team of Guangzhou Fortune World Plaza, a large theme mall, cooperated with merchants in the mall to organise a charitable shoes auction activity named “ Warming Foot (暖足行动)”, the proceeds of which would be fully used for purchase of shoes to be donated to poor pupils, which gave rise to positive social responses. The Group also actively encouraged its staff to participate in and carry out volunteer activities, donate blood, care for the elderly and children and provide convenient services and arts education to people in the communities. The aggregate number of participants reached approximately 1,200 for the whole year.

After the occurrence of an earthquake with a magnitude of 7.0 in Lushan County, Ya’an City, Sichuan Province on 20 April 2013, the Group quickly provided assistance and donated relief funds to the earthquake-stricken area. Meanwhile, the Group made a volunteer action proposal to the owners of properties nationwide and all the staff and opened the “Green Channel for Donations” in communities and its properties to raise funds and supplies and sent them to the earthquake-stricken area of Ya’an. The aggregate amount of social donations made by the Group in 2013 amounted to approximately RMB9 million.



## GREEN ENVIRONMENT PROTECTION

The Group has been adhering to its development philosophy of “Low-Carbon, Green and Intelligent” and devoted to developing livable green properties to improve the quality of living. The Group took the lead to adopt the Green Building Standards and formulate the applicable technical guidelines in line with the Company’s actual situation to provide guidelines for the various aspects such as design, construction and operation. The Group effectively promoted the research and development of green building technology and actively marketed the application of the relevant research results. The Group put great efforts to promote the green buildings in the industry and led the healthy development of the industry.

In November 2013, the Group organised “Guangzhou International Finance Center National Ascent Challenge (廣州國際金融中心全國登高挑戰賽)” to advocate the green lifestyle through sport for all. Meanwhile, the Group issued the “White Paper on Green Properties” of Yuexiu Property (《綠色地產白皮書》) to promote the development trend of green buildings and call for the whole society to realise the harmony between mankind and nature.

## STAFF CARE AND DEVELOPMENT

The Group attaches great importance to the occupational health of its staff. The Group has established the occupational disease prevention and control systems in order to enhance the occupational health training, improve the working environment of its staff and care for the physical and mental health of its staff. The Group organises all the staff to attend medical checks annually. Staff coverage of medical checks and health files reached 100% and no occupational disease cases had occurred during the full year in 2013. The Group also held a variety of staff’s sports meetings and encouraged its staff to enhance their physical exercises.

The Group also attaches great importance to the career development of its staff. 550 training sessions of various categories were held during the year and the number of participants in these trainings reached approximately 18,000. Based on its well-refined “Starry (星匯)” talent cultivation program, the Group introduced the “Star Show (星秀)” talent cultivation program customised for the outstanding graduates during the year in order to help the young grow faster.



# INVESTOR RELATIONS REPORT



The Group fully recognizes the importance of maintaining a good relationship with shareholders and investors. In 2013, the Group further enhanced its efforts on investor relations and maintained timely and effective communication with shareholders and investors through diversified channels, which created opportunities for more investors to gain in-depth understanding of the Group's business strategies and operations, while on the other hand, also allowed the management to have a better understanding of the feedback from capital market, so as to promote the continuous development and bring returns to shareholders and investors with better results.

## INVESTOR RELATIONS REPORT

Apart from personnel responsible for investor relations, the executive directors and senior executives of the Group frequently attended investor conferences and seminars organized by investment banks and held meetings with institutional investors on a regular basis. The Board also regularly listened to work reports on investor relations. The content comprised information such as feedback from investors, forecasts by analysts, data and analysis of research reports and stock price performance.

During the year under review, the Group carried out the following major shareholder and investor activities:

- A press conference and an analyst and investor briefing were held following the announcement of the interim and annual results
- The directors had a direct dialogue with shareholders and listened to opinions at the annual general meeting
- Investor conferences and roadshows were held to increase investors' understanding of the Group's strategy and the progress of business development, strengthen interactive communication with investors and enhance transparency
- Regular meetings were held with media to increase public awareness of the Group and positive and truthful coverage of the Group by media
- Enquiries were received through email and the investor hotline and responses were made in a timely manner
- Company information, including profile of directors and senior executives, operational and financial information, announcements and press releases and company updates etc., were published on the web site of the Group in accordance with the Listing Rules



## INVESTOR RELATIONS ACTIVITIES

In 2013, the Group actively organized activities to interact with shareholders and investors. The Group organised 49 roadshows in Hong Kong, Shanghai, Beijing, Singapore and Europe, attended 19 large-scale investor seminars held by investment banks, organised over 60 one-on-one meetings and conference calls and over 20 site visits to different projects, and met with a total of over 1,000 investors. Through such activities, we were able to communicate the Group's results and development with investors and make the capital market gain better understanding of the Group.

### MAJOR INVESTOR RELATIONS ACTIVITIES IN 2013

| Month   | Venue                                   | Activities  |
|---------|---|---|
| January | Hong Kong                               | Nomura China Property Day                                 |
| January | Hong Kong                               | Credit Suisse Asia Property Conference                    |
| January | Singapore                               | DBS Vickers Asia Conference                               |
| January | Hong Kong, Singapore, Europe            | Deal Roadshow   |
| March   | Hong Kong                               | 2012 Annual Results Press Conference and Analyst Briefing |
| March   | Hong Kong                               | Results Briefing to Stock Commentators                    |
| March   | Hong Kong, Singapore, Beijing, Shanghai | 2012 Annual Results Non-Deal Roadshow                     |
| April   | Hong Kong                               | DBS Vickers Asia Conference                               |
| May     | Hong Kong                               | Macquarie Greater China Conference                        |
| May     | Beijing                                 | The 11th BOCI Investors Conference                        |
| May     | Hong Kong                               | Morgan Stanley Fourth Annual Hong Kong Investor Summit    |

## INVESTOR RELATIONS REPORT

| Month     | Venue                         | Activities   |
|-----------|-------------------------------|--|
| June      | Hong Kong                     | 2013 Annual General Meeting                                |
| June      | Hong Kong                     | CLSA Property Corporate Day                                |
| June      | Hong Kong                     | Citi Asia Pacific Property Conference                      |
| July      | Singapore                     | DBS Vickers Asia Conference                                |
| July      | Hong Kong                     | Bank of America Merrill Lynch Greater China Property Day   |
| July      | Hong Kong                     | Macquarie China Property Corporate Day                     |
| August    | Hong Kong                     | 2013 Interim Results Press Conference and Analyst Briefing |
| August    | Hong Kong, Singapore, Beijing | 2013 Interim Results Non-Deal Roadshow                     |
| August    | Guangzhou                     | Site visit for Hong Kong Media                             |
| September | Shanghai                      | Nomura China Investor Summit                               |
| September | Tokyo                         | Mizuho Securities Investor Conference                      |
| September | Hong Kong                     | Daiwa Capital Corporate Day                                |
| October   | Hong Kong                     | Standard Chartered Bank Asia Pacific Corporate Day         |
| November  | Beijing                       | Bank of America Merrill Lynch China Conference             |
| November  | Macau                         | Citi Greater China Investor Conference                     |
| November  | Singapore                     | Morgan Stanley Annual Asia Pacific Summit                  |

### DEAL ROADSHOW

At the beginning of 2013, in order to facilitate the successful issuance of a US\$350 million 5-year fixed-rate bond and a US\$500 million 10-year fixed-rate bond, the Group proactively organized and participated in the investor relations activities such as roadshows held in Hong Kong, Singapore and Europe in order to enable investors to gain more in-depth understanding of the Group's operation and financial position as well as its development plan and strategies and facilitated the diversification of the Group's financing channels and the reduction of the Group's financing costs.

### RESEARCH COVERAGE

In 2013, as the recognition of the Group in the capital market continued to grow, more and more internationally renowned investment banks published research reports on the Group. Several investment banks such as Morgan Stanley, Kim Eng Securities and Daiwa Securities published their first coverage reports on the Group. In the meantime, other investment banks also continued to update their research reports on the Group, the total number of reports on the Group reached over 100. Notably, a majority of the reports gave us ratings of "BUY".

### ESTABLISHING TWO-WAY COMMUNICATION CHANNEL

The Group has maintained timely and effective communication with investors and analysts while enhancing the middle and senior management's understanding and recognition of the capital market, which on one hand, enables shareholders and investors to gain better understanding of the Group's operations and development, while on the other hand, also provides references for the management to formulate future strategies through feedback from capital market, thus enables the Group to effectively establish two-way communication channel between our business operation and the capital market.

# AWARDS AND RECOGNITIONS

**“Corporate Governance Gold Award”**

The Asset Magazine

**“Outstanding Chinese Property Developers Award 2013”**

Economic Digest

**“Outstanding Capital Financing Project in China”  
The Guangzhou International Finance Center Transaction**

The Capital Magazine

**“The Excellence of Listed Enterprise Award 2013”**

Capital Weekly

**“Outstanding Listed Company Award 2013”**

The Hong Kong Institute of Financial Analysts and Professional Commentators Limited

**“International ARC Awards – Honors Award-Financial Data”**

MERCOMM, INC.

**“MERCURY Excellence Award – Silver – Property Development Category”**

MERCOMM, INC.

**“Star of 2013 China Top 100 Real Estate Developers”**

the Enterprise Research Institute under the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University, China Index Academy

**“Top 10 Comprehensive Strengths of Real Estate Developers in Guangdong 2013”**

Guangdong Enterprises Confederation, Guangdong Entrepreneurs Association

**“2013 Most Growth Potential Brands in China”**

Organizing Committee of China Business and Media Leaders Annual Conference

**“The Third China’s Top 30 Responsible Property Developers”**

China Construction News, Policy Research Center of the Ministry of Housing and Urban-Rural Development (“MOHURD”)

**“China Construction Engineering Luban Prize”  
Guangzhou International Finance Center**

China Construction Industry Association

**“The Fifth Guangdong Provincial Zhan Tianyou Hometown Cup on Civil Engineering Projects”**

Guangzhou Fortune World Plaza,  
Guangzhou International Finance Center  
The Civil Engineering and Architectural Society of Guangdong

**“National 3-star Green Building Design Label”  
Guangzhou Fortune Center**

MOHURD



# DIRECTORS' PROFILES

## EXECUTIVE DIRECTORS

**Mr Zhang Zhaoxing**, aged 50, was appointed Chairman of the Company in July 2013. Mr Zhang has been an executive director of the Company since 2008. He had been Vice Chairman and General Manager of the Company. He is also chairman and a director of Guangzhou Yue Xiu Holdings Limited (“Guangzhou Yue Xiu”) and Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) and chairman and a non-executive director of Yuexiu Financial Holdings Limited (“YFHL”). He is also chairman and a non-executive director of Chong Hing Bank Limited (“Chong Hing Bank”) (Stock Code: 1111), the shares of the company mentioned above is listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Mr Zhang had been chairman and an executive director of Yuexiu Transport Infrastructure Limited (“Yuexiu Transport”) (Stock Code: 1052). Mr Zhang holds an executive master of business administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Prior to joining Yue Xiu in 2008, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2152). Mr Zhang is a deputy of the 12th National People’s Congress of the People’s Republic of China and he is the only deputy from Guangzhou state-owned enterprises.

**Mr Zhu Chunxiu**, aged 51, was appointed Vice Chairman and executive director of the Company in July 2013. Mr Zhu is also vice-chairman and general manager of Guangzhou Yue Xiu and Yue Xiu. He is also a non-executive director of YFHL and Chong Hing Bank, and chairman and an executive director of Yuexiu Transport. Mr Zhu is also a director of Guangzhou Rural Commercial Bank (formerly known as “Guangzhou Rural Credit Union”). Prior to joining Yue Xiu in 2013, Mr Zhu was vice-chairman and general manager of Guangzhou Finance Holdings Group Co., Ltd. (formerly known as “Guangzhou International Holding Group Co., Ltd.”). Mr Zhu was awarded the degree in executive master of business administration by Sun Yat-sen University. Mr Zhu holds the economist qualification in China and has extensive experience in the operation and management of large financial institutions and banks. He is a deputy of the 14th session of the Guangzhou City People’s Congress.

**Mr Tang Shouchun**, aged 51, was appointed executive director of the Company in 2006. Mr Tang is currently a deputy general manager of Guangzhou Yue Xiu and Yue Xiu, and is responsible for overseeing the Group’s internal management, legal and assets disposal affairs. Mr Tang graduated from Nanjing Agricultural University and is a senior accountant, senior economist and registered asset appraiser in China, and has a doctor degree in agricultural economics and management. Prior to joining Yue Xiu in 2002, he taught at Southwestern University of Finance and Economics in Chengdu and was a vice professor of South China Normal University in Guangzhou. He had been a director and chief accountant of Guangzhou City Construction & Development Group Co. Ltd., responsible for overseeing financial accounting, financial management and capital operation of the company. He also participated in the planning and operation management of various large real estate projects. He has extensive experience in the financial management and capital operation of large enterprises.

**Mr Chen Zhihong**, aged 52, was appointed General Manager of the Company in March 2014. Mr Chen has been an executive director since 2011. He had been the General Manager, Operations of the Company. Mr Chen holds a master of business administration degree of the South China University of Technology and the qualifications of economist and engineer in China. He joined Yue Xiu in January 2001 and has held management positions of deputy general manager and general manager of the corporate management department and general manager of the investment department. In January 2006, he was promoted as a deputy general manager of the Company and as a deputy managing director of Guangzhou City Construction & Development Co. Ltd. Prior to joining Yue Xiu, Mr Chen Zhihong worked for Guangzhou Paper Group for almost 20 years and had been engaged in the operational management of the enterprise and had been seconded to Restructuring Commission of Guangzhou Municipality (廣州市政府體制改革委員會) to participate in economic restructuring. He has extensive experience in the real estate industry and is familiar with the regulatory policies for the real estate industry in China.

**Mr Li Feng**, aged 45, was appointed executive director of the Company in March 2014. Mr Li is the assistant to general manager of, as well as general manager of the capital department of Guangzhou Yue Xiu and Yue Xiu, and a director of Guangzhou City Construction & Development Co. Ltd., mainly responsible for organizing and implementing Guangzhou Yue Xiu group's major capital operation plans and coordinating investor relations for Guangzhou Yue Xiu group's listed companies. He is also a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)) and a non-executive director of Chong Hing Bank. Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture, and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China. Mr Li joined Yue Xiu in December 2001 and has successively held positions including assistant manager of corporate management department, assistant to general manager of supervision and auditing department, deputy general manager of capital department and deputy general manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu group; before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

**Mr Ou Junming**, aged 45, was appointed executive director of the Company in March 2014. Mr Ou is the chief financial officer of the Company, chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu, and a director of Guangzhou City Construction & Development Co. Ltd., as well as a non-executive director of YFHL. Mr Ou graduated from the Business School of Sun Yat-sen University majoring in accounting, and obtained a bachelor's degree in economics. He holds the qualifications of a Certified Public Accountant and Certified Appraiser in China, and the qualification of an International Certified Internal Auditor. Mr Ou joined Yue Xiu in November 2001 and has successively held various positions, including manager, assistant to general manager and deputy general manager of supervision and auditing department, and general manager of auditing department of Guangzhou Yue Xiu. Mr Ou has participated in the operational management of major capital operation projects of Guangzhou Yue Xiu group; he is familiar with internal control and financial management of listed companies, and has extensive experience in corporate finance and capital management. Prior to joining Yue Xiu, Mr Ou worked in the foreign auditing department of Guangdong Provincial Audit Office and Tin Wha Huayue Certified Public Accountants Guangdong (formerly known as "Huayue Certified Public Accountants Guangdong").

## DIRECTORS' PROFILES

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr Yu Lup Fat Joseph**, aged 66, has been an independent non-executive director of the Company since 1992. Mr Yu holds a master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance.

**Mr Lee Ka Lun**, aged 59, has been an independent non-executive director of the Company since 2000. He is also an independent non-executive director of YFHL and Chong Hing Bank. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116) and REXLot Holdings Limited (Stock Code: 555). The shares of the companies mentioned above are listed on the Stock Exchange.

**Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau**, aged 66, has been an independent non-executive director of the Company since 2004. He obtained a bachelor of laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport (Stock Code: 1052), COFCO Land Holdings Limited (formerly known as "The Hong Kong Parkview Group Limited") (Stock Code: 207), Wing Hang Bank, Limited (Stock Code: 302), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

# CORPORATE GOVERNANCE REPORT

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

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

Throughout the year ended 31 December 2013, the Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term, the attendance of Chairman at annual general meeting and separation of the role of Chairman and chief executive, details of which are explained below.

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

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

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

## THE BOARD

### Responsibilities

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

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

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

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

## CORPORATE GOVERNANCE REPORT

### Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. The Board comprised five executive directors and three independent non-executive directors during the year ended 31 December 2013.

On 31 July 2013, Mr Lu Zhifeng resigned as Chairman of the Board and an executive director of the Company and Mr Zhu Chunxiu was appointed as Vice Chairman of the Board and an executive director of the Company.

On 31 December 2013, Mr Lam Yau Fung Curt resigned as an executive director of the Company.

On 21 March 2014, Mr Li Feng and Mr Ou Junming were appointed as executive directors of the Company.

Following the above board changes, the Board comprises six executive directors and three independent non-executive directors.

For a list of directors during the year ended 31 December 2013 and up to the date of this annual report, please refer to page 67 of the Report of the Directors. The updated list of directors is also available on the Company's website ([www.yuexiuproperty.com](http://www.yuexiuproperty.com)) and the Stock Exchange's website.

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

During the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

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

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

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, 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.

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

### Training for Directors

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

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

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

| Directors  | Corporate Governance/Updates on Laws, Rules & Regulations |                             |
|--|---|-----------------------------|
|  | Read Materials  | Attended Seminars/Briefings |
| <i>Executive Directors</i>                                     |   |                             |
| LU Zhifeng (resigned with effect from 31 July 2013)            | √   | √                           |
| ZHANG Zhaoxing   | √   | √                           |
| ZHU Chunxiu (appointed with effect from 31 July 2013)          | √   | √                           |
| TANG Shouchun  | √   | √                           |
| CHEN Zhihong   | √   | √                           |
| LAM Yau Fung Curt (resigned with effect from 31 December 2013) | √   | √                           |
| <i>Independent Non-Executive Directors</i>                     |   |                             |
| YU Lup Fat Joseph  | √   | √                           |
| LEE Ka Lun   | √   | √                           |
| Lau Hon Chuen Ambrose  | √   | √                           |

## CORPORATE GOVERNANCE REPORT

### Board Meetings

#### *Number of Meetings and Directors' Attendance*

In year 2013, the Board held 27 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below:

| Directors  | Attendance/<br>Number of<br>Board<br>meetings | Written<br>Resolutions | Annual<br>General<br>Meeting |
|--|---|------------------------|------------------------------|
| <i>Executive Directors</i>                                     |   |                        |                              |
| Lu Zhifeng (resigned with effect from 31 July 2013)            | <b>3/5</b>                                    | 2/9                    | –                            |
| Zhang Zhaoxing   | <b>6/6</b>                                    | 21/21                  | √                            |
| Zhu Chunxiu (appointed with effect from 31 July 2013)          | <b>1/1</b>                                    | 12/12                  | N/A                          |
| Tang Shouchun  | <b>5/6</b>                                    | 21/21                  | √                            |
| Chen Zhihong   | <b>6/6</b>                                    | 21/21                  | √                            |
| Lam Yau Fung Curt (resigned with effect from 31 December 2013) | <b>6/6</b>                                    | 21/21                  | √                            |
| <i>Independent Non-Executive Directors</i>                     |   |                        |                              |
| Yu Lup Fat Joseph  | <b>6/6</b>                                    | 21/21                  | √                            |
| Lee Ka Lun   | <b>6/6</b>                                    | 21/21                  | √                            |
| Lau Hon Chuen Ambrose  | <b>4/6</b>                                    | 20/21                  | √                            |

Code Provision E.1.2 stipulates that Chairman of the Board should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 3 June 2013 due to other business engagement. The chairman or members of Audit, Remuneration and Nomination Committees attended the annual general meeting.

#### *Practices and Conduct of Meetings*

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

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

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

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

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman was held by Mr Lu Zhifeng up to 31 July 2013 and thereafter Mr Zhang Zhaoxing serves as Chairman of the Company. The position of General Manager was held by Mr Zhang Zhaoxing up to 21 March 2014.

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

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

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. He had been working seamlessly with the outgoing Chairman in formulating and implementing corporate strategies and policies of the Company since his appointment to the Board in 2008. Given Mr Zhang's expertise and vast experience in property development and investment, he continued to serve as the General Manager to ensure continuity of the existing corporate strategies and policies. The Company considers that Mr Zhang would be able to provide strong leadership in the sustainable growth and development of the Company in the new growth era. The balance of power between Chairman, General Manager and the Board in general would be achieved by regular discussion and meetings of the full Board and various committees of the Board.

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.

## BOARD COMMITTEES

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

In addition, the Board established an Executive Committee to approve the issuance of shares upon the exercise of share options granted under the share option scheme of the Company. The Executive Committee comprises two executive directors during the period from 1 January 2013 to 31 July 2013 and thereafter three executive directors, and met 28 times during the year ended 31 December 2013.

## CORPORATE GOVERNANCE REPORT

### Audit Committee

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

The main duties of the Audit Committee include the following:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.
- (b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2013 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

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

### Remuneration Committee

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

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

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

| Directors                                  | Meetings Attended |
|--|-------------------|
| <i>Independent Non-Executive Directors</i> |                   |
| Yu Lup Fat Joseph                          | <b>2/2</b>        |
| Lee Ka Lun                                 | <b>2/2</b>        |
| Lau Hon Chuen Ambrose                      | <b>2/2</b>        |
| <i>Executive Director</i>                  |                   |
| Tang Shouchun                              | <b>1/2</b>        |

The Remuneration Committee held two meetings during the year ended 31 December 2013 to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

#### Nomination Committee

The Board established the Nomination Committee on 1 March 2012. The Nomination Committee comprises two executive directors and three independent non-executive directors. The committee is chaired by the Chairman of the Board.

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

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

| Directors   | Meetings Attended |
|---|-------------------|
| <i>Executive Directors</i>  |                   |
| Lu Zhifeng (ceased to be a member with effect from 31 July 2013)  | <b>1/2</b>        |
| Zhang Zhaoxing  | <b>2/2</b>        |
| Zhu Chunxiu (appointed as a member with effect from 31 July 2013) | <b>N/A</b>        |
| <i>Independent Non-Executive Directors</i>                        |                   |
| Yu Lup Fat Joseph   | <b>2/2</b>        |
| Lee Ka Lun  | <b>2/2</b>        |
| Lau Hon Chuen Ambrose   | <b>2/2</b>        |

The Nomination Committee held two meetings during the year ended 31 December 2013 to review the structure, size and composition of the Board.

## CORPORATE GOVERNANCE REPORT

### 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 enquiries have been made to all the directors concerning their compliance with the Model Code and all directors, apart from Mr Chen Zhihong, have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013. Mr Chen Zhihong had disposed of 800,000 shares of the Company in November 2013, shortly after the Company lifted its year long ban on directors’ dealings in the securities of the Company. At the time of the disposal, Mr Chen did not possess any inside information, and the disposal was not made during the blackout period. However, due to mere inadvertence, he did not perform his notification obligation in accordance with the Model Code. Mr Chen had subsequently informed the Company of the incident and made the relevant disclosure.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

### COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is also the company secretary of Yue Xiu Enterprises (Holdings) Limited, Yuexiu Transport Infrastructure Limited (Stock Code: 1052) and Yuexiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor’s degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2013, Mr Yu has taken no less than 15 hours of relevant professional training.

### ACCOUNTABILITY AND AUDIT

#### *Responsibilities in respect of the financial statements and auditor’s remuneration*

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

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

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

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

The remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2013 amounted to approximately RMB6,500,000 and RMB1,900,000 respectively.

## INTERNAL CONTROLS

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

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

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

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

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

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may request the directors to call a general meeting of the Company. The requisition must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The requisition may consist of several documents in like form. The requisition may be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. If the directors of the Company do not within 21 days after the date on which they become subject to the requirement call a general meeting for a date not more than 28 days after the date of notice convening the meeting, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, and the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting. Pursuant to Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an annual general meeting to which the request (mentioned below) relates, or at least 50 shareholders having a right to vote on the resolution at an annual general meeting to which the request relates, may submit a written request to put forward a resolution which may properly be moved at an annual general meeting.

## CONSTITUTIONAL DOCUMENTS

The Company's Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange. During 2013, there is no change in the Company's constitutional documents.

# REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, and holding of investment properties. The principal activities of its principal subsidiaries, joint ventures, associated entities are set out in the section headed "Group Structure" on pages 169 to 180.

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 75.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2013:

|   | RMB' 000                   |
|---|----------------------------|
| Interim dividend of HK\$0.049 equivalent to approximately<br>RMB0.039 per share paid on 8 November 2013 | 360,505                    |
| Proposed final dividend of HK\$0.035 equivalent to approximately<br>RMB0.027 per share                  | 251,704                    |
|   | <hr/> <hr/> <u>612,209</u> |

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 May 2014 to Thursday, 29 May 2014, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 29 May 2014, 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, no later than 4:30 p.m. on Monday, 26 May 2014.

In addition, the register of members of the Company will be closed from Friday, 6 June 2014 to Monday, 9 June 2014, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final 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, no later than 4:30 p.m. on Thursday, 5 June 2014.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 40 to the financial statements.

## DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB9 million.

## REPORT OF THE DIRECTORS

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 16 to the financial statements.

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 38 to the financial statements.

### PRE-EMPTIVE RIGHTS

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

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

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

### INTEREST CAPITALISED

During the year, interest capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB1,008 million (2012: RMB1,155 million).

### DISTRIBUTABLE RESERVES

As at 31 December 2013, the distributable reserves of the Company available for distribution amounted to RMB4,297 million (2012: RMB5,494 million).

## DIRECTORS

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

|                           |  |
|---------------------------|--|
| Mr Lu Zhifeng             | (resigned with effect from 31 July 2013)     |
| Mr Zhang Zhaoxing         |  |
| Mr Zhu Chunxiu            | (appointed with effect from 31 July 2013)    |
| Mr Tang Shouchun          |  |
| Mr Chen Zhihong           |  |
| Mr Li Feng                | (appointed with effect from 21 March 2014)   |
| Mr Ou Junming             | (appointed with effect from 21 March 2014)   |
| Mr Lam Yau Fung Curt      | (resigned with effect from 31 December 2013) |
| Mr Yu Lup Fat Joseph*     |  |
| Mr Lee Ka Lun*            |  |
| Mr Lau Hon Chuen Ambrose* |  |

\* *Independent non-executive directors*

The Directors' Profiles are set out on pages 52 to 54.

## ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Tang Shouchun and Lau Hon Chuen Ambrose retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Messrs Zhu Chunxiu, Li Feng and Ou Junming retire in accordance with Article 97 of the Company's Articles of Association and, being eligible, offer themselves for election at the forthcoming annual general meeting.

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

## DIRECTOR'S SERVICE CONTRACTS

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

## DIRECTOR'S INTEREST IN CONTRACTS

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

## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTIONS

During the reporting year, the following connected transactions were entered into on normal and commercial terms:

| Date                                      | Connected Party   | Relationship with the Company                                   | Nature of Transaction  |
|---|---|---|--|
| 11 May 2013<br>("Announcement")           | Joint House Investments Limited   | An associate of the intermediate holding company of the Company | Disposal of the entire issued share capital of five wholly-owned subsidiaries and assignment of shareholders' loans by the Group for a total consideration of RMB830,000,000 pursuant to the sale and purchase deed dated 11 May 2013          |
| 25 June 2013<br>("Announcement I")        | 深圳市越秀鵬程房地產投資合夥企業(有限合夥) (Shenzhen Pengcheng Yuexiu Real Estate Investment Partnership (Limited Partnership)) | An associate of the ultimate holding company of the Company     | Formation of joint venture in relation to the development of a parcel of land situated in Hangzhou City pursuant to the cooperation agreement dated 25 June 2013   |
| 9 July 2013<br>("Announcement II")        | 廣州越秀諾成實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Nuocheng Business Investment Enterprise (Limited Partnership))       | An associate of the ultimate holding company of the Company     | Formation of joint venture in relation to the development of a parcel of land situated in Foshan City pursuant to the cooperation agreement dated 9 July 2013  |
| 12 September 2013<br>("Announcement III") | 廣州越秀仁達四號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No.4 Business Investment Enterprise (Limited Partnership))   | An associate of the ultimate holding company of the Company     | Formation of joint venture in relation to the development of a parcel of land situated in Wuhan City pursuant to the cooperation agreement dated 12 September 2013   |
| 31 October 2013<br>("Announcement IV")    | 廣州越秀仁達五號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No.5 Business Investment Enterprise (Limited Partnership))   | An associate of the ultimate holding company of the Company     | Formation of joint venture in relation to the development of a parcel of land situated in Guangzhou City pursuant to the cooperation agreement dated 31 October 2013, as supplemented by a second cooperation agreement dated 22 November 2013 |
| 22 November 2013<br>("Announcement V")    |   |   |  |

Announcement in respect of the disposal and the transactions contemplated under the sale and purchase deed dated 11 May 2013 was published on 12 May 2013. Announcements I to V in respect of the formation of joint ventures were published on 26 June 2013, 10 July 2013, 12 September 2013, 31 October 2013 and 22 November 2013, respectively.

Other related party transactions including rental expenses paid to and rental income received from related parties disclosed in notes 47(b)(I) and (V), and management fees received from and paid to related parties disclosed in notes 47(b)(III) and (IV) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as "de minimis transactions" pursuant to the Listing Rules. Administrative services fee received from a related party disclosed in note 47(b)(III) to the consolidated financial statements constitutes an exempt continuing connected transaction pursuant to the Listing Rules.

## INTERESTS OF DIRECTORS

As at 31 December 2013, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

### The Company

#### 1. Long positions in shares of the Company:

| Name of Director         | Nature of interest | Beneficial interest in shares | Approximate % of interest |
|--------------------------|--------------------|-------------------------------|---------------------------|
| Mr Lee Ka Lun            | Personal           | 4,550,000                     | 0.05                      |
| Mr Lau Hon Chuen Ambrose | Personal           | 3,640,000                     | 0.04                      |
| Mr Chen Zhihong          | Personal           | 574,961                       | 0.01                      |

#### 2. Long positions in underlying shares of equity derivatives of the Company:

| Name of Director | Date of grant | Adjusted exercise price per share HK\$ | Number of share options          |                           |                                    |
|------------------|---------------|--|----------------------------------|---------------------------|------------------------------------|
|                  |               |  | Outstanding as at 1 January 2013 | Exercised during the year | Outstanding as at 31 December 2013 |
| Mr Tang Shouchun | 23/06/2004    | 0.607                                  | 1,620,375                        | 1,620,375(a)              | —                                  |

Note:

(a) The closing price per share immediately before the date on which the options were exercised was HK\$2.09.

## REPORT OF THE DIRECTORS

### 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 31 December 2013, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2013, 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<br>(Guangzhou Yue Xiu Holdings Limited) (Note) | Interests of controlled corporations | 4,631,163,657<br>(Long position) | 49.68                     |
| Yue Xiu Enterprises (Holdings) Limited<br>("Yue Xiu")     | Interests of controlled corporations | 4,631,163,657<br>(Long position) | 49.68                     |

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

### The Company

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

Movements during the year of the options granted under the share option scheme of the Company to the Participants including the directors of the Company as disclosed on pages 69 and 70 were as follows:

| outstanding<br>as at<br>1 January<br>2013 | Number of share options         |                              |           | outstanding<br>as at<br>31 December<br>2013 | Exercise<br>price<br>per share<br>HK\$ | Date of<br>grant            | Exercisable period | Weighted<br>average<br>closing<br>price (b)<br>HK\$ |
|---|---------------------------------|------------------------------|-----------|---|--|-----------------------------|--------------------|---|
|   | exercised<br>during<br>the year | lapsed<br>during<br>the year |           |   |  |                             |                    |   |
| 4,343,620                                 | (2,972,534)                     | (1,371,086)                  | —         | 0.395                                       | 02/05/2003                             | 02/05/2003 - 01/05/2013 (a) | 2.38               |   |
| 1,142,572                                 | (1,142,572)                     | —                            | —         | 0.784                                       | 27/10/2003                             | 27/10/2003 - 26/10/2013 (a) | 2.35               |   |
| 5,272,450                                 | (4,287,758)                     | (984,692)                    | —         | 0.814                                       | 23/12/2003                             | 23/12/2003 - 22/12/2013 (a) | 2.13               |   |
| 19,015,698                                | (15,195,636)                    | (1,312,918)                  | 2,507,144 | 0.607                                       | 23/06/2004                             | 23/06/2004 - 22/06/2014 (a) | 2.17               |   |

## REPORT OF THE DIRECTORS

*Notes:*

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

### INDEPENDENT NON-EXECUTIVE DIRECTOR'S FEES

Three independent non-executive directors of the Company each received RMB180,000 as director's fees for the year ended 31 December 2013.

### MANAGEMENT CONTRACTS

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

### PUBLIC FLOAT

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

### MAJOR CUSTOMERS AND SUPPLIERS

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

### AUDITOR

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

On behalf of the Board

**Zhang Zhaoxing**

*Chairman*

Hong Kong, 21 March 2014

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YUEXIU PROPERTY COMPANY LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 75 to 180, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 21 March 2014

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

|   | Note | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------|------------------|------------------|
| Revenue   | 5    | 14,208,873       | 8,119,945        |
| Cost of sales   | 6    | (10,104,420)     | (4,262,064)      |
| Gross profit  |      | 4,104,453        | 3,857,881        |
| Proceeds from sales of investment properties  |      | 364,150          | 856,419          |
| Direct costs of investment properties sold  |      | (288,233)        | (617,232)        |
| Gain on sales of investment properties  | 22   | 75,917           | 239,187          |
| Fair value gains on revaluation of investment properties  | 17   | 1,974,765        | 1,566,979        |
| Other gains   | 7    | 143,541          | 436,938          |
| Selling and marketing costs   | 6    | (493,283)        | (465,277)        |
| Administrative expenses   | 6    | (816,662)        | (830,923)        |
| Operating profit  |      | 4,988,731        | 4,804,785        |
| Finance income  | 8    | 44,081           | 60,984           |
| Finance costs   | 9    | (511,944)        | (552,673)        |
| Net foreign exchange gain/(loss) on financing activities  |      | 193,747          | (80,363)         |
| Excess of the share of the fair value of net assets<br>acquired over acquisition cost                       | 20   | —                | 155,460          |
| Share of (loss)/profit of   |      |                  |                  |
| – joint ventures  | 23   | (3,857)          | (89)             |
| – associated entities   | 24   | 198,958          | 246,440          |
| Profit before taxation  |      | 4,909,716        | 4,634,544        |
| Taxation  | 10   | (2,004,627)      | (2,075,470)      |
| Profit for the year   | 11   | 2,905,089        | 2,559,074        |
| Attributable to   |      |                  |                  |
| Equity holders of the Company   |      | 2,880,343        | 2,481,834        |
| Non-controlling interests   |      | 24,746           | 77,240           |
|   |      | 2,905,089        | 2,559,074        |
| Earnings per share for profit attributable to equity holders<br>of the Company (expressed in RMB per share) | 12   |                  |                  |
| – Basic   |      | 0.3094           | 0.2672           |
| – Diluted   |      | 0.3087           | 0.2664           |

The notes on pages 86 to 180 form an integral part of these consolidated financial statements.

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Profit for the year   | 2,905,089        | 2,559,074        |
| Other comprehensive income  |                  |                  |
| <u>Items that may be reclassified to profit or loss</u>                                 |                  |                  |
| Currency translation differences  | (50,994)         | 2,276            |
| Change in fair value of available-for-sale financial assets, net of tax                 | (37,039)         | 147,906          |
| Transfer of reserve to profit and loss upon disposal of non-current asset held-for-sale | (22,325)         | —                |
| Transfer of reserve to profit and loss upon disposal of subsidiaries                    | (6,101)          | (754)            |
| Other comprehensive (loss)/income for the year, net of tax                              | (116,459)        | 149,428          |
| Total comprehensive income for the year   | 2,788,630        | 2,708,502        |
| Attributable to   |                  |                  |
| Equity holders of the Company   | 2,765,902        | 2,623,412        |
| Non-controlling interests   | 22,728           | 85,090           |
|   | 2,788,630        | 2,708,502        |

The notes on pages 86 to 180 form an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

As at 31 December 2013

|   | Note | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
|---|------|-------------------|------------------|
| <b>ASSETS</b>                               |      |                   |                  |
| <b>Non-current assets</b>                   |      |                   |                  |
| Property, plant and equipment               | 16   | 1,023,079         | 763,564          |
| Investment properties                       | 17   | 10,219,375        | 6,185,441        |
| Land use rights                             | 18   | 265,901           | 283,234          |
| Interests in joint ventures                 | 23   | 1,164,939         | 990,734          |
| Interests in associated entities            | 24   | 6,309,075         | 5,964,993        |
| Available-for-sale financial assets         | 25   | 842,226           | 895,944          |
| Deferred tax assets                         | 41   | 130,067           | 81,679           |
|   |      | <b>19,954,662</b> | 15,165,589       |
| <b>Current assets</b>                       |      |                   |                  |
| Properties under development                | 27   | 37,554,999        | 34,672,854       |
| Properties held for sale                    | 28   | 6,342,773         | 3,147,952        |
| Prepayments for land use rights             |      | 3,634,670         | 5,439,939        |
| Inventories                                 | 30   | 10,676            | 11,645           |
| Derivative financial instruments            | 26   | 47,642            | —                |
| Trade receivables                           | 31   | 16,013            | 18,424           |
| Other receivables, prepayments and deposits |      | 1,704,398         | 1,569,860        |
| Taxation recoverable                        |      | 430,582           | 625,729          |
| Charged bank deposits                       | 32   | 3,319,484         | 2,202,948        |
| Cash and cash equivalents                   | 33   | 5,054,749         | 7,060,453        |
|   |      | <b>58,115,986</b> | 54,749,804       |
| Non-current assets held-for-sale            | 34   | —                 | 81,540           |

## CONSOLIDATED BALANCE SHEET

As at 31 December 2013

|  | Note | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
|--|------|-------------------|------------------|
| <b>LIABILITIES</b>                           |      |                   |                  |
| <b>Current liabilities</b>                   |      |                   |                  |
| Trade and note payables                      | 35   | 233,069           | 336,173          |
| Land premium payable                         |      | —                 | 45,944           |
| Advance receipts from customers              |      | 11,310,525        | 10,002,524       |
| Other payables and accrued charges           | 36   | 9,257,473         | 8,809,342        |
| Borrowings                                   | 37   | 8,330,549         | 6,828,742        |
| Taxation payable                             |      | 2,658,633         | 1,533,756        |
|  |      | <b>31,790,249</b> | 27,556,481       |
| <b>Net current assets</b>                    |      | <b>26,325,737</b> | 27,274,863       |
| <b>Total assets less current liabilities</b> |      | <b>46,280,399</b> | 42,440,452       |
| <b>Non-current liabilities</b>               |      |                   |                  |
| Borrowings                                   | 37   | 15,534,903        | 13,302,235       |
| Deferred tax liabilities                     | 41   | 5,367,095         | 5,707,741        |
| Deferred revenue                             |      | 64,595            | 66,389           |
| Other payables and accrued charges           | 36   | 153,798           | 243,872          |
|  |      | <b>21,120,391</b> | 19,320,237       |
| <b>Net assets</b>                            |      | <b>25,160,008</b> | 23,120,215       |

|  | Note | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
|--|------|-------------------|------------------|
| <b>EQUITY</b>  |      |                   |                  |
| Capital and reserves attributable to equity holders of the Company |      |                   |                  |
| Share capital  | 38   | 854,089           | 852,196          |
| Share premium  | 38   | 8,891,760         | 8,878,673        |
| Other reserves   | 40   | 398,425           | 516,153          |
| Retained earnings  |      |                   |                  |
| – Proposed dividends   | 40   | 251,704           | 399,952          |
| – Others   | 40   | 13,779,227        | 11,511,166       |
|  |      | 24,175,205        | 22,158,140       |
| Non-controlling interests  |      | 984,803           | 962,075          |
| <b>Total equity</b>  |      | <b>25,160,008</b> | 23,120,215       |

On behalf of the Board

**Zhang Zhaoxing**  
Director

**Zhu Chunxiu**  
Director

The notes on pages 86 to 180 form an integral part of these consolidated financial statements.

# BALANCE SHEET

As at 31 December 2013

|  | Note | 2013<br>RMB' 000   | 2012<br>RMB' 000 |
|--|------|--------------------|------------------|
| <b>ASSETS</b>                                |      |                    |                  |
| <b>Non-current assets</b>                    |      |                    |                  |
| Property, plant and equipment                | 16   | 10,177             | 10,042           |
| Interests in subsidiaries                    | 19   | 26,677,146         | 21,617,867       |
| Interests in an associated entity            | 24   | 9,364              | —                |
|  |      | <b>26,696,687</b>  | 21,627,909       |
| <b>Current assets</b>                        |      |                    |                  |
| Other receivables, prepayments and deposits  |      | 2,086              | 1,622            |
| Dividend receivables                         |      | 1,003,599          | 1,003,599        |
| Cash and cash equivalents                    | 33   | 575,429            | 949,988          |
|  |      | <b>1,581,114</b>   | 1,955,209        |
| <b>LIABILITIES</b>                           |      |                    |                  |
| <b>Current liabilities</b>                   |      |                    |                  |
| Amounts due to subsidiaries                  | 19   | 48,588             | 50,538           |
| Other payables and accrued charges           | 36   | 361,584            | 306,860          |
| Borrowings                                   | 37   | 4,429,962          | 1,061,503        |
|  |      | <b>4,840,134</b>   | 1,418,901        |
| <b>Net current (liabilities)/assets</b>      |      | <b>(3,259,020)</b> | 536,308          |
| <b>Total assets less current liabilities</b> |      | <b>23,437,667</b>  | 22,164,217       |
| <b>Non-current liabilities</b>               |      |                    |                  |
| Other payables and accrued charges           | 36   | 105,228            | 210,891          |
| Borrowings                                   | 37   | 9,287,731          | 6,723,164        |
|  |      | <b>9,392,959</b>   | 6,934,055        |
| <b>Net assets</b>                            |      | <b>14,044,708</b>  | 15,230,162       |

|  | Note | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
|--|------|-------------------|------------------|
| <b>EQUITY</b>  |      |                   |                  |
| Capital and reserves attributable to equity holders of the Company |      |                   |                  |
| Share capital  | 38   | 854,089           | 852,196          |
| Share premium  | 38   | 8,891,760         | 8,878,673        |
| Other reserves   | 40   | 1,759             | 5,431            |
| Retained earnings  |      |                   |                  |
| – Proposed dividends   | 40   | 251,704           | 399,952          |
| – Others   | 40   | 4,045,396         | 5,093,910        |
| <b>Total equity</b>  |      | <b>14,044,708</b> | 15,230,162       |

On behalf of the Board

**Zhang Zhaoxing**  
Director

**Zhu Chunxiu**  
Director

The notes on pages 86 to 180 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

|  | Note | 2013<br>RMB' 000   | 2012<br>RMB' 000 |
|--|------|--------------------|------------------|
| <b>Operating activities</b>  |      |                    |                  |
| <b>Net cash used in operations</b>                                     | 42   | <b>(1,548,978)</b> | (1,248,121)      |
| Interest received  |      | 44,081             | 60,984           |
| Interest paid  |      | (1,520,241)        | (1,707,341)      |
| Hong Kong profits tax paid   |      | (1,010)            | (4,332)          |
| China taxation paid  |      | (1,006,687)        | (838,911)        |
| <b>Net cash used in operating activities</b>                           |      | <b>(4,032,835)</b> | (3,737,721)      |
| <b>Investing activities</b>  |      |                    |                  |
| Additions of property, plant and equipment                             |      | (153,837)          | (892,222)        |
| Proceeds from sale of property, plant and equipment and land use right |      | 76,152             | 60,353           |
| Additions of investment properties                                     |      | (332,229)          | (39,731)         |
| Proceeds from sales of investment properties                           |      | 364,150            | 856,419          |
| Proceeds from sale of non-current asset held-for-sale                  |      | 45,000             | 951              |
| Disposal of subsidiaries   | 21   | 827,907            | 4,905,920        |
| Acquisition of a subsidiary  | 20   | —                  | (295,467)        |
| Dividends received from joint ventures and associated entities         |      | 199,635            | 99,528           |
| Capital injection in a joint venture                                   |      | (100,000)          | (350,000)        |
| Capital injections in associated entities                              |      | (164,000)          | —                |
| Payments to joint ventures and associated entities                     |      | (110,362)          | (540,393)        |
| Increase in charged bank deposits                                      |      | (1,116,536)        | (896,194)        |
| <b>Net cash (used in)/generated from investing activities</b>          |      | <b>(464,120)</b>   | 2,909,164        |

|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|--|------------------|------------------|
| <b>Financing activities</b>  |                  |                  |
| Issue of ordinary shares   | 11,853           | 6,290            |
| Capital contribution from non-controlling interests                          | —                | 24,500           |
| Dividends paid to equity holders of the Company                              | (760,690)        | (658,306)        |
| Dividends paid to non-controlling interests                                  | —                | (352)            |
| Decrease in amount due to an intermediate holding company                    | (15,171)         | (474,823)        |
| (Decrease)/increase in amounts due to joint ventures and associated entities | (540,482)        | 1,337,265        |
| Increase in amounts due to related companies                                 | 70,553           | 562,484          |
| New bank borrowings  | 7,781,965        | 13,495,362       |
| Repayment of bank borrowings   | (9,166,288)      | (11,181,485)     |
| New other borrowings   | 5,118,835        | —                |
| Repayment of other borrowings  | (67)             | (63)             |
| <b>Net cash generated from financing activities</b>                          | <b>2,500,508</b> | 3,110,872        |
| (Decrease)/increase in cash and cash equivalents                             | (1,996,447)      | 2,282,315        |
| Cash and cash equivalents at the beginning of year                           | 7,060,397        | 4,823,603        |
| Exchange losses on cash and cash equivalents                                 | (9,287)          | (45,521)         |
| Cash and cash equivalents at the end of year                                 | <b>5,054,663</b> | 7,060,397        |
| Analysis of balances of cash and cash equivalents                            |                  |                  |
| Bank balances and cash   | 5,054,749        | 7,060,453        |
| Bank overdrafts  | (86)             | (56)             |
|  | <b>5,054,663</b> | 7,060,397        |

The notes on pages 86 to 180 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

|  | Attributable to equity holders of the Company |                              |                      |  | Total<br>RMB' 000 |
|--|---|------------------------------|----------------------|--|-------------------|
|  | Share<br>capital<br>RMB' 000                  | Share<br>premium<br>RMB' 000 | Reserves<br>RMB' 000 | Non-controlling<br>interests<br>RMB' 000 |                   |
| Balance at 1 January 2013  | 852,196                                       | 8,878,673                    | 12,427,271           | 962,075                                  | 23,120,215        |
| <b>Comprehensive income</b>  |   |                              |                      |  |                   |
| Profit for the year  | —   | —                            | 2,880,343            | 24,746                                   | 2,905,089         |
| <b>Other comprehensive income</b>  |   |                              |                      |  |                   |
| Currency translation differences   | —   | —                            | (50,994)             | —  | (50,994)          |
| Change in fair value of available-for-sale<br>financial assets, net of tax                 | —   | —                            | (35,021)             | (2,018)                                  | (37,039)          |
| Transfer of reserve to profit and loss upon<br>disposal of non-current asset held-for-sale | —   | —                            | (22,325)             | —  | (22,325)          |
| Transfer of reserve to profit and loss<br>upon disposal of subsidiaries (note 21)          | —   | —                            | (6,101)              | —  | (6,101)           |
| Total other comprehensive loss   | —   | —                            | (114,441)            | (2,018)                                  | (116,459)         |
| <b>Total comprehensive income</b>  | —   | —                            | 2,765,902            | 22,728                                   | 2,788,630         |
| <b>Transactions with owners</b>  |   |                              |                      |  |                   |
| Issue of shares upon exercise of share options   | 1,893   | 9,960                        | —                    | —  | 11,853            |
| Transfer upon exercise of share options  | —   | 3,127                        | (3,127)              | —  | —                 |
| Dividends paid   | —   | —                            | (760,690)            | —  | (760,690)         |
| Total transactions with owners   | 1,893   | 13,087                       | (763,817)            | —  | (748,837)         |
| At 31 December 2013  | 854,089                                       | 8,891,760                    | 14,429,356           | 984,803                                  | 25,160,008        |

|   | Attributable to equity holders of the Company |                              |                      |  | Total<br>RMB' 000 |
|---|---|------------------------------|----------------------|--|-------------------|
|   | Share<br>capital<br>RMB' 000                  | Share<br>premium<br>RMB' 000 | Reserves<br>RMB' 000 | Non-controlling<br>interests<br>RMB' 000 |                   |
| Balance at 1 January 2012   | 851,021                                       | 8,871,970                    | 10,463,656           | 442,163                                  | 20,628,810        |
| <b>Comprehensive income</b>   |   |                              |                      |  |                   |
| Profit for the year   | —   | —                            | 2,481,834            | 77,240                                   | 2,559,074         |
| <b>Other comprehensive income</b>   |   |                              |                      |  |                   |
| Currency translation differences  | —   | —                            | 2,276                | —  | 2,276             |
| Change in fair value of available-for-sale<br>financial assets, net of tax        | —   | —                            | 140,056              | 7,850                                    | 147,906           |
| Transfer of reserve to profit and loss<br>upon disposal of a subsidiary (note 21) | —   | —                            | (754)                | —  | (754)             |
| Total other comprehensive income  | —   | —                            | 141,578              | 7,850                                    | 149,428           |
| <b>Total comprehensive income</b>   | —   | —                            | 2,623,412            | 85,090                                   | 2,708,502         |
| <b>Transactions with owners</b>   |   |                              |                      |  |                   |
| Issue of shares upon exercise of share options                                    | 1,175   | 5,115                        | —                    | —  | 6,290             |
| Transfer upon exercise of share options   | —   | 1,588                        | (1,588)              | —  | —                 |
| Acquisition of a subsidiary   | —   | —                            | 97                   | 505,460                                  | 505,557           |
| Capital injection to a subsidiary   | —   | —                            | —                    | 24,500                                   | 24,500            |
| Disposal of subsidiaries (note 21)  | —   | —                            | —                    | (94,786)                                 | (94,786)          |
| Dividends paid  | —   | —                            | (658,306)            | (352)                                    | (658,658)         |
| Total transactions with owners  | 1,175   | 6,703                        | (659,797)            | 434,822                                  | (217,097)         |
| At 31 December 2012   | 852,196                                       | 8,878,673                    | 12,427,271           | 962,075                                  | 23,120,215        |

The notes on pages 86 to 180 form an integral part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 21 March 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

At 31 December 2013, the Company’s current liabilities exceeded its current assets by approximately RMB3,259 million (31 December 2012: Net current assets of RMB536 million). This is mainly because certain bank borrowings of approximately RMB4,430 million will fall due within twelve months of the balance sheet date. The directors aim to renew these bank borrowings or to obtain additional banking facilities in order to improve the liquidity of the Group. Subsequent to year end, RMB1,300 million of the bank borrowings outstanding as at 31 December 2013 have been renewed. The Group is also currently in the process of negotiating with certain banks to renew the remaining bank borrowings upon expiry. In addition, the directors also believe that the Company will be able to obtain sufficient cash flows from other group companies to repay the bank borrowings, if necessary, upon the due dates. The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group’s ability to renew the current bank borrowings upon expiry or to secure other adequate banking facilities. Based on the Company’s cash flow projection, taking into account the above, the Company expects it has sufficient cash flows to meet its financial obligations as and when they fall due in the coming twelve months from the date of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### (a) *New, amended and revised standards adopted by the Group:*

The following new standards, amendment and revision to existing standards are mandatory for the first time for the financial year beginning on or after 1 January 2013 and relevant to the Group.

The amendment to HKAS 1 “Presentation of Financial Statements” introduces a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of this amendment affected presentation only and had no impact on the Group’s results of operations or financial position.

HKFRS 10 “Consolidated Financial Statements” establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present financial statements. It defines the principle of control and establishes control as the basis for consolidation.

HKFRS 11 “Joint Arrangements” focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportion consolidation of the joint arrangements is no longer permitted.

HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKFRS 12 “Disclosure of Interests in Other Entities” is effective for annual periods beginning on or after 1 January 2013. It introduces a wide range of disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and unconsolidated structured entities.

HKFRS 13 “Fair Value Measurement” aims to improve consistency and reduce complexity by providing a precise definition of fair value and sets out a single source for fair value measurement and disclosure requirements across HKFRS.

The adoption of the above new standards, amendment and revision to existing standards does not have material impact on the results and financial position of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

(b) *Amendments, revision and interpretation to existing standards effective in 2013 but not relevant to the Group:*

The following amendments, revision and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2013.

|                            |   |
|----------------------------|---|
| HKAS 19 (Amendment)        | Employee Benefits   |
| HKAS 27 (revised 2011)     | Separate Financial Statements   |
| HKFRS 1 (Amendment)        | First Time Adoption – Government Loans  |
| HKFRS 7 (Amendment)        | Financial Instruments : Disclosures – Offsetting Financial Assets and Financial Liabilities |
| HK(IFRIC) - Int 20         | Stripping Costs in the Production Phase of a Surface Mine                                   |
| Annual Improvement Project | Annual Improvements 2009-2011 Cycle   |

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

|  |  | Effective for<br>accounting<br>periods beginning<br>on or after |
|--|--|---|
| HKAS 32 (Amendment)  | Financial Instruments : Presentation – Offsetting<br>Financial Assets and Financial Liabilities                      | 1 January 2014  |
| HKAS 36 (Amendment)  | Impairment of Assets on Recoverable<br>Amount Disclosures  | 1 January 2014  |
| HKAS 39 (Amendment)  | Financial Instruments: Recognition and<br>Measurement – Novation of Derivatives                                      | 1 January 2014  |
| HKFRS 9  | Financial Instruments  | 1 January 2015  |
| HKFRS 10, HKFRS 12 and<br>HKAS 27 (revised 2011)<br>(Amendments) | Consolidated Financial Statements,<br>Disclosure of Interests in Other Entities<br>and Separate Financial Statements | 1 January 2014  |
| HK(IFRIC) - Int 21   | Levies   | 1 January 2014  |

The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments and interpretation to existing standards to the Group. The Group does not expect substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation

#### (a) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (b) *Business combinations*

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Consolidation (Continued)

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

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

(d) *Disposal of subsidiaries*

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

(e) *Separate financial statements*

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

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

(f) *Associated entities*

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation (Continued)

#### (f) *Associated entities (Continued)*

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

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

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

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

#### (g) *Joint arrangements*

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Segment reporting

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

#### 2.4 Foreign currency translation

##### (a) *Functional and presentation currency*

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

##### (b) *Transactions and balances*

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Foreign currency translation (Continued)

#### (c) *Group companies*

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

#### (d) *Disposal of foreign operation and partial disposal*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.5 Property, plant and equipment

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

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

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

|   |  |
|---|--|
| Leasehold land classified as finance lease                          | Shorter of remaining lease term or useful life |
| Buildings   | 25-50 years                                    |
| Leasehold improvements, furniture,<br>fixtures and office equipment | 3-5 years                                      |
| Motor vehicles  | 5 years  |

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 Impairment of non-financial assets

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

#### 2.8 Non-current assets held-for-sale

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

#### 2.9 Financial assets

##### 2.9.1 Classification

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Financial assets (Continued)

#### 2.9.1 Classification (Continued)

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the balance sheet (notes 2.13).

##### (c) Available-for-sale financial assets

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

#### 2.9.2 Recognition and measurement

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

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

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

#### 2.9.3 Offsetting financial instruments

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.9 Financial assets (Continued)

##### 2.9.4 Impairment of financial assets

###### (a) Assets carried at amortised cost

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

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

Impairment testing of trade and other receivables is described in note 2.13.

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

###### (b) Available-for-sale financial assets

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated income statement.

### 2.11 Properties under development and properties held for sale

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

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

### 2.12 Inventories

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

### 2.13 Trade and other receivables

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.14 Cash and cash equivalents

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

#### 2.15 Trade and note payables

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

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

#### 2.16 Borrowings

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

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

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

#### 2.17 Borrowing costs

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Share capital

Ordinary shares are classified as equity.

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

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

### 2.19 Current and deferred income tax

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.20 Employee benefits

##### (a) Pension obligations

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

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

##### (b) Share-based compensation

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

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

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

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

##### (c) Termination benefits

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Employee benefits (Continued)

#### (d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments.

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.21 Provisions

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

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

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

### 2.22 Revenue recognition

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

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

- (a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.
- (b) Operating lease rental income is recognised on a straight-line basis over the lease period.
- (c) Revenue from property management is recognised in the period in which the services are rendered.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.22 Revenue recognition (Continued)

- (d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (e) Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.
- (f) Dividend income is recognised when the right to receive payment is established.
- (g) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable.

#### 2.23 Leases

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

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

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

#### 2.24 Government grants

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Dividend distribution

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

### 2.26 Contingent liabilities and contingent assets

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

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

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

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

### 2.27 Financial guarantees

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

### 2.28 Insurance contracts

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market risk*

(i) **Foreign exchange risk**

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group has not specifically hedged this exposure considering the steady appreciation of RMB spot rate against HKD and USD in recent years, but will closely monitor the foreign exchange fluctuation and adopt alternative instruments to hedge foreign exchange exposure when appropriate.

At 31 December 2013, if RMB had strengthened/weakened by 3 percent against HKD and USD with all other variables held constant, post-tax profit for the year would have been approximately RMB3,230 million higher/lower (2012: post-tax profit RMB1,620 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

(ii) **Cash flow interest rate risk**

At 31 December 2013, if interest rates on borrowings had been 100 basis points higher/ lower with all other variables held constant, post-tax profit for the year would have been approximately RMB49 million lower/higher (2012: post-tax profit RMB54 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) **Price risk**

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

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB57 million (2012: RMB61 million).

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk

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

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

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayment. Detailed disclosure of these guarantees is made in note 45.

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

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

##### (c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (note 33) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk (Continued)

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

|   | Less than<br>1 year<br>RMB' 000 | Between<br>1 and 2<br>years<br>RMB' 000 | Between<br>2 and 5<br>years<br>RMB' 000 | Over<br>5 years<br>RMB' 000 | Total<br>RMB' 000 |
|---|---------------------------------|---|---|-----------------------------|-------------------|
| <b>Group</b>                                |                                 |   |   |                             |                   |
| At 31 December 2013                         |                                 |   |   |                             |                   |
| Borrowings (principal amount plus interest) | 9,061,221                       | 5,326,646                               | 7,914,188                               | 4,281,667                   | 26,583,722        |
| Trade and note payables                     | 233,069                         | —                                       | —                                       | —                           | 233,069           |
| Other payables and accrued charges          | 8,578,128                       | 124,570                                 | 43,000                                  | —                           | 8,745,698         |
| At 31 December 2012                         |                                 |   |   |                             |                   |
| Borrowings (principal amount plus interest) | 8,307,545                       | 8,088,594                               | 5,920,028                               | 1,301,417                   | 23,617,584        |
| Trade and note payables                     | 336,173                         | —                                       | —                                       | —                           | 336,173           |
| Land premium payable                        | 45,944                          | —                                       | —                                       | —                           | 45,944            |
| Other payables and accrued charges          | 8,327,597                       | 123,431                                 | 104,940                                 | 15,501                      | 8,571,469         |
| <b>Company</b>                              |                                 |   |   |                             |                   |
| At 31 December 2013                         |                                 |   |   |                             |                   |
| Borrowings (principal amount plus interest) | 4,815,444                       | 3,334,515                               | 3,962,009                               | 3,623,083                   | 15,735,051        |
| Amounts due to subsidiaries                 | 48,588                          | —                                       | —                                       | —                           | 48,588            |
| Other payables and accrued charges          | 309,672                         | 124,570                                 | 43,000                                  | —                           | 477,242           |
| At 31 December 2012                         |                                 |   |   |                             |                   |
| Borrowings (principal amount plus interest) | 1,095,055                       | 3,869,178                               | 3,064,797                               | —                           | 8,029,030         |
| Amounts due to subsidiaries                 | 50,538                          | —                                       | —                                       | —                           | 50,538            |
| Other payables and accrued charges          | 306,860                         | 119,061                                 | 91,830                                  | —                           | 517,751           |

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Capital risk management

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

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

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

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

The gearing ratios at 31 December 2013 and 2012 were as follows:

|  | 2013<br>RMB'000 | 2012<br>RMB'000 |
|--|-----------------|-----------------|
| Total borrowings (note 37)                         | 23,865,452      | 20,130,977      |
| Less: Cash and cash equivalents (note 33)          | (5,054,749)     | (7,060,453)     |
| Net debt   | 18,810,703      | 13,070,524      |
| Total equity (excluding non-controlling interests) | 24,175,205      | 22,158,140      |
| Total capital                                      | 42,985,908      | 35,228,664      |
| Gearing ratio                                      | 44%             | 37%             |

The increase in the gearing ratio during 2013 resulted primarily due to refinancing of certain indebtedness and general corporate purposes.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation

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

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

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

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

For the Group's financial assets and liabilities that are carried at fair value, see note 25 for available-for-sale financial assets and note 26 for derivative financial instruments. For disclosures of the investment properties that are measured at fair value, see note 17.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

### (c) Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in note 17.

### (d) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in note 10.

### (e) Current and deferred income tax

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

**(f) Depreciation of property, plant and equipment**

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

**(g) Accruals for construction cost of public facilities**

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

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

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. Details of fair value estimates on available-for-sale financial assets have been disclosed in note 25.

**(i) Fair value of derivative financial instruments**

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group's management uses a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of fair value estimates on derivative financial instruments have been disclosed in note 26.

**(j) Consolidation**

Control is the basis for consolidation. Control exists when the Group is able to influence profitability of another company through its involvement and power over the operation of another company. To assess whether an entity has control over another entity involves significant judgement. Management has performed an assessment and considered the current accounting treatments for its subsidiaries, associated entities and joint ventures to be appropriate. Yuexiu REIT is accounted for as an associated entity since the Group, among other reasons, only has significant influence on but no control over Yuexiu REIT. The key decisions of Yuexiu REIT are principally handled and monitored by an independent trustee and an asset management company. The Group has no equity interest in and/or control over the independent trustee. Among other key factors, the Group does not have any power to control the appointment of the directors of the asset management company of Yuexiu REIT, as all of the directors are nominated by the nomination committee, which is comprised by a majority of independent non-executive directors. Accordingly, the Group does not control Yuexiu REIT.

### 5 SEGMENT INFORMATION

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

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

## 5 SEGMENT INFORMATION (Continued)

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

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

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

|                                    | Property<br>development<br>RMB' 000 | Property<br>management<br>RMB' 000 | Property<br>investment<br>RMB' 000 | Others<br>RMB' 000 | Group<br>RMB' 000 |
|------------------------------------|-------------------------------------|------------------------------------|------------------------------------|--------------------|-------------------|
| <b>Year ended 31 December 2013</b> |                                     |                                    |                                    |                    |                   |
| Revenue                            | 13,145,199                          | 425,605                            | 463,872                            | 850,446            | 14,885,122        |
| Inter-segment revenue              | —                                   | (79,568)                           | (6,726)                            | (589,955)          | (676,249)         |
| Revenue from external customers    | 13,145,199                          | 346,037                            | 457,146                            | 260,491            | 14,208,873        |
| Segment results                    | 2,704,039                           | 11,948                             | 2,270,974                          | 4,435              | 4,991,396         |
| Depreciation and amortisation      | (42,448)                            | (480)                              | —                                  | (15,898)           | (58,826)          |
| Share of (loss)/profit of:         |                                     |                                    |                                    |                    |                   |
| – joint ventures                   | (3,857)                             | —                                  | —                                  | —                  | (3,857)           |
| – associated entities              | —                                   | —                                  | 175,774                            | 23,184             | 198,958           |
| <b>Year ended 31 December 2012</b> |                                     |                                    |                                    |                    |                   |
| Revenue                            | 6,946,344                           | 410,252                            | 489,251                            | 1,242,381          | 9,088,228         |
| Inter-segment revenue              | —                                   | (79,430)                           | (5,438)                            | (883,415)          | (968,283)         |
| Revenue from external customers    | 6,946,344                           | 330,822                            | 483,813                            | 358,966            | 8,119,945         |
| Segment results                    | 2,410,082                           | 758                                | 2,030,554                          | 58,035             | 4,499,429         |
| Depreciation and amortisation      | (54,704)                            | (1,090)                            | —                                  | (20,205)           | (75,999)          |
| Share of (loss)/profit of:         |                                     |                                    |                                    |                    |                   |
| – joint ventures                   | (89)                                | —                                  | —                                  | —                  | (89)              |
| – associated entities              | —                                   | —                                  | 246,440                            | —                  | 246,440           |

## NOTES TO THE FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION (Continued)

|   | Property<br>development<br>RMB' 000 | Property<br>management<br>RMB' 000 | Property<br>investment<br>RMB' 000 | Others<br>RMB' 000 | Group<br>RMB' 000 |
|---|-------------------------------------|------------------------------------|------------------------------------|--------------------|-------------------|
| <b>As at 31 December 2013</b>   |                                     |                                    |                                    |                    |                   |
| 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  | —                                   | —                                  | 6,199,030                          | 110,045            | 6,309,075         |
| Total reportable segments' assets   | 59,621,244                          | 435,884                            | 16,418,405                         | 446,774            | 76,922,307        |
| Total reportable segments' assets include:  |                                     |                                    |                                    |                    |                   |
| Additions to non-current assets (other than interests in joint ventures, interests in associated entities, available-for-sale financial assets and deferred tax assets) | 152,746                             | 787                                | 332,229                            | 304                | 486,066           |
| <b>As at 31 December 2012</b>   |                                     |                                    |                                    |                    |                   |
| Segment assets  | 54,081,016                          | 354,674                            | 6,185,441                          | 751,014            | 61,372,145        |
| Interests in joint ventures   | 990,734                             | —                                  | —                                  | —                  | 990,734           |
| Interests in associated entities  | —                                   | —                                  | 5,964,993                          | —                  | 5,964,993         |
| Total reportable segments' assets   | 55,071,750                          | 354,674                            | 12,150,434                         | 751,014            | 68,327,872        |
| Total reportable segments' assets include:  |                                     |                                    |                                    |                    |                   |
| Additions to non-current assets (other than interests in joint ventures, interests in associated entities, available-for-sale financial assets and deferred tax assets) | 966,934                             | 515                                | 39,731                             | 814                | 1,007,994         |

## 5 SEGMENT INFORMATION (Continued)

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

|   | Year ended 31 December |                  |
|---|------------------------|------------------|
|   | 2013<br>RMB' 000       | 2012<br>RMB' 000 |
| Segment results   | <b>4,991,396</b>       | 4,499,429        |
| Unallocated operating costs (note)  | <b>(146,206)</b>       | (131,582)        |
| Other gains   | <b>143,541</b>         | 436,938          |
| Operating profit  | <b>4,988,731</b>       | 4,804,785        |
| Finance income  | <b>44,081</b>          | 60,984           |
| Finance costs   | <b>(511,944)</b>       | (552,673)        |
| Net foreign exchange gain/(loss) on financing activities                              | <b>193,747</b>         | (80,363)         |
| Excess of the share of the fair value of net assets<br>acquired over acquisition cost | —                      | 155,460          |
| Share of (loss)/profit of:  |                        |                  |
| – joint ventures  | <b>(3,857)</b>         | (89)             |
| – associated entities   | <b>198,958</b>         | 246,440          |
| Profit before taxation  | <b>4,909,716</b>       | 4,634,544        |

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION (Continued)

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

|                                   | As at 31 December |                  |
|-----------------------------------|-------------------|------------------|
|                                   | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
| Total reportable segments' assets | <b>76,922,307</b> | 68,327,872       |
| Deferred tax assets               | <b>130,067</b>    | 81,679           |
| Taxation recoverable              | <b>430,582</b>    | 625,729          |
| Corporate assets                  | <b>587,692</b>    | 961,653          |
| Total assets                      | <b>78,070,648</b> | 69,996,933       |

|                    | Revenue                |                  | Total assets      |                  |
|--------------------|------------------------|------------------|-------------------|------------------|
|                    | Year ended 31 December |                  | As at 31 December |                  |
|                    | 2013<br>RMB' 000       | 2012<br>RMB' 000 | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
| Hong Kong          | <b>113,123</b>         | 166,416          | <b>2,231,176</b>  | 2,254,878        |
| China              | <b>14,094,704</b>      | 7,952,534        | <b>74,682,844</b> | 66,065,954       |
| Overseas           | <b>1,046</b>           | 995              | <b>8,287</b>      | 7,040            |
|                    | <b>14,208,873</b>      | 8,119,945        | <b>76,922,307</b> | 68,327,872       |
| Unallocated assets |                        |                  | <b>1,148,341</b>  | 1,669,061        |
|                    |                        |                  | <b>78,070,648</b> | 69,996,933       |

## 6 EXPENSES BY NATURE

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

|   | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
|---|-------------------|------------------|
| Advertising and promotion expenses  | 420,775           | 377,388          |
| Cost of properties sold included in cost of sales                               | 9,361,992         | 3,523,520        |
| Cost of inventories included in cost of sales                                   | 44,877            | 82,038           |
| Direct operating expenses arising from investment properties                    |                   |                  |
| – that generate rental income   | 112,535           | 182,305          |
| – that did not generate rental income   | 339               | 549              |
| Depreciation  |                   |                  |
| – Owned property, plant and equipment   | 46,284            | 57,717           |
| – Leased property, plant and equipment  | 85                | 62               |
| Reversal of provision for impairment of property, plant and equipment (note 16) | (14,531)          | (1,103)          |
| Amortisation of land use rights (note 18)                                       | 12,457            | 18,220           |
| Operating leases – Land and buildings   | 74,185            | 45,609           |
| Auditor's remuneration  | 6,500             | 6,500            |
| Employee benefit expenses (note 14)   | 848,686           | 876,749          |
| (Reversal of)/provision for impairment of properties under development          | (26,653)          | 15,901           |
| Others  | 526,834           | 372,809          |
|   | <b>11,414,365</b> | <b>5,558,264</b> |

## 7 OTHER GAINS

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Gain on disposal of subsidiaries (note 21)          | 59,810           | 436,938          |
| Gain on disposal of non-current asset held-for-sale | 36,089           | —                |
| Fair value gain on derivative financial instruments | 47,642           | —                |
|   | <b>143,541</b>   | <b>436,938</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

### 8 FINANCE INCOME

|                                    | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|------------------------------------|------------------|------------------|
| Interest income from bank deposits | 44,081           | 60,984           |

### 9 FINANCE COSTS

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Interest on bank borrowings and overdrafts<br>wholly repayable within five years  | 1,153,341        | 1,396,061        |
| Interest on bank borrowings wholly repayable over five years  | 47,826           | 249,963          |
| Interest on borrowings from related companies   | 87,819           | 51,585           |
| Interest on other borrowings  | 198,649          | —                |
| Interest expense from top-up payment liability  | 16,794           | 9,732            |
| Fair value loss on top-up payment liability   | 15,812           | —                |
| Total borrowing costs incurred  | 1,520,241        | 1,707,341        |
| Less: amount capitalised as investment properties, properties under<br>development and property, plant and equipment (note) | (1,008,297)      | (1,154,668)      |
|   | 511,944          | 552,673          |

Note: The average interest rate of borrowing costs capitalised for the year ended 31 December 2013 was approximately 5.74 percent per annum (2012: 8.15 percent per annum).

## 10 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2012: 16.5 percent) on the estimated assessable profit for the year.
- (b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and joint ventures in China at 25 percent (2012: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the year, withholding income tax was provided for 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 (2012: 5 percent to 10 percent).

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

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Current taxation  |                  |                  |
| Hong Kong profits tax                                     | 11,004           | 3,269            |
| China enterprise income tax                               | 746,351          | 302,720          |
| China land appreciation tax                               | 428,690          | 1,114,630        |
| (Over)/under-provision in prior years                     | (45,238)         | 15,284           |
| Deferred taxation   |                  |                  |
| Origination and reversal of temporary difference          | 678,490          | 508,685          |
| Corporate withholding income tax on undistributed profits | 185,330          | 130,882          |
|   | <b>2,004,627</b> | <b>2,075,470</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 10 TAXATION (Continued)

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

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

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Profit before taxation less share of profits and losses of associated entities and joint ventures | 4,714,615        | 4,388,193        |
| Calculated at China enterprise income tax rate of 25 percent (2012: 25 percent)                   | 1,178,654        | 1,097,048        |
| Effect of different taxation rates  | 14,205           | 68,558           |
| Income not subject to taxation  | (37,583)         | (141,274)        |
| Expenses not deductible for taxation purposes   | 97,833           | 96,309           |
| Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses       | 31,818           | (5,004)          |
| (Over)/under-provision in prior years   | (45,238)         | 15,284           |
| Effect of land appreciation tax deductible for calculation of income tax purposes                 | (193,203)        | (271,223)        |
| Corporate withholding income tax  | 185,330          | 130,882          |
|   | 1,231,816        | 990,580          |
| Land appreciation tax   | 772,811          | 1,084,890        |
| Taxation charges  | 2,004,627        | 2,075,470        |

### 11 (LOSS)/PROFIT FOR THE YEAR

The loss for the year is dealt with in the financial statements of the Company to the extent of approximately RMB437 million (2012: profit for the year of RMB4,335 million).

## 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 year.

|  | 2013      | 2012      |
|--|-----------|-----------|
| Profit attributable to equity holders of the Company (RMB'000) | 2,880,343 | 2,481,834 |
| Weighted average number of ordinary shares in issue ('000)     | 9,309,159 | 9,289,774 |
| Basic earnings per share (RMB)                                 | 0.3094    | 0.2672    |

### Diluted

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

|  | 2013      | 2012      |
|--|-----------|-----------|
| Profit attributable to equity holders of the Company (RMB'000)                   | 2,880,343 | 2,481,834 |
| Weighted average number of ordinary shares in issue ('000)                       | 9,309,159 | 9,289,774 |
| Adjustments for share options ('000)   | 21,904    | 25,946    |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | 9,331,063 | 9,315,720 |
| Diluted earnings per share (RMB)   | 0.3087    | 0.2664    |

## NOTES TO THE FINANCIAL STATEMENTS

### 13 DIVIDENDS

The dividends paid in 2013 was approximately RMB761 million (2012: RMB658 million). The Board proposed a final dividend of RMB0.027 (HK\$0.035) per ordinary share, totaling approximately RMB252 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 29 May 2014. These financial statements do not reflect this dividend payable.

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Interim, paid, of HK\$0.049 equivalent to RMB0.039<br>(2012: HK\$0.042 equivalent to RMB0.034) per ordinary share   | 360,505          | 319,459          |
| Special, proposed, of nil (2012: HK\$0.031 equivalent to<br>RMB0.025) per ordinary share                            | —                | 232,530          |
| Final, proposed, of HK\$0.035 equivalent to RMB0.027<br>(2012: HK\$0.022 equivalent to RMB0.018) per ordinary share | 251,704          | 167,422          |
|   | <b>612,209</b>   | 719,411          |

### 14 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Wages, salaries and bonus                           | 660,221          | 681,030          |
| Pension costs (defined contribution plans)          | 43,200           | 48,745           |
| Medical benefits costs (defined contribution plans) | 16,719           | 19,245           |
| Social security costs                               | 58,296           | 66,308           |
| Termination benefits                                | 335              | 345              |
| Staff welfare                                       | 69,915           | 61,076           |
|   | <b>848,686</b>   | 876,749          |

#### Pension scheme arrangements

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

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

## 14 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

### Pension scheme arrangements (Continued)

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

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

## 15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The remuneration of every director received from the Company for the year ended 31 December 2013 is set out below:

| Name of Director               | Fees<br>RMB' 000 | Salaries<br>RMB' 000 | Discretionary<br>bonuses<br>RMB' 000 | Pension<br>costs<br>RMB' 000 | Total<br>RMB' 000 |
|--------------------------------|------------------|----------------------|--------------------------------------|------------------------------|-------------------|
| LU Zhifeng (note (ii))         | —                | 1,071                | 7,353                                | 54                           | 8,478             |
| ZHANG Zhaoxing                 | —                | 1,421                | 13,678                               | 99                           | 15,198            |
| ZHU Chunxiu (note (i))         | —                | 669                  | 7,512                                | —                            | 8,181             |
| TANG Shouchun                  | —                | 1,718                | 12,136                               | 120                          | 13,974            |
| CHEN Zhihong                   | —                | 2,699                | 10,693                               | —                            | 13,392            |
| LAM Yau Fung Curt (note (iii)) | —                | 1,825                | —                                    | 12                           | 1,837             |
| YU Lup Fat Joseph              | 180              | —                    | —                                    | —                            | 180               |
| LEE Ka Lun                     | 180              | —                    | —                                    | —                            | 180               |
| LAU Hon Chuen Ambrose          | 180              | —                    | —                                    | —                            | 180               |
| Total                          | 540              | 9,403                | 51,372                               | 285                          | 61,600            |

## NOTES TO THE FINANCIAL STATEMENTS

### 15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

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

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

Note:

- (i) Appointed on 31 July 2013
- (ii) Resigned on 31 July 2013
- (iii) Resigned on 31 December 2013
- (iv) Resigned on 12 December 2012

No directors waived emoluments in respect of the years ended 31 December 2013 and 2012. No emoluments were paid or payable by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2013 and 2012 are also directors whose emoluments are reflected in the analysis presented above.

## 16 PROPERTY, PLANT AND EQUIPMENT

### (a) Group

|  | Land<br>RMB' 000<br>(note) | Buildings<br>RMB' 000 | Construction<br>in progress<br>RMB' 000 | Leasehold<br>improvements,<br>furniture,<br>fixtures<br>and office<br>equipment<br>RMB' 000 | Motor<br>vehicles<br>RMB' 000 | Total<br>RMB' 000 |
|--|----------------------------|-----------------------|---|---|-------------------------------|-------------------|
| At 1 January 2012                                |                            |                       |   |   |                               |                   |
| Cost   | 421,088                    | 539,738               | 2,008,547                               | 98,842  | 70,170                        | 3,138,385         |
| Accumulated depreciation<br>and impairment       | (162,357)                  | (237,215)             | —                                       | (62,591)  | (51,310)                      | (513,473)         |
| Net book amount                                  | 258,731                    | 302,523               | 2,008,547                               | 36,251  | 18,860                        | 2,624,912         |
| Year ended 31 December 2012                      |                            |                       |   |   |                               |                   |
| Opening net book amount                          | 258,731                    | 302,523               | 2,008,547                               | 36,251  | 18,860                        | 2,624,912         |
| Exchange differences                             | 213                        | 38                    | —                                       | 5   | —                             | 256               |
| Additions  | —                          | 40,028                | 811,195                                 | 24,758  | 16,241                        | 892,222           |
| Acquisition of a subsidiary (note 20)            | —                          | —                     | 60,711                                  | 1,738   | 6,304                         | 68,753            |
| Disposals  | —                          | (57,286)              | —                                       | (2,594)   | (473)                         | (60,353)          |
| Transfer upon completion                         | —                          | 3,995,639             | (3,995,639)                             | —   | —                             | —                 |
| Disposal of a subsidiary (note 21)               | —                          | (4,055,804)           | —                                       | (492)   | (9,504)                       | (4,065,800)       |
| Depreciation                                     | (2,831)                    | (38,278)              | —                                       | (10,958)  | (5,712)                       | (57,779)          |
| Reversal of impairment                           | —                          | 1,103                 | —                                       | —   | —                             | 1,103             |
| Transfer from investment<br>properties (note 17) | —                          | 94,431                | —                                       | —   | —                             | 94,431            |
| Transfer from properties<br>under development    | —                          | —                     | 1,265,819                               | —   | —                             | 1,265,819         |
| Closing net book amount                          | 256,113                    | 282,394               | 150,633                                 | 48,708  | 25,716                        | 763,564           |
| At 31 December 2012                              |                            |                       |   |   |                               |                   |
| Cost   | 421,438                    | 541,279               | 150,633                                 | 119,331   | 82,809                        | 1,315,490         |
| Accumulated depreciation<br>and impairment       | (165,325)                  | (258,885)             | —                                       | (70,623)  | (57,093)                      | (551,926)         |
| Net book amount                                  | 256,113                    | 282,394               | 150,633                                 | 48,708  | 25,716                        | 763,564           |

## NOTES TO THE FINANCIAL STATEMENTS

### 16 PROPERTY, PLANT AND EQUIPMENT (Continued)

#### (a) Group (Continued)

|   | Land<br>RMB' 000<br>(note) | Buildings<br>RMB' 000 | Construction<br>in progress<br>RMB' 000 | Leasehold<br>improvements,<br>furniture,<br>fixtures<br>and office<br>equipment<br>RMB' 000 | Motor<br>vehicles<br>RMB' 000 | Total<br>RMB' 000 |
|---|----------------------------|-----------------------|---|---|-------------------------------|-------------------|
| <b>Year ended 31 December 2013</b>            |                            |                       |   |   |                               |                   |
| Opening net book amount                       | 256,113                    | 282,394               | 150,633                                 | 48,708  | 25,716                        | 763,564           |
| Exchange differences                          | (8,046)                    | (3,687)               | —                                       | (700)   | (11)                          | (12,444)          |
| Additions                                     | —                          | 11,218                | 123,476                                 | 11,605  | 7,538                         | 153,837           |
| Disposals                                     | —                          | (20,459)              | —                                       | (1,441)   | (656)                         | (22,556)          |
| Disposal of subsidiaries (note 21)            | —                          | —                     | —                                       | (15)  | —                             | (15)              |
| Depreciation                                  | (2,652)                    | (24,030)              | —                                       | (12,112)  | (7,575)                       | (46,369)          |
| Reversal of impairment                        | —                          | 14,531                | —                                       | —   | —                             | 14,531            |
| Transfer to investment properties (note 17)   | —                          | (1,295)               | —                                       | —   | —                             | (1,295)           |
| Transfer from properties<br>under development | —                          | —                     | 173,826                                 | —   | —                             | 173,826           |
| Closing net book amount                       | 245,415                    | 258,672               | 447,935                                 | 46,045  | 25,012                        | 1,023,079         |
| <b>At 31 December 2013</b>                    |                            |                       |   |   |                               |                   |
| Cost  | 408,419                    | 520,618               | 447,935                                 | 128,102   | 85,142                        | 1,590,216         |
| Accumulated depreciation<br>and impairment    | (163,004)                  | (261,946)             | —                                       | (82,057)  | (60,130)                      | (567,137)         |
| Net book amount                               | 245,415                    | 258,672               | 447,935                                 | 46,045  | 25,012                        | 1,023,079         |

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

Property, plant and equipment of the Group with an aggregate carrying amount of RMB857 million (2012: RMB568 million) were pledged as collateral for the Group's bank borrowings (note 46).

## 16 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Company

|                             | Land and<br>buildings<br>RMB' 000 | Leasehold<br>improvements,<br>furniture,<br>fixtures<br>and office<br>equipment<br>RMB' 000 | Motor<br>vehicles<br>RMB' 000 | Total<br>RMB' 000 |
|-----------------------------|-----------------------------------|---|-------------------------------|-------------------|
| At 1 January 2012           |                                   |   |                               |                   |
| Cost                        | 13,747                            | 2,955   | 7,431                         | 24,133            |
| Accumulated depreciation    | (6,268)                           | (1,465)   | (7,364)                       | (15,097)          |
| Net book amount             | 7,479                             | 1,490   | 67                            | 9,036             |
| Year ended 31 December 2012 |                                   |   |                               |                   |
| Opening net book amount     | 7,479                             | 1,490   | 67                            | 9,036             |
| Additions                   | —                                 | 113   | 2,156                         | 2,269             |
| Depreciation                | (263)                             | (454)   | (546)                         | (1,263)           |
| Closing net book amount     | 7,216                             | 1,149   | 1,677                         | 10,042            |
| At 31 December 2012         |                                   |   |                               |                   |
| Cost                        | 13,747                            | 3,068   | 9,587                         | 26,402            |
| Accumulated depreciation    | (6,531)                           | (1,919)   | (7,910)                       | (16,360)          |
| Net book amount             | 7,216                             | 1,149   | 1,677                         | 10,042            |
| Year ended 31 December 2013 |                                   |   |                               |                   |
| Opening net book amount     | 7,216                             | 1,149   | 1,677                         | 10,042            |
| Additions                   | —                                 | 295   | 1,342                         | 1,637             |
| Depreciation                | (261)                             | (477)   | (764)                         | (1,502)           |
| Closing net book amount     | 6,955                             | 967   | 2,255                         | 10,177            |
| At 31 December 2013         |                                   |   |                               |                   |
| Cost                        | 13,747                            | 3,119   | 10,486                        | 27,352            |
| Accumulated depreciation    | (6,792)                           | (2,152)   | (8,231)                       | (17,175)          |
| Net book amount             | 6,955                             | 967   | 2,255                         | 10,177            |

## NOTES TO THE FINANCIAL STATEMENTS

### 17 INVESTMENT PROPERTIES

|  | Completed investment properties |           | Group Investment properties under development | 2013       | 2012        |
|--|---------------------------------|-----------|---|------------|-------------|
|  | China                           | Hong Kong | China   | Total      | Total       |
|  | RMB' 000                        | RMB' 000  | RMB' 000                                      | RMB' 000   | RMB' 000    |
| Beginning of the year                                      | 3,528,230                       | 616,211   | 2,041,000                                     | 6,185,441  | 11,922,571  |
| Exchange differences                                       | —                               | (19,668)  | —   | (19,668)   | 483         |
| Additions  | 11,232                          | 6,072     | 314,925                                       | 332,229    | 39,731      |
| Transfer from/(to) property, plant and equipment (note 16) | —                               | 1,295     | —   | 1,295      | (94,431)    |
| Disposals  | (228,398)                       | —         | —   | (228,398)  | (328,717)   |
| Transfer from properties under development                 | 2,056,111                       | —         | —   | 2,056,111  | 2,829,365   |
| Disposal of subsidiaries (note 21)                         | (82,400)                        | —         | —   | (82,400)   | (9,709,000) |
| Fair value gains   | 1,792,145                       | 36,545    | 146,075                                       | 1,974,765  | 1,566,979   |
| Transfer to non-current assets held-for-sale (note 34)     | —                               | —         | —   | —          | (41,540)    |
| End of the year  | 7,076,920                       | 640,455   | 2,502,000                                     | 10,219,375 | 6,185,441   |

#### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Greater China Appraisal Limited ("GACL"), independent qualified valuers not related to the Group, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2013. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review 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.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

## 17 INVESTMENT PROPERTIES (Continued)

### Valuation techniques

#### *Fair value measurements using significant other observable inputs*

Fair values of completed investment properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of investment properties under development in China are generally derived using the residual method. This valuation method is essentially a means of valuing the investment property under construction by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

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

### Significant inputs used to determine fair value

Capitalisation rates are estimated by GCAL based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. At 31 December 2013, capitalisation rates of 3.7% to 4.5% and 7.0% to 11.5% are used in the income capitalisation method for Hong Kong and China properties respectively.

Prevailing market rents are estimated based on recent lettings of HK\$5 to HK\$300 per square feet per month and RMB5 to RMB600 per square meter per month for Hong Kong and China properties respectively, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Estimated costs to completion of RMB627 million to RMB1,023 million, developer's profit of RMB360 million to RMB486 million, and risk margins of 6.2% to 6.4% are estimated by GCAL based on market conditions at 31 December 2013 for China properties. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

As at 31 December 2013, investment properties with an aggregate net book amount of RMB2,158 million (2012: RMB4,031 million) were pledged as collateral for the Group's bank borrowings (note 46).

## NOTES TO THE FINANCIAL STATEMENTS

### 17 INVESTMENT PROPERTIES (Continued)

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

|   | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
|---|-------------------|------------------|
| In Hong Kong:                                       |                   |                  |
| Leases of between 10 to 50 years                    | 640,455           | 616,211          |
| Outside Hong Kong (note):                           |                   |                  |
| Leases or land use rights of between 10 to 50 years | 9,578,920         | 5,569,230        |
|   | <b>10,219,375</b> | <b>6,185,441</b> |

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

### 18 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:

|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|--|------------------|------------------|
| Beginning of the year                      | 283,234          | 557,609          |
| Acquisition of a subsidiary (note 20)      | —                | 7,288            |
| Transfer from properties under development | 8,530            | 164,706          |
| Disposal of a subsidiary (note 21)         | —                | (428,149)        |
| Disposal                                   | (13,406)         | —                |
| Amortisation                               | (12,457)         | (18,220)         |
| End of the year                            | <b>265,901</b>   | <b>283,234</b>   |

|                       | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|-----------------------|------------------|------------------|
| Analysed as:          |                  |                  |
| Non-current, in China | <b>265,901</b>   | <b>283,234</b>   |

## 18 LAND USE RIGHTS (Continued)

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

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| In China:                                 |                  |                  |
| Land use rights of between 10 to 50 years | <b>265,901</b>   | 283,234          |

Land use rights with an aggregate net book amount of approximately RMB7 million (2012: RMB26 million) as at 31 December 2013 were pledged as collateral for the Group's bank borrowings (note 46).

## 19 INTERESTS IN SUBSIDIARIES

|  | Company           |                  |
|--|-------------------|------------------|
|  | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
| Investments in unlisted shares, at cost  | <b>50,349</b>     | 59,714           |
| Amounts due from subsidiaries (note (a)) | <b>26,626,797</b> | 21,558,153       |
|  | <b>26,677,146</b> | 21,617,867       |
| Amounts due to subsidiaries (note (b))   | <b>(48,588)</b>   | (50,538)         |

## NOTES TO THE FINANCIAL STATEMENTS

### 19 INTERESTS IN SUBSIDIARIES (Continued)

- (a) The amounts due from subsidiaries are unsecured and not repayable within one year. Except for a total amount of approximately RMB24,333 million (2012: approximately RMB19,312 million) which are interest free, all amounts due from subsidiaries are interest bearing at 2.5 to 3 percent (2012: 2.5 to 5.5 percent) per annum.

The balances as at 31 December 2013 and 2012 were not in default or impaired.

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

|     | Company           |                  |
|-----|-------------------|------------------|
|     | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
| HKD | 7,690,665         | 6,782,762        |
| RMB | 18,936,132        | 14,775,391       |
|     | <b>26,626,797</b> | 21,558,153       |

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

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

|                   | Company          |                  |
|-------------------|------------------|------------------|
|                   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| RMB               | 32,770           | 32,776           |
| Singapore dollars | 15,818           | 17,762           |
|                   | <b>48,588</b>    | 50,538           |

- (c) Details of the principal subsidiaries of the Group as at 31 December 2013 are set out on pages 169 to 179.
- (d) Certain charged bank deposits and cash and cash equivalents of its subsidiaries are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.
- (e) The total non-controlling interests as at 31 December 2013 was approximately RMB985 million (2012: RMB962 million). The non-controlling interests of the Group were not material to the consolidated financial statements.

## 20 BUSINESS COMBINATION

### Acquisition of Hainan Baima

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

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

|   | RMB' 000         |
|---|------------------|
| Total cash consideration  | 350,000          |
| Less: fair value of net identifiable assets acquired                                  | (505,460)        |
| Excess of the fair value of net assets of a subsidiary acquired over acquisition cost | <u>(155,460)</u> |

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 21 DISPOSAL OF SUBSIDIARIES

|                                      | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|--------------------------------------|------------------|------------------|
| Gain on disposal of:                 |                  |                  |
| – Tiyu Building Companies (note (a)) | 59,810           | —                |
| – Tower Top (note (b))               | —                | 256,474          |
| – Speed Advance (note (c))           | —                | 180,464          |
| <b>Total</b>                         | <b>59,810</b>    | <b>436,938</b>   |

#### (a) 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 cash consideration of RMB830 million.

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

|  | 2013<br>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)          |
| <b>Net assets disposed of</b>                          | <b>116,363</b>   |
| 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            |
| <b>Gain on disposal of the Tiyu Building Companies</b> | <b>59,810</b>    |

## 21 DISPOSAL OF SUBSIDIARIES (Continued)

### (a) Disposal of the Tiyu Building Companies (Continued)

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

|   | 2013<br>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                                 | <u>827,907</u>  |

### (b) Disposal of Tower Top

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

## NOTES TO THE FINANCIAL STATEMENTS

### 21 DISPOSAL OF SUBSIDIARIES (Continued)

#### (b) Disposal of Tower Top (Continued)

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

|   | 2012<br>RMB' 000 |
|---|------------------|
| Assets and liabilities disposed of:                   |                  |
| Property, plant and equipment                         | 4,065,800        |
| Investment properties                                 | 9,709,000        |
| Land use rights                                       | 428,149          |
| Accrued rent receivable                               | 60,883           |
| Inventories   | 3,272            |
| Trade and other receivables                           | 1,084,618        |
| Cash and cash equivalents                             | 425,105          |
| Trade and other payables                              | (10,352,861)     |
| Borrowings  | (4,430,802)      |
| Deferred tax liabilities                              | (1,773,181)      |
| Non-controlling interests                             | (77,906)         |
| Net liabilities disposed of                           | <u>(857,923)</u> |
| Cash received   | 4,868,728        |
| Consideration units received                          | 1,697,763        |
| Deferred units received                               | 2,129,581        |
| Top-up payments liability assumed (note 36)           | (410,402)        |
|   | <u>8,285,670</u> |
| In respect of indebtedness arrangement (note)         | (8,850,027)      |
| Direct costs attributable to the disposal             | (19,720)         |
| Less: Net liabilities disposed of                     | 857,923          |
| Dilution loss on change of unitholding in Yuexiu REIT | (17,372)         |
| Gain on disposal of Tower Top                         | <u>256,474</u>   |

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

## 21 DISPOSAL OF SUBSIDIARIES (Continued)

### (b) Disposal of Tower Top (Continued)

- (ii) Inflow of cash arising from disposal of Tower Top:

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

### (c) Disposal of Speed Advance

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 21 DISPOSAL OF SUBSIDIARIES (Continued)

#### (c) Disposal of Speed Advance (Continued)

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

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

### 22 GAIN ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB364 million (2012: RMB856 million) resulting in a total net gain of approximately RMB76 million (2012: RMB239 million).

### 23 INTERESTS IN JOINT VENTURES

|   | Group            |                  |
|---|------------------|------------------|
|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Investments in joint ventures                                     |                  |                  |
| At 1 January  | 411,142          | 61,231           |
| Addition  | 100,000          | 350,000          |
| Share of loss   | (3,857)          | (89)             |
| At 31 December  | <u>507,285</u>   | 411,142          |
| Amounts due from joint ventures (note 47(c))                      | 658,653          | 580,591          |
| Less: provision for impairment of amounts due from joint ventures | (999)            | (999)            |
|   | <u>657,654</u>   | 579,592          |
| Total   | <u>1,164,939</u> | 990,734          |

The joint ventures held by the Group have share capital consisting solely of ordinary shares, which are held directly by the Group. All of the joint ventures are private companies with no quoted market price available for its shares.

Details of the Group's joint ventures as at 31 December 2013 are set out on page 179.

Set out below are the aggregate summarised financial information for the Group's interests in joint ventures which are accounted for using the equity method.

## 23 INTERESTS IN JOINT VENTURES (Continued)

|                            | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|----------------------------|------------------|------------------|
| Assets                     |                  |                  |
| Non-current assets         | 1,602            | 1,559            |
| Current assets             | 1,132,250        | 775,932          |
|                            | <b>1,133,852</b> | 777,491          |
| Liabilities                |                  |                  |
| Non-current liabilities    | —                | —                |
| Current liabilities        | (626,567)        | (366,349)        |
|                            | <b>(626,567)</b> | (366,349)        |
| Net assets                 | <b>507,285</b>   | 411,142          |
| Revenue                    | —                | 1,930            |
| Expenses                   | (3,880)          | (2,019)          |
| Loss before taxation       | (3,880)          | (89)             |
| Taxation                   | 23               | —                |
| Loss for the year          | <b>(3,857)</b>   | (89)             |
| Other comprehensive income | —                | —                |
| Total comprehensive loss   | <b>(3,857)</b>   | (89)             |

Certain cash and cash equivalents are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from country.

The Group's joint ventures did not have any significant capital commitments as at 31 December 2013 (2012: nil).

There are no contingent liabilities relating to the Group's interests in the joint ventures.

## NOTES TO THE FINANCIAL STATEMENTS

### 24 INTERESTS IN ASSOCIATED ENTITIES

|   | Group            |                  |
|---|------------------|------------------|
|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Share of net assets                               | 4,091,340        | 3,779,558        |
| Deferred units (note)                             | 2,129,581        | 2,129,581        |
| Amounts due from associated entities (note 47(c)) | 88,154           | 55,854           |
| Interests in associated entities                  | <b>6,309,075</b> | 5,964,993        |

Note: In connection with the disposal of Tower Top to Yuexiu REIT as disclosed in note 21, the Group will, on 31 December of each year, receive from Yuexiu REIT certain numbers of units of Yuexiu REIT starting from 31 December 2016. The number of units to be received each year will be limited to the maximum number of units that may be issued to the Group which will not trigger an obligation on the part of the Group to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by the Group at the relevant time.

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

The aggregate summarised financial information for the Group's interests in its associated entities are as follows:

|                  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|------------------|------------------|------------------|
| Revenue          | 642,088          | 261,024          |
| Profit after tax | 198,958          | 246,440          |
| Assets           | 9,950,396        | 8,975,078        |
| Liabilities      | (5,859,056)      | (5,195,520)      |
| Net assets       | <b>4,091,340</b> | 3,779,558        |

Details of the Group's associated entities as at 31 December 2013 are set out on page 180.

## 24 INTERESTS IN ASSOCIATED ENTITIES (Continued)

All the interests in associated entities held by the Group are unlisted except for an investment in a material associated entity with a carrying value of approximately RMB3,720 million (2012: RMB3,657 million) which is listed on the Stock Exchange. The fair value of the interests in this associated entity amounted to approximately RMB2,934 million (2012: RMB2,878 million).

Set out below is the summarised financial information for the Group's material associated entity which is accounted for using the equity method.

|  | Yuexiu REIT      |                  |
|--|------------------|------------------|
|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Non-current assets   | 22,986,448       | 22,736,259       |
| Cash and cash equivalents  | 639,786          | 774,021          |
| Other current assets (excluding cash and cash equivalents)                 | 923,306          | 1,363,832        |
| Total assets   | 24,549,540       | 24,874,112       |
| Non-current liabilities, other than net assets attributable to unitholders | (10,063,683)     | (10,405,495)     |
| Current liabilities  | (1,733,089)      | (1,861,915)      |
| Total liabilities, other than net assets attributable to unitholders       | (11,796,772)     | (12,267,410)     |
| Net assets attributable to unitholders                                     | (12,669,468)     | (12,524,083)     |
| Total liabilities  | (24,466,240)     | (24,791,493)     |
| Net assets   | 83,300           | 82,619           |
| Revenue  | 1,370,653        | 712,201          |
| Depreciation and amortisation  | (144,335)        | (35,151)         |
| Finance income   | 234,722          | 53,752           |
| Finance expenses   | (441,431)        | (163,827)        |
| Profit before income tax   | 672,661          | 738,202          |
| Income tax expense   | (148,594)        | (50,400)         |
| Post-tax profit before transactions with unitholders                       | 524,067          | 687,802          |
| Transactions with unitholders  | (631,117)        | (692,312)        |
| Loss after income tax after transactions with unitholders                  | (107,050)        | (4,510)          |
| Other comprehensive income   | 107,731          | 6,243            |
| Total comprehensive income   | 681              | 1,733            |
| Dividends received   | (199,635)        | (82,640)         |

## NOTES TO THE FINANCIAL STATEMENTS

### 24 INTERESTS IN ASSOCIATED ENTITIES (Continued)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's investment in a material associated entity as follows:

|  | Yuexiu REIT      |                  |
|--|------------------|------------------|
|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Net assets attributable to unitholders as at 1 January | 12,524,083       | 5,095,264        |
| Issuance of units                                      | 77,471           | 4,882,001        |
| Issuance of deferred units                             | —                | 2,129,581        |
| Transactions with unitholders                          | 631,117          | 692,312          |
| Distributions paid to unitholders                      | (563,203)        | (275,075)        |
| Net assets at 31 December                              | 12,669,468       | 12,524,083       |
| Net assets attributable to deferred unitholder         | (2,129,581)      | (2,129,581)      |
| Net assets attributable to unitholders                 | 10,539,887       | 10,394,502       |
| Interest in associated entity                          | 35.69%           | 35.14%           |
| Carrying value   | 3,720,241        | 3,656,760        |

Cash and cash equivalents of approximately RMB575 million are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from country.

The Group's associated entities did not have any significant capital commitments as at 31 December 2013 (2012: nil).

Certain subsidiaries of the Group jointly and severally provided a guarantee in respect of a syndicated loan borrowed by Yuexiu REIT amounting to approximately RMB3,680 million with an effective period expiring on the date two years after full repayment of the syndicated loan.

The interests in an associated entity of the Company represent interests in Yuexiu REIT Asset Management Limited.

## 25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

|  | Group            |                  |
|--|------------------|------------------|
|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Beginning of the year  | 895,944          | 722,573          |
| Disposals  | —                | (951)            |
| (Decrease)/increase in fair value recognised in other comprehensive income | (53,718)         | 214,322          |
| Transfer to non-current assets held-for-sale (note 34)                     | —                | (40,000)         |
| End of the year  | 842,226          | 895,944          |

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

The fair value of the common shares held is derived using the Guideline Public Company Method approach. In applying this approach the Group has selected comparable public company peers in the same or a similar industry to provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry, and conclude that by applying an appropriate valuation multiple that is a relevant performance measure for its investments.

Valuation multiples are derived from the reported earnings and the period end stock price of companies in the peer group. In applying the valuation multiples, the Price-to-Earnings multiple and Price-to-Book Value multiple have been concluded to be the relevant performance measures for its investments. The Group also adjusts the indicated fair value to give the effect of the discount for lack of marketability compared to the publicly traded peer group when it determines that the market participants would take this into account when pricing the investment. 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 of equity securities. The higher the discount for lack of marketability, the lower the fair value.

If the discount for lack of marketability would be changed to +0.5% or -0.5%, the fair value of the investment and other comprehensive income would decrease or increase by approximately RMB7 million (2012: RMB7 million). Management believes that reasonable possible changes to other unobservable inputs would not result in a significant change in the estimated fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### 26 DERIVATIVE FINANCIAL INSTRUMENTS

|              | Group            |                  |
|--------------|------------------|------------------|
|              | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Call options | 47,642           | —                |

During the year, the Group made investments in several associated entities and a joint venture. These associated entities and the joint venture invest indirectly in certain parcels of land acquired in China through the establishment of project companies.

According to the terms of the cooperation agreements entered into by the Group and the other investors of the associated entities and the joint venture (the "Other Parties"), the Group was granted call options by the Other Parties to acquire all the equity interests of all the respective project companies with agreed considerations. The call options are exercisable within the periods as stipulated within each cooperation agreement, at exercise prices that are equivalent to the total capital contributions made by the Other Parties in the project companies plus a rate of return not exceeding 12% per annum.

The call options are classified as derivative financial instruments and are carried at fair value. 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 for each project company, based on schedules provided by management of the Group, follow the Geometric Brownian motion and both the Group and the Other Parties have a right, but not an obligation to develop the corresponding land parcel.

The model uses the following inputs: gross development value, time to maturity, interest rate and expected volatility.

Significant unobservable input used in the measurement of the call options as at 31 December 2013 are as follows:

|                     | Impact of change          |                           |
|---------------------|---------------------------|---------------------------|
|                     | Increase 0.5%<br>RMB' 000 | Decrease 0.5%<br>RMB' 000 |
| Expected volatility | 2.62%                     | 33,517 (27,825)           |

A higher volatility will increase the value of the call options.

The maximum exposure to credit risk is the carrying amounts of the derivative financial assets. The total gain for the year is included in the consolidated income statement under "other gains".

## 27 PROPERTIES UNDER DEVELOPMENT

|                              | Group             |                  |
|------------------------------|-------------------|------------------|
|                              | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
| Properties under development | <b>37,554,999</b> | 34,672,854       |

Properties under development are mainly located in China.

As at 31 December 2013, the Group's properties under development of approximately RMB22,109 million (2012: RMB25,272 million) were pledged as collateral for the Group's bank borrowings (note 46).

## 28 PROPERTIES HELD FOR SALE

|                          | Group            |                  |
|--------------------------|------------------|------------------|
|                          | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Properties held for sale | <b>6,342,773</b> | 3,147,952        |

Properties held for sale are mainly located in China.

As at 31 December 2013, the Group's properties held for sale of approximately RMB292 million (2012: RMB172 million) were pledged as collateral for the Group's bank borrowings (note 46).

## NOTES TO THE FINANCIAL STATEMENTS

### 29 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:

|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|---|------------------|------------------|
| Not later than one year                           | 11,516           | 19,557           |
| Later than one year and not later than five years | 12,513           | 44,273           |
|   | <b>24,029</b>    | 63,830           |

There was no future operating lease commitment for the Company as at 31 December 2013 and 2012.

### 30 INVENTORIES

|                  | Group            |                  |
|------------------|------------------|------------------|
|                  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Raw materials    | 80               | 93               |
| Work-in-progress | 6,642            | 8,455            |
| Finished goods   | 3,954            | 3,097            |
|                  | <b>10,676</b>    | 11,645           |

The cost of inventories recognised as expense and included in “cost of sales” amounted to approximately RMB45 million (2012: RMB82 million).

## 31 TRADE RECEIVABLES

|   | Group            |                  |
|---|------------------|------------------|
|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Trade receivables                                   | 25,299           | 27,710           |
| Less: provision for impairment of trade receivables | (9,286)          | (9,286)          |
|   | <b>16,013</b>    | 18,424           |

The fair values of trade receivables approximate their carrying amounts.

|                | Group            |                  |
|----------------|------------------|------------------|
|                | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| 0 - 30 days    | 10,240           | 10,195           |
| 31 - 90 days   | 3,620            | 6,246            |
| 181 - 365 days | 886              | 183              |
| Over 1 year    | 10,553           | 11,086           |
|                | <b>25,299</b>    | 27,710           |

As at 31 December 2013, trade receivables of approximately RMB14 million (2012: RMB16 million) were fully performing.

As at 31 December 2013, trade receivables of approximately RMB2 million (2012: RMB2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

|               | Group            |                  |
|---------------|------------------|------------------|
|               | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Over 3 months | 2,153            | 1,983            |

## NOTES TO THE FINANCIAL STATEMENTS

### 31 TRADE RECEIVABLES (Continued)

As at 31 December 2013, trade receivables of approximately RMB9 million (2012: RMB9 million) were impaired. The amount of the provision was approximately RMB9 million as at 31 December 2013 (2012: RMB9 million). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

|             | Group            |                  |
|-------------|------------------|------------------|
|             | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Over 1 year | 9,286            | 9,286            |

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

|  | Group            |                  |
|--|------------------|------------------|
|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Beginning of the year                                    | 9,286            | 56,230           |
| Receivables written-off during the year as uncollectable | —                | (46,944)         |
| End of the year  | 9,286            | 9,286            |

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

The Group's trade receivables are denominated in RMB.

### 32 CHARGED BANK DEPOSITS

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

### 33 CASH AND CASH EQUIVALENTS

|                          | Group            |           | Company        |          |
|--------------------------|------------------|-----------|----------------|----------|
|                          | 2013             | 2012      | 2013           | 2012     |
|                          | RMB' 000         | RMB' 000  | RMB' 000       | RMB' 000 |
| Cash at bank             | <b>4,857,818</b> | 6,719,894 | <b>378,498</b> | 624,870  |
| Short-term bank deposits | <b>196,931</b>   | 340,559   | <b>196,931</b> | 325,118  |
|                          | <b>5,054,749</b> | 7,060,453 | <b>575,429</b> | 949,988  |

Cash and cash equivalents are denominated in the following currencies:

|        | Group            |           | Company        |          |
|--------|------------------|-----------|----------------|----------|
|        | 2013             | 2012      | 2013           | 2012     |
|        | RMB' 000         | RMB' 000  | RMB' 000       | RMB' 000 |
| HKD    | <b>660,895</b>   | 1,001,870 | <b>492,423</b> | 812,952  |
| RMB    | <b>4,314,218</b> | 5,927,110 | <b>3,370</b>   | 5,563    |
| USD    | <b>77,939</b>    | 128,671   | <b>77,939</b>  | 128,671  |
| Others | <b>1,697</b>     | 2,802     | <b>1,697</b>   | 2,802    |
|        | <b>5,054,749</b> | 7,060,453 | <b>575,429</b> | 949,988  |

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

The average effective interest rate on short-term bank deposits was 0.6 percent (2012: 0.5 percent).

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

|                                    | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|------------------------------------|------------------|------------------|
| Investment properties              | —                | 41,540           |
| Available-for-sale financial asset | —                | 40,000           |
|                                    | <b>—</b>         | <b>81,540</b>    |

### 35 TRADE AND NOTE PAYABLES

|                | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|----------------|------------------|------------------|
| Trade payables | <b>54,178</b>    | 43,778           |
| Note payables  | <b>178,891</b>   | 292,395          |
|                | <b>233,069</b>   | 336,173          |

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

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

|                | Group            |                  |
|----------------|------------------|------------------|
|                | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| 0 - 30 days    | <b>76,593</b>    | 79,610           |
| 31 - 90 days   | <b>122,992</b>   | 221,188          |
| 91 - 180 days  | <b>23,738</b>    | 25,800           |
| 181 - 365 days | <b>5,706</b>     | 6,494            |
| 1 - 2 years    | <b>3,985</b>     | 3,039            |
| Over 2 years   | <b>55</b>        | 42               |
|                | <b>233,069</b>   | 336,173          |

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

## 36 OTHER PAYABLES AND ACCRUED CHARGES

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Accrual for construction related costs    | 5,814,548        | 5,110,750        | —                | —                |
| Accrued employee benefits costs           | 248,963          | 204,198          | 66,879           | 60,150           |
| Amounts due to related parties (note (b)) | 1,464,794        | 2,313,221        | 44,025           | 25,171           |
| Top-up payment liability (note (a))       | 219,072          | 420,134          | 219,072          | 420,134          |
| Other payables                            | 1,663,894        | 1,004,911        | 136,836          | 12,296           |
|   | <b>9,411,271</b> | 9,053,214        | <b>466,812</b>   | 517,751          |

|                         | Group            |                  | Company          |                  |
|-------------------------|------------------|------------------|------------------|------------------|
|                         | 2013<br>RMB' 000 | 2012<br>RMB' 000 | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Current liabilities     | 9,257,473        | 8,809,342        | 361,584          | 306,860          |
| Non-current liabilities | 153,798          | 243,872          | 105,228          | 210,891          |
|                         | <b>9,411,271</b> | 9,053,214        | <b>466,812</b>   | 517,751          |

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

Note:

- (a) In connection with the disposal of Guangzhou IFC, the Group agreed to provide income support to Yuexiu REIT for the period from 1 July 2012 until 31 December 2016 for the hotel and serviced apartment business. The top-up payment is the shortfall of actual gross operating profits ("GOP") and the guaranteed GOP of the hotel and serviced apartments. Please refer to note 21 for further details of the disposal.

Top-up payment liability is denominated in RMB and recognised as a financial liability in the Group. It is initially 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 of 5.59% per annum. Top-up payment liability is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of 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".

- (b) Included in amounts due to related companies are amounts due to fellow subsidiaries of approximately RMB143 million. Amounts due from fellow subsidiaries of approximately RMB99 million are included in other receivables, prepayments and deposits. These balances are unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

### 37 BORROWINGS

|  | Group             |                  | Company           |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | 2013<br>RMB' 000  | 2012<br>RMB' 000 | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
| <b>Non-current</b>                           |                   |                  |                   |                  |
| Long-term bank borrowings                    |                   |                  |                   |                  |
| – Secured                                    | 8,492,503         | 7,716,554        | 2,987,674         | 2,596,384        |
| – Unsecured                                  | 1,923,556         | 5,585,587        | 1,181,213         | 4,126,686        |
| Other borrowings – unsecured                 | 5,118,735         | —                | 5,118,735         | —                |
| Obligations under finance leases             | 109               | 94               | 109               | 94               |
|  | <b>15,534,903</b> | 13,302,235       | <b>9,287,731</b>  | 6,723,164        |
| <b>Current</b>                               |                   |                  |                   |                  |
| Bank overdrafts                              | 86                | 56               | —                 | —                |
| Short-term bank borrowings                   |                   |                  |                   |                  |
| – Secured                                    | 1,300,000         | 520,000          | —                 | —                |
| – Unsecured                                  | 938,294           | 1,617,031        | 758,294           | 314,322          |
| Current portion of long-term bank borrowings |                   |                  |                   |                  |
| – Secured                                    | 1,100,500         | 3,944,474        | —                 | —                |
| – Unsecured                                  | 4,991,585         | 747,114          | 3,671,584         | 747,114          |
| Obligations under finance leases             | 84                | 67               | 84                | 67               |
|  | <b>8,330,549</b>  | 6,828,742        | <b>4,429,962</b>  | 1,061,503        |
| Total borrowings                             | <b>23,865,452</b> | 20,130,977       | <b>13,717,693</b> | 7,784,667        |

### 37 BORROWINGS (Continued)

The maturity of borrowings is as follows:

#### Group

|                            | Bank borrowings and overdrafts |            | Other loans      |          |
|----------------------------|--------------------------------|------------|------------------|----------|
|                            | 2013                           | 2012       | 2013             | 2012     |
|                            | RMB' 000                       | RMB' 000   | RMB' 000         | RMB' 000 |
| Within one year            | 8,330,465                      | 6,828,675  | 84               | 67       |
| In the second year         | 4,816,987                      | 7,219,929  | 48               | 49       |
| In the third to fifth year | 4,907,472                      | 5,490,612  | 2,113,024        | 45       |
| Over five years            | 691,600                        | 591,600    | 3,005,772        | —        |
|                            | <b>18,746,524</b>              | 20,130,816 | <b>5,118,928</b> | 161      |

#### Company

|                            | Bank borrowings and overdrafts |           | Other loans      |          |
|----------------------------|--------------------------------|-----------|------------------|----------|
|                            | 2013                           | 2012      | 2013             | 2012     |
|                            | RMB' 000                       | RMB' 000  | RMB' 000         | RMB' 000 |
| Within one year            | 4,429,878                      | 1,061,436 | 84               | 67       |
| In the second year         | 3,012,558                      | 3,751,928 | 48               | 49       |
| In the third to fifth year | 1,156,329                      | 2,971,142 | 2,113,024        | 45       |
| Over five year             | —                              | —         | 3,005,772        | —        |
|                            | <b>8,598,765</b>               | 7,784,506 | <b>5,118,928</b> | 161      |

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

|                 | 2013  |       |       | 2012  |       |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | HK\$  | RMB   | USD   | HK\$  | RMB   | USD   |
| Bank overdrafts | 6.39% | —     | —     | 6.60% | —     | —     |
| Bank borrowings | 3.19% | 7.93% | 3.77% | 3.15% | 9.88% | 3.18% |

## NOTES TO THE FINANCIAL STATEMENTS

### 37 BORROWINGS (Continued)

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

|     | Group             |                  | Company           |                  |
|-----|-------------------|------------------|-------------------|------------------|
|     | 2013<br>RMB' 000  | 2012<br>RMB' 000 | 2013<br>RMB' 000  | 2012<br>RMB' 000 |
| HKD | 7,357,965         | 7,250,402        | 7,345,536         | 7,250,344        |
| RMB | 10,355,330        | 12,566,252       | 220,000           | 220,000          |
| USD | 6,152,157         | 314,323          | 6,152,157         | 314,323          |
|     | <b>23,865,452</b> | 20,130,977       | <b>13,717,693</b> | 7,784,667        |

The fair values of borrowings approximate their carrying amounts.

### 38 SHARE CAPITAL AND SHARE PREMIUM

|   | Number<br>of shares<br>( ' 000) | Share<br>capital<br>RMB' 000 | Share<br>premium<br>RMB' 000 | Total<br>RMB' 000 |
|---|---------------------------------|------------------------------|------------------------------|-------------------|
| At 1 January 2012   | 9,284,012                       | 851,021                      | 8,871,970                    | 9,722,991         |
| Issue of shares upon exercise of<br>share options (note 39) | 14,420                          | 1,175                        | 5,115                        | 6,290             |
| Transfer upon exercise of<br>share options                  | —                               | —                            | 1,588                        | 1,588             |
| At 31 December 2012   | <b>9,298,432</b>                | <b>852,196</b>               | <b>8,878,673</b>             | <b>9,730,869</b>  |
| Issue of shares upon exercise of<br>share options (note 39) | <b>23,599</b>                   | <b>1,893</b>                 | <b>9,960</b>                 | <b>11,853</b>     |
| Transfer upon exercise of<br>share options                  | —                               | —                            | <b>3,127</b>                 | <b>3,127</b>      |
| At 31 December 2013   | <b>9,322,031</b>                | <b>854,089</b>               | <b>8,891,760</b>             | <b>9,745,849</b>  |

The total authorised number of ordinary shares is 20,000 million shares (2012: 20,000 million shares) with par value of HK\$0.1 per share (2012: HK\$0.1 per share). All issued shares are fully paid.

### 39 SHARE OPTIONS

Movements of share options are as follows:

|                           | Number<br>of share<br>options<br>'000 |
|---------------------------|---------------------------------------|
| At 1 January 2012         | 44,194                                |
| Exercised during the year | (14,420)                              |
| At 31 December 2012       | 29,774                                |
| At 1 January 2013         | <b>29,774</b>                         |
| Exercised during the year | <b>(23,599)</b>                       |
| Lapsed during the year    | <b>(3,668)</b>                        |
| At 31 December 2013       | <b>2,507</b>                          |

Particulars of share options as at 31 December 2013 and 2012 are as follows:

| Date of grant    | Exercise period                        | Exercise price<br>HK\$ | Number of outstanding<br>share options |              |
|------------------|--|------------------------|--|--------------|
|                  |  |                        | 2013<br>'000                           | 2012<br>'000 |
| 2 May 2003       | 2 May 2003 -<br>1 May 2013             | 0.3950                 | —                                      | 4,344        |
| 27 October 2003  | 27 October 2003 -<br>26 October 2013   | 0.7840                 | —                                      | 1,143        |
| 23 December 2003 | 23 December 2003 -<br>22 December 2013 | 0.8140                 | —                                      | 5,272        |
| 23 June 2004     | 23 June 2004 -<br>22 June 2014         | 0.6070                 | <b>2,507</b>                           | 19,015       |
|                  |  |                        | <b>2,507</b>                           | 29,774       |

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 39 SHARE OPTIONS (Continued)

All (2012: all) of the outstanding share options were exercisable.

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

### 40 RESERVES

#### (a) Group

|  | Capital<br>redemption<br>reserve<br>RMB' 000 | Statutory<br>reserves<br>(note a)<br>RMB' 000 | Exchange<br>fluctuation<br>reserve<br>RMB' 000 | Available-for-<br>sale financial<br>assets fair<br>value reserve<br>RMB' 000 | Employee<br>share-based<br>compensation<br>reserve<br>RMB' 000 | Retained<br>profits<br>RMB' 000 | Total<br>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   | —  | —   | (50,994)                                       | —  | —  | —                               | (50,994)          |
| Change in fair value of available-for-sale<br>financial assets                             |  |   |  |  |  |                                 |                   |
| – gross  | —  | —   | —  | (51,032)   | —  | —                               | (51,032)          |
| – tax  | —  | —   | —  | 12,758   | —  | —                               | 12,758            |
| – effect of withholding tax  | —  | —   | —  | 3,253  | —  | —                               | 3,253             |
| Transfer of reserve to profit and loss upon<br>disposal of non-current asset held-for-sale | —  | —   | —  | (22,325)   | —  | —                               | (22,325)          |
| Profit attributable to shareholders  | —  | —   | —  | —  | —  | 2,880,343                       | 2,880,343         |
| Transfer   | —  | 385   | —  | —  | —  | (385)                           | —                 |
| Transfer upon exercise of share options  | —  | —   | —  | —  | (3,127)  | —                               | (3,127)           |
| Transfer upon lapse of share options   | —  | —   | —  | —  | (545)  | 545                             | —                 |
| Transfer of reserve to profit and loss upon<br>disposal of subsidiaries (note 21)          | —  | (6,101)                                       | —  | —  | —  | —                               | (6,101)           |
| Dividends paid   | —  | —   | —  | —  | —  | (760,690)                       | (760,690)         |
| At 31 December 2013  | 1,699  | 197,567                                       | (291,123)                                      | 490,222  | 60   | 14,030,931                      | 14,429,356        |
| Representing:  |  |   |  |  |  |                                 |                   |
| 2013 final dividend proposed   |  |   |  |  |  | 251,704                         |                   |
| Others   |  |   |  |  |  | 13,779,227                      |                   |
|  |  |   |  |  |  | 14,030,931                      |                   |

## 40 RESERVES (Continued)

### (a) Group (Continued)

|   | Capital<br>redemption<br>reserve<br>RMB' 000 | Statutory<br>reserves<br>(note a)<br>RMB' 000 | Exchange<br>fluctuation<br>reserve<br>RMB' 000 | Available-for-<br>sale financial<br>assets fair<br>value reserve<br>RMB' 000 | Employee<br>share-based<br>compensation<br>reserve<br>RMB' 000 | Retained<br>profits<br>RMB' 000 | Total<br>RMB' 000 |
|---|--|---|--|--|--|---------------------------------|-------------------|
| At 1 January 2012   | 1,699  | 203,590                                       | (242,405)                                      | 407,512  | 5,320  | 10,087,940                      | 10,463,656        |
| Currency translation differences  | —  | —   | 2,276  | —  | —  | —                               | 2,276             |
| Change in fair value of available-for-sale<br>financial assets                    |  |   |  |  |  |                                 |                   |
| – gross   | —  | —   | —  | 203,856  | —  | —                               | 203,856           |
| – tax   | —  | —   | —  | (50,964)   | —  | —                               | (50,964)          |
| – effect of withholding tax   | —  | —   | —  | (12,836)   | —  | —                               | (12,836)          |
| Profit attributable to shareholders   | —  | —   | —  | —  | —  | 2,481,834                       | 2,481,834         |
| Transfer  | —  | 350   | —  | —  | —  | (350)                           | —                 |
| Transfer upon exercise of share options   | —  | —   | —  | —  | (1,588)  | —                               | (1,588)           |
| Acquisition of a subsidiary   | —  | 97  | —  | —  | —  | —                               | 97                |
| Transfer of reserve to profit and loss upon<br>disposal of a subsidiary (note 21) | —  | (754)   | —  | —  | —  | —                               | (754)             |
| Dividends paid  | —  | —   | —  | —  | —  | (658,306)                       | (658,306)         |
| At 31 December 2012   | 1,699  | 203,283                                       | (240,129)                                      | 547,568  | 3,732  | 11,911,118                      | 12,427,271        |
| Representing:   |  |   |  |  |  |                                 |                   |
| 2012 final and special dividend proposed  |  |   |  |  |  | 399,952                         |                   |
| Others  |  |   |  |  |  | 11,511,166                      |                   |
|   |  |   |  |  |  | 11,911,118                      |                   |

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 40 RESERVES (Continued)

#### (b) Company

|  | Capital<br>redemption<br>reserve<br>RMB' 000 | Employee<br>share-based<br>compensation<br>reserve<br>RMB' 000 | Retained<br>profits<br>RMB' 000 | Total<br>RMB' 000 |
|--|--|--|---------------------------------|-------------------|
| At 1 January 2013                        | 1,699  | 3,732  | 5,493,862                       | 5,499,293         |
| Transfer upon exercise of share options  | —  | (3,127)  | —                               | (3,127)           |
| Transfer upon lapse of share options     | —  | (545)  | 545                             | —                 |
| Loss for the year                        | —  | —  | (436,617)                       | (436,617)         |
| Dividends paid                           | —  | —  | (760,690)                       | (760,690)         |
| At 31 December 2013                      | 1,699  | 60   | 4,297,100                       | 4,298,859         |
| Representing:                            |  |  |                                 |                   |
| 2013 final dividend proposed             |  |  | 251,704                         |                   |
| Others                                   |  |  | 4,045,396                       |                   |
|  |  |  | <u>4,297,100</u>                |                   |
| At 1 January 2012                        | 1,699  | 5,320  | 1,817,543                       | 1,824,562         |
| Transfer upon exercise of share options  | —  | (1,588)  | —                               | (1,588)           |
| Profit for the year                      | —  | —  | 4,334,625                       | 4,334,625         |
| Dividends paid                           | —  | —  | (658,306)                       | (658,306)         |
| At 31 December 2012                      | 1,699  | 3,732  | 5,493,862                       | 5,499,293         |
| Representing:                            |  |  |                                 |                   |
| 2012 final and special dividend proposed |  |  | 399,952                         |                   |
| Others                                   |  |  | 5,093,910                       |                   |
|  |  |  | <u>5,493,862</u>                |                   |

## 41 DEFERRED TAXATION

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

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

|  | Group            |                  |
|--|------------------|------------------|
|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Beginning of the year                          | 5,626,062        | 5,883,646        |
| (Credited)/charged during the year             | (348,535)        | 639,567          |
| Acquisition of subsidiaries (note 20)          | —                | 812,412          |
| Disposal of subsidiaries (note 21)             | (1,336)          | (1,773,181)      |
| Disposal of non-current asset held-for-sale    | (8,763)          | —                |
| Deferred taxation (credited)/charged to equity | (16,683)         | 66,416           |
| Exchange differences                           | (13,717)         | (2,798)          |
| End of the year                                | 5,237,028        | 5,626,062        |

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

|                                    | Group  |  |                        |                    |                   |
|------------------------------------|--|--|------------------------|--------------------|-------------------|
|                                    | Different bases in reporting expenses with tax authorities<br>RMB' 000 | Provision for impairment of properties<br>RMB' 000 | Tax losses<br>RMB' 000 | Others<br>RMB' 000 | Total<br>RMB' 000 |
| At 1 January 2013                  | 299,304  | 18,608   | 17,834                 | 863                | 336,609           |
| Exchange differences               | (238)  | —  | —                      | —                  | (238)             |
| (Charged)/credited during the year | (43,116)   | —  | 16,647                 | 158                | (26,311)          |
| At 31 December 2013                | 255,950  | 18,608   | 34,481                 | 1,021              | 310,060           |
| At 1 January 2012                  | 272,325  | 18,608   | 60,318                 | 625                | 351,876           |
| Exchange differences               | 118  | —  | —                      | —                  | 118               |
| Credited/(charged) during the year | 17,688   | —  | (21,377)               | 238                | (3,451)           |
| Disposal of a subsidiary           | 9,173  | —  | (21,107)               | —                  | (11,934)          |
| At 31 December 2012                | 299,304  | 18,608   | 17,834                 | 863                | 336,609           |

## NOTES TO THE FINANCIAL STATEMENTS

### 41 DEFERRED TAXATION (Continued)

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

|   | Group                                    |   |  |  |                    |   |                   |
|---|--|---|--|--|--------------------|---|-------------------|
|   | Revaluation<br>of properties<br>RMB' 000 | Accelerated<br>depreciation<br>RMB' 000 | Revaluation<br>of<br>investments<br>RMB' 000 | Different<br>bases<br>in reporting<br>revenue<br>with tax<br>authorities<br>RMB' 000 | Others<br>RMB' 000 | Undistributed<br>profits of<br>subsidiaries,<br>joint<br>ventures and<br>associated<br>entities<br>RMB' 000 | Total<br>RMB' 000 |
| At 1 January 2013                           | 2,289,331                                | 69,668                                  | 254,814                                      | 2,813,541  | 20,609             | 514,708   | 5,962,671         |
| Exchange differences                        | —  | (81)                                    | —  | (2,332)  | (11,542)           | —   | (13,955)          |
| Charged/(credited) during the year          | 564,787                                  | 1,081                                   | (43,736)                                     | (1,096,348)  | 14,040             | 185,330   | (374,846)         |
| Credited to reserves                        | —  | —                                       | (13,430)                                     | —  | —                  | (3,253)   | (16,683)          |
| Disposal of subsidiaries (note 21)          | (8,574)                                  | —                                       | —  | 9,570  | —                  | (2,332)   | (1,336)           |
| Disposal of non-current asset held-for-sale | —  | —                                       | (7,772)                                      | —  | —                  | (991)   | (8,763)           |
| At 31 December 2013                         | 2,845,544                                | 70,668                                  | 189,876                                      | 1,724,431  | 23,107             | 693,462   | 5,547,088         |
| At 1 January 2012                           | 2,769,811                                | 80,028                                  | 121,729                                      | 2,649,327  | 20,521             | 594,106   | 6,235,522         |
| Exchange differences                        | (2,685)                                  | 5                                       | —  | —  | —                  | —   | (2,680)           |
| Charged/(credited) during the year          | 251,843                                  | (10,365)                                | 79,505                                       | 184,163  | 88                 | 130,882   | 636,116           |
| Charged to reserves                         | —  | —                                       | 53,580                                       | —  | —                  | 12,836  | 66,416            |
| Acquisition of a subsidiary (note 20)       | 812,412                                  | —                                       | —  | —  | —                  | —   | 812,412           |
| Disposal of a subsidiary                    | (1,542,050)                              | —                                       | —  | (19,949)   | —                  | (223,116)   | (1,785,115)       |
| At 31 December 2012                         | 2,289,331                                | 69,668                                  | 254,814                                      | 2,813,541  | 20,609             | 514,708   | 5,962,671         |

#### 41 DEFERRED TAXATION (Continued)

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

|                               | Group            |                  |
|-------------------------------|------------------|------------------|
|                               | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Deferred tax assets           |                  |                  |
| – Hong Kong profits tax       | 5,016            | 9,643            |
| – China enterprise income tax | 125,051          | 72,036           |
|                               | <b>130,067</b>   | 81,679           |
| Deferred tax liabilities      |                  |                  |
| – Hong Kong profits tax       | 22,705           | 20,685           |
| – China enterprise income tax | 2,187,071        | 2,873,743        |
| – China land appreciation tax | 3,157,319        | 2,813,313        |
|                               | <b>5,367,095</b> | 5,707,741        |

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2013, the Group had unrecognised deferred tax benefits of approximately RMB256 million (2012: RMB248 million) in respect of tax losses of approximately RMB1,481 million (2012: RMB1,439 million). Tax losses amounting to RMB138 million (2012: RMB123 million) will expire at various dates up to and including 2018 (2012: 2017). The remaining tax losses have no expiry date.

## NOTES TO THE FINANCIAL STATEMENTS

### 42 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash used in operations:

|  | 2013<br>RMB' 000   | 2012<br>RMB' 000 |
|--|--------------------|------------------|
| Operating profit   | 4,988,731          | 4,804,785        |
| Depreciation and amortisation  | 58,826             | 75,999           |
| Gain on disposal of subsidiaries   | (59,810)           | (436,938)        |
| Gain on disposal of property, plant and equipment and land use right   | (40,190)           | —                |
| Reversal of provision for impairment of property, plant and equipment  | (14,531)           | (1,103)          |
| Gain on disposal of non-current asset held-for-sale  | (36,089)           | —                |
| Gain on sales of investment properties   | (75,917)           | (239,187)        |
| Fair value gains on revaluation of investment properties   | (1,974,765)        | (1,566,979)      |
| Fair value gains on derivative financial instruments   | (47,642)           | —                |
| Trade receivables written off as uncollectible   | —                  | 46,944           |
| Decrease in accrued rent receivable  | —                  | 15,006           |
| Increase in properties under development,<br>properties held for sale and prepayments for land use rights      | (6,291,811)        | (9,527,577)      |
| Decrease in inventories  | 969                | 85,881           |
| Increase in trade receivables, other receivables,<br>prepayments and deposits                                  | (28,712)           | (1,794,733)      |
| Increase in trade and note payables, other payables and<br>accrued charges and advance receipts from customers | 1,949,620          | 7,442,610        |
| Decrease in deferred revenue   | (1,794)            | (1,795)          |
| Movement in balances with related companies  | (161,776)          | (51,614)         |
| Increase in amount due to non-controlling interests  | 59,186             | 58,910           |
| Net exchange difference for working capital  | 126,727            | (158,330)        |
| Net cash used in operations  | <b>(1,548,978)</b> | (1,248,121)      |

#### 43 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2013, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Not later than one year                           | 620,097          | 157,551          |
| Later than one year and not later than five years | 2,278,432        | 335,388          |
| Later than five years                             | 82,025           | 287,778          |
|   | <b>2,980,554</b> | 780,717          |

There was no future minimum rental payment receivable for the Company as at 31 December 2013 and 2012.

#### 44 CAPITAL COMMITMENTS

|  | Group            |                  |
|--|------------------|------------------|
|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Capital commitments in respect of property, plant and equipment and investment properties: |                  |                  |
| Contracted but not provided for  | 199,840          | 200,023          |
| Authorised but not contracted for  | 711,538          | 353,685          |
|  | <b>911,378</b>   | 553,708          |

At 31 December 2013, the Group had no financial commitments in respect of equity capital to be injected into any joint venture or associated entity (2012: nil).

The Company did not have any significant capital commitments at 31 December 2013 (2012: nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 45 GUARANTEES

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a)) | 2,781,108        | 1,886,682        | —                | —                |
| Guarantees for banking and loan facilities granted to subsidiaries (note (b))                                  | —                | —                | 29,307           | 33,491           |
| Guarantees for banking and loan facilities granted to an associated entity (note (d))                          | 3,680,000        | 4,500,000        | —                | —                |
|  | <b>6,461,108</b> | 6,386,682        | <b>29,307</b>    | 33,491           |

Note:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) The Company provided guarantees in respect of certain banking and loan facilities granted to subsidiaries.
- (c) In connection with the disposal of a subsidiary to Yuexiu REIT in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium and deferred taxation with an estimated total amount of approximately RMB58 million (2012: RMB60 million). The Deed of Indemnity will expire on 30 May 2014.
- (d) 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.

### 46 SECURITIES FOR BANKING FACILITIES

At 31 December 2013, certain banking facilities and loans granted to the Group and the Company were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with aggregate carrying values of approximately RMB22,109 million (2012: RMB25,272 million), RMB292 million (2012: RMB172 million), RMB2,158 million (2012: RMB4,031 million) and RMB857 million (2012: RMB568 million) respectively;
- (b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB7 million (2012: RMB26 million); and
- (c) assignment of shareholder's loans between certain companies in the Group with an aggregate amount of approximately RMB16,099 million (2012: RMB11,164 million).

## 47 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 year, and their relationship with the Company as at 31 December 2013:

| Significant related parties   | Relationship with the Company |
|---|-------------------------------|
| Yue Xiu Enterprises (Holdings) Limited ("YXE")                                      | Intermediate holding company  |
| Guangzhou Yuexiu Holdings Limited ("GYHL")  | Ultimate 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 ("YXCSSL")                             | A fellow subsidiary           |
| Yuexiu (China) Transport Infrastructure Investment Company Limited ("YCTIIC")       | A fellow subsidiary           |
| Guangzhou Yue Tong Expressway Operations and Management Company Limited ("GYTEOM")  | A fellow subsidiary           |
| Guangzhou Yue Peng Information Ltd. ("GYPIL")                                       | A fellow subsidiary           |
| Guangzhou Suiqiao Development Co., Ltd. ("GSDCL")                                   | A fellow subsidiary           |
| Guangzhou Yuexiu Financial Leasing Co., Ltd. ("GYFL")                               | A fellow subsidiary           |
| Guangzhou Securities Limited Liability Company ("GSSL")                             | A subsidiary of GYHL          |
| Guangzhou Yuexiu Finance Investment Group Co., Ltd. ("GYFIG")                       | A subsidiary of GYHL          |
| Guangzhou Yuexiu Industry Investment Management Co., Ltd. ("GYIIM")                 | A subsidiary of GYHL          |
| Guangzhou GuangZheng Hang Seng Securities Investment Advisory Co., Ltd. ("GGHSSIA") | A subsidiary of GYHL          |
| Yuexiu REIT   | An associated entity          |

## NOTES TO THE FINANCIAL STATEMENTS

### 47 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions with related parties

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

|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|--|------------------|------------------|
| (I) Transactions with YXE                                |                  |                  |
| Rental expenses and property management fees paid to YXE | (2,175)          | (2,207)          |
| Rental income received from YXE                          | 153              | 156              |
| Loan interest paid to YXE                                | —                | (24,606)         |
| (II) Transactions with Yuexiu REIT                       |                  |                  |
| Asset management fees received from Yuexiu REIT          | —                | 49,567           |
| Tenancy service fees received from Yuexiu REIT           | 19,151           | 20,569           |
| Rental expenses paid to Yuexiu REIT                      | (86,447)         | (26,209)         |
| Naming rights expenses paid to Yuexiu REIT               | (20,000)         | (4,565)          |
| Interest paid to Yuexiu REIT                             | (75,207)         | (22,129)         |
| (III) Transaction with Kiu Fung                          |                  |                  |
| Management fees received from Kiu Fung                   | 1,038            | 1,058            |
| (IV) Transaction with YXIDL                              |                  |                  |
| Management fees paid to YXIDL                            | (1,381)          | (1,345)          |
| (V) Transaction with YXCSSL                              |                  |                  |
| Rental income received from YXCSSL                       | 2,684            | 2,433            |
| (VI) Transaction with YCTIIC                             |                  |                  |
| Rental income received from YCTIIC                       | —                | 3,619            |
| (VII) Transaction with GYTEOM                            |                  |                  |
| Rental income received from GYTEOM                       | —                | 845              |
| (VIII) Transaction with GYPIL                            |                  |                  |
| Rental income received from GYPIL                        | —                | 570              |

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

|        |   | 2013     | 2012     |
|--------|---|----------|----------|
|        |   | RMB' 000 | RMB' 000 |
| (IX)   | Transaction with GSDCL<br>Rental income received from GSDCL     | —        | 430      |
| (X)    | Transaction with GYFL<br>Rental income received from GYFL       | —        | 1,048    |
| (XI)   | Transaction with GSLL<br>Rental income received from GSLL       | —        | 16,308   |
| (XII)  | Transaction with GYFIG<br>Rental income received from GYFIG     | —        | 2,942    |
| (XIII) | Transaction with GYIIM<br>Rental income received from GYIIM     | —        | 1,924    |
| (XIV)  | Transaction with GGHSSIA<br>Rental income received from GGHSSIA | —        | 988      |

### (c) Balances with related parties

|   |                 | Group       |             |
|---|-----------------|-------------|-------------|
|   |                 | 2013        | 2012        |
|   |                 | RMB' 000    | RMB' 000    |
|   | Note            |             |             |
| Amount due to an intermediate holding company | (ii), (iii)     | (8)         | (15,179)    |
| Amounts due from associated entities          | (i), (v)        | 116,400     | 106,065     |
| Amounts due to associated entities            | (iii), (vii)    | (1,215,571) | (1,153,531) |
| Amounts due from joint ventures               | (i), (iv), (vi) | 695,654     | 579,592     |
| Amounts due to joint ventures                 | (i), (iii)      | (270,457)   | (556,849)   |
| Amounts due to related companies              | (i), (iii)      | (54,908)    | (587,662)   |

## NOTES TO THE FINANCIAL STATEMENTS

### 47 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties (Continued)

|   | Note        | Company          |                  |
|---|-------------|------------------|------------------|
|   |             | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
| Amount due to an intermediate holding company | (ii), (iii) | —                | (15,171)         |
| Amount due to an associated entity            | (i), (iii)  | (44,025)         | (10,000)         |

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

Note:

- (i) These balances are unsecured, interest free and repayable on demand.
- (ii) Except for an amount of approximately nil (2012: RMB15,171,000) which is unsecured, interest bearing at 4.2 percent per annum and repayable within the next 12 months, the remaining balances are unsecured, interest free and repayable on demand.
- (iii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iv) The balance is included in interests in joint ventures except for an amount of RMB38,000,000 (2012: nil) which is included in other receivables, prepayments and deposits.
- (v) The balance is included in interests in associated entities except for an amount of approximately RMB28,246,000 (2012: RMB50,211,000) which is included in other receivables, prepayments and deposits.
- (vi) These balances were not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (2012: RMB999,000) was made for an amount due from a joint venture.
- (vii) Except for an amount of approximately RMB729,000,000 (2012: RMB926,000,000) 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

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

|  | 2013<br>RMB' 000 | 2012<br>RMB' 000 |
|--|------------------|------------------|
| Fees   | 540              | 540              |
| Other emoluments:  |                  |                  |
| Basic salaries, housing allowances, other allowances<br>and benefits in kind | 60,775           | 59,111           |
| Pension costs  | 285              | 349              |
|  | <b>61,600</b>    | 60,000           |

# GROUP STRUCTURE

## PRINCIPAL SUBSIDIARIES

As at 31 December 2013, the Company held shares/interests in the following principal subsidiaries:

| Name of subsidiary                                     | Place of incorporation/ establishment and operation and kind of legal entity | Issued and fully paid up share capital/ registered capital | Effective percentage of attributable interest held by the Company |          |        |          | Principal activities |
|--|--|--|---|----------|--------|----------|----------------------|
|  |  |  | 2013  |          | 2012   |          |                      |
|  |  |  | Direct  | Indirect | Direct | Indirect |                      |
| Able Business Development Limited                      | Hong Kong  | 1 Ordinary share of HK\$1 each                             | —   | 100      | —      | 100      | Property investment  |
| Able Step Investment Limited                           | Hong Kong  | 1 Ordinary share of HK\$1 each                             | —   | 100      | —      | 100      | Property investment  |
| Acon Investment Ltd.                                   | British Virgin Islands   | 1 Ordinary share of US\$1 each                             | —   | 100      | —      | 100      | Investment holding   |
| Beexiu Industrial (Shenzhen) Co., Ltd.                 | China, limited liability company   | Registered capital HK\$7,000,000                           | —   | 100      | —      | 100      | Property development |
| Bond Master Limited                                    | Hong Kong  | 1 Ordinary share of HK\$1 each                             | —   | 100      | —      | 100      | Property investment  |
| Charm Smart Development Limited                        | Hong Kong  | 2 Ordinary shares of HK\$1 each                            | —   | 100      | —      | 100      | Property development |
| Companhia de Fomento Predial Yue Xiu (Macau), Limitada | Macau  | 1 share of MOP198,000 and 1 share of MOP2,000              | —   | 100      | —      | 100      | Property development |
| Companhia de Gestao Imobiliaria Hang Sao, Limitada     | Macau  | 1 share of MOP99,000 and 1 share of MOP1,000               | —   | 100      | —      | 100      | Property management  |
| Crystal Path Investment Limited                        | Hong Kong  | 1 Ordinary share of HK\$1 each                             | —   | 100      | —      | 100      | Property investment  |
| Dalian Perfect Base Property Development Co., Ltd.     | China, limited liability company   | Registered capital US\$7,500,000                           | —   | 100      | —      | 100      | Property development |
| Dragon Yield Holding Limited                           | British Virgin Islands   | 1 Ordinary share of US\$1 each                             | 100   | —        | 100    | —        | Investment holding   |

## GROUP STRUCTURE

### PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                                    | Place of incorporation/<br>establishment and<br>operation and kind<br>of legal entity | Issued and fully paid<br>up share capital/<br>registered capital | Effective percentage of attributable<br>interest held by the Company |          |        |          | Principal activities |
|---|---|--|--|----------|--------|----------|----------------------|
|   |   |  | 2013   |          | 2012   |          |                      |
|   |   |  | Direct   | Indirect | Direct | Indirect |                      |
| Easy Excel Development Limited                        | Hong Kong   | 2 Ordinary shares<br>of HK\$1 each                               | —  | 100      | —      | 100      | Property investment  |
| Elsburg Limited                                       | Hong Kong   | 10,000 Ordinary shares<br>of HK\$1 each                          | —  | 100      | —      | 100      | Property investment  |
| Extra Act Limited                                     | Hong Kong   | 1,000 Ordinary shares<br>of HK\$1 each                           | —  | 100      | —      | 100      | Investment holding   |
| Fundscore Development Limited                         | Hong Kong   | 500,000 Ordinary shares<br>of HK\$1 each                         | —  | 100      | —      | 100      | Property investment  |
| Glory Mission Development Limited                     | Hong Kong   | 1 Ordinary share<br>of HK\$1 each                                | —  | 100      | —      | 100      | Property investment  |
| Green Park Development Limited                        | Hong Kong   | 1 Ordinary share<br>of HK\$1 each                                | —  | 100      | —      | 100      | Property investment  |
| Guangzhou Bright Growth City<br>Real Estates Co. Ltd. | China, limited<br>liability company   | Registered capital<br>RMB88,315,800                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Carry Win City<br>Real Estates Co. Ltd.     | China, limited<br>liability company   | Registered capital<br>RMB28,684,800                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Central Funds<br>City Real Estates Co. Ltd. | China, limited<br>liability company   | Registered capital<br>RMB37,236,300                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Charcon Real<br>Estate Co., Ltd.            | China, limited<br>liability company   | Registered capital<br>HK\$259,670,000                            | —  | 100      | —      | 100      | Property development |
| Guangzhou Charfar Real<br>Estate Company Limited      | China, limited<br>liability company   | Registered capital<br>RMB111,450,000                             | —  | 75       | —      | 75       | Property development |
| Guangzhou Charho Real<br>Estate Company Limited       | China, limited<br>liability company   | Registered capital<br>RMB190,000,000                             | —  | 100      | —      | 100      | Property development |

## PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary  | Place of incorporation/<br>establishment and<br>operation and kind<br>of legal entity | Issued and fully paid<br>up share capital/<br>registered capital | Effective percentage of attributable<br>interest held by the Company |          |        |          | Principal activities                        |
|---|---|--|--|----------|--------|----------|---|
|   |   |  | 2013   |          | 2012   |          |   |
|   |   |  | Direct   | Indirect | Direct | Indirect |   |
| Guangzhou City Construction & Development Co. Ltd.                    | China, limited liability company  | Registered capital RMB1,908,610,000                              | —  | 95       | —      | 95       | Property development                        |
| Guangzhou City Construction & Development Consulting Ltd.             | China, limited liability company  | Registered capital RMB2,145,800                                  | —  | 98.13    | —      | 98.13    | Consulting services in property development |
| Guangzhou City Construction & Development Decoration Ltd.             | China, limited liability company  | Registered capital RMB35,882,800                                 | —  | 98.62    | —      | 98.62    | Decoration and design                       |
| Guangzhou City Construction & Development Group Nansha Co. Ltd        | China, limited liability company  | Registered capital RMB380,000,000                                | —  | 95.48    | —      | 95.48    | Property development                        |
| Guangzhou City Construction & Development Jingcheng Property Co. Ltd. | China, limited liability company  | Registered capital RMB13,712,500                                 | —  | 99.75    | —      | 99.75    | Property development                        |
| Guangzhou City Construction & Development Property Ltd.               | China, limited liability company  | Registered capital RMB12,994,800                                 | —  | 99.75    | —      | 99.75    | Property development and investment         |
| Guangzhou City Construction Project Management Co., Ltd.              | China, limited liability company  | Registered capital RMB8,921,500                                  | —  | 98.25    | —      | 98.25    | Project management                          |
| Guangzhou City Construction & Development Weicheng Enterprise Ltd.    | China, limited liability company  | Registered capital RMB955,300                                    | —  | 80       | —      | 80       | Property investment                         |
| Guangzhou City Construction & Development Xingye Property Agent Ltd.  | China, limited liability company  | Registered capital RMB37,520,000                                 | —  | 97.6     | —      | 97.6     | Real estate agency                          |
| Guangzhou Construction & Development Holdings (China) Limited         | British Virgin Islands  | 1 Ordinary share of US\$1 each                                   | 100  | —        | 100    | —        | Investment holding                          |

## GROUP STRUCTURE

### PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary  | Place of incorporation/<br>establishment and<br>operation and kind<br>of legal entity | Issued and fully paid<br>up share capital/<br>registered capital | Effective percentage of attributable<br>interest held by the Company |          |        |          | Principal activities   |
|---|---|--|--|----------|--------|----------|------------------------|
|   |   |  | 2013   |          | 2012   |          |                        |
|   |   |  | Direct   | Indirect | Direct | Indirect |                        |
| Guangzhou Cowan City<br>Real Estates Co. Ltd.   | China, limited<br>liability company   | Registered capital<br>RMB28,684,800                              | —  | 95       | —      | 95       | Property development   |
| Guangzhou Eastern Growth City<br>Real Estates Co. Ltd.                                      | China, limited<br>liability company   | Registered capital<br>RMB12,734,400                              | —  | 95       | —      | 95       | Property development   |
| Guangzhou Faithbond City<br>Real Estates Co. Ltd.   | China, limited<br>liability company   | Registered capital<br>RMB16,231,400                              | —  | 95       | —      | 95       | Property development   |
| GZ City Construction &<br>Development Grandcity<br>Parking Property Management<br>Co., Ltd. | China, limited<br>liability company   | Registered capital<br>RMB2,730,600                               | —  | 99.06    | —      | 99.06    | Car parking management |
| Guangzhou Grandcity<br>Development Ltd.   | China, limited<br>liability company   | Registered capital<br>RMB539,578,600                             | —  | 100      | —      | 100      | Property development   |
| Guangzhou Guangxiu City<br>Real Estates Co. Ltd.  | China, limited<br>liability company   | Registered capital<br>RMB18,287,700                              | —  | 95       | —      | 95       | Property development   |
| Guangzhou Honour City<br>Real Estates Co. Ltd.  | China, limited<br>liability company   | Registered capital<br>RMB16,386,800                              | —  | 95       | —      | 95       | Property development   |
| Guangzhou Investment<br>Finance Company Limited   | Hong Kong   | 2 Ordinary shares<br>of HK\$1 each                               | 100  | —        | 100    | —        | Financial services     |
| Guangzhou Keen Asia City<br>Real Estates Co. Ltd.   | China, limited<br>liability company   | Registered capital<br>RMB14,083,200                              | —  | 95       | —      | 95       | Property development   |
| Guangzhou May Hua City<br>Real Estates Co. Ltd.   | China, limited<br>liability company   | Registered capital<br>RMB12,853,900                              | —  | 95       | —      | 95       | Property development   |
| Guangzhou Million Top City<br>Real Estates Co. Ltd.   | China, limited<br>liability company   | Registered capital<br>RMB28,684,800                              | —  | 95       | —      | 95       | Property development   |
| Guangzhou Perfect City<br>Real Estates Co. Ltd.   | China, limited<br>liability company   | Registered capital<br>RMB14,448,600                              | —  | 95       | —      | 95       | Property development   |

## PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                                     | Place of incorporation/<br>establishment and<br>operation and kind<br>of legal entity | Issued and fully paid<br>up share capital/<br>registered capital | Effective percentage of attributable<br>interest held by the Company |          |        |          | Principal activities |
|--|---|--|--|----------|--------|----------|----------------------|
|  |   |  | 2013   |          | 2012   |          |                      |
|  |   |  | Direct   | Indirect | Direct | Indirect |                      |
| Guangzhou Seaport City<br>Real Estates Co. Ltd.        | China, limited<br>liability company   | Registered capital<br>RMB23,074,600                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Sincere Land City<br>Real Estates Co. Ltd.   | China, limited<br>liability company   | Registered capital<br>RMB14,083,200                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Sun Peak City<br>Real Estates Co. Ltd.       | China, limited<br>liability company   | Registered capital<br>RMB14,440,300                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Talent Gather City<br>Real Estates Co. Ltd.  | China, limited<br>liability company   | Registered capital<br>RMB11,952,000                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Top Jade City<br>Real Estates Co. Ltd.       | China, limited<br>liability company   | Registered capital<br>RMB11,952,000                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Tung Win City<br>Real Estates Co. Ltd.       | China, limited<br>liability company   | Registered capital<br>RMB11,952,000                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Unionwin City<br>Real Estates Co. Ltd.       | China, limited<br>liability company   | Registered capital<br>RMB19,776,700                              | —  | 95       | —      | 95       | Property development |
| Guangzhou White Horse<br>Clothings Market Ltd.         | China, limited<br>liability company   | Registered capital<br>RMB118,873,900                             | —  | 100      | —      | 100      | Property investment  |
| Guangzhou White Horse<br>Property Management Co., Ltd. | China, limited<br>liability company   | Registered capital<br>RMB5,000,000                               | —  | 99.84    | —      | 99.84    | Property management  |
| Guangzhou Winbase City<br>Real Estates Co. Ltd.        | China, limited<br>liability company   | Registered capital<br>RMB11,952,000                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Winner City<br>Real Estates Co. Ltd.         | China, limited<br>liability company   | Registered capital<br>RMB28,684,800                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Xingcheng<br>Enterprise Development Ltd.     | China, limited<br>liability company   | Registered capital<br>RMB154,612,700                             | —  | 99.75    | —      | 99.75    | Property investment  |

## GROUP STRUCTURE

### PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary  | Place of incorporation/<br>establishment and<br>operation and kind<br>of legal entity | Issued and fully paid<br>up share capital/<br>registered capital | Effective percentage of attributable<br>interest held by the Company |          |        |          | Principal activities |
|---|---|--|--|----------|--------|----------|----------------------|
|   |   |  | 2013   |          | 2012   |          |                      |
|   |   |  | Direct   | Indirect | Direct | Indirect |                      |
| Guangzhou Yicheng<br>Property Management Ltd.                         | China, limited<br>liability company   | Registered capital<br>RMB5,000,000                               | —  | 99.28    | —      | 99.28    | Property management  |
| Guangzhou Yieldwise City<br>Real Estates Co. Ltd.                     | China, limited<br>liability company   | Registered capital<br>RMB14,083,200                              | —  | 95       | —      | 95       | Property development |
| Guangzhou Yuehui<br>Property Development Limited                      | China, limited<br>liability company   | Registered capital<br>RMB1,612,244,900                           | —  | 99.06    | —      | 98.84    | Property development |
| Hangzhou Yuexiu Property<br>Development Limited                       | China, limited<br>liability company   | Registered capital<br>US\$399,470,000                            | —  | 100      | —      | 100      | Property development |
| Honstar Investments Limited   | British Virgin Islands  | 1 Ordinary share of<br>US\$1 each                                | —  | 100      | —      | 100      | Investment holding   |
| Hoover (China) Limited  | Hong Kong   | 1 Ordinary share<br>of HK\$1 each                                | —  | 100      | —      | 100      | Property investment  |
| Jamsin Limited  | Hong Kong   | 2 Ordinary shares<br>of HK\$1 each                               | 100  | —        | 100    | —        | Property holding     |
| Jiangmen Yue Xiu City<br>Construction Property<br>Development Limited | China, limited<br>liability company   | Registered capital<br>RMB570,000,000                             | —  | 95       | —      | 95       | Property development |
| Jumbo Good Development Limited  | Hong Kong   | 2 Ordinary shares<br>of HK\$1 each                               | —  | 100      | —      | 100      | Property investment  |
| Jumbo King Development Limited  | Hong Kong, Singapore  | 2 Ordinary shares<br>of HK\$1 each                               | 100  | —        | 100    | —        | Property investment  |
| Kingswell Limited   | Hong Kong   | 1 Ordinary share<br>of HK\$1 each                                | —  | 100      | —      | 100      | Property investment  |
| Lucken Limited  | Hong Kong   | 3 Ordinary shares<br>of HK\$1 each                               | —  | 100      | —      | 100      | Property investment  |

## PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                                   | Place of incorporation/<br>establishment and<br>operation and kind<br>of legal entity | Issued and fully paid<br>up share capital/<br>registered capital | Effective percentage of attributable<br>interest held by the Company |          |        |          | Principal activities |
|--|---|--|--|----------|--------|----------|----------------------|
|  |   |  | 2013   |          | 2012   |          |                      |
|  |   |  | Direct   | Indirect | Direct | Indirect |                      |
| Market Rise Limited                                  | British Virgin Islands  | 1 Ordinary share<br>of US\$1 each                                | —  | 100      | —      | 100      | Investment holding   |
| Merry Growth Development Limited                     | Hong Kong   | 100 Ordinary shares<br>of HK\$1 each                             | —  | 100      | —      | 100      | Property investment  |
| Nation Harvest Development Limited                   | Hong Kong   | 2 Ordinary shares<br>of HK\$1 each                               | —  | 100      | —      | 100      | Investment holding   |
| Sino Peace Development Limited                       | Hong Kong   | 1 Ordinary share<br>of HK\$1 each                                | —  | 100      | —      | 100      | Property investment  |
| Smart Rise Development Limited                       | Hong Kong   | 100 Ordinary shares<br>of HK\$1 each                             | —  | 100      | —      | 100      | Property investment  |
| Sociedade de Fomento<br>Predial Codo(Macau) Limitada | Macau   | 1 share of MOP99,000 and<br>1 share of MOP1,000                  | —  | 100      | —      | 100      | Property development |
| Solution Investment Limited                          | Hong Kong   | 2 Ordinary shares<br>of HK\$1 each                               | —  | 100      | —      | 100      | Property investment  |
| Super Gain Development Limited                       | British Virgin Islands  | 350,000 Ordinary shares<br>of HK\$1 each                         | —  | 100      | —      | 100      | Investment holding   |
| Superland Development Ltd.                           | British Virgin Islands  | 10,000 Ordinary shares<br>of HK\$1 each                          | —  | 100      | —      | 100      | Investment holding   |
| Techcon Investment Limited                           | Hong Kong   | 1,000 Ordinary shares<br>of HK\$1 each                           | —  | 100      | —      | 100      | Hotel operations     |
| Viclong Company Limited                              | Hong Kong   | 100 Ordinary shares<br>of HK\$100 each                           | —  | 100      | —      | 100      | Property investment  |
| Winston Investment Limited                           | Hong Kong   | 1 Ordinary share<br>of HK\$1 each                                | —  | 100      | —      | 100      | Property investment  |

## GROUP STRUCTURE

### PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                      | Place of incorporation/ establishment and operation and kind of legal entity | Issued and fully paid up share capital/ registered capital                             | Effective percentage of attributable interest held by the Company |          |        |          | Principal activities                     |
|---|--|--|---|----------|--------|----------|--|
|   |  |  | 2013  |          | 2012   |          |  |
|   |  |  | Direct  | Indirect | Direct | Indirect |  |
| Yue Xiu APT Parking Limited             | Hong Kong  | 10,000 Ordinary shares of HK\$1 each   | —   | 100      | —      | 100      | Car parking management                   |
| Yue Xiu Property Agency Limited         | Hong Kong  | 2 Ordinary shares of HK\$1 each  | —   | 100      | —      | 100      | Property agency services                 |
| Yue Xiu Property Consultants Limited    | Hong Kong  | 100 Ordinary shares of HK\$1 each and 500,000 Non-voting deferred shares of HK\$1 each | —   | 100      | —      | 100      | Property management consultancy services |
| Yue Xiu Property Management Limited     | Hong Kong  | 10,000 Ordinary shares of HK\$1 each   | —   | 100      | —      | 100      | Building management services             |
| Yuexiu Property (B.V.I.) Limited        | British Virgin Islands   | 1 Ordinary share of US\$1 each   | 100   | —        | 100    | —        | Investment holding                       |
| Yuexiu Property (China) Company Limited | British Virgin Islands   | 5,000 Ordinary shares of HK\$1 each  | —   | 100      | —      | 100      | Investment holding                       |
| Yuexiu Property (HK) Company Limited    | British Virgin Islands   | 1 Ordinary share of HK\$1 each   | —   | 100      | —      | 100      | Investment holding                       |
| Yuexiu Property (Macau) Company Limited | British Virgin Islands   | 1 Ordinary share of HK\$1 each   | —   | 100      | —      | 100      | Investment holding                       |
| 廣州華振科技投資有限公司                            | China, limited liability company   | Registered capital RMB20,000,000   | —   | 100      | —      | 100      | Investment holding                       |
| 佛山市南海區越秀地產開發有限公司                        | China, limited liability company   | Registered capital RMB600,000,000  | —   | 100      | —      | 95       | Property development                     |
| 海南白馬建設開發有限公司                            | China, limited liability company   | Registered capital RMB523,613,085  | —   | 47.5     | —      | 47.5     | Property management                      |
| 昆山市越秀廣電投資發展有限公司                         | China, limited liability company   | Registered capital RMB50,000,000   | —   | 48.45    | —      | 48.45    | Property management                      |

## PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation/<br>establishment and<br>operation and kind<br>of legal entity | Issued and fully paid<br>up share capital/<br>registered capital | Effective percentage of attributable<br>interest held by the Company |          |        |          | Principal activities |
|--------------------|---|--|--|----------|--------|----------|----------------------|
|                    |   |  | 2013   |          | 2012   |          |                      |
|                    |   |  | Direct   | Indirect | Direct | Indirect |                      |
| 煙台越秀地產開發有限公司       | China, limited<br>liability company   | Registered capital<br>RMB560,000,000                             | —  | 100      | —      | 100      | Property development |
| 煙台越星地產開發有限公司       | China, limited<br>liability company   | Registered capital<br>RMB1,165,940,000                           | —  | 100      | —      | 100      | Property management  |
| 中山越星房地產開發有限公司      | China, limited<br>liability company   | Registered capital<br>US\$99,800,000                             | —  | 100      | —      | 100      | Property development |
| 中山市越秀地產開發有限公司      | China, limited<br>liability company   | Registered capital<br>RMB605,000,000                             | —  | 95       | —      | 95       | Property development |
| 中山市金滿房地產開發有限公司     | China, limited<br>liability company   | Registered capital<br>RMB700,000,000                             | —  | 100      | —      | 100      | Property development |
| 青島越秀地產開發有限公司       | China, limited<br>liability company   | Registered capital<br>HK\$1,404,000,000                          | —  | 100      | —      | —        | Property development |
| 沈陽越星房地產開發有限公司      | China, limited<br>liability company   | Registered capital<br>HK\$624,000,000                            | —  | 100      | —      | —        | Property development |
| 杭州越隼房地產開發有限公司      | China, limited<br>liability company   | Registered capital<br>US\$290,000,000                            | —  | 100      | —      | —        | Property development |
| 廣州東秀房地產開發有限公司      | China, limited<br>liability company   | Registered capital<br>RMB20,000,000                              | —  | 95.48    | —      | —        | Property development |
| 瀋陽嶺海房地產有限公司        | China, limited<br>liability company   | Registered capital<br>US\$59,800,000                             | —  | 99.95    | —      | 99.95    | Property development |
| 越秀地產(瀋陽)物業管理有限公司   | China, limited<br>liability company   | Registered capital<br>RMB3,000,000                               | —  | 99.95    | —      | 99.95    | Property management  |
| 廣州市富城物業管理有限公司      | China, limited<br>liability company   | Registered capital<br>RMB800,000                                 | —  | 49.88    | —      | 49.88    | Property management  |
| 越秀地產(煙台)物業管理有限公司   | China, limited<br>liability company   | Registered capital<br>RMB3,000,000                               | —  | 100      | —      | 100      | Property management  |

## GROUP STRUCTURE

### PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation/<br>establishment and<br>operation and kind<br>of legal entity | Issued and fully paid<br>up share capital/<br>registered capital | Effective percentage of attributable<br>interest held by the Company |          |        |          | Principal activities             |
|--------------------|---|--|--|----------|--------|----------|----------------------------------|
|                    |   |  | 2013   |          | 2012   |          |                                  |
|                    |   |  | Direct   | Indirect | Direct | Indirect |                                  |
| 瀋陽越秀地產有限公司         | China, limited<br>liability company   | Registered capital<br>HKD2,280,000,000                           | —  | 100      | —      | 100      | Property development             |
| 武漢越秀地產開發有限公司       | China, limited<br>liability company   | Registered capital<br>RMB1,920,000,000                           | —  | 100      | —      | 99.75    | Property development             |
| 中山市越秀地產物業管理有限公司    | China, limited<br>liability company   | Registered capital<br>RMB3,000,000                               | —  | 95       | —      | 95       | Property management              |
| 廣州城建物業家政服務有限公司     | China, limited<br>liability company   | Registered capital<br>RMB500,000                                 | —  | 99.75    | —      | 99.74    | Property management              |
| 廣州市薈景綠化有限公司        | China, limited<br>liability company   | Registered capital<br>RMB2,000,000                               | —  | 99.70    | —      | 99.70    | Project greening                 |
| 廣州城建物業設備工程有限公司     | China, limited<br>liability company   | Registered capital<br>RMB500,000                                 | —  | 99.70    | —      | 99.70    | Building<br>construction service |
| 武漢越秀嘉潤房地產開發有限公司    | China, limited<br>liability company   | Registered capital<br>RMB200,000,000                             | —  | 95.48    | —      | 95.48    | Property management              |
| 武漢越秀嘉益房地產開發有限公司    | China, limited<br>liability company   | Registered capital<br>RMB150,000,000                             | —  | 95.48    | —      | 95.48    | Property management              |
| 廣州市城秀房地產開發有限公司     | China, limited<br>liability company   | Registered capital<br>RMB10,000,000                              | —  | 95       | —      | 95       | Property development             |
| 廣州東輝房地產開發有限公司      | China, limited<br>liability company   | Registered capital<br>RMB300,000,000                             | —  | 95       | —      | 95       | Property management              |
| 廣州越投商業保理有限公司       | China, limited<br>liability company   | Registered capital<br>RMB50,000,000                              | —  | 100      | —      | —        | Trade finance                    |
| 廣州市宏秀房地產開發有限公司     | China, limited<br>liability company   | Registered capital<br>RMB10,000,000                              | —  | 100      | —      | 100      | Property development             |
| 廣州市宏錦房地產開發有限公司     | China, limited<br>liability company   | Registered capital<br>RMB650,000,000                             | —  | 100      | —      | 100      | Property development             |

## PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation/ establishment and kind of legal entity | Issued and fully paid up share capital/ registered capital | Effective percentage of attributable interest held by the Company |          |        |          | Principal activities |
|--------------------|--|--|---|----------|--------|----------|----------------------|
|                    |  |  | 2013  |          | 2012   |          |                      |
|                    |  |  | Direct  | Indirect | Direct | Indirect |                      |
| 廣州宏景房地產開發有限公司      | China, limited liability company                               | Registered capital RMB500,000,000                          | —   | 95.48    | —      | 95.48    | Property management  |
| 越秀地產(江門)物業管理有限公司   | China, limited liability company                               | Registered capital RMB3,000,000                            | —   | 95       | —      | 95       | Property management  |
| 廣州越秀城建仲量聯行物業服務有限公司 | China, limited liability company                               | Registered capital RMB5,000,000                            | —   | 57       | —      | 57       | Property management  |
| 廣州祥錦房地產開發有限公司      | China, limited liability company                               | Registered capital RMB60,000,000                           | —   | 95.48    | —      | 95.48    | Property management  |
| 廣州越港房地產開發有限公司      | China, limited liability company                               | Registered capital RMB300,000,000                          | —   | 100      | —      | 100      | Property management  |
| 廣州盈勝投資有限公司         | China, limited liability company                               | Registered capital RMB30,000,000                           | —   | 95.48    | —      | 95.48    | Property management  |

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

## PRINCIPAL JOINT VENTURES

As at 31 December 2013, the Group held the following principal joint ventures:

| Name of joint ventures                           | Place of establishment and operation | Percentage of voting power | Effective percentage of interest in ownership/ profit sharing |          |        |          | Principal activities |
|--|--------------------------------------|----------------------------|---|----------|--------|----------|----------------------|
|  |                                      |                            | 2013  |          | 2012   |          |                      |
|  |                                      |                            | Direct  | Indirect | Direct | Indirect |                      |
| Hainan China City Property Development Co., Ltd. | China                                | 57.14                      | —   | 52       | —      | 52       | Property development |
| 廣州中耀實業投資有限公司                                     | China                                | 33.33                      | —   | 4.77     | —      | —        | Property development |

## GROUP STRUCTURE

### PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2013, the Group held shares/interests in the following principal associated entities:

| Name of associated entity           | Place of establishment and operation | Effective percentage of interest in ownership/<br>voting power/profit sharing |          |        |          | Principal activities |
|-------------------------------------|--------------------------------------|---|----------|--------|----------|----------------------|
|                                     |                                      | 2013  |          | 2012   |          |                      |
|                                     |                                      | Direct  | Indirect | Direct | Indirect |                      |
| Yuexiu Real Estate Investment Trust | Hong Kong                            | —   | 35.69    | —      | 35.14    | Property investment  |
| 武漢康景實業投資有限公司                        | China                                | —   | 7.64     | —      | —        | Property development |
| 佛山市禪城區越輝房地產開發有限公司                   | China                                | —   | 19       | —      | —        | Property development |
| 杭州越輝房地產開發有限公司                       | China                                | —   | 20       | —      | —        | Property development |



**越秀地產股份有限公司**

**YUEXIU PROPERTY COMPANY LIMITED**

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