



**越秀地產股份有限公司**  
YUEXIU PROPERTY COMPANY LIMITED

# 2014 Annual Results

27 February 2015



## CONTENTS

1. Results Highlights
2. Business Overview
3. Future Prospects

# RESULTS HIGHLIGHTS

## Steady Growth in Results

- Revenue of 2014 was RMB15,702 mm , +10.5% y-o-y
- Core net profit was RMB1,575 mm , +17.0% y-o-y

## Record High Contracted Sales

- Contracted sales value of 2014 was RMB22,014 mm , +50.4% y-o-y
- Successfully achieved full year sales target RMB22 bn

## Financing Channels Optimized

- As of 31 December 2014, onshore and offshore borrowings ratio was 42%:58%
- The average funding cost for the full year was 5.07%, -0.52ppt y-o-y

## Reinforced in Tier 1 & 2 Cities

- Acquired two land parcels in Hangzhou and Guangzhou for RMB7,451 mm
- As of 31 December 2014 , total landbank was approximately 14,310,000 sqm

## Return to Shareholders

- The Board proposed to declare a final dividend for 2014 of HK\$0.027 per share
- Full year was HK\$0.076 per share
- Total dividends represented 40% of core net profit

# INCOME STATEMENT

RMB mm	2014	2013	Change
Revenue	15,702	14,209	+10.5%
Gross Profit	4,138	4,104	+0.8%
Fair Value Gains	1,405	1,975	-28.9%
SG&A Expenses	1,492	1,310	+13.9%
Profit Attributable to Equity Holders	2,471	2,880	-14.2%
Core Net Profit <sup>(1)</sup>	1,575	1,346	+17.0%
Basic Earning per Share <sup>(2)</sup>	RMB0.2329	RMB0.2901	-19.7%
Proposed Final Dividend per Share <sup>(3)</sup>	HK\$0.027	HK\$0.035	-22.9%
Total Dividend per Share	HK\$0.076	HK\$0.084	-9.5%
Dividend Payout Ratio <sup>(4)</sup>	40%	40%	N/A

Note : (1)Excluding the fair value gains of investment properties and the foreign exchange loss/ gain  
 (2)Weighted average number of ordinary shares in issue of 2014 was 10,829,236,000 (2013: 9,952,089,000)  
 (3)Total share issued increased from 9.32 bn to 12.4 bn as a result of the rights issue in Sep 2014  
 (4)Based on Core Net Profit

# BALANCE SHEET

RMB mm	31 Dec 2014	31 Dec 2013	Change
Cash <sup>(1)</sup>	<b>12,957</b>	8,374	+54.7%
Total Borrowings	<b>32,059</b>	23,865	+34.3%
Gearing Ratio <sup>(2)</sup>	<b>44.4%</b>	42.8%	+1.6ppt
Net Gearing Ratio <sup>(3)</sup>	<b>63.1%</b>	61.6%	+1.5ppt
Total Assets	<b>93,075</b>	78,071	+19.2%
Shareholders' Equity <sup>(4)</sup>	<b>29,104</b>	24,175	+20.4%
Net Asset per Share	<b>RMB2.347</b>	RMB2.593	-9.5%
No. of Share	<b>12,401,306,631</b>	9,320,064,604	+33.1%

Note :

(1) Including the charged bank deposits of RMB5,075 mm as of 31 Dec 2014 ( 2013 : RMB3,319 mm )

(2) Gearing Ratio = ( Total Borrowings - Cash ) / Total Capitalization

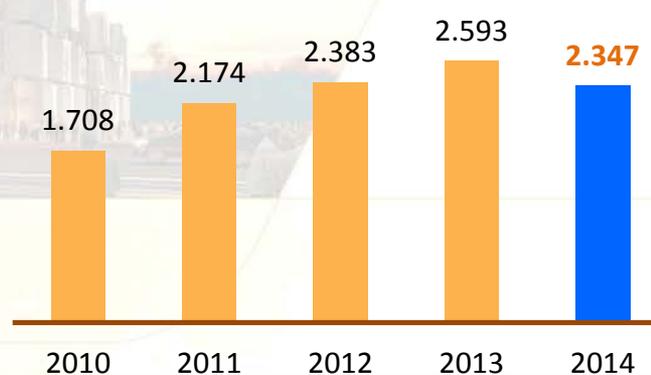
(3) Net Gearing Ratio = ( Total Borrowings - Cash ) / Net Asset

(4) Excluding the Minority Interest

**TOTAL ASSETS ( RMB bn )**



**NET ASSETS PER SHARE ( RMB )**

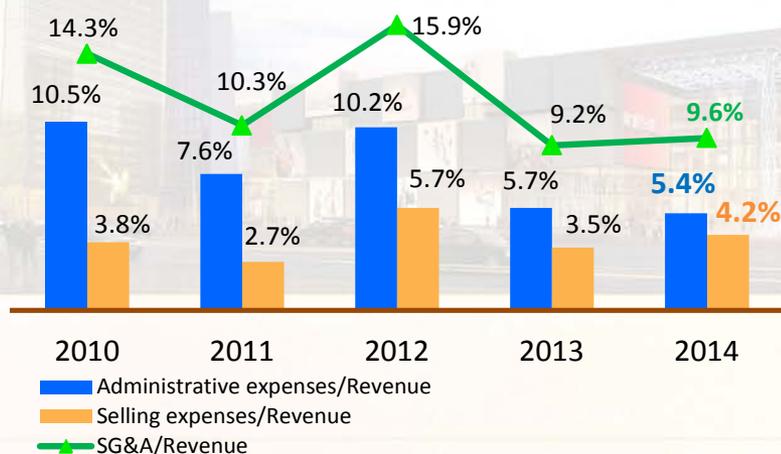


# OPERATING RATIO ANALYSIS

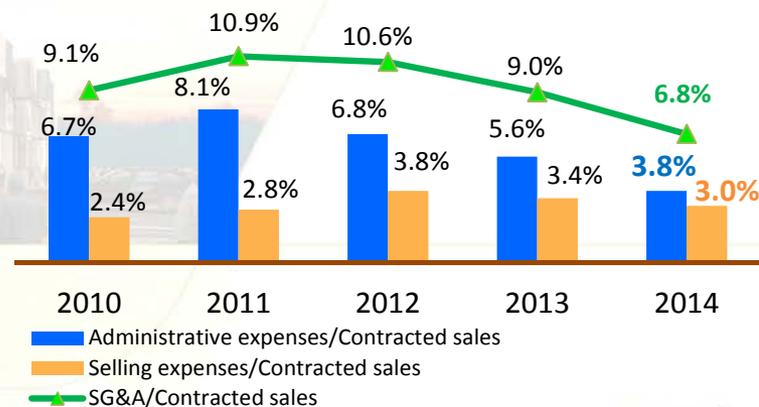
Ratios	2014	2013	2012	2011	2010
Administrative expenses/Revenue	5.4%	5.7%	10.2%	7.6%	10.5%
Selling expenses/Revenue	4.2%	3.5%	5.7%	2.7%	3.8%
SG&A/Revenue	9.6%	9.2%	15.9%	10.3%	14.3%
Administrative expenses/Contracted sales	3.8%	5.6%	6.8%	8.1%	6.7%
Selling expenses/Contracted sales	3.0%	3.4%	3.8%	2.8%	2.4%
SG&A/Contracted sales	6.8%	9.0%	10.6%	10.9%	9.1%
ROE <sup>(1)</sup>	10%	12%	12%	28%	7%

Note : (1) Excluding Minority Interest

### SG&A RATIO (REVENUE)



### SG&A RATIO (CONTRACTED SALES)



# FINANCING

The Group continued to capture market opportunities and achieved new financing and refinancing of RMB21.75bn in 2014

## RIGHTS ISSUE

- Proposed Rights Issue of 33 Rights Shares for every 100 shares
- The subscription price was HK\$1.25
- On Oct 2014, the Rights Issue was 4.19 times over subscribed
- Parent subscribed fully its proportion for HK\$1.91 bn
- Raised HK\$3.85 bn

	RMB bn
<b>New Financing and Refinancing</b>	<b>18.7</b>
-Bank Borrowings (New financing)	6.4
-Bank Borrowings (Refinancing)	10.5
-15-year Corporate Bonds	1.8
<b>Rights Issue</b>	<b>3.05</b>
<b>Total</b>	<b>21.75</b>

## CORPORATE BONDS

- On Nov 2014, successfully issued HK\$2.3 bn 15-year corporate bonds to selected investors
- The coupon rate was 6.1%
- Became the third HK listed PRC developer to successfully issue a 15-year corporate bonds, following COLI and CRL

# DEBT STRUCTURE ANALYSIS

## MATURITY PROFILE

By Year	Borrowings ( RMB mm )	31 Dec 2014 Ratio	31 Dec 2013 Ratio
Within One Year	8,415	26%	35%
2 <sup>nd</sup> -5 <sup>th</sup> Year	17,818	56%	50%
Over 5 Years	5,826	18%	15%
<b>Total</b>	<b>32,059</b>	<b>100%</b>	<b>100%</b>

Borrowings (RMB mm)	31 Dec 2014	Ratio
USD Bonds	6,935	22%
Offshore Bank Borrowings	11,554	36%
Onshore Bank Borrowings	13,570	42%
<b>Total</b>	<b>32,059</b>	<b>100%</b>

- The ratio of onshore and offshore borrowings was 42% : 58% ( 2013 year end: 43% : 57% )

## DEBT STRUCTURE OPTIMIZED

## COST OF FUNDING

( RMB mm )	2014	2013
Interest on Borrowings	1,640	1,520
Interest Capitalized	1,133	1,008
Finance Costs	507	512
<b>Average Cost of Funding</b>	<b>5.07%</b>	<b>5.59%</b>

## DEBT PORTFOLIO

2010-2014 Average Cost of Funding



# RATINGS AND BOND ISSUANCES

## RATINGS

- On Sep 2014, rated “BBB-/Stable” by S&P
- On Jan 2013, rated “BBB-/Stable” by Fitch
- On Jan 2013, rated “Baa3/Stable” by Moody’s
- Became one of the few HK listed PRC developers with investment-grade ratings

MOODY'S

FitchRatings

STANDARD & POOR'S  
RATINGS SERVICES

## USD BOND ISSUANCES

- Successfully issued the USD350mm 3.25% 5-year senior note and USD500 mm 4.5% 10-year senior note for the first time on 24 Jan, 2013

## RATING REVIEWS

	Date	Results
Moody's	Jan 2014	Maintain Baa3/Stable
Fitch	Mar 2014	Maintain BBB-/Stable

# RETURN TO SHAREHOLDERS

## DIVIDENDS

- Yuexiu Property has been maintaining stable dividend payout ratio
- In the past three years, dividend payout ratio has been at 40% of core net profit



## SPECIAL DIVIDENDS

- The unique REIT platform allows Yuexiu Property to monetize and shorten its commercial property development payback period
- In 2012, collected cash with RMB5,000 mm from successful injection GZIFC into Yuexiu REIT and paid special dividend with RMB230 mm





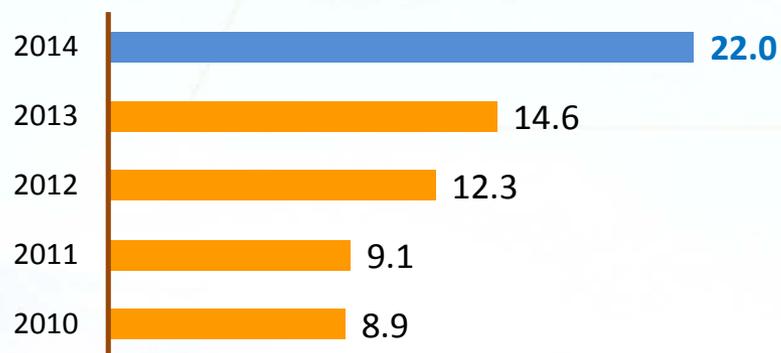
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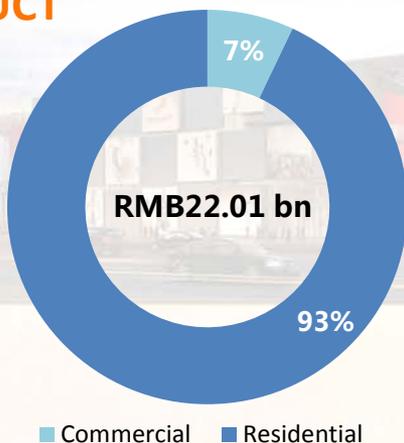
# 2014 CONTRACTED SALES

- With 35 projects for sale in 2014, the contracted sales value and contracted sales GFA amounted to RMB22,014mm and 1,886,100 sqm respectively, representing increases of 50.4% and 63.3% y-o-y respectively
- The ASP was RMB11,700/sqm

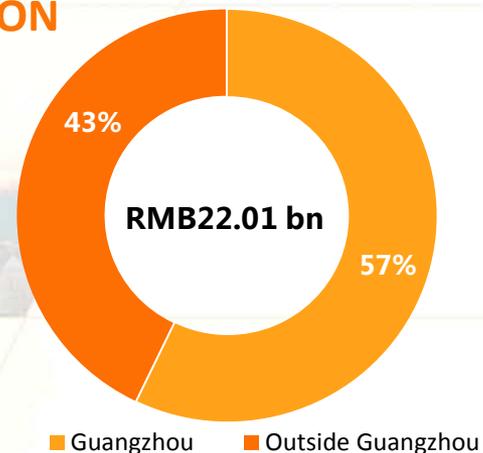
### CONTRACTED SALES VALUE (RMB bn)



### BY PRODUCT



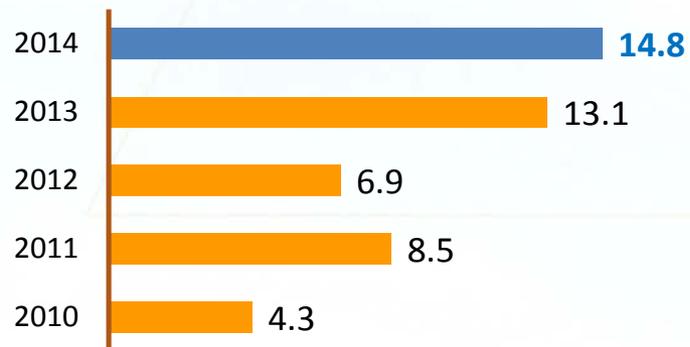
### BY REGION



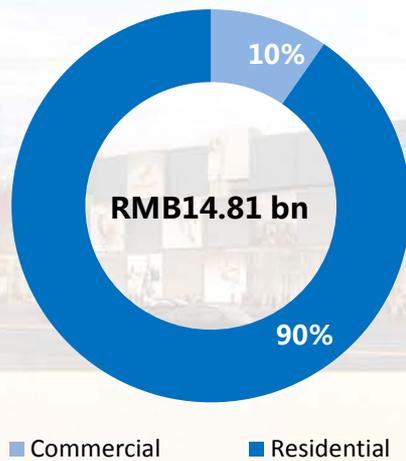
# RECOGNIZED SALES

- In 2014, recognized sales revenue amounted to RMB14,811 mm, +12.7% y-o-y, recognized sales GFA was 1,180,500 sqm, +28.5% y-o-y
- The ASP was RMB12,600/sqm

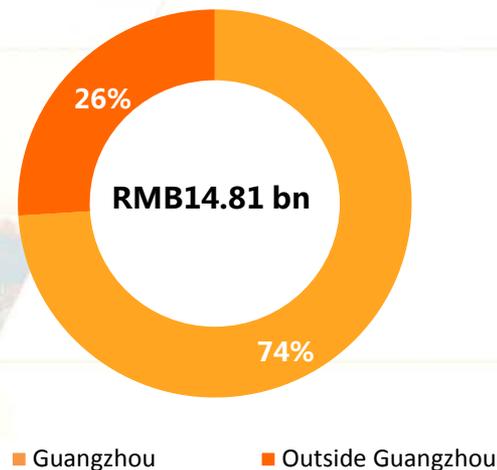
### RECOGNIZED SALES REVENUE ( RMB bn )



### BY PRODUCT



### BY REGION



# GROSS MARGIN

- Gross margin for 2014 was 26.4%
- Higher base in 2013 due to more high-margin commercial products recognized



## BY PRODUCT

	2014		2013	
	Proportion	Gross Margin	Proportion	Gross Margin
Residential	90%	24%	76%	21%
Commercial	10%	53%	24%	53%

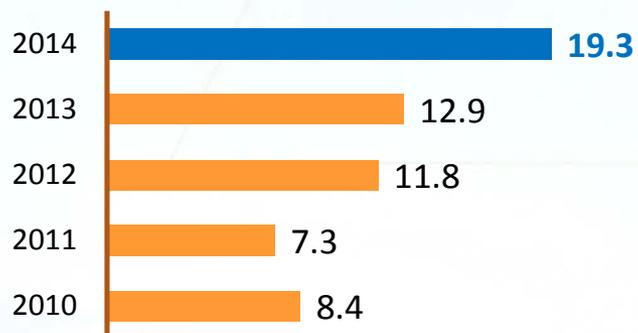
## BY REGION

Region	Gross Margin	Proportion	Number of projects
Guangzhou	30%	74%	17
Guangdong(ex. GZ)	19%	9%	3
Outside Guangdong	20%	17%	5

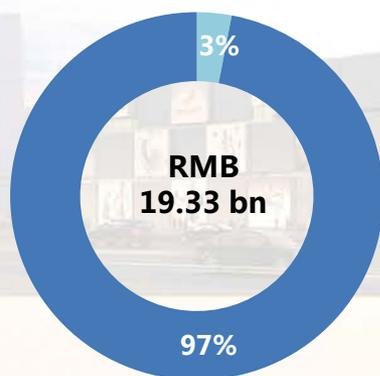
# UNRECOGNIZED SALES

- Unrecognized sales revenue amounted to RMB19,330 mm, unrecognized sales GFA was 1,815,800 sqm
- The ASP was RMB10,600/sqm

UNRECOGNIZED SALES VALUE ( RMB bn )

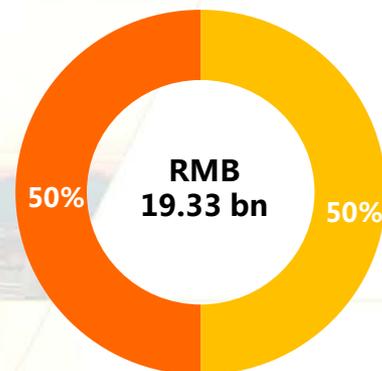


BY PRODUCT



■ Commercial ■ Residential

BY REGION



■ Guangzhou ■ Outside Guangzhou

# LAND ACQUISITION

2014 Land Acquisition		Chinese Name	Month	Type	Total GFA (sqm)	Total Land Cost (RMB mm)	Attributable Land Cost (RMB mm)	Interest
1	Hangzhou Starry Joy City	杭州星匯悅城	Jan	R/C	185,400	1,000	96	9.55%
2	Guangzhou Baiyun Tonghe Land	廣州白雲同和地塊	Nov	R	648,900	6,451	6,451	100%
<b>Total</b>					<b>834,300</b>	<b>7,451</b>	<b>6,547</b>	

2015 Land Acquisition		Chinese Name	Month	Type	Total GFA (sqm)	Total Land Cost (RMB mm)	Attributable Land Cost (RMB mm)	Interest
1	Kunshan Huaqiao Development Zone Land	昆山花橋開發區地塊	Jan	R	184,700	443	215	48.45%
2	Foshan Chancheng Foping Road Land	佛山禪城佛平路地塊	Feb	R/C	221,300	633	633	93.10%
<b>Total</b>					<b>406,000</b>	<b>1,076</b>	<b>848</b>	

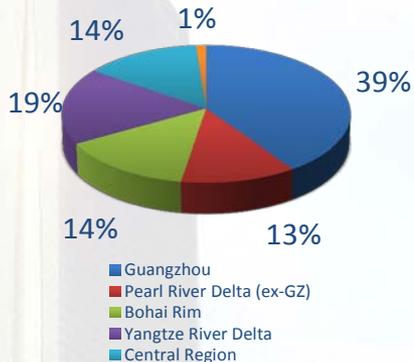
## 2010-2014 LAND ACQUISITIONS

Year	Total Land Cost (RMB bn)	Attributable Land Cost (RMB bn)	GFA (sqm)
2010	8.3	8.3	3,112,000
2011	5.5	5.5	2,013,000
2012	8.0	6.7	3,775,700
2013	20.1	5.8	2,709,600
2014	7.5	6.5	834,300
<b>Total</b>	<b>49.4</b>	<b>32.8</b>	<b>12,444,600</b>

# LANDBANK

Diversified regional footprint with landbank of 14.31mm sqm, in terms of the attributable interest, the landbank of the Group was approximately 11,620,000 sqm

## LANDBANK - BY REGION



## LANDBANK STRATEGY

- ✓ Expanded outside Guangzhou since 2009
- ✓ Had presence in 12 cities
- ✓ A nationwide layout was solidified by returning to Tier 1 and Tier 2 cities
- ✓ Partnership with the Investment Funds

### Bohai Rim Economic Zone

Shenyang, Yantai, Qingdao  
Landbank : 2.06 mm sqm

### Pearl River Delta (ex-GZ)

Zhongshan, Jiangmen, Foshan  
Landbank : 1.77 mm sqm

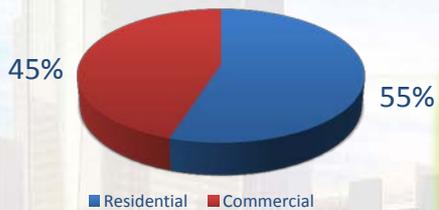
### Guangzhou

Guangzhou  
Landbank : 5.60 mm sqm

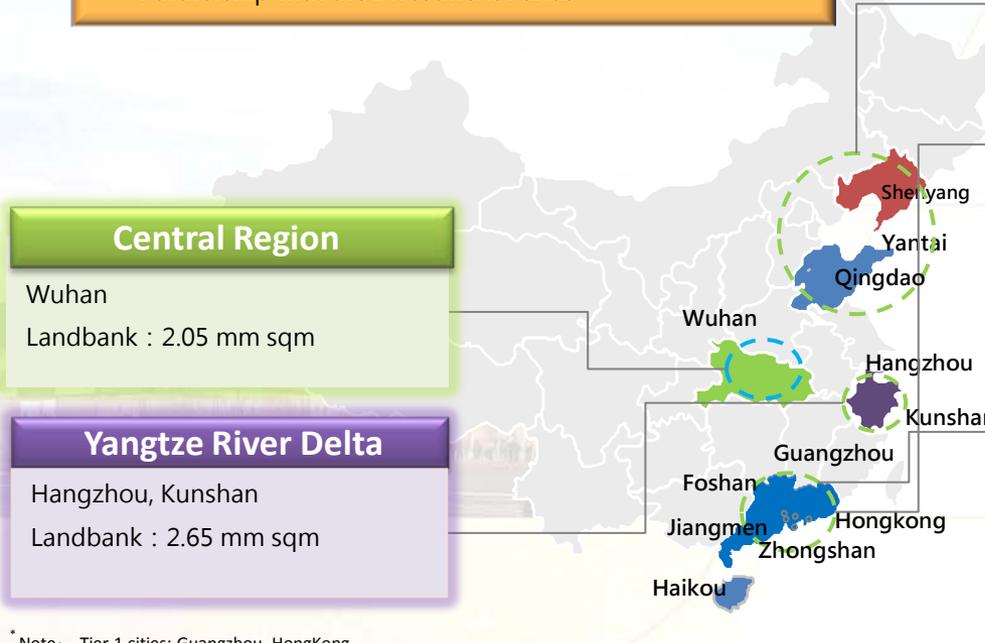
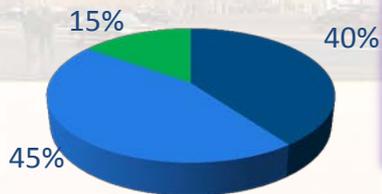
### Other Regions

Hong Kong, Hainan  
Landbank : 0.18 mm sqm

## LANDBANK - BY PRODUCT



## LANDBANK - BY TIER\*



**Central Region**  
Wuhan  
Landbank : 2.05 mm sqm

**Yangtze River Delta**  
Hangzhou, Kunshan  
Landbank : 2.65 mm sqm

Note: Tier 1 cities: Guangzhou, HongKong  
Tier 2 cities: Wuhan, Hangzhou, Qingdao, Shenyang, Haikou, Foshan  
Others: Yantai, Kunshan, Jiangmen, Zhongshan

# UNIQUE COMMERCIAL DEVELOPMENT MODEL



- In addition to residential projects, Yuexiu Property has strong development capability in world-class commercial projects
- Past commercial projects include GZIFC, Fortune Century Square and etc.



- Further enhanced commercial operation capability
- Guangzhou Fortune World Plaza was grand opened in 2013
- Yuexiu Financial Tower started preleasing and is expected to open in 2016

**UNIQUE REIT PLATFORM**



- Holds 36.45% interest on Yuexiu REIT
- The only one HK listed PRC developer with a listed REIT platform

# INNOVATIVE LAND ACQUISITION MODEL

Yuexiu Property has been using JV with investment funds in land acquisition since 2013

## 1. BACKGROUND OF INVESTMENT FUNDS

These investment funds are initiated by SASAC and funded by SOEs in Guangzhou, which invest mainly in property development projects

## 2. TERMS AND ADVANTAGES OF INVESTMENT FUNDS



### Land Acquisition

Acquire lands using JVs with Investment funds  
Annual return to investment funds: 11-12%



### Development

Operate fully by Yuexiu Property



### Exercise Call

Call options are between 12<sup>th</sup> to 24<sup>th</sup> month



### Presale

Cash inflow

### Advantages

- ✓ Enhance financial flexibility, fasten expansion
- ✓ Lower the investment risks in the initial stage of development
- ✓ Shorten construction cycle, increase asset turnover

## 3. INVESTMENT FUND

Projects	Chinese Name	Acquisition Time	Total GFA	Total Land Cost (RMB mm)	Attributable Interest	Attributable Land Cost (RMB mm)	Annual Return to the Fund
1 Hangzhou Victory Center	杭州維多利廣場	Jun 2013	71,900	584	20%	117	11%
2 Foshan Lingnan Junting	佛山嶺南雋庭	Jul 2013	314,900	1,772	19%	337	11%
3 Wuhan International Financial City	武漢國際金融匯	Sep 2013	890,500	9,010	7.6%	685	12%
4 Yuexiu Poly Actel	越秀保利愛特	Oct 2013	667,900	4,350	4.77%	207	12%
5 Hangzhou Starry Joy City	杭州星匯悅城	Jan 2014	185,400	1,000	9.55%	96	12%
Total				2,130,600	16,716	1,442	



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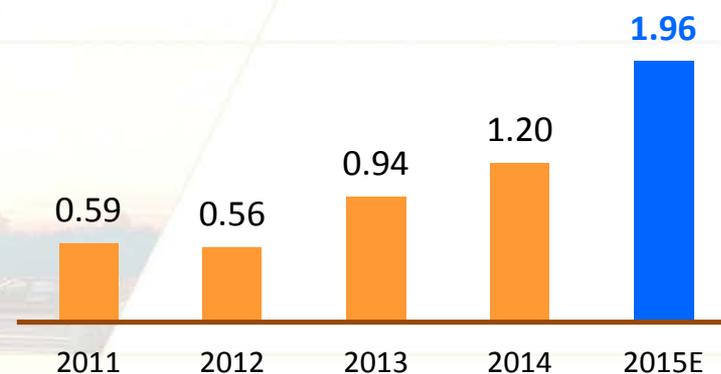
# 2015 OPERATIONAL PLANS

- Aiming to enhance development and construction capabilities to further shorten the development cycle
- Has achieved the target of “land acquisition, commencement of construction and launching for sale in the same year”
- Engage in enhancing asset turnover and ROE as well as the quality of asset and operation

GFA ( mm sqm )	2014 Plan	2014 Actual	2015 Plan
PUD*	8.31	7.82	6.93
New Construction Starts	1.71	2.16	1.93
Completion	1.13	2.05	2.82
Delivery	1.04	1.20	1.96

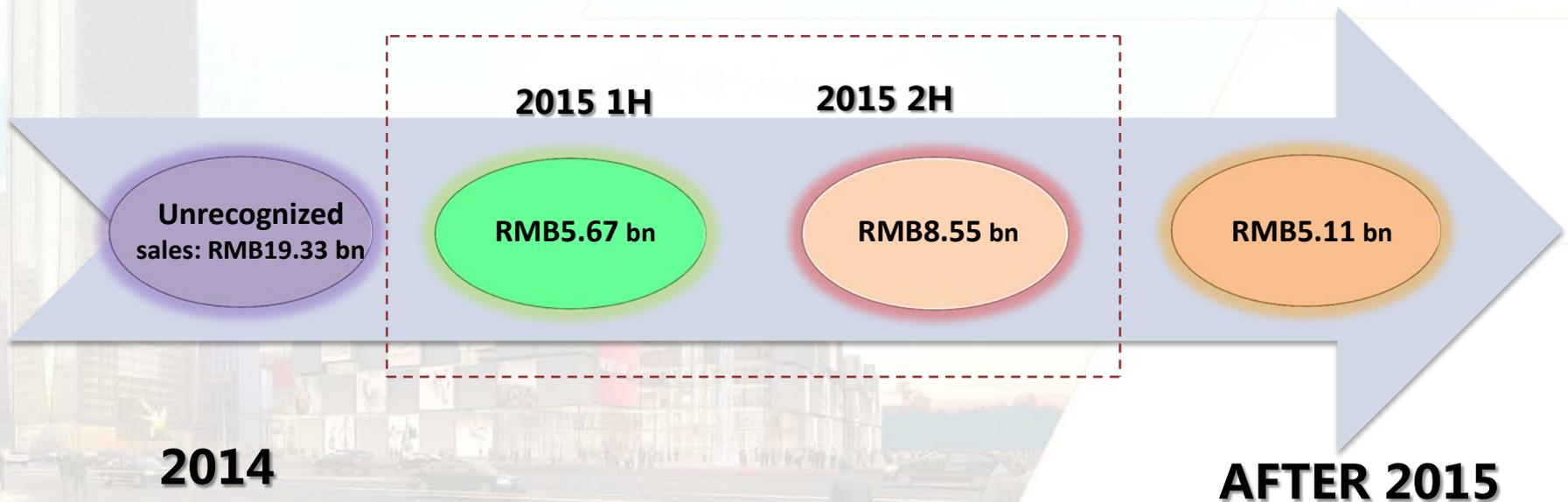
Notes : \*Period-end

DELIVERY ( mm sqm )



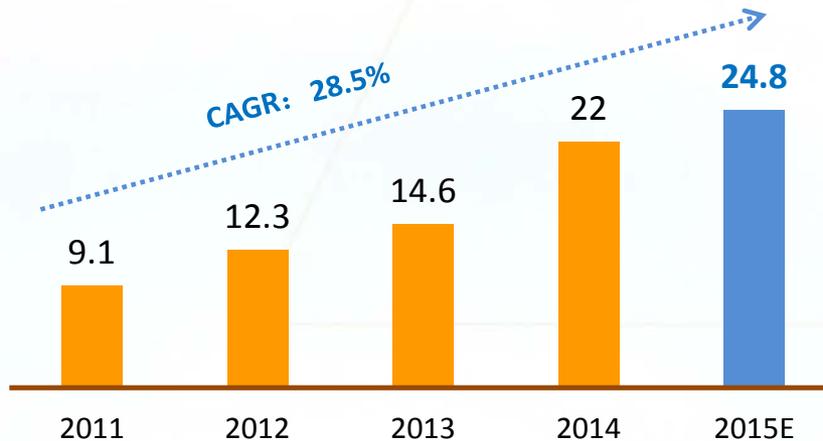
# 2015 GUIDANCES

- As of end of 2014, unrecognized sales was RMB19.33 bn, of which **RMB14.22 bn** will be recognized in 2015

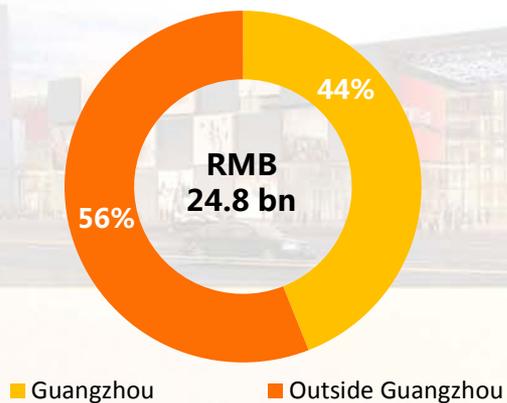


# 2015 SALES TARGET

## CONTRACTED SALES ( RMB bn )



## BY REGION



## 2015 NEW LAUNCHES

Project	Chinese Name	Launch
1 Yuexiu Poly Alter	越秀保利愛特	2015
2 Wuhan International Financial City	武漢國際金融匯	2015
3 Hangzhou Starry Upper City	杭州星匯尚城	2015
4 Hangzhou Victory Center	杭州維多利廣場	2015
5 Shenyang Starry Winking	瀋陽星匯雲錦	2015

# 2015 KEY CAPEX

## Available Capital ( RMB bn )

	2015E
Cash on Hand at Start	13.0
Contracted Sales	24.8
Undrawn Bank Facilities	3.3
<b>Total</b>	<b>41.1</b>

## Key CAPEX ( RMB bn )

	2015E
Land Premium Payable	0.9
Construction Costs	12.0
Land Acquisition	6.0*
<b>Total</b>	<b>18.9</b>

Note : \* The Group will make adjustment to the acquisition CAPEX according to the market and financial condition.

# STRENGTHS AND STRATEGIES

## Strengths



- The largest SOE under Guangzhou SASAC
- Comprehensive developer based on Guangzhou
- Nationwide layout landbank
- Commercial operation capability
- Investment-grade ratings and diversified financing channels
- Innovative model partnership with Investment fund

## Strategies of 2015



- Returning to Tier 1 and Tier 2 cities
- An innovative mechanism with “Employee Incentive Scheme”
- From “Scale-oriented” to “Profit-oriented”



THANK YOU



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