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*(incorporated in Hong Kong with limited liability)*

**(Stock code: 00123)**

## **Announcement of 2018 Interim Results**

### **Results Summary**

- The revenue was approximately RMB10.16 billion, representing a period-to-period decrease of 14.9%.
- The gross profit margin was approximately 25.8%, representing a period-to-period increase of 0.9 percentage point.
- Profit attributable to equity holders was approximately RMB1.31 billion, representing a period-to-period increase of 19.2%; core net profit\* was approximately RMB1.12 billion, representing a period-to-period increase of 7.8%.
- The value of the aggregate contracted sales (including contracted sales by joint venture projects) for the period amounted to approximately RMB27.98 billion, representing a period-to-period increase of 39.5%, and accounted for approximately 50.9% of the full year contracted sales target of RMB55.0 billion.
- The value of the unrecognised sales amounted to approximately RMB56.10 billion at the end of the period, representing an increase of 41.3% as compared to the beginning of the year.

- The Group has newly acquired nine land parcels mainly located in Guangzhou, Wuhan, Suzhou, Qingdao, with total GFA of approximately 2.49 million sq.m.. The total landbank of the Group was approximately 18.22 million sq.m., representing an increase of 12.0% as compared to the beginning of the year. In terms of the attributable interest to the Group, the total GFA was approximately 10.93 million sq.m..
- Cash and cash equivalents and charged bank deposits amounted to approximately RMB25.83 billion, representing an increase of 24.2% as compared to the beginning of the year. The net gearing ratio\*\* went down from 72.8% at the beginning of the year to 64.3%.
- The Board has resolved to declare an interim dividend for 2018 of HKD0.042 per share (equivalent to RMB0.036 per share), representing a period-to-period increase of 5.0% in terms of HKD; total interim dividends accounted for 40% of the core net profit.

• Revenue	RMB10.16 billion (-14.9%)
• Gross profit margin	25.8% (+0.9 percentage point)
• Profit attributable to equity holders	RMB1.31 billion (+19.2%)
• Core net profit	RMB1.12 billion (+7.8%)
• Contracted sales value	RMB27.98 billion (+39.5%)
• Unrecognised sales value	RMB56.10 billion (+41.3%)
• Total assets	RMB157.55 billion (+18.3%)
• Cash and cash equivalents and charged bank deposits	RMB25.83 billion (+24.2%)
• Net gearing ratio	64.3% (-8.5 percentage points)

\* Core net profit represents profit attributable to equity holders excluding net fair value gains on revaluation of investment properties and the related tax effect and net foreign exchange gain/(loss) recognized in the consolidated statement of profit or loss.

\*\* Net gearing ratio represents the borrowings net of cash and cash equivalents and charged bank deposits divided by equity.

## UNAUDITED RESULTS

The board of directors (“Directors” or “Board”) of Yuexiu Property Company Limited (“Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) prepared under Hong Kong Accounting Standard 34 “Interim Financial Reporting” for the six months ended 30 June 2018, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2018

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	10,162,841	11,937,436
Cost of sales	4	<u>(7,539,396)</u>	<u>(8,961,471)</u>
Gross profit		2,623,445	2,975,965
Proceeds from sales of investment properties		43,983	345,695
Direct costs of investment properties sold		<u>(43,312)</u>	<u>(348,037)</u>
Gain/(loss) on sales of investment properties, net		671	(2,342)
Fair value gains on revaluation of investment properties, net		377,958	75,254
Other gains, net	5	555,583	58,449
Selling and marketing costs	4	(198,132)	(252,347)
Administrative expenses	4	<u>(372,281)</u>	<u>(374,512)</u>
Operating profit		2,987,244	2,480,467
Finance income	6	108,281	87,568
Finance costs	7	(650,964)	(650,726)
Share of profit/(loss) of			
– joint ventures		30,008	(3,175)
– associated entities		<u>241,838</u>	<u>374,201</u>
Profit before taxation		2,716,407	2,288,335
Taxation	8	<u>(1,266,142)</u>	<u>(1,016,338)</u>
Profit for the period		<u><u>1,450,265</u></u>	<u><u>1,271,997</u></u>

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
<i>Note</i>	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Attributable to		
Equity holders of the Company	1,313,738	1,102,319
Non-controlling interests	<u>136,527</u>	<u>169,678</u>
	<u><u>1,450,265</u></u>	<u><u>1,271,997</u></u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)		
– Basic and diluted	9 <u><u>0.1059</u></u>	<u><u>0.0889</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	1,450,265	1,271,997
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences	(499,629)	69,437
Change in fair value of available-for-sale financial assets, net of tax	—	9,663
<u>Items that will not be reclassified subsequently to     profit or loss</u>		
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	9,617	—
Other comprehensive income for the period, net of tax	(490,012)	79,100
Total comprehensive income for the period	<u>960,253</u>	<u>1,351,097</u>
Attributable to		
Equity holders of the Company	823,204	1,180,894
Non-controlling interests	137,049	170,203
	<u>960,253</u>	<u>1,351,097</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2018**

		As at	
		30 June	31 December
	<i>Note</i>	<b>2018</b>	<b>2017</b>
		<i>Unaudited</i>	<i>Audited</i>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,921,930	1,961,077
Investment properties	12	14,079,486	13,743,710
Land use rights	13	212,556	217,817
Interests in joint ventures		4,791,645	5,570,130
Interests in associated entities		11,946,465	14,202,652
Available-for-sale financial assets		—	1,206,645
Financial assets at fair value through other comprehensive income		1,220,594	—
Deferred tax assets	17	447,659	294,853
		<u>34,620,335</u>	<u>37,196,884</u>
<b>Current assets</b>			
Properties under development		71,905,434	45,789,461
Properties held for sale		10,679,186	9,322,176
Contract costs		311,354	—
Prepayments for land use rights		846,004	9,192,236
Inventories		3,051	3,698
Trade receivables	14	38,371	45,315
Other receivables, prepayments and deposits		10,929,154	9,196,475
Prepaid taxation		2,389,296	1,289,824
Charged bank deposits		6,674,703	4,139,112
Cash and cash equivalents		<u>19,156,700</u>	<u>16,655,299</u>
		<u>122,933,253</u>	<u>95,633,596</u>
Non-current assets held-for-sale		—	312,031

		As at	
		30 June 2018	31 December 2017
	Note	<i>Unaudited</i> RMB'000	<i>Audited</i> RMB'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	15	522,014	157,875
Advance receipts from customers		—	17,633,142
Contract liabilities		29,310,118	—
Other payables and accrued charges		23,613,407	22,122,179
Borrowings	16	2,926,967	8,461,626
Taxation payable		3,627,998	3,822,029
		<u>60,000,504</u>	<u>52,196,851</u>
<b>Net current assets</b>		<u>62,932,749</u>	<u>43,748,776</u>
<b>Total assets less current liabilities</b>		<u>97,553,084</u>	<u>80,945,660</u>
<b>Non-current liabilities</b>			
Borrowings	16	49,838,723	39,247,462
Deferred tax liabilities	17	5,769,074	4,651,862
Deferred revenue		56,521	57,418
Derivative financial instruments		349	—
		<u>55,664,667</u>	<u>43,956,742</u>
<b>Net assets</b>		<u>41,888,417</u>	<u>36,988,918</u>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital		12,759,402	12,759,402
Shares held under share award scheme		(21,301)	(21,301)
Other reserves		366,845	857,379
Retained earnings		19,714,934	18,790,158
		<u>32,819,880</u>	<u>32,385,638</u>
Non-controlling interests		9,068,537	4,603,280
<b>Total equity</b>		<u>41,888,417</u>	<u>36,988,918</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Operating activities</b>		
<b>Net cash generated from operations</b>	6,763,409	525,348
Interest received	61,234	64,402
Interest paid	(1,169,094)	(842,462)
Hong Kong profits tax paid	—	(1,650)
China taxation paid	(2,322,929)	(1,183,143)
	<u>3,332,620</u>	<u>(1,437,505)</u>
<b>Net cash generated from/(used in) operating activities</b>	<u>3,332,620</u>	<u>(1,437,505)</u>
<b>Investing activities</b>		
Acquisition of subsidiaries, net cash paid ( <i>note 18</i> )	(1,934,348)	—
Purchases of property, plant and equipment	(324,307)	(165,737)
Purchases of investment properties	(672)	(6,842)
Proceeds from sale of investment properties	43,626	345,695
Proceeds from sale of property, plant and equipment	49,282	1,202
Proceeds from sale of non-current asset held-for-sale	306,481	488,523
Dividends received from an associate	143,885	153,213
Decrease/(increase) in interests in associated entities and jointly controlled entities	937,479	(828,144)
(Increase)/decrease in charged bank deposits	(2,535,591)	239,005
Capital injection in associated entities	(31,802)	—
Capital injection in joint venture	(6,999)	—
Decrease/(increase) in amounts due from associated entities	52,229	(2,653,666)
Decrease/(increase) in amounts due from non-controlling interests	267,932	(796,472)
	<u>267,932</u>	<u>(796,472)</u>
<b>Net cash used in investing activities</b>	<u>(3,032,805)</u>	<u>(3,223,223)</u>



	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financing activities</b>		
Capital contribution from non-controlling interests	1,446,287	—
Dividends paid to non-controlling interests	—	(960)
Increase/(decrease) in amounts due to joint ventures and associated entities	661,938	(2,582,476)
Increase in amounts due to related companies and fellow subsidiaries	193,164	6,997,696
Increase in amount due to non-controlling interests	5,975,402	467,417
Proceeds from bank borrowings	8,419,076	8,562,422
Repayment of bank borrowings	(19,033,581)	(7,827,506)
Proceeds from other borrowing from an intermediate holding company	760,716	1,901,944
Repayment of other borrowing from an intermediate holding company	(4,844,476)	(600,000)
Proceed from other borrowings - others	8,622,679	—
Repayment from other borrowings - others	(23,000)	—
Increase/(decrease) of bank overdraft	1	(3)
Increase/(decrease) in amounts due to related parties of a non-controlling interests	10,426	(206,650)
<b>Net cash generated from financing activities</b>	<u>2,188,632</u>	<u>6,711,884</u>
Increase in cash and cash equivalents	2,488,447	2,051,156
Cash and cash equivalents at the beginning of period	16,655,248	17,691,375
Exchange gain/(loss) on cash and cash equivalents	12,953	(35,259)
Cash and cash equivalents at the end of period	<u>19,156,648</u>	<u>19,707,272</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	19,156,700	19,707,322
Bank overdrafts	(52)	(50)
	<u>19,156,648</u>	<u>19,707,272</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 31 December 2017 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2018 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

## 2 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the estimation of income tax and the adoption of new and amended standards as set out below.

- (a) The following new standards, amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 January 2018 for the Group:

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 1 (Amendment)	First Time Adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this interim. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 19. The other standards, amendments and interpretation did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

- (b) The following new standards, amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture	1 January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRS	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these condensed consolidated interim financial information. None of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group, except the following set out below:

## **HKFRS 16, Leases**

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB104,476,000, see note 21. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

### 3 Segment information

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

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

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

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

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

Total assets excluded deferred tax assets, prepaid taxation 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 statement of profit or loss.

	<b>Property development</b>	<b>Property management</b>	<b>Property investment</b>	<b>Others</b>	<b>Group</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended 30 June 2018</b>					
Revenue	9,158,908	436,870	331,311	658,976	10,586,065
Inter-segment revenue	—	(49,065)	(15,007)	(359,152)	(423,224)
Revenue from external customers	<u>9,158,908</u>	<u>387,805</u>	<u>316,304</u>	<u>299,824</u>	<u>10,162,841</u>
Revenue from contracts with customers:					
Recognised at a point in time	9,158,908	—	—	—	9,158,908
Recognised over time	—	387,805	—	299,824	687,629
Revenue from other sources:					
Rental income	—	—	316,304	—	316,304
	<u>9,158,908</u>	<u>387,805</u>	<u>316,304</u>	<u>299,824</u>	<u>10,162,841</u>
Segment results	<u>2,111,016</u>	<u>8,090</u>	<u>297,515</u>	<u>39,370</u>	<u>2,455,991</u>
Depreciation and amortisation	<u>(24,024)</u>	<u>(1,222)</u>	<u>—</u>	<u>(156)</u>	<u>(25,402)</u>
Fair value gains on revaluation of investment properties, net	<u>—</u>	<u>—</u>	<u>377,958</u>	<u>—</u>	<u>377,958</u>
Share of profit of:					
– joint ventures	30,008	—	—	—	30,008
– associated entities	<u>14,971</u>	<u>—</u>	<u>211,859</u>	<u>15,008</u>	<u>241,838</u>

	<b>Property development</b>	<b>Property management</b>	<b>Property investment</b>	<b>Others</b>	<b>Group</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended 30 June 2017</b>					
Revenue	11,007,465	354,012	296,386	673,358	12,331,221
Inter-segment revenue	—	(37,052)	(6,102)	(350,631)	(393,785)
Revenue from external customers	<u>11,007,465</u>	<u>316,960</u>	<u>290,284</u>	<u>322,727</u>	<u>11,937,436</u>
Segment results	<u>2,123,954</u>	<u>7,683</u>	<u>292,137</u>	<u>20,071</u>	<u>2,443,845</u>
Depreciation and amortisation	<u>(26,803)</u>	<u>(1,098)</u>	<u>—</u>	<u>(106)</u>	<u>(28,007)</u>
Fair value gains on revaluation of investment properties, net	<u>—</u>	<u>—</u>	<u>75,254</u>	<u>—</u>	<u>75,254</u>
Share of (loss)/profit of:					
– joint ventures	(3,175)	—	—	—	(3,175)
– associated entities	<u>(9,793)</u>	<u>—</u>	<u>361,330</u>	<u>22,664</u>	<u>374,201</u>



	<b>Property development</b>	<b>Property management</b>	<b>Property investment</b>	<b>Others</b>	<b>Group</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 30 June 2018</b>					
Segment assets	119,395,360	1,183,045	14,079,053	1,930,606	136,588,064
Interests in joint ventures	4,730,199	—	1,059	60,387	4,791,645
Interests in associated entities	5,667,046	—	6,022,690	256,729	11,946,465
Total reportable segments' assets	<u>129,792,605</u>	<u>1,183,045</u>	<u>20,102,802</u>	<u>2,247,722</u>	<u>153,326,174</u>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<u>20,155</u>	<u>1,947</u>	<u>672</u>	<u>8,209</u>	<u>30,983</u>

	<b>Property development</b>	<b>Property management</b>	<b>Property investment</b>	<b>Others</b>	<b>Group</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2017</b>					
Segment assets	93,538,000	1,191,239	14,055,308	2,243,531	111,028,078
Interests in joint ventures	5,507,671	—	1,059	61,400	5,570,130
Interests in associated entities	8,068,841	—	5,892,103	241,708	14,202,652
Total reportable segments' assets	<u>107,114,512</u>	<u>1,191,239</u>	<u>19,948,470</u>	<u>2,546,639</u>	<u>130,800,860</u>
Total reportable segments' assets include:					
Additions to non—current assets (note)	<u>535,155</u>	<u>5,899</u>	<u>9,613</u>	<u>9,850</u>	<u>560,517</u>

*Note:* Non-current assets represent non-current assets other than financial instruments (financial instruments include interests in joint ventures and interests in associated companies) and deferred tax assets.

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	2,455,991	2,443,845
Unallocated operating costs ( <i>note</i> )	(24,330)	(21,827)
Other gains, net ( <i>note 5</i> )	555,583	58,449
	<hr/>	<hr/>
Operating profit	2,987,244	2,480,467
Finance income ( <i>note 6</i> )	108,281	87,568
Finance costs ( <i>note 7</i> )	(650,964)	(650,726)
Share of profit/(loss) of:		
– joint ventures	30,008	(3,175)
– associated entities	241,838	374,201
	<hr/>	<hr/>
Profit before taxation	<u>2,716,407</u>	<u>2,288,335</u>

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

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

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segments' assets	153,326,174	130,800,860
Deferred tax assets ( <i>note 17</i> )	447,659	294,853
Prepaid taxation	2,389,296	1,289,824
Corporate assets ( <i>note</i> )	1,390,459	756,974
	<hr/>	<hr/>
Total assets	<u>157,553,588</u>	<u>133,142,511</u>

*Note:* Corporate assets represent total assets other than interest in subsidiaries, interest in associated entity and dividend receivables of the Company.

For the six months ended 30 June 2018, no geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in China (six months ended 30 June 2017: same).

For the six months ended 30 June 2018, the Group does not have any single customer with the transaction value over 10% of the total external revenue (six months ended 30 June 2017: same).

#### 4 Expenses by nature

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of land use rights ( <i>note 13</i> )	5,261	5,429
Business tax and other levies	153,701	350,899
Depreciation ( <i>note 11</i> )	20,141	22,578
Provision for impairment of properties held for sale	—	80,435
Reversal of provision for impairment of property, plant and equipment ( <i>note 11</i> )	—	(830)
	<u>          </u>	<u>          </u>

#### 5 Other gains, net

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Remeasurement gains on interests in associated entities ( <i>note 18</i> )	553,636	—
Gain on bargain purchase on acquisition ( <i>note 18</i> )	40,111	—
Loss on disposal of non-current assets held-for-sale	(5,550)	(12,004)
Loss on disposal of property, plant and equipment and land use right	(39)	(1,186)
Gain on disposal of a subsidiary	—	50,514
Fair value losses on derivative financial instrument	—	(79)
Others	(32,575)	21,204
	<u>          </u>	<u>          </u>
	<u>555,583</u>	<u>58,449</u>

## 6 Finance income

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest income from bank deposits	61,234	64,402
Interest income from loan to associated entities (note 24)	47,047	23,166
	<u>108,281</u>	<u>87,568</u>

## 7 Finance costs

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest on borrowings and bank overdrafts	919,335	652,204
Interest on other borrowings	340,779	263,885
Interest on other payable (note)	75,792	75,321
Interest on loan from an intermediate holding company (note 24)	64,072	16,717
Interest on loan from an associated entity (note 24)	11,487	8,277
Interest on loan from fellow subsidiaries (note 24)	5,420	—
Net foreign exchange (gain)/loss on financing activities	<u>(44,369)</u>	<u>17,639</u>
Total borrowing costs incurred	1,372,516	1,034,043
Less: amount capitalised as properties under development and property, plant and equipment	<u>(721,552)</u>	<u>(383,317)</u>
	<u>650,964</u>	<u>650,726</u>

*Note:* Interest on other payable represents interest on the current amount of a subsidiary of the Group due to a non-controlling interest. The balance is approximately RMB1,705 million as at 30 June 2018 (31 December 2017:RMB2,200 million). The balance, which is included in other payables and accrued charges, is repayable on demand and denominated in RMB.

## 8 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2017: 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 (2017: 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 (2017: 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 statement of profit or loss comprises:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation		
– China enterprise income tax	580,822	574,607
– China land appreciation tax	616,511	234,476
Deferred taxation		
– Origination and reversal of temporary differences	(100,617)	58,044
– China land appreciation tax	63,263	24,369
– Corporate withholding income tax on undistributed profits	106,163	124,842
	<u>1,266,142</u>	<u>1,016,338</u>

## 9 Earnings per share

### Basic

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

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	<u>1,313,738</u>	<u>1,102,319</u>
Weighted average number of ordinary shares in issue ('000)	<u>12,401,307</u>	<u>12,401,307</u>
Basic earnings per share (RMB)	<u>0.1059</u>	<u>0.0889</u>

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares during the six months ended 30 June 2018, diluted earnings per share is equal to basic earnings per share (six months ended 30 June 2017: same).

## 10 Dividends

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
2017 final, declared and unpaid, of HKD0.052 equivalent to RMB0.042 (2016: HKD0.032 equivalent to RMB0.028) per ordinary share	<u>543,689</u>	<u>344,427</u>
2018 interim, resolved, of HKD0.042 equivalent to RMB0.036 (2017: HKD0.040 equivalent to RMB0.034) per ordinary share	<u>446,447</u>	<u>421,644</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. It will be recognized in the shareholders' equity for the year ended 31 December 2018.

## 11 Property, plant and equipment

	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	1,961,077	1,583,815
Exchange differences	4	(20)
Additions	29,665	165,737
Acquisition of subsidiaries	646	—
Disposals	(49,321)	(2,388)
Depreciation	(20,141)	(22,578)
Reversal of provision for impairment	—	830
	<hr/>	<hr/>
At 30 June	<u>1,921,930</u>	<u>1,725,396</u>

## 12 Investment properties

	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	13,743,710	14,337,252
Exchange differences	101	(22,672)
Additions	672	6,842
Disposals	(42,955)	(348,788)
Disposal of a subsidiary	—	(80,500)
Fair value gains, net	377,958	75,254
	<hr/>	<hr/>
At 30 June	<u>14,079,486</u>	<u>13,967,388</u>

### 13 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:

	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	217,817	233,326
Amortisation	<u>(5,261)</u>	<u>(5,429)</u>
At 30 June	<u><u>212,556</u></u>	<u><u>227,897</u></u>

### 14 Trade receivables

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

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	3,222	13,387
31 - 180 days	15,335	25,974
181 - 365 days	17,349	1,461
Over 1 year	<u>11,270</u>	<u>13,298</u>
	<u>47,176</u>	<u>54,120</u>
Less: provision for impairment of trade receivables	(8,805)	(8,805)
	<u><u>38,371</u></u>	<u><u>45,315</u></u>



## 15 Trade and note payables

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

	As at	
	30 June 2018	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	137,882	86,433
31 - 90 days	169,679	40,562
91 - 180 days	173,714	14,288
181 - 365 days	24,209	8,556
1 - 2 years	8,628	4,340
Over 2 years	7,902	3,696
	<u>522,014</u>	<u>157,875</u>

## 16 Borrowings

	As at	
	30 June 2018	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current</b>		
Long-term bank borrowings		
– Secured	12,138,880	11,282,160
– Unsecured	15,630,860	14,838,102
Other borrowings, unsecured	22,068,829	13,127,034
Obligations under finance leases	154	166
	<u>49,838,723</u>	<u>39,247,462</u>
	-----	-----
<b>Current</b>		
Bank overdrafts	52	51
Short-term bank borrowings		
– Secured	210,000	—
– Unsecured	26,442	550,773
Current portion of long-term bank borrowings		
– Secured	732,800	1,014,750
– Unsecured	1,861,666	2,812,285
Other borrowings, unsecured	96,000	4,083,760
Obligations under finance leases	7	7
	<u>2,926,967</u>	<u>8,461,626</u>
	-----	-----
Total borrowings	<u><u>52,765,690</u></u>	<u><u>47,709,088</u></u>

The maturity of borrowings is as follows:

	<b>Bank borrowings and overdrafts</b>		<b>Other borrowings</b>	
	<b>As at</b>		<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,830,960	4,377,859	96,007	4,083,767
In the second year	12,149,073	10,719,368	1,100,513	997,914
In the third to fifth year	12,886,292	12,504,894	15,380,832	6,480,284
Over five years	2,734,375	2,896,000	5,587,638	5,649,002
	<u>30,600,700</u>	<u>30,498,121</u>	<u>22,164,990</u>	<u>17,210,967</u>

## 17 Deferred taxation

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

Deferred taxation as at 30 June 2018 and 31 December 2017 represents:

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets		
– China enterprise income tax	<u>447,659</u>	<u>294,853</u>
Deferred tax liabilities		
– Hong Kong profits tax	24,604	23,543
– China enterprise income tax	4,528,740	3,504,483
– China land appreciation tax	<u>1,215,730</u>	<u>1,123,836</u>
	<u>5,769,074</u>	<u>4,651,862</u>

## 18 Business Combination

- (a) Acquisition of Guangzhou Hong Sheng Property Development Co., Ltd.

On 30 May 2018, the Group, Guangzhou Ming Rui No.1 Industrial Investment Partnership (Limited Partnership) (“Ming Rui No.1”) and Guangzhou Hong Sheng Property Development Co., Ltd. (“GHPD”) entered into the equity transfer agreement which Ming Rui No. 1 sold 100% of the equity interest in Guangzhou Yunxiu Real Estate Co., Ltd. (“Yunxiu Company”) to the Group for a consideration of RMB116 million and the Group agreed to contribute RM65 million as shareholder’s loan into GPHD. Yunxiu Company owns 2% of the equity interest in GHPD. This transaction was completed on 6 June 2018.

Upon completion of the transaction, the Group’s indirect effective interest in GHPD will increase from 49% to approximately 50.91%. Accordingly, GHPD would become an indirect non-wholly owned subsidiary of the Group.

Consideration	<b><i>RMB’000</i></b>
Cash paid (comprises consideration for equity transfer and shareholder’s loan transfer)	180,926
Fair value of 49% shares held by the Group	<u>2,842,000</u>
	<u><u>3,022,926</u></u>

Recognised amounts of identifiable net assets acquired were as follows:

	<b><i>RMB'000</i></b>
Property, plant and equipment	551
Deferred tax assets	84,349
Properties under development	11,122,930
Other receivables, prepayments and deposits	4,389,660
Cash and cash equivalents	397,844
Prepaid taxation	215,829
Trade and note payables	(13,172)
Contract liabilities	(3,211,875)
Other payables and accrued charges	(3,257,547)
Borrowings	(3,094,345)
Taxation payable	(6,363)
Deferred tax liabilities	(762,935)
	<hr/>
Net identifiable assets acquired	5,864,926
Non-controlling interest	(2,842,000)
	<hr/>
	3,022,926
	<hr/> <hr/>
Fair value of interest in an associated entity	2,842,000
Less: Interest in associated entity	(2,293,724)
	<hr/>
Remeasurement gain on interest in an associated entity ( <i>note 5</i> )	548,276
	<hr/> <hr/>

Analysis of net inflow of cash and cash equivalents in respect of acquisition of a subsidiary:

	<b><i>RMB'000</i></b>
Cash paid	(180,926)
Cash and bank balance acquired	397,844
	<hr/>
	216,918
	<hr/> <hr/>

The acquired business contributed revenues of RMB767,488,000 and net profit of RMB14,526,000 to the Group for the period from 6 June 2018 to 30 June 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated profit after tax of the Group for the six months ended 30 June 2018 would have been RMB10,162,841,000 and RMB1,440,234,000 respectively.

(b) Acquisition of Wuhan Kangjing Industrial Investment Co., Ltd.

On 14 February 2018, the Group exercised a call option and entered into the equity transfer agreement with Guangzhou Yuexiu Renda No.4 Business Investment Enterprise (Limited Partnership) (“Renda No.4”), a fellow subsidiary of the Group. Renda No.4 sold 92% of the equity interest of Wuhan Kangjing Industrial Investment Co., Ltd. (“Kangjing Company”) at a cash consideration of approximately RMB71 million and the Group agreed to contribute RMB3,250 million as shareholder’s loan into Kangjing Company. The consideration was consistent with the exercise price agreed in the call option contract, which was equivalent to the total capital contributions made by Renda No.4 in Kangjing Company plus a rate of return not exceeding 12% per annum. This transaction was completed on 31 March 2018.

Consideration	<i><b>RMB’000</b></i>
Cash paid (comprises consideration for equity transfer and shareholder’s loan transfer)	3,321,250
Fair value of 8% shares held by the Group	9,684
	<u>3,330,934</u>

Recognised amounts of identifiable net assets acquired were as follows:

	<b><i>RMB'000</i></b>
Property, plant and equipment	95
Deferred tax assets	724,012
Properties under development	14,027,000
Other receivables, prepayments and deposits	149,694
Cash and cash equivalents	1,169,984
Prepaid taxation	180,160
Trade and note payables	(336,884)
Contract liabilities	(4,152,080)
Other payables and accrued charges	(68,605)
Borrowings	(7,559,910)
Deferred tax liabilities	<u>(762,421)</u>
Net identifiable assets acquired	3,371,045
Gain on bargain purchase on acquisition ( <i>note 5</i> )	<u>(40,111)</u>
	<u><u>3,330,934</u></u>
Fair value of interest in an associated entity	9,684
Less: Interest in an associated entity	<u>(4,324)</u>
Remeasurement gain on interest in an associated entity ( <i>note 5</i> )	<u><u>5,360</u></u>

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary

	<b><i>RMB'000</i></b>
Cash paid	(3,321,250)
Cash and bank balance acquired	<u>1,169,984</u>
	<u><u>(2,151,266)</u></u>

The acquired business contributed revenues of RMB2,644,758,000 and net profit of RMB35,970,000 to the Group for the period from 31 March 2018 to 30 June 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated profit after tax of the Group for the six months ended 30 June 2018 would have been RMB10,179,966,000 and RMB1,362,227,000 respectively.

## **19 CHANGES IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior period.

### **(a) Impact on the financial statements**

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.



The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	<b>31 December</b>			<b>1 January</b>
	<b>2017</b>	<b>HKFRS 9</b>	<b>HKFRS 15</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>Restated</b>
				<i>RMB'000</i>
<b>Balance sheet (extract)</b>				
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income	—	1,206,645	—	1,206,645
Available-for-sale financial assets	1,206,645	(1,206,645)	—	—
<b>Current assets</b>				
Contract costs	—	—	259,530	259,530
<b>Total assets</b>	<u>133,142,511</u>	<u>—</u>	<u>259,530</u>	<u>133,402,041</u>
<b>Non current liabilities</b>				
Deferred tax liabilities	4,651,862	—	64,882	4,716,744
<b>Current liabilities</b>				
Contract liabilities	—	—	17,633,142	17,633,142
Advance receipts from customers	17,633,142	—	(17,633,142)	—
<b>Total liabilities</b>	<u>96,153,593</u>	<u>—</u>	<u>64,882</u>	<u>96,218,475</u>
<b>Net assets</b>	<u>36,988,918</u>	<u>—</u>	<u>194,648</u>	<u>37,183,566</u>
Retained earnings	18,790,158	—	154,727	18,944,885
Non-controlling interest	4,603,280	—	39,921	4,643,201
<b>Total equity</b>	<u>36,988,918</u>	<u>—</u>	<u>194,648</u>	<u>37,183,566</u>

**(b) HKFRS 9 Financial Instruments – Impact of adoption**

(i) Classification and measurement

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 19(c) below.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group’s management has classified its financial instruments into the appropriate HKFRS 9 categories.

The impact of these changes on the Group’s equity is as follows:

	<b>Effect on AFS reserve RMB’000</b>	<b>Effect on FVOCI reserve RMB’000</b>
<b>Opening balance – HKAS 39</b>	731,529	—
Reclassify non-trading equity investments from available-for-sale (“AFS”) to financial assets at fair value through other comprehensive income (“FVOCI”) (note)	<u>(731,529)</u>	<u>731,529</u>
<b>Total impact</b>	<u>(731,529)</u>	<u>731,529</u>
<b>Opening balance – HKFRS 9</b>	<u>—</u>	<u>731,529</u>

*Note:*

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as AFS. As a result, assets with a fair value of RMB1,206,645,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RMB731,529,000 were reclassified from the AFS reserve to the FVOCI reserve on 1 January 2018.

(ii) Impairment of financial assets

While cash and cash equivalent, charged bank deposit, trade receivables, other receivables and deposits are subject to the impairment requirements of HKFRS 9, the identifiable impairment loss was immaterial.

(c) **HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018**

(i) Investments and other financial assets

**Classification**

From 1 January 2018, the Group classifies its financial assets in the following measurement categories

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group reclassified debts investments when and only when its business model for managing those assets changes.

## **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### **(ii) Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

## **Impairment**

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. But the identifiable impairment loss was immaterial.

(d) **HKFRS 15 Revenue from Contracts with Customers – Impact of adoption**

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules modified retrospectively and therefore has not restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the opening balance sheet on 1 January 2018:

	<b>HKAS 18</b>			<b>HKFRS 15</b>
	<b>carrying</b>	<b>Reclassi-</b>	<b>Remeasure-</b>	<b>carrying</b>
	<b>amount</b>	<b>fication</b>	<b>ment</b>	<b>amount</b>
	<b>31 December</b>			<b>1 January</b>
	<b>2017</b>			<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract costs	—	—	259,530	259,530
Contract liabilities	—	17,633,142	—	17,633,142
Advance receipts from customers	17,633,142	(17,633,142)	—	—
Deferred tax liabilities	4,651,862	—	64,882	4,716,744

The impact on the Group's retained earnings and non-controlling interests ("NCI") as at 1 January 2018 is as follows:

	<b><i>RMB'000</i></b>
<b>Retained earnings and NCI as at 31 December 2017</b>	
Retained earnings	18,790,158
Non-controlling interests	4,603,280
Recognition of assets for costs to obtain a contract	259,530
Increase in deferred tax liabilities	(64,882)
	<hr/>
Adjustment to retained earnings from adoption of HKFRS 15	154,727
Adjustment to non-controlling interest from adoption of HKFRS 15	39,921
	<hr/>
<b>Retained earnings and NCI as at 1 January 2018</b>	
Retained earnings	18,944,885
Non-controlling interests	4,643,201
	<hr/>

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	<b>As at 30 June 2018</b>		
	<b>Amounts without the adoption of HKFRS 15 <i>RMB'000</i></b>	<b>Effects of the adoption of HKFRS 15 <i>RMB'000</i></b>	<b>Amounts as reported <i>RMB'000</i></b>
Condensed consolidated balance sheet (extract)			
Contract costs	—	311,354	311,354
Deferred tax liabilities	5,691,236	77,838	5,769,074
Contract liabilities	—	29,310,118	29,310,118
Advance receipts from customers	29,310,118	(29,310,118)	—
Retained earnings	19,518,173	196,761	19,714,934
Non-controlling interests	9,031,783	36,754	9,068,537
	<b>Six months ended 30 June 2018</b>		
	<b>Amounts without the adoption of HKFRS 15 <i>RMB'000</i></b>	<b>Effects of the adoption of HKFRS 15 <i>RMB'000</i></b>	<b>Amounts as reported <i>RMB'000</i></b>
Condensed consolidated statement of profit or loss (extract)			
Selling and marketing cost	(249,956)	51,824	(198,132)
Taxation	(1,253,186)	(12,956)	(1,266,142)
Profit for the period	1,411,397	38,868	1,450,265
Attributable to			
Equity holders of the company	1,271,703	42,035	1,313,738
Non-controlling interests	139,694	(3,167)	136,527

(i) Accounting for costs to obtain a contract

Management expects the incremental costs, principally sale commission, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. During the six months ended 30 June 2018, the Group recognised amortisation of RMB91,574,000 and capitalised commission fee of RMB143,398,000, which decreased selling and marketing costs by the same amount, increase tax expense by RMB12,956,000 and increased profit after tax by RMB38,868,000. And there was no impairment loss in relation to the costs capitalised.

(ii) Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the balance sheet to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to property sales contracts were previously included in advance receipts from client (RMB17,633,142,000 as at 1 January 2018).

**(e) HKFRS 15 Revenue from Contracts with Customers – Accounting policies**

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

For the six months ended 30 June 2018, the Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Thus, the Group has concluded that the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

#### Accounting for significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

#### Accounting for property management

For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.



## 20 Guarantees

	As at	
	30 June 2018	31 December 2017
	RMB'000	RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note a)	11,181,118	8,426,996
Guarantees for banking and loan facilities granted to a joint venture (note b)	<u>1,350,000</u>	<u>450,000</u>
	<u>12,531,118</u>	<u>8,876,996</u>

### Notes:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group 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) As at 30 June 2018, a subsidiary of the Group provided guarantee up to a limit of approximately RMB1,350 million (31 December 2017: RMB450 million) in respect of loans borrowed by a joint venture of the Group, among which, guarantee of approximately RMB554 million (31 December 2017: RMB49 million) was utilised and guarantee of approximately RMB796 million (31 December 2017: RMB401 million) was not utilised yet.

## 21 Commitments under operating leases

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

	As at	
	30 June 2018	31 December 2017
	RMB'000	RMB'000
Not later than one year	50,724	47,574
Later than one year and not later than five years	53,752	46,487
	<u>104,476</u>	<u>94,061</u>

## 22 Capital commitments

	As at	
	30 June 2018	31 December 2017
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	510,071	719,610
Authorised but not contracted for	311,906	553,797
	<u>821,977</u>	<u>1,273,407</u>

## 23 Securities for banking facilities

At 30 June 2018, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties and property, plant and equipment with an aggregate carrying value of approximately RMB20,141 million (31 December 2017: RMB23,504 million), RMB76 million (31 December 2017: RMB1,237 million), RMB6,646 million (31 December 2017: RMB6,248 million) and RMB607 million (31 December 2017: RMB595 million) respectively; and

- (b) mortgages of certain of the Group’s land use rights with an aggregate carrying value of RMB7 million (31 December 2017: RMB7 million).

## 24 Significant related party transactions

### (a) Related parties

The Company’s ultimate holding company is Guangzhou Yuexiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the period ended 30 June 2018, and their relationship with the Company as at 30 June 2018:

Significant related parties	Relationship with the Company
Guangzhou Yuexiu Holdings Limited (“GYHL”)	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited (“YXE”)	Intermediate holding company
Yuexiu Real Estate Investment Trust (“Yuexiu REIT”)	An associated entity
Chong Hing Bank Limited (“CHB”)	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd (“GYFL”)	A fellow subsidiary
Guangzhou Securities Company Limited (“GSCL”)	A fellow subsidiary
Guangzhou Yuexiu Development Group Limited (“GYD”)	A fellow subsidiary
Guangzhou City Construction&Development Holdings Co.,Ltd. (“GCCD”)	A fellow subsidiary
Renda No. 4	A fellow subsidiary
GHPD	Note
廣州中耀實業投資有限公司 (“中耀”)	A joint venture
廣州資產管理有限公司 (“資產管理”)	An associated entity of a fellow subsidiary
金鷹基金管理有限公司 (“金鷹”)	An associated entity of a fellow subsidiary

*Note:* GHPD was an associated company and has become a subsidiary of the Company since 6 June 2018.

**(b) Transactions with related parties**

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

		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		<i>RMB'000</i>	<i>RMB'000</i>
(I)	Transactions with YXE		
	Rental expenses and property management fees	(1,517)	(1,671)
	Interest expenses ( <i>note 7</i> )	(64,072)	(16,717)
(II)	Transactions with Yuexiu REIT		
	Tenancy service fees income	12,109	10,952
	Rental expenses	(34,620)	(31,191)
	Interest expenses ( <i>note 7</i> )	(11,487)	(8,277)
	Interest income ( <i>note 6</i> )	8,093	—
(III)	Transaction with CHB		
	Interest expenses ( <i>note 7</i> )	(173)	—
	Deposit interest income	7,544	3,245
	Rental income	4,854	3,801
	Loss on foreign exchange transactions	(4,002)	—
(IV)	Transaction with GYFL		
	Rental income	4,970	4,735
(V)	Transaction with GSCL		
	Rental income	759	—
(VI)	Transaction with 金鷹		
	Rental income	4,797	—
(VII)	Transaction with 資產管理		
	Rental income	3,160	—

		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		<i>RMB'000</i>	<i>RMB'000</i>
(VIII)	Transaction with GCCD		
	Income from sales of investment properties	30,441	—
(IX)	Transaction with GHPD		
	Interest income ( <i>note 6</i> )	38,954	23,166
(X)	Transaction with Renda No. 4		
	Gain on acquisition of a subsidiary ( <i>note 18(b)</i> )	45,471	—
	Interest expense ( <i>note 7</i> )	(5,247)	—
(XI)	Transaction with GYD		
	Income from sales of properties	—	426,674

**(c) Balances with related parties**

		<b>As at</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2018</b>	<b>2017</b>
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
Amounts due from associated entities	(iv), (vi)	4,272,931	5,992,792
Amounts due to associated entities	(ii), (vii)	(989,146)	(2,458,010)
Amounts due from joint ventures	(i), (iii), (v)	2,911,321	3,737,365
Amounts due to joint ventures	(i), (ii)	(1,795,523)	(1,795,828)
Amounts due from related companies	(i), (ii)	38,282	38,282
Amounts due to related companies	(i), (ii)	(40,486)	(40,568)
Amounts due to fellow subsidiaries	(i), (ii)	(588,019)	(394,773)
Cash at bank at a fellow subsidiary	(viii)	864,080	943,692
Bank borrowing from a fellow subsidiary	(ix)	(26,442)	—
Other borrowings from an intermediate holding company	(x)	—	(4,083,760)

Except for the amount due from associated entities which are denominated in HKD, all others related party balances are denominated in RMB.

*Notes:*

- (i) These balances are unsecured, interest free and repayable or receivable on demand.
- (ii) These balances are included in receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iii) The balance is included in interests in joint ventures except for an amount of RMB869,000 (31 December 2017: RMB11,422,000) which is included in other receivables, prepayments and deposits.
- (iv) The balance is included in interests in associated entities except for an amount of approximately RMB1,221,098,000 (31 December 2017: RMB2,818,973,000) which is included in other receivables, prepayments and deposits.
- (v) These balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (31 December 2017: RMB999,000) which is made for an amount due from a joint venture.
- (vi) Except for an amount of approximately RMB1,011,843,000 (31 December 2017: RMB2,394,620,000) which is unsecured and interest bearing, the remaining balances are unsecured, interest free and receivable on demand.
- (vii) Except for an amount of approximately RMB264,374,000 (31 December 2017: RMB266,357,000) which is unsecured and interest bearing at 9.0 percent per annum, the remaining balances are unsecured, interest free and repayable on demand.
- (viii) These balances are deposits maintained with a fellow subsidiary on normal commercial terms.
- (ix) These balances are unsecured and interest bearing at 5.22% per annum.
- (x) These balances in 2017 were unsecured and interest bearing at 4.57% per annum and repaid in 2018.

**(d) Key management compensation**

Key management compensation amounted to RMB3,136,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB2,487,000).

**(e) Guarantee**

GYHL provides guarantee for the bond of Guangzhou City Construction & Development Co. Ltd (“GZCC”), a subsidiary of the Group, amounted to RMB7,979 million as at 30 June 2018 (31 December 2017: RMB7,976 million).

GZCC provided guarantee up to a limit of approximately RMB1,350 million (31 December 2017: RMB450 million) in respect of loans borrowed by 中耀, a joint venture of the Group as at 30 June 2018 (note 20).

## **CHAIRMAN’S STATEMENT**

### **I. BUSINESS REVIEW**

#### **Economic and Market Environment**

In the first half of 2018, global economic recovery was weakened and major economies grew unevenly whilst trade protectionism was on the rise. In the US, the economy recorded a robust growth with interest rate hikes. However, uncertainties weighed on the global economic recovery as the trade tensions between the US and many countries and regions in the world escalated. In Europe, the momentum of the recovery weakened as the fundamentals of the European economy were relatively weak. In Japan, the economic recovery was slow and monetary policy remained loose. In emerging market, many countries faced increasing challenges as the regional economic performance varied considerably and financial markets fluctuated. In the first half of the year, under the overarching principle of “seeking growth while maintaining stability,” Chinese economy continued its overall steady and sound development through deepening structural reform and shifting of old impetus into new dynamics. In the first half of the year, the economy achieved a period-to-period growth of 6.8% in GDP, laying a sound foundation for realising the full-year goal of economic development.

The PRC property market as a whole presented stable development in the first half of the year. The GFA of commodity housing sales for the period was approximately 0.77 billion sq.m., representing a period-to-period increase of 3.3%, while commodity housing sales value was approximately RMB6.7 trillion, representing a period-to-period increase of 13.2%. The property sector was continuously playing a pillaring role in the national economy. In the first half of the year, property market policies are “implemented based on each city and control measures are categorised” with increasing expansion of control in both force and scope. The property market continued to see a clear regional differentiation. By tougher policy tightening, the Chinese government effectively controlled the property price hikes in tier-1 and major tier-2 cities; however, the supply still failed to meet demand in the market. The trading volume rose substantially certain tier-3 and tier-4 cities, where the housing prices increased significantly. However, the areas experiencing population outflow still faced the “de-stocking” pressures. In order to attract talents, certain tier-2 and tier-3 cities lowered the



threshold of residence, and simultaneous increases in sales price and volume in the short run were fuelled. In order to stabilise the housing prices, local governments increased the supply of land. However, driven by the high turnover mode, the developers had a strong appetite to replenish inventory, and the competition in the land market remained fierce. Industry gross margins were trimmed by tightening in bank credit funds and rising financing costs, which in turn forced property developers to accelerate the turnover and resource acquisition capacity. Therefore, property developers, with multiple financing channels and strength in resources integration, have obvious advantage in market competition.

### **Stable Growth in Operating Results**

In the first half of the year, the Group centered on the annual work theme of “operation-driven quality improvement, innovation-driven development.” By improving the management ability and innovating the development mode, the Group built the endogenous dynamics and core ability of the business development and realised sustained and stable business growth.

During the first half of the year, the revenue of the Group was approximately RMB10.16 billion, representing a period-to-period decrease of 14.9%. The gross profit margin was approximately 25.8%, representing a period-to-period increase of 0.9 percentage point. Profit attributable to equity holders was approximately RMB1.31 billion, representing a period-to-period increase of 19.2%. Core net profit was approximately RMB1.12 billion, representing a period-to-period increase of 7.8%. As of 30 June 2018, the unrecognized sales value amounted to RMB56.10 billion, representing an increase of 41.3% as compared to the beginning of the year.

The Board has resolved to declare an interim dividend for 2018 of HKD0.042 per share (equivalent to RMB0.036 per share). Calculated in Hong Kong dollars, interim dividend increased 5.0% on a period-to-period basis. Total interim dividends accounted for approximately 40% of the core net profit.

## **Contracted Sales Hit Record High**

In the first half of the year, faced with the continuous tightening of industry regulation policies and severe market environment, the Group adjusted the sales strategy in a timely manner according to the specific conditions of different markets, accelerated the pace of sales and cash collection of sales proceeds, and achieved positive sales results.

In the first half of year, the Group recorded a contracted sales value (including contracted sales by joint venture projects) of approximately RMB27.98 billion, 39.5% up on a period-to-period basis and the contracted sales GFA was approximately 1.38 million sq.m., 10.5% up on a period-to-period basis, which accounted for approximately 50.9% of the full year contracted sales target of RMB55.0 billion. The average selling price was RMB20,300 per sq.m., 26.1% up on a period-to-period basis. The aggregate contracted sales value in Greater Bay Area, Yangtze River Delta and Central China Region was approximately RMB25.38 billion, accounting for approximately 90.7% of the Group's total contracted sales.

## **Continuous Expansion of Landbank**

In the first half of the year, through various models including cooperation with state-owned enterprises, bidding, mergers and acquisitions, the Group newly acquired nine prime land parcels located in seven cities including Guangzhou, Jiangmen, Wuhan, Suzhou, Yantai, Qingdao, and Jinan at low premiums, with a total GFA of approximately 2.49 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 0.74 million sq.m..

As at 30 June 2018, the total landbank of the Group was approximately 18.22 million sq.m.. In accordance with the development strategy of the "13th Five-year Plan", in terms of regional expansion layout, the Group made Greater Bay Area, Yangtze River Delta, and Central China Region as its three major growth regions. The Group's landbank was in 13 cities, with approximately 85.2% located in Greater Bay Area, Yangtze River Delta and Central China Region.

## **Steady Development of Commercial Properties**

The Group strives to develop its business operation capacity, optimise the operation model of the “Yuexiu Property-REIT” dual platform, develop commercial properties business as an “stabiliser” for the Group. As at the end of June 2018, the Group directly owned approximately 0.78 million sq.m. of investment properties for leasing and recorded a rental income of approximately RMB316 million, representing a period-to-period increase of 9.0%. During the period, Hangzhou Marriott Hotel in Lin’an was officially opened in June 2018. The Group hold 34.44% of Yuexiu REIT, which had 0.99 million sq.m. of commercial properties for leasing, achieving a revenue of approximately RMB1.00 billion for the first half of the year, representing a period-to-period increase of 10.3%.

## **Continued Improvement in Operation and Management Capabilities**

To adapt to the Group’s regional and national development and the need for management of scale development, the Group continued to optimise its internal management system. The Group enhanced the management and control of headquarters over lines of business and functions, focused on optimising the control of business lines such as product, construction, cost and procurement, and strengthened the support of the strategy, workforce, finance and other functions. Through the creation of value resource management system, project progress control system, business plan management system, the Group endeavored to accelerate the development of the project. At the same time, the Group stepped up the cultivation and introduction of core talents, enhanced the efficiency of human capital, accelerated the upgrade and optimisation of the performance incentive system, and provided human capital support for the development of the Company.

## **Stable and Sound Financial Position**

In the first half of the year, fully leveraging the advantages of multiple financing channels onshore and offshore, the Group strengthened capital management, optimised the financing models, effectively reduced the financing cost. During the reporting period, the Group successfully issued US\$800 million 3-year and US\$400 million 5.5-year bonds with coupon rates of 4.875% and 5.375% respectively, thereby optimising the debt portfolio and debt structure. At the end of the reporting period, the Group's total cash and cash equivalents and charged bank deposits amounted to approximately RMB25.83 billion, representing an increase of 24.2% as compared to the beginning of the year; and its net gearing ratio was 64.3%, decreased by 8.5 percentage points as compared to the beginning of the year.

## **Smooth Expansion of New Businesses**

In the first half of the year, the Group's urban renewal business proceeded smoothly and made stage progress in its various projects through focusing on the "Railway + Properties" development as well as promoting development by cooperating with state-owned enterprises and redevelopment covering old plants, old towns, and old villages. The business pattern of the elderly-care home has been gradually developed. In the first half of the year, with six new project agreements being signed and a total of three projects under operation, the Group steadily advanced other projects and effectively implemented supporting businesses including training, nursing, and rehabilitation services. Property rental business progressed steadily. The Group actively pursued strategic cooperations with Guangzhou state-owned enterprises for multi-channel access to gain quality projects.

## II. BUSINESS OUTLOOK

Looking forward, the global economy is expected to continue to grow slowly in the second half of the year. However, the rising trade protectionism will pose challenges to recovery of global economy. Currently, the Chinese economy is in an important period of structural adjustment, transformation and upgrade. The government is expected to adhere to the overarching principle of “seeking growth while maintaining stability”, maintain the strategic focus while adhering to the main direction of the supply-side structural reform, continuously expand effective demand, vigorously revitalise the real economy, and prevent and wipe out potential risks. It is anticipated that China’s macroeconomy will maintain its steady growth as a whole in the second half of the year.

In the second half of the year, it is estimated that the government will keep the sustainability and stability of its policies for regulating the property market, adhering to the keynote of “the house is for living in rather than for speculation” and staying the course with differentiated control. The property market is expected to remain basically stable, with continuous differentiation in different cities. The market in the tier-1 and tier-2 cities will stabilise, but the intensity of regulation and control will remain unchanged. The policy dividend effect of the tier-3 and tier-4 cities will gradually weaken, and the growth rate will slow down. However, the development of metropolitan areas will still provide certain support for the surrounding cities. The government will continue to increase the land supply, leading to a reduction in land transaction premiums and a gradual return to rationality in the market. Meanwhile, financing policies continue to be tightened that leads to an increase in financing cost. The chance for property developers with sound financial position to acquire quality land reserves will increase. The government will expedite the establishment of a housing system featuring multi-suppliers, multi-channels’ protection and concurrent developments of renting and purchase. The government will also accelerate the construction of long-term mechanisms to promote the steady and healthy development of the property market. As a pillar industry, the property industry will continue to play an essential role in stabilising the economy and boosting growth.

## **Achieving Annual Targets**

In the second half of the year, the Group will adhere to the theme of “business-driven quality improvement, innovation-driven development” and devote every effort to achieve its annual sales and business targets. In respect of “policy implementation based on each individual city and categorisation of control measures”, the Group will develop targeted sales strategies according to different cities and different projects, with an aim to achieve an annual sales target of RMB55.0 billion. Also, the Group will endeavour to promote the cash collection of sales proceeds through all kinds of flexible measures. Meanwhile, the Group will continue to improve business operation and management ability, speed up project turnover, enforce cost control to raise corporate profits, and further develop the stock incentive plan for core staff through continuous optimization of the project investment and business win-win plan. The Group will continue to optimize the long-term incentive mechanism, stimulate the internal impetus of enterprise development, thereby promoting further remarkable development.

## **Acquisition of High-Quality Land Resources**

The Group will continue to develop the unique advantages of high-quality land resources through various means including: grasping land transfer opportunities in the open market and focusing on fast turnover projects; fully leveraging the platform, with advantage in resource, of “incubation by the parent — acquisition by property”; continuously expanding the depth and breadth of cooperation with the state-owned enterprise to acquire land resources; deeply participating in urban redevelopment projects covering old factories, old towns and old villages; making innovation in building a development mode of “Railway +Properties”; continuously promoting innovation cooperation projects including cultural-business-tourism projects and industrial real estate projects; actively seeking merger and acquisition opportunities in the secondary market. In respect of the development of regional strategies, the Group will continue to focus on three regions, i.e. the Greater Bay Area, the Yangtze River Delta, and the Central China Region, follow the national strategy of the Guangdong-Hong Kong-Macau Greater Bay Area, accelerate business deployment in new cities and conduct in-depth operation in existing cities, thereby sizing the development opportunities of strategic development of the Greater Bay Area.

## **Optimising the “DOF” Business Model**

“Concurrent development of residential and commercial properties” is a distinctive development characteristic of the Group, and also one of the important development strategies of the Group. The Group will continue to deepen the “development, operations, finance” whole industry chain business model. At the development level, the Group will set up the “asset management” concept, solidly cultivate the product planning and construction supervision abilities. At the operational level, the Group will accelerate the enhancement of planning, investment, operational capabilities, and continue to enhance commercial rental income and commercial property value. At the financial level, the Group will innovate and broaden the financial platform, continue to strengthen the interaction with Yuexiu REIT, actively explore real estate funds and asset securitisation tools, and develop commercial properties business into an important “stabiliser” and core competitive advantage of the Group.

## **Steady Advancement of New Businesses**

The Group will rely on various means including the in-depth cooperation with local governments and state-owned enterprises, “Railway + Properties,” “three old” redevelopments to establish a sustainable development model of the urban development business. Also, the Group will actively develop the elderly-care home business, enhance operational projects, rapidly promote projects under construction, actively expand new projects, focus on the development of high-end rehabilitation complex projects in central urban areas, and create a model of the combination of medical care and elderly care. The Group will actively develop housing leasing projects. Taking advantage of the state-owned housing rental platform of the parent company, the Group will speed up the state-owned stock projects cooperation, and expand housing leasing business through multi-channels and multi-ways. The Group will strengthen cooperation with the state-owned enterprises and scientific research institutions, and steadily promote the development of new businesses related to real estate business such as “+ industries”, “+ towns”, “+ education” and “+ culture, business and tourism”.

## **Ensuring Financial Prudence and Security**

In light of the external environment of increasing macroeconomic risks and increasingly tightening domestic financing policies, the Group will make advanced arrangement for financing and use of funds and speed up collection of sales proceeds. Moreover, the Group will make full use of all kinds of financial instruments through the comprehensive use of onshore and offshore financing channels to further optimize the financial structure, reduce the financing costs, thereby providing fund security for the development of the Company. At the same time, the Group shall further strengthen the function of risk control, improve the financial risk monitoring system, effectively manage interest rate risk and exchange rate risk, and enhance the foresight and effectiveness of risk control.

## **ACKNOWLEDGMENT**

2018 is a crucial year for implementing the Group's "13th Five-year" development plan. The Group will grasp the "13th Five-year" strategic theme of "revitalizing resources, enhancing capacity, strengthening commercial business, adjusting structure, promoting transformation and seeking development." The Group will take advantage of current strategic development opportunities, and comprehensively enhance the professionalism and competitiveness of all links of the real estate value chain and continue to improve the rate of return on capital of shareholders. With respect to the development of various businesses 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 proper leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers and business partners for their full trust and dedicated support.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVENUE AND GROSS PROFIT**

In the first half of 2018, the Group realized revenue of approximately RMB10.16 billion (the same period of 2017: RMB11.94 billion), a period-to-period decrease of 14.9%. The total revenue (including proceeds from sales of investment properties) was approximately RMB10.21 billion (the same period of 2017: RMB12.28 billion), a period-to-period decrease of 16.9%. The gross profit was approximately RMB2.62 billion (the same period of 2017: RMB2.98 billion), a period-to-period decrease of 11.8%, and the gross profit margin reached approximately 25.8%, a period-to-period increase of 0.9 percentage point.

### **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS**

In the first half of 2018, profit attributable to equity holders of the Group was approximately RMB1.31 billion (the same period of 2017: RMB1.10 billion), a period-to-period increase of 19.2%. The core net profit was approximately RMB1.12 billion (the same period of 2017: RMB1.04 billion), a period-to-period increase of 7.8%. The core net profit margin was 11.0%, a period-to-period increase of 2.3 percentage points.

## **CONTRACTED SALES**

In the first half of 2018, the Group recorded aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB27.98 billion, a period-to-period increase of 39.5%, achieving approximately 50.9% of the full-year contracted sales target of RMB55.0 billion. The aggregate contracted sales GFA (including contracted sales by joint venture projects) amounted to approximately 1.38 million sq.m., a period-to-period increase of 10.5%, while the average selling price was approximately RMB20,300 per sq.m., a period-to-period increase of 26.1%.

In terms of regional composition, with respect to the value of the aggregate contracted sales for the first half of 2018, Guangzhou accounted for approximately 56.0%, Pearl River Delta (excluding Guangzhou) accounted for approximately 8.5%, Yangtze River Delta accounted for approximately 14.8%, Central China Region accounted for approximately 11.4%, and Bohai Rim accounted for approximately 9.3%.

In the first half of 2018, the development of the property markets was healthy for the three major regions that the Group focused on, namely Greater Bay Area, Yangtze River Delta and Central China Region. The Group also recorded strong sales in these regions, the contracted sales value amounted to approximately RMB25.38 billion, accounting for approximately 90.7% of the total contracted sales.

### **Greater Bay Area**

The Group has already established operations in Guangzhou, Hong Kong, Foshan, Jiangmen and Zhongshan, within Greater Bay Area. In the first half of 2018, with the continuous promotion by favourable policies on Greater Bay Area, the property market of cities in Greater Bay Area developed in a sustainable and steady manner.

In the first half of 2018, the GDP of Guangzhou increased by 6.2% year on year. Guangzhou continued to implement stringent control policies and measures. Total area of commodity residential housing sold in Guangzhou for the first half year dropped year on year, while the average selling price saw a steady rise. The Group proactively responded to the control situation and continued to strengthen its leading position in the property market of Guangzhou. The contracted sales value in Guangzhou for the first half year amounted to approximately RMB15.68 billion, up 107.8% on a period-to-period basis, while the average selling price was approximately RMB28,200 per sq. m..

Following the implementation of a number of favourable policies in recent years, Nansha District of Guangzhou, being a free trade pilot area and a sub-centre of Guangzhou City, remains a main region with high sales volume in Guangzhou for the first half of the year. Property trades were active in the region as supported by a large number of project launches and land transactions. The Group proactively captured the market opportunity and speeded up the product launches based on the market demand. The contracted sales value in Nansha for the first half year amounted to approximately RMB4.71 billion, up 676.6% on a period-to-period basis, while the average selling price was approximately RMB17,900 per sq. m..

In the first half of 2018, the GDP of Foshan, Zhongshan and Jiangmen increased on a period-to-period basis by 7.0%, 6.0% and 7.8%, respectively. The overall property market remained steady. In the first half of 2018, the contracted sales value of the Group in the above three cities amounted to approximately RMB2.37 billion, representing a period-to-period decrease of 30.6%, while the average selling price was approximately RMB11,000 per sq. m..

## **Yangtze River Delta**

The Group has focused its business development in Hangzhou and Suzhou, within Yangtze River Delta. In the first half of 2018, the GDP of Hangzhou and Suzhou increased on period-to-period basis by 7.6% and 6.9%, respectively. Affected by the stringent control policies, there was a decline in the total area of residential housing sold in Hangzhou and Suzhou for the first half year, yet the rise of average selling price remained unabated. Facing a tough market environment, the Group precisely positioned its projects and conducted sales in a proactive manner. In the first half of the year, the contracted sales value in Yangtze River Delta amounted to approximately RMB4.15 billion, representing a period-to-period decrease 22.8%, while the average selling price was approximately RMB17,300 per sq. m..

## **Central China Region**

The Group has focused on Wuhan within Central China Region. In the first half of 2018, the GDP of Wuhan increased by 8.2% year on year. Due to the implementation of favourable policies in support of buyers with rigid demand to buy properties and of attracting talents, the destocking was satisfactory. The Group seized the market opportunity by promoting sales through diversified channels. In the first half of the year, the contracted sales value in markets of Central China Region amounted to approximately RMB3.18 billion, up 69.1% on a period-to-period basis, while the average selling price was approximately RMB27,400 per sq. m..

Contracted sales are summarized as follows:

<b>No.</b>	<b>Project</b>	<b>GFA</b> <i>(sq.m.)</i>	<b>Value</b> <i>(RMB million)</i>	<b>ASP</b> <i>(RMB/sq.m.)</i>
1	Guangzhou Starry Cullinan	3,200	245	76,600
2	Guangzhou Fortune Century Square	4,800	276	57,500
3	Guangzhou Starry Golden Sands	500	8	16,000
4	Guangzhou Starry Wenhua	100	2	20,000
5	Guangzhou Paradiso Riverside	2,100	30	14,300
6	Guangzhou Starry Sky City	41,500	1,747	42,100
7	Guangzhou Purple Cloud Mansion	56,500	2,499	44,200
8	Guangzhou Starry Haizhu Bay	56,400	2,838	50,300
9	Guangzhou Yuexiu Greenland Haiyue	17,700	916	51,800
10	Guangzhou Lingnan Hillside	300	7	23,300
11	Guangzhou Lingnan Villas	1,400	14	10,000
12	Guangzhou Lingnan Wood	2,900	31	10,700
13	Guangzhou Yuexiu Poly Aite City	102,800	2,289	22,300
14	Nansha Southern Le Sand	134,700	2,373	17,600
15	Nansha Binhai New City	122,000	2,189	17,900
16	Nansha Yuexiu East Hillside (Previous name: Nansha Tantou Land)	6,200	152	24,500
	Other projects	3,000	64	21,300
	<b>Subtotal (Guangzhou)</b>	<b>556,100</b>	<b>15,680</b>	<b>28,200</b>

<b>No.</b>	<b>Project</b>	<b>GFA</b> <i>(sq.m.)</i>	<b>Value</b> <i>(RMB million)</i>	<b>ASP</b> <i>(RMB/sq.m.)</i>
17	Nanhai Starry Mansion (Previous name: Foshan Nanhai Shanghai Village Land)	12,000	223	18,600
18	Nanhai Starry Winking	9,900	191	19,300
19	Foshan Lingnan Junting	8,200	119	14,500
20	Foshan Paradiso Power	1,600	22	13,800
21	Foshan Longfor Yuexiu Cloud Mansion (Previous name: Foshan Chancheng Chaoan Road Land)	8,100	68	8,400
22	Jiangmen Starry Regal Court	58,900	374	6,300
23	Jiangmen Xijiang Mansion	500	10	20,000
24	Jiangmen Xijiang Joy Mansion	900	11	12,200
25	Jiangmen Starry Mountain	36,000	438	12,200
26	Heshan Starry Regal Court	37,700	334	8,900
27	Zhongshan Starry Winking	2,900	22	7,600
28	Zhongshan Starry Peakfield	32,600	496	15,200
29	Zhongshan Starry Junting	400	5	12,500
30	Zhongshan Paradiso Jadin	7,100	61	8,600
	<b>Subtotal (Pearl River Delta ex. Guangzhou)</b>	<b>216,800</b>	<b>2,374</b>	<b>11,000</b>
31	Hangzhou Starry City	158,200	2,293	14,500
32	Hangzhou Starry Joy City	4,800	49	10,200
33	Hangzhou Starry Upper City	1,500	26	17,300
34	Hangzhou Victory Center	700	17	24,300
35	Hangzhou Crystal City	2,200	34	15,500
36	Hangzhou Qinaili Lane	1,900	68	35,800
37	Hangzhou Lake & Mountain (Previous name: Hangzhou Linan Binhu Land)	40,300	678	16,800
38	Hangzhou Joy Bay (Previous name: Hangzhou Genbei New Town West Land)	28,200	965	34,200
39	Suzhou Paradiso Pavilion	1,000	9	9,000
40	Suzhou Starry Pavilion	300	8	26,700
	<b>Subtotal (Yangtze River Delta)</b>	<b>239,100</b>	<b>4,147</b>	<b>17,300</b>

<b>No.</b>	<b>Project</b>	<b>GFA</b> <i>(sq.m.)</i>	<b>Value</b> <i>(RMB million)</i>	<b>ASP</b> <i>(RMB/sq.m.)</i>
41	Wuhan Starry Emperor	27,100	400	14,800
42	Wuhan International Financial City	54,800	1,985	36,200
43	Wuhan Starry Mountain	24,100	647	26,800
44	Wuhan Starry Bay (Previous name: Wuhan Guobo New Town Land)	9,800	146	14,900
	<b>Subtotal (Central China Region)</b>	<b>115,800</b>	<b>3,178</b>	<b>27,400</b>
45	Shenyang Starry Winking	35,800	595	16,600
46	Shenyang Hill Lake	800	7	8,800
47	Shenyang Starry Blue Sea	900	9	10,000
48	Yantai Starry Golden Sands	77,800	669	8,600
49	Yantai Starry Phoenix	1,300	7	5,400
50	Yantai Elegant Mansion	53,400	592	11,100
51	Qingdao Starry Blue Bay	7,800	92	11,800
52	Qingdao Infinite Mansion	1,100	22	20,000
53	Qingdao Elegant Mansion (Previous name: Qingdao Huang Island Xiaotai Village Land)	69,300	605	8,700
	<b>Subtotal (Bohai Rim)</b>	<b>248,200</b>	<b>2,598</b>	<b>10,500</b>
	<b>Total</b>	<b>1,376,000</b>	<b>27,977</b>	<b>20,300</b>

## RECOGNIZED SALES

In the first half of 2018, the recognized sales value and recognized sales GFA were approximately RMB9.20 billion (including the sale of investment properties of RMB44 million) and approximately 0.53 million sq.m. (including the sale of investment properties of approximately 8,000 sq.m.), decreases of 18.9% and 50.9% respectively on a period-to-period basis, and the average selling price was approximately RMB17,300 per sq.m..

Recognized sales are summarized as follows:

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Winking	200	5	25,000
2	Guangzhou Starry Cullinan	1,100	80	72,700
3	Guangzhou Fortune Century Square	4,900	278	56,700
4	Guangzhou Starry Golden Sands	1,000	17	17,000
5	Guangzhou Starry Wenhua	1,400	51	36,400
6	Guangzhou Starry Wenyu	2,600	44	16,900
7	Guangzhou Starry Sky City	27,300	768	28,100
8	Guangzhou Paradiso Riverside	1,400	19	13,600
9	Guangzhou Lingnan Hillside	35,900	411	11,400
10	Guangzhou Lingnan Villas	1,600	15	9,400
11	Nansha Southern Le Sand	44,400	446	10,000
	Other Projects	8,700	62	7,100
	<b>Subtotal (Guangzhou)</b>	<b>130,500</b>	<b>2,196</b>	<b>16,800</b>



No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
12	Nanhai Starry Winking	8,300	153	18,400
13	Foshan Lingnan Junting	4,400	64	14,500
14	Foshan Paradiso Power	2,400	33	13,800
15	Jiangmen Starry Regal Court	1,500	13	8,700
16	Zhongshan Starry Winking	1,000	12	12,000
17	Zhongshan Starry Peakfield	700	6	8,600
18	Zhongshan Starry Junting	400	5	12,500
19	Zhongshan Paradiso Jadin	76,000	452	5,900
	<b>Subtotal (Pearl River Delta ex. Guangzhou)</b>	<b>94,700</b>	<b>738</b>	<b>7,800</b>
20	Hangzhou Starry City	900	7	7,800
21	Hangzhou Starry Joy City	4,200	49	11,700
22	Hangzhou Starry Upper City	15,600	315	20,200
23	Hangzhou Victory City	1,000	26	26,000
24	Hangzhou Qinai Lane	59,500	1,454	24,400
25	Suzhou Paradiso Pavilion	1,100	25	22,700
26	Suzhou Starry Pavilion	73,800	948	12,800
	<b>Subtotal (Yangtze River Delta)</b>	<b>156,100</b>	<b>2,824</b>	<b>18,100</b>
27	Wuhan Starry Emperor	3,000	39	13,000
28	Wuhan International Financial City	83,000	2,645	31,900
	<b>Subtotal (Central China Region)</b>	<b>86,000</b>	<b>2,684</b>	<b>31,200</b>
29	Shenyang Starry Winking	41,900	599	14,300
30	Shenyang Hill Lake	300	2	6,700
31	Shenyang Starry Blue Sea	1,600	5	3,100
32	Yantai Starry Golden Sands	11,300	59	5,200
33	Qingdao Starry Blue Bay	9,200	96	10,400
	<b>Subtotal (Bohai Rim)</b>	<b>64,300</b>	<b>761</b>	<b>11,800</b>
	<b>Total</b>	<b>531,600</b>	<b>9,203</b>	<b>17,300</b>

## UNRECOGNIZED SALES

As of 30 June 2018, the unrecognized sales value amounted to approximately RMB56.10 billion, with unrecognized sales GFA of approximately 2.85 million sq.m., and the average selling price was approximately RMB19,700 per sq.m..

Unrecognized sales are summarized as follows:

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	7,400	516	69,700
2	Guangzhou Starry Wenhua	9,800	237	24,200
3	Guangzhou Paradiso Riverside	27,800	438	15,800
4	Guangzhou Starry Sky City	107,700	4,244	39,400
5	Guangzhou Purple Cloud Mansion	97,600	4,241	43,500
6	Guangzhou Starry Haizhu Bay	181,700	8,177	45,000
7	Guangzhou Yuexiu Greenland Haiyue	108,500	4,473	41,200
8	Guangzhou Lingnan Hillside	1,100	26	23,600
9	Guangzhou Lingnan Villas	1,700	60	35,300
10	Guangzhou Lingnan Woods	4,200	123	29,300
11	Guangzhou Yuexiu Poly Aite City	161,700	3,707	22,900
12	Nansha Southern Le Sand	155,600	3,243	20,800
13	Nansha Binhai New Town	228,200	3,981	17,400
14	Nansha Yuexiu East Hillside (Previous name: Nansha Tantou Land)	6,200	152	24,500
	<b>Subtotal (Guangzhou)</b>	<b>1,099,200</b>	<b>33,618</b>	<b>30,600</b>

<b>No.</b>	<b>Project</b>	<b>GFA</b> <i>(sq.m.)</i>	<b>Value</b> <i>(RMB million)</i>	<b>ASP</b> <i>(RMB/sq.m.)</i>
15	Nanhai Starry Mansion (Previous name: Foshan Nanhai Shanghai Village Land)	12,000	223	18,600
16	Nanhai Starry Winking	8,700	174	20,000
17	Foshan Lingnan Junting	91,400	845	9,200
18	Foshan Paradiso Power	18,000	154	8,600
19	Foshan Longfor Yuexiu Cloud Mansion (Previous name: Foshan Chancheng Chaoan Road Land)	8,100	68	8,400
20	Jiangmen Starry Regal Court	59,800	386	6,500
21	Jiangmen Xijiang Mansion	57,000	445	7,800
22	Jiangmen Xijiang Joy Mansion	164,400	1,503	9,100
23	Jiangmen Starry Mountain	117,900	1,405	11,900
24	Heshan Starry Regal Court	37,700	334	8,900
25	Zhongshan Starry Winking	1,900	8	4,200
26	Zhongshan Starry Peakfield	55,200	806	14,600
27	Zhongshan Paradiso Jadin	15,700	135	8,600
	<b>Subtotal (Pearl River Delta ex. Guangzhou)</b>	<b>647,800</b>	<b>6,486</b>	<b>10,000</b>
28	Hangzhou Starry City	363,500	4,457	12,300
29	Hangzhou Starry Joy City	2,900	57	19,700
30	Hangzhou Starry Upper City	1,600	47	29,400
31	Hangzhou Victory Center	1,500	36	24,000
32	Hangzhou Crystal City	5,000	98	19,600
33	Hangzhou Qinai Lane	1,400	48	34,300
34	Hangzhou Lake & Mountain (Previous name: Hangzhou Linan Binhu Land)	40,300	678	16,800
35	Hangzhou Joy Bay (Previous name: Hangzhou Genbei New Town West Land)	28,200	965	34,200
36	Suzhou Paradiso Pavilion	3,000	26	8,700
37	Suzhou Starry Pavilion	6,300	94	14,900
	<b>Subtotal (Yangtze River Delta)</b>	<b>453,700</b>	<b>6,506</b>	<b>14,300</b>

<b>No.</b>	<b>Project</b>	<b>GFA</b> <i>(sq.m.)</i>	<b>Value</b> <i>(RMB million)</i>	<b>ASP</b> <i>(RMB/sq.m.)</i>
38	Wuhan Starry Emperor	72,000	1,060	14,700
39	Wuhan International Financial City	89,100	3,300	37,000
40	Wuhan Starry Mountain	32,700	920	28,100
41	Wuhan Starry Bay (Previous name: Wuhan Guobo New Town Land)	9,800	145	14,800
	<b>Subtotal (Central China Region)</b>	<b>203,600</b>	<b>5,425</b>	<b>26,600</b>
42	Shenyang Starry Winking	18,300	275	15,000
43	Shenyang Hill Lake	600	5	8,300
44	Shenyang Starry Blue Sea	2,200	95	43,200
45	Yantai Starry Golden Sands	182,500	1,360	7,500
46	Yantai Starry Phoenix	1,300	7	5,400
47	Yantai Elegant Mansion	53,400	592	11,100
48	Qingdao Infinite Mansion	116,900	1,128	9,600
49	Qingdao Elegant Mansion (Previous name: Qingdao Huang Island Xiaotai Village Land)	69,300	605	8,700
	<b>Subtotal (Bohai Rim)</b>	<b>444,500</b>	<b>4,067</b>	<b>9,100</b>
	<b>Total</b>	<b>2,848,800</b>	<b>56,102</b>	<b>19,700</b>

## LANDBANK

As of 30 June 2018, the Group has newly acquired nine land parcels mainly located in Guangzhou, Jiangmen, Wuhan, Suzhou, Yantai, Qingdao and Ji'nan, with total GFA of approximately 2.49 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 0.74 million sq.m..

As of 30 June 2018, land parcels newly acquired are summarised as follows:

No.	Project	Equity holding	Total GFA (sq.m.)	Attributable GFA (sq.m.)
1	Guangzhou Panyu Hualing Air-condition Factory Land	13.63%	365,300	49,800
2	Nansha Lingshan Island Land II	9.50%	407,400	38,700
3	Jiangmen Binjiang Land	47.50%	354,700	168,500
4	Wuhan Huangpi Land	14.25%	202,200	28,800
5	Suzhou Gaoxin Huguan Land I	9.50%	193,600	18,400
6	Suzhou Gaoxin Huguan Land II	15.68%	123,900	19,400
7	Yantai Elegant Mansion	90.25%	78,400	70,800
8	Qingdao Licang Ocean Chemical Industry Land	100.00%	211,900	211,900
9	Jinan Zhangqiu Land	24.75%	552,800	136,800
	<b>Total</b>		<b>2,490,200</b>	<b>743,100</b>

As of 30 June 2018, the landbank of the Group reached approximately 18.22 million sq.m. with a total of 56 projects in 13 cities in China and the regional layout continued to improve. In terms of the attributable interest to the Group, the total landbank was approximately 10.93 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 37.8% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 11.2%, Yangtze River Delta accounted for approximately 21.0%, Central China Region accounted for approximately 14.9%, Bohai Rim accounted for approximately 14.2%, Hainan accounted for approximately 0.6% and Hong Kong accounted for approximately 0.3%.

Landbank is summarised as follows:

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Guangzhou Asia Pacific Century Plaza	229,400	229,400	—
2	Guangzhou Starry Sky City	548,400	548,400	—
3	Guangzhou Purple Cloud Mansion	297,800	297,800	—
4	Guangzhou Starry Haizhu Bay	771,400	574,400	197,000
5	Guangzhou Yuexiu Greenland Haiyue	205,000	205,000	—
6	Guangzhou Haizhu Nanzhou Road Land	149,900	149,900	—
7	Guangzhou Guanggang Phase 4 Land	259,100	259,100	—
8	Guangzhou Panyu Hualing Aircondition Factory Land	365,300	—	365,300
9	Guangzhou Yuexiu Poly Aite City	514,000	514,000	—
10	Nansha Southern Le Sand	1,289,000	509,100	779,900
11	Nansha Binhai New Town	1,024,100	662,000	362,100
12	Nansha Yuexiu East Hillside (Previous name: Nansha Tantou Land)	253,600	171,100	82,500
13	Nansha Jinling North Land	126,800	126,800	—
14	Nansha Lingshan Island Land I	175,800	—	175,800
15	Nansha Lingshan Island Land II	407,400	—	407,400
16	Huadu Elegant Mansion (Previous name: Huadu Phoenix Road Land)	222,100	222,100	—
	Other projects	50,100	31,400	18,700
	<b>Subtotal (Guangzhou)</b>	<b>6,889,200</b>	<b>4,500,500</b>	<b>2,388,700</b>

No.	Project	Landbank GFA	PUD GFA	PFD GFA
		(sq.m.)	(sq.m.)	(sq.m.)
17	Foshan Lingnan Junting	22,700	5,700	17,000
18	Nanhai Starry Mansion (Previous name: Foshan Nanhai Shanghai Village Land)	550,000	417,600	132,400
19	Foshan Longfor Yuexiu Cloud Mansion (Previous name: Foshan Chancheng Chaoan Road Land)	76,100	76,100	—
20	Jiangmen Starry Regal Court	57,500	57,500	—
21	Jiangmen Xijiang Joy Mansion	228,400	228,400	—
22	Jiangmen Starry Mountain	170,900	170,900	—
23	Heshan Starry Regal Court	419,700	419,700	—
24	Jiangmen Binjiang Land	354,700	354,700	—
25	Zhongshan Starry Peakfield	158,600	158,600	—
	<b>Subtotal (Pearl River Delta ex. Guangzhou)</b>	<b>2,038,600</b>	<b>1,889,200</b>	<b>149,400</b>
26	Hangzhou Starry City	1,208,500	622,700	585,800
27	Hangzhou Garden 1872	361,100	234,500	126,600
28	Hangzhou Joy Bay (Previous name: Hangzhou Genbei New Town West Land)	360,600	179,600	181,000
29	Hangzhou Lake & Mountain (Previous name: Hangzhou Linan Binhu New District Land)	234,000	234,000	—
30	Hangzhou Joy Mountain (Previous name: Hangzhou Yuhang Xingguo Road Land)	232,600	232,600	—
31	Hangzhou Jianggan Niutian Land	122,900	122,900	—
32	Suzhou Gaoxin District Huguan Land I	193,600	193,600	—
33	Suzhou Gaoxin District Huguan Land II	123,900	123,900	—
34	Suzhou Taicang Xiangdong Island Land	987,800	—	987,800
	<b>Subtotal (Yangtze River Delta)</b>	<b>3,825,000</b>	<b>1,943,800</b>	<b>1,881,200</b>

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
35	Wuhan Starry Emperor	112,600	112,600	—
36	Wuhan International Financial City	778,100	778,100	—
37	Wuhan Starry Mountain	57,600	57,600	—
38	Wuhan Hanyang Starry Winking (Previous name: Wuhan Yangsi Port Land)	981,200	981,200	—
39	Wuhan Starry Bay (Previous name: Wuhan Guobo New Town Land)	84,500	84,500	—
40	Wuhan Yuexiu Paradiso Mansion (Previous name: Wuhan Aoyuan East Land)	42,200	42,200	—
41	Wuhan Caidian Land I	78,800	—	78,800
42	Wuhan Joy Mansion (Previous name: Wuhan Caidian Land II)	171,900	95,300	76,600
43	Wuhan Yuexiu Paradiso Garden (Previous name: Wuhan Jingkai District Land)	210,100	210,100	—
44	Wuhan Huangpi Land	202,200	—	202,200
	<b>Subtotal (Central China Region)</b>	<b>2,719,200</b>	<b>2,361,600</b>	<b>357,600</b>
45	Shenyang Starry Winking	383,600	135,200	248,400
46	Shenyang Hill Lake	251,800	—	251,800
47	Shenyang Starry Blue Sea	9,800	9,800	—
48	Yantai Starry Golden Sands	215,000	215,000	—
49	Yantai Elegant Mansion	78,400	78,400	—
50	Qingdao Infinite Mansion	138,100	138,100	—



No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
51	Qingdao Elegant Mansion (Previous name: Qingdao Huang Island Xiaotai Village Land)	82,900	82,900	—
52	Qingdao Licang Ocean Chemical Industry Land	211,900	—	211,900
53	Qingdao Licang Qingyin Highway East Land	666,300	—	666,300
54	Jinan Zhangqiu Land	552,700		552,700
	<b>Subtotal (Bohai Rim)</b>	<b>2,590,500</b>	<b>659,400</b>	<b>1,931,100</b>
55	Hainan Simapo Island Land	100,400	6,000	94,400
56	Hong Kong Yau Tong Project	58,700	—	58,700
	<b>Total</b>	<b>18,221,600</b>	<b>11,360,500</b>	<b>6,861,100</b>

## CONSTRUCTION PROGRESS

The Group speeds up the turnover to enhance the development efficiency. Project development was progressing well for the period. New commencement of construction and completion were in line with the Group's schedule.

New commencement of construction and completion are summarised as follows:

Construction progress	Actual GFA	Planned
	In 2018 1H (sq.m.)	GFA for 2018 (sq.m.)
New commencement constructions	3,135,500	4,321,700
Completion	539,900	2,352,700

## **INVESTMENT PROPERTIES**

As of 30 June 2018, the Group owned investment properties under lease of approximately 780,500 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 37.2%, 48.3% and 14.5%, respectively. The Group recorded rental revenue of approximately RMB316 million in the first half of 2018, representing an increase of 9.0% as compared to the same period of last year, which was mainly due to the increase in rental revenue of Yuexiu Financial Tower.

In the first half of 2018, the Group recorded fair value gains on revaluation of investment properties of approximately RMB378 million, which was mainly due to fair value gains on revaluation of Yuexiu Financial Tower of approximately RMB398 million during the period.

## **OTHER GAINS, NET**

In the first half of 2018 the Group's other gains, net amounted to approximately RMB556 million, representing an increase of 850.5% as compared to the same period of last year. It is because after the acquisition of interests in associated entities to obtain control over it, the existing equity interest held by the Group recorded fair value gains before tax of approximately RMB554 million after re-measurement according to relevant accounting standards.

## **SELLING AND MARKETING COSTS**

In the first half of 2018, the Group's selling and marketing costs were approximately RMB198 million, representing a decrease of 21.5% as compared to the same period of last year. The Group has been endeavoring to implement effective marketing plans to control its selling and marketing costs at an appropriate level. The selling and marketing costs accounted for 1.9% of total recognized sales for the period, down by 0.2 percentage point from 2.1% for the same period of last year.

## **ADMINISTRATIVE EXPENSES**

The Group's administrative expenses amounted to approximately RMB372 million, representing a decrease of 0.6% as compared to the same period of last year. Administrative expenses accounted for 3.7% of the recognized sales for the period, increased by 0.6 percentage point from 3.1% for the same period of last year. The Group will continue to strengthen control over expenses and strictly observe the annual expenses budget.

## **FINANCE COSTS**

In the first half of 2018, the Group's interest expenses amounted to approximately RMB1.42 billion, including interest expenses of bank borrowings and bonds of RMB1.26 billion, representing an increase of RMB344 million on a period-on-period basis. In addition, the interest expenses of borrowings from an intermediate holding company, an associated entity, fellow subsidiaries and a non-controlling shareholder of a subsidiary amounted to approximately RMB157 million in total for the period, representing an increase of RMB56 million as compared to the same period of last year. The average effective borrowing interest rate for the period increased to 4.82% per annum from 4.30% per annum for the year of 2017.

On 30 June 2018, the exchange rate of RMB against USD depreciated by 1.3% as compared to that at the beginning of the year. The Group's revenue was mainly denominated in RMB. Total foreign exchange income for the period amounted to approximately RMB44 million, and the foreign exchange losses amounted to RMB18 million for the same period of last year.

The interest expenses and net foreign exchange income for the period amounted to approximately RMB1.37 billion in total. According to the relevant requirements of the Hong Kong Accounting Standards, the capitalised interest expenses for the period amounted to approximately RMB722 million. Due to the increase in newly started projects during the period, capitalized interest expenses increased by 88.2% as compared to the same period of last year. Finance costs recorded in the consolidated statement of profit or loss were approximately RMB651 million, which were at the same level as compared with the same period of last year.

## **SHARE OF PROFIT FROM ASSOCIATED ENTITIES**

In the first half of 2018, the overall net contribution from associated entities attributable to the Group decreased by 35.4% to approximately RMB242 million as compared to the same period of last year, which was mainly due to the decrease of the profit contribution from Yuexiu Real Estate Investment Trust (“Yuexiu REIT”).

In the first half of 2018, the total distributable amount of Yuexiu REIT amounted to approximately RMB424 million, representing an increase of 7.2% as compared to the same period of last year, and the cash distribution attributable to the Group amounted to approximately RMB146 million.

## **BASIC EARNINGS PER SHARE**

In the first half of 2018, basic earnings per share attributable to the equity holders of the Company based on the weighted average number of ordinary shares in issue were RMB0.1059 (first half of 2017: RMB0.0889).

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend for 2018 of HKD0.042 per share (equivalent to RMB0.036 per share) (2017 interim: HKD0.040 per share (equivalent to RMB0.034 per share)) to shareholders whose names appear on the Register of Members of the Company on 24 October 2018. The interim dividend will be distributed to shareholders on or around 16 November 2018.

Dividends payable to shareholders will be paid in HKD. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People’s Bank of China in the five business days preceding the date of dividend declaration.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Cash receipts from operating activities and committed banking facilities are the Group's main sources of liquidity. The Group has always adhered to prudent financial management principles, emphasized on funding management and risk control, established an ongoing monitoring system to respond to market changes, ensured healthy and adequate liquidity and secured the business development. While continuing to maintain a good relationship with commercial banks in Mainland China and Hong Kong, the Group also explores more funding channels, optimizes the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its risk resistance capabilities.

In the first half of 2018, the Group obtained new bank borrowings of approximately RMB23.77 billion, including onshore borrowings of approximately RMB11.76 billion and offshore bank borrowings of approximately RMB12.01 billion. As at 30 June 2018, total borrowings amounted to approximately RMB52.77 billion (31 December 2017: RMB47.71 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB25.83 billion, and the net gearing ratio was 64.3%. Borrowings due within one year accounted for approximately 6% of the total borrowings (31 December 2017: 18%), fixed-rate borrowings accounted for approximately 49% of the total borrowings (31 December 2017: 59%). Due to an increase in effective interest rate in the market as a result of tightened liquidity in the domestic, the Group's average effective borrowing interest rate for the period increased by 0.52 percentage point to 4.82% per annum from 4.30% per annum for the year of 2017.

As at 30 June 2018, among the Group's total borrowings, approximately 43% was RMB denominated bank borrowings (31 December 2017: 51%), 15% was Hong Kong dollar denominated bank borrowings (31 December 2017: 12%), 25% was Hong Kong and US dollar denominated medium to long term notes (31 December 2017: 11%), 17% was RMB denominated medium to long term notes (31 December 2017: 17%) and 0% was RMB denominated loan from shareholder (31 December 2017: 9%).

## **WORKING CAPITAL**

On 30 June 2018, the Group's working capital (current assets less current liabilities) amounted to approximately RMB62.93 billion (31 December 2017: approximately RMB43.75 billion). The Group's current ratio (current assets divided by current liabilities) was 2.0 times (31 December 2017: 1.8 times). Cash and cash equivalents amounted to approximately RMB19.16 billion (31 December 2017: RMB16.66 billion). Charged bank deposits amounted to approximately RMB6.67 billion (31 December 2017: RMB4.14 billion). Undrawn committed bank facilities amounted to approximately RMB20.99 billion.

## CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarized as follows:

	As at	
	June 30 2018 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>
Bank borrowings and notes		
Denominated in RMB	31,595,925	32,576,165
Denominated in HKD	9,991,949	7,800,797
Denominated in USD	11,177,603	3,248,142
	<u>52,765,477</u>	<u>43,625,104</u>
Total bank borrowings and notes	52,765,477	43,625,104
Borrowings from an intermediate holding company	—	4,083,760
Finance lease obligations	161	173
Bank overdrafts	52	51
	<u>52,765,690</u>	<u>47,709,088</u>
Total debts	<u>52,765,690</u>	<u>47,709,088</u>
	As at	
	June 30 2018 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>
<b>Ageing analysis:</b>		
Within one year	2,926,967	8,461,626
In the second year	13,249,586	11,717,282
In the third to fifth year	28,267,124	18,985,178
Beyond five years	8,322,013	8,545,002
	<u>52,765,690</u>	<u>47,709,088</u>
Total borrowings	52,765,690	47,709,088
Less: Cash and cash equivalents	(19,156,700)	(16,655,299)
	<u>33,608,990</u>	<u>31,053,789</u>
Net borrowings	33,608,990	31,053,789
Total equity	41,888,417	36,988,918
	<u>75,497,407</u>	<u>68,042,707</u>
Total capitalization	<u>75,497,407</u>	<u>68,042,707</u>
Gearing ratio	<u>44.5%</u>	<u>45.6%</u>

## INTEREST RATE EXPOSURE

The Group's major interest rate exposure is derived from relevant loans and deposits denominated in Renminbi, Hong Kong dollars, and US dollars. As of 30 June 2018, among the total borrowings of the Group, approximately 35.7% was floating rate bank loans denominated in Renminbi, approximately 15.3% was floating rate bank loans denominated in Hong Kong dollars, approximately 7.0% was fixed rate bank loans denominated in Renminbi, approximately 17.2% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 24.8% was medium-to-long term fixed rate notes denominated in US dollars/Hong Kong dollars. Fixed rate borrowings accounted for approximately 49% of the total borrowings of the Group. Due to the high fixed-rate financing ratio, the Group did not arrange interest-rate hedging instruments for the half year. The average borrowings interest rate during the period was approximately 4.82%, increased by 0.52 percentage point from 4.30% per annum for the year of 2017.

With respect to onshore Renminbi loan interest rates, the People's Bank of China ("PBOC") has continually cut interest rates and reduced reserve requirement ratios (RRR) since November 2014. The one-year benchmark interest rate dropped from 5.60% to the current level of 4.35%. In the first half of the year, the actual market interest rate has seen a marked increase as liquidity is tightening in China. Taking into account the slow down of the domestic economy, the continuous US-China trade war, the smooth deleveraging and defending against external shocks, the market expects that China will maintain a neutral domestic monetary policy, and the actual Renminbi loan interest rate is expected to maintain its current high level in the second half of 2018.

With respect to interest rates on US dollar and Hong Kong dollar loans, due to a relatively robust economic growth in the United States, the Federal Reserve has raised interest rates seven times from December 2015 to the end of June 2018. The market expects the Federal Reserve to further raise interest rates twice in the second half of 2018, with an accumulated increase rate of approximately 1.00% in 2018. At present, there is abundant liquidity in the Hong Kong market. It is estimated that the loan interest rates of Hong Kong dollars will follow the US dollars hike with a slight delay in terms of timing.

At present, the global economic and financial environment is relatively volatile in the context of a strong US dollar, capital outflows of emerging markets, and liquidity tightening of the domestic market. The Group expects that the Renminbi loan interest rates will remain high in the second half of 2018. At the same time, the US dollar/Hong Kong dollar loan interest rates at abroad are expected to rise in an orderly manner following the improvement of the US employment, increase in annual consumption, and acceleration of inflation.

The Group will continue to monitor the changes in onshore and offshore interest rates, adjust and optimise its debt structure and adopt appropriate financial instruments to manage its interest rate risk exposure in a timely manner.

### **Foreign exchange risk**

Since the main business operations of the Group are conducted in Mainland China, its income is primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to manage the foreign exchange exposure and reduce risk. As at 30 June 2018, approximately 40% (23% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which, approximately HKD 9.57 billion (equivalent to approximately RMB8.07 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.70 billion (equivalent to approximately RMB11.18 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.30 billion (equivalent to approximately RMB1.92 billion) was medium-to-long term notes denominated in Hong Kong dollars.

As at 30 June 2018, the middle rate of onshore Renminbi against Hong Kong dollars dropped by 0.86 % as compared to the exchange rate as at 31 December 2017 and net foreign exchange gain of approximately RMB44 million was recorded in the consolidated statement of profit or loss for the period. In the first half of 2018, Renminbi remained basically flat against a basket of currencies.



Currently, the US dollar index is neutral. Renminbi against Hong Kong dollar appreciated at the beginning of the year, but Renminbi turned to depreciate significantly after mid-April. In conclusion, Renminbi against the US dollar depreciated during the first half of the year as compared with the beginning of 2018, but slightly appreciated 0.95% against a basket of currencies. The market expects that the volatility of Renminbi against US dollar will increase in the second half of 2018, and Renminbi is expected to accelerate its depreciation in the short-run under the influence of the trade war.

The Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, control its foreign exchange exposure, adjust and optimise its debt structure. The Group has used suitable financial instruments at reasonable costs to manage its foreign exchange exposure. The Group is expected to continue to arrange for appropriate products to manage its foreign exchange exposure.

## **COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT**

As of 30 June 2018, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB0.82 billion (31 December 2017: RMB1.27 billion).

## **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 interests in performing its liabilities under the guarantee, but the Group owns the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 30 June 2018, total contingent liabilities relating to these guarantees amounted to approximately RMB11.18 billion (31 December 2017: RMB8.43 billion).

## **Employees and Remuneration Policy**

As of 30 June 2018, the Group had approximately 7,390 employees (31 December 2017: 7,280 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training.

## **CORPORATE GOVERNANCE**

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2018.

### **Code Provision A.4.1**

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

## **REVIEW OF INTERIM RESULTS**

The results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

The Company has not redeemed any of its shares during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 22 October 2018 to Wednesday, 24 October 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 19 October 2018.

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

Hong Kong, 13 August 2018

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

*Executive Directors:*                      *ZHANG Zhaoxing (Chairman), ZHU Chunxiu, LIN Zhaoyuan, LI Feng and CHEN Jing*

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