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越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Announcement of 2022 Interim Results

Results Summary

- The revenue was approximately RMB31.29 billion, representing a period-to-period increase of 29.1%.
- The gross profit margin was approximately 21.2%.
- Profit attributable to equity holders was approximately RMB1.71 billion, representing a period-to-period decrease of 25.8%, which was mainly due to the net foreign exchange losses arising from fluctuations in RMB exchange rates and the net fair value losses on revaluation of investment properties; core net profit* was approximately RMB2.13 billion, representing a period-to-period increase of 1.4%.
- The value of the aggregate contracted sales (including contracted sales of projects of joint ventures and associates) during the period amounted to approximately RMB48.91 billion, representing a period-to-period increase of 3.2%. During the period, the contracted sales value of the Guangzhou projects amounted to approximately RMB29.34 billion, representing a period-to-period increase of 10.4%.
- The Group has newly acquired 16 land parcels located in 7 cities through the “6+1” diversified land acquisition model, with a total GFA of approximately 3.46 million sq.m. during the period. As of 30 June, the total landbank was approximately 28.60 million sq.m., and the landbank of Greater Bay Area was 15.12 million sq.m., accounting for approximately 52.9% of the total landbank.
- During the period, the Group obtained one TOD project in cities outside the Greater Bay Area for the first time, and achieved new breakthroughs in the national expansion of its TOD model by newly acquiring the Hangzhou Gouzhuang TOD project with a total GFA of 0.37 million sq.m.. It also acquired the Pazhou South TOD Project in Guangzhou from the parent company with a total GFA of 0.43 million sq.m.. As of 30 June, the total landbank of the Group’s TOD projects amounted to approximately 3.59 million sq.m., accounting for approximately 12.6% of the Group’s total landbank. During the period, the contracted sales value of TOD projects amounted to approximately RMB12.07 billion, representing a period-to-period increase of 58.8%.

- As of 30 June, the “Three Red Lines” indicators of the Group were in “green lights”, with total liabilities/total assets ratio (excluding unearned revenue) of 69.4%, net gearing ratio of 59.7% and cash to short-term debt ratio of 1.45 times. The financial position was healthy and sound.
- The Group successfully issued a total of RMB6.15 billion of onshore corporate bonds. The “3+2” maturity annual coupon rates range from 2.84% to 2.90%, and the “5+2” maturity annual coupon rates range from 3.35% to 3.38%. The Group’s average borrowing interest rate for the period was 4.11%, representing a period-to-period decrease of 34 bpts and showing a continuously optimised debt structure and financing costs as well as diversified financing channels.
- The Board has proposed to declare an interim dividend for 2022 of HKD0.319 per share (equivalent to RMB0.275 per share), representing a period-to-period decrease of 2.1% in terms of HKD. The payout ratio was 40% of the core net profit which was the same as last year.

• Revenue	RMB31.29 billion (+29.1%)
• Gross profit margin	21.2% (-5.6 percentage points)
• Profit attributable to equity holders	RMB1.71 billion (-25.8%)
• Core net profit	RMB2.13 billion (+1.4%)
• Contracted sales value	RMB48.91 billion (+3.2%)
• Unrecognised sales value	RMB156.35 billion (+3.8%)
• Total assets	RMB320.95 billion (+2.3%)
• Cash and cash equivalents and charged bank deposits	RMB39.05 billion (-3.6%)
• Net gearing ratio**	59.7% (+12.6 percentage points)

* Core net profit represents profit attributable to equity holders excluding net foreign exchange (losses)/gains recognised in the consolidated statement of profit or loss and net fair value (losses)/gains on revaluation of investment properties held on a continuing basis (excluding investment properties disposed during the period) and the related tax effect.

** 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 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		Six months ended 30 June	
	Note	2022	2021
		RMB'000	RMB'000
Revenue	3	31,292,681	24,236,131
Cost of sales	4	<u>(24,647,220)</u>	<u>(17,749,816)</u>
Gross profit		6,645,461	6,486,315
Proceeds from sales of investment properties		–	5,678
Direct costs of investment properties sold		–	(4,979)
Gain on sales of investment properties, net		–	699
Other (losses)/gains, net	5	(59,321)	86,128
Selling and marketing costs	4	(710,283)	(565,734)
Administrative expenses	4	<u>(650,841)</u>	<u>(543,489)</u>
Operating profit		5,225,016	5,463,919
Finance income	6	412,541	350,693
Finance costs	7	(551,949)	(116,322)
Share of profits/(losses) of			
– joint ventures		39,762	18,786
– associates		<u>(32,541)</u>	<u>84,197</u>
Profit before taxation		5,092,829	5,801,273
Taxation	8	<u>(2,509,573)</u>	<u>(3,100,796)</u>
Profit for the period		<u>2,583,256</u>	<u>2,700,477</u>

	Unaudited	
	Six months ended 30 June	
<i>Note</i>	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Attributable to		
Equity holders of the Company	1,707,123	2,300,418
Non-controlling interests	<u>876,133</u>	<u>400,059</u>
	<u>2,583,256</u>	<u>2,700,477</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)		
– Basic and diluted	9 <u>0.5513</u>	<u>0.7429</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	2,583,256	2,700,477
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Exchange differences on translation of foreign operations	(137,144)	34,462
Cash flow hedges	(359,253)	(34,037)
<u>Items that will not be reclassified to profit or loss</u>		
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	(25,767)
Other comprehensive loss for the period, net of tax	(496,397)	(25,342)
Total comprehensive income for the period	<u>2,086,859</u>	<u>2,675,135</u>
Attributable to		
Equity holders of the Company	1,210,726	2,276,478
Non-controlling interests	876,133	398,657
	<u>2,086,859</u>	<u>2,675,135</u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022**

	<i>Note</i>	As at	
		30 June	31 December
		2022	2021
		<i>Unaudited</i>	<i>Audited</i>
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	4,173,582	3,896,133
Right-of-use assets		4,058,103	4,026,733
Investment properties	12	10,912,073	10,982,210
Intangible assets		456,644	428,829
Properties under development		5,317,539	5,185,027
Interests in joint ventures		8,227,787	6,597,248
Interests in associates		23,782,168	16,951,174
Financial assets at fair value through other comprehensive income		1,033,583	1,033,583
Deferred tax assets	16	1,941,688	1,950,402
		<u>59,903,167</u>	<u>51,051,339</u>
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Current assets			
Properties under development		160,658,093	153,720,888
Properties held for sale		21,171,543	26,639,579
Contract costs		1,007,779	1,201,153
Prepayments for land use rights		10,763,097	10,381,810
Trade receivables	13	368,564	125,785
Other receivables, prepayments and deposits		21,800,471	25,309,247
Prepaid taxation		6,222,977	4,926,038
Charged bank deposits		12,986,184	7,732,591
Cash and cash equivalents		26,067,676	32,766,455
		<u>261,046,384</u>	<u>262,803,546</u>
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		As at	
	Note	30 June 2022 <i>Unaudited</i> RMB'000	31 December 2021 <i>Audited</i> RMB'000
LIABILITIES			
Current liabilities			
Trade and note payables	14	1,449,715	1,612,842
Contract liabilities		71,987,574	73,177,086
Other payables and accrued charges		64,615,947	67,173,384
Borrowings	15	26,958,779	29,801,844
Lease liabilities		216,550	177,195
Taxation payable		10,307,503	10,678,441
		<u>175,536,068</u>	<u>182,620,792</u>
Net current assets		<u>85,510,316</u>	<u>80,182,754</u>
Total assets less current liabilities		<u>145,413,483</u>	<u>131,234,093</u>
Non-current liabilities			
Borrowings	15	57,615,946	45,732,320
Lease liabilities		748,945	694,008
Deferred tax liabilities	16	5,555,850	5,955,143
Deferred revenue		49,343	50,241
Derivative financial instruments		460,043	411,599
Other payables and accrued charges		4,726,427	4,024,033
		<u>69,156,554</u>	<u>56,867,344</u>
Net assets		<u>76,256,929</u>	<u>74,366,749</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		18,035,015	18,035,015
Shares held under share award scheme		(254,302)	(193,282)
Other reserves		2,431,594	2,557,363
Retained earnings		26,475,237	25,836,974
		<u>46,687,544</u>	<u>46,236,070</u>
Non-controlling interests		29,569,385	28,130,679
Total equity		<u>76,256,929</u>	<u>74,366,749</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities		
Net cash generated from operations	4,321,480	5,100,229
Interest received	209,862	303,390
Interest paid	(1,582,415)	(2,263,631)
Hong Kong profits tax paid	(1,197)	(4,519)
China taxation paid	(4,566,832)	(2,686,561)
	<u>(4,566,832)</u>	<u>(2,686,561)</u>
Net cash (used in)/generated from operating activities	(1,619,102)	448,908
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Investing activities		
Acquisition of subsidiaries, net cash paid	—	(2,208,049)
Proceeds from disposal of subsidiaries	3,532,008	—
Purchases of property, plant and equipment and intangible assets	(395,266)	(484,098)
Purchases of investment property	(245,389)	(308,558)
Proceeds from sale of investment properties	—	5,678
Proceeds from sale of property, plant and equipment	31,593	17,835
Dividends received from associates	222,473	103,296
Increase in charged bank deposits	(5,253,593)	(1,899,111)
Capital injection in associates	(1,487,516)	(677,995)
Capital injection in joint ventures	(79,300)	(464,784)
Capital reduction from a joint venture	4,000	—
Increase in interests in associates and joint ventures	(3,432,589)	(328,476)
Decrease in interests in associates and joint ventures	1,041,780	213,623
Decrease / (increase) in amounts due from associates and joint ventures	1,015,762	(1,427,606)
(Increase)/decrease in amount due from other related parties	(564,112)	1,916
Increase in amounts due from related parties of non-controlling interests and non-controlling interests	(413,103)	(2,274,873)
	<u>(413,103)</u>	<u>(2,274,873)</u>
Net cash used in investing activities	(6,023,252)	(9,731,202)
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	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Financing activities		
Capital contribution from non-controlling interests	871,831	3,727,988
(Decrease)/increase in amounts due to joint ventures and associates	(1,885,474)	599,197
Decrease in amounts due to other related parties	(5,022,055)	(2,974,628)
Increase in amount due to related parties of non-controlling interests and non-controlling interests	447,529	2,158,305
Proceeds from bank borrowings	22,963,079	15,302,899
Repayment of bank borrowings	(18,590,628)	(9,529,897)
Proceeds from other borrowing from an immediate holding company	—	5,246,416
Repayment of other borrowing from an immediate holding company	—	(5,246,416)
Proceeds from other borrowings – others	7,943,850	6,668,080
Repayment of other borrowings – others	(4,383,000)	(5,751,337)
Repayments to financial institutions under supplier finance arrangements	(1,333,157)	—
Decrease in bank overdraft	(10)	(3)
Repayment for lease liabilities	(92,469)	(101,891)
	<u>919,496</u>	<u>10,098,713</u>
Net cash generated from financing activities		
(Decrease)/increase in cash and cash equivalents	(6,722,858)	816,419
Cash and cash equivalents at the beginning of period	32,766,425	28,213,669
Exchange gain/(loss) on cash and cash equivalents	24,089	(20,495)
	<u>26,067,656</u>	<u>29,009,593</u>
Cash and cash equivalents at the end of period		
Analysis of balances of cash and cash equivalents		
Bank balances and cash	26,067,676	29,009,622
Bank overdrafts	(20)	(29)
	<u>26,067,656</u>	<u>29,009,593</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 2022 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 31 December 2021 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021 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 2022 and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards and interpretation as set out below.

- (a) The following amendments to existing standards are mandatory for adoption for the financial year beginning 1 January 2022 for the Group:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

The Group has assessed the impact of the adoption of these amended standards that are effective for the first time for this interim period. The adoption of these amended standards did not result in any significant impact on the results and financial position of the Group.

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2022 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 4 (Amendments)	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

The above new standards, amendments to existing standards and interpretation are effective for annual periods beginning on or after 1 January 2023 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.

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 decoration services, etc.

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

Total assets excluded deferred tax assets, 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 is measured in a manner consistent with that in the condensed consolidated statement of profit or loss.

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Six months ended 30 June 2022					
Revenue	29,837,809	1,089,938	190,102	2,348,291	33,466,140
Inter-segment revenue	—	(329,966)	(10,024)	(1,833,469)	(2,173,459)
Revenue from external customers	<u>29,837,809</u>	<u>759,972</u>	<u>180,078</u>	<u>514,822</u>	<u>31,292,681</u>
Revenue from contracts with customers:					
Recognised at a point in time	29,837,809	20,530	—	449,131	30,307,470
Recognised over time	—	739,442	—	65,691	805,133
Revenue from other sources:					
Rental income	—	—	180,078	—	180,078
	<u>29,837,809</u>	<u>759,972</u>	<u>180,078</u>	<u>514,822</u>	<u>31,292,681</u>
Segment results	<u>5,095,750</u>	<u>128,023</u>	<u>(27,719)</u>	<u>7,851</u>	<u>5,203,905</u>
Depreciation and amortisation	<u>(93,549)</u>	<u>(45,981)</u>	<u>—</u>	<u>(61,126)</u>	<u>(200,656)</u>
Fair value losses on revaluation of investment properties, net	<u>—</u>	<u>—</u>	<u>(82,066)</u>	<u>—</u>	<u>(82,066)</u>
Share of profits/(losses) of:					
– joint ventures	41,704	282	—	(2,224)	39,762
– associates	<u>119,586</u>	<u>—</u>	<u>(189,950)</u>	<u>37,823</u>	<u>(32,541)</u>

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Six months ended 30 June 2021					
Revenue	22,467,611	958,185	367,375	1,705,205	25,498,376
Inter-segment revenue	—	(255,653)	(17,784)	(988,808)	(1,262,245)
	<u>22,467,611</u>	<u>702,532</u>	<u>349,591</u>	<u>716,397</u>	<u>24,236,131</u>
Revenue from external customers					
Revenue from contracts with customers:					
Recognised at a point in time	22,467,611	25,090	—	214,652	22,707,353
Recognised over time	—	677,442	—	501,745	1,179,187
	<u>—</u>	<u>677,442</u>	<u>—</u>	<u>501,745</u>	<u>1,179,187</u>
Revenue from other sources:					
Rental income	—	—	349,591	—	349,591
	<u>—</u>	<u>—</u>	<u>349,591</u>	<u>—</u>	<u>349,591</u>
	<u>22,467,611</u>	<u>702,532</u>	<u>349,591</u>	<u>716,397</u>	<u>24,236,131</u>
Segment results	<u>5,007,754</u>	<u>192,402</u>	<u>253,698</u>	<u>8,821</u>	<u>5,462,675</u>
Depreciation and amortisation	<u>(75,337)</u>	<u>(42,432)</u>	<u>—</u>	<u>(57,257)</u>	<u>(175,026)</u>
Fair value gains on revaluation of investment properties, net	<u>—</u>	<u>—</u>	<u>71,082</u>	<u>—</u>	<u>71,082</u>
Share of profits/(losses) of:					
– joint ventures	23,242	270	—	(4,726)	18,786
– associates	(34,046)	—	113,025	5,218	84,197
	<u>(34,046)</u>	<u>—</u>	<u>113,025</u>	<u>5,218</u>	<u>84,197</u>

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
As at 30 June 2022					
Segment assets	260,025,041	5,267,951	10,912,073	3,803,975	280,009,040
Interests in joint ventures	8,188,172	1,099	—	38,516	8,227,787
Interests in associates	14,022,776	—	8,578,601	1,180,791	23,782,168
	<u>282,235,989</u>	<u>5,269,050</u>	<u>19,490,674</u>	<u>5,023,282</u>	<u>312,018,995</u>
Total reportable segments' assets					
Total reportable segments' assets include:					
Additions to non-current assets (<i>note</i>)	464,957	50,571	—	100,724	616,252
	<u>464,957</u>	<u>50,571</u>	<u>—</u>	<u>100,724</u>	<u>616,252</u>
As at 31 December 2021					
Segment assets	258,672,270	4,931,469	10,982,210	4,243,032	278,828,981
Interests in joint ventures	6,516,006	817	—	80,425	6,597,248
Interests in associates	8,321,580	—	7,451,280	1,178,314	16,951,174
	<u>273,509,856</u>	<u>4,932,286</u>	<u>18,433,490</u>	<u>5,501,771</u>	<u>302,377,403</u>
Total reportable segments' assets					
Total reportable segments' assets include:					
Additions to non-current assets (<i>note</i>)	862,256	41,326	169,090	380,108	1,452,780
	<u>862,256</u>	<u>41,326</u>	<u>169,090</u>	<u>380,108</u>	<u>1,452,780</u>

Note: Non-current assets represent non-current assets other than properties under development, financial instruments, interests in joint ventures, interests in associates and deferred tax assets.

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	5,203,905	5,462,675
Unallocated operating costs (<i>note</i>)	(1,634)	(13,802)
Other gains, net (excluding fair value (losses)/gains on revaluation of investment properties) (<i>note 5</i>)	22,745	15,046
	<u>5,225,016</u>	<u>5,463,919</u>
Operating profit		
Finance income (<i>note 6</i>)	412,541	350,693
Finance costs (<i>note 7</i>)	(551,949)	(116,322)
Share of profits/(losses) of:		
– joint ventures	39,762	18,786
– associates	(32,541)	84,197
	<u>5,092,829</u>	<u>5,801,273</u>
Profit before taxation		

Note: Unallocated operating costs include mainly staff salaries and other operating expenses of the Company.

A reconciliation of total segment assets to total assets is provided as follows:

	As at	
	30 June 2022 RMB'000	31 December 2021 RMB'000
Total reportable segments' assets	312,018,995	302,377,403
Deferred tax assets (<i>note 16</i>)	1,941,688	1,950,402
Prepaid taxation	6,222,977	4,926,038
Corporate assets (<i>note</i>)	765,891	4,601,042
	<u>320,949,551</u>	<u>313,854,885</u>

Note: Corporate assets represent property, plant and equipment, right-of-use assets, other receivables and cash and cash equivalent of the Company.

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.

For the six months ended 30 June 2022, the Group does not have any single customer with the transaction value over 10% of the Group's total external sales (six months ended 30 June 2021: none).

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Other tax and surcharges	213,887	207,074
Amortisation of right-of-use assets	109,086	95,934
Depreciation of property, plant and equipment (<i>note 11</i>)	66,715	45,914
Amortisation of intangible assets	24,855	33,178
Provision for impairment of properties under development and properties held for sale	218,587	218,360
	<u>218,587</u>	<u>218,360</u>

5 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Fair value (losses)/gains on revaluation of investment properties, net	(82,066)	71,082
Others	22,745	15,046
	<u>(59,321)</u>	<u>86,128</u>

6 FINANCE INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest income from bank deposits	209,862	193,347
Interest income from loans to related parties (excluding bank deposit) (note 19 (b)(I))	112,539	132,850
Interest income from non-controlling interest (“NCI”) and related parties of NCI	12,699	24,496
Other interest income	77,441	–
	<u>412,541</u>	<u>350,693</u>

7 FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest on borrowings and bank overdrafts	858,852	660,014
Interest on other borrowings	899,945	989,270
Interest on loan from related parties (note 19 (b)(II))	214,424	234,368
Interest on loan from NCI and related parties of NCI (note)	164,064	144,693
Interest expense on lease liabilities	15,117	16,457
Net fair value (gains)/losses on derivative financial instruments	(18,326)	691
Net foreign exchange losses/(gains)	95,118	(134,268)
	<u>2,229,194</u>	<u>1,911,225</u>
Total borrowing costs incurred	2,229,194	1,911,225
Less: amount capitalised as properties under development and property, plant and equipment	<u>(1,677,245)</u>	<u>(1,794,903)</u>
	<u>551,949</u>	<u>116,322</u>

Note:

The amount represents interest on the amounts of subsidiaries of the Group due to NCI and related parties of NCI. Out of the total amount of approximately RMB10,505 million (31 December 2021: RMB8,125 million), the interest bearing balance is approximately RMB6,361 million as at 30 June 2022 (31 December 2021: RMB3,856 million) and bears interest at a weighted average rate of 6.45% per annum (2021: 6.82% per annum). 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 (2021: 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, associates and joint ventures in China at 25 percent (2021: 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 of 10 percent. During the period, withholding income tax was provided for dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, joint ventures and associates in China at tax rates of 10 percent.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current taxation		
– China enterprise income tax	1,496,626	1,496,020
– China land appreciation tax	1,120,299	1,447,584
– Corporate withholding income tax	279,384	313,262
Deferred taxation		
– Origination and reversal of temporary differences	(275,441)	(166,715)
– China land appreciation tax	(22,419)	(24,363)
– Corporate withholding income tax on undistributed profits	(88,876)	35,008
	<u>2,509,573</u>	<u>3,100,796</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	
	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	<u>1,707,123</u>	<u>2,300,418</u>
Weighted average number of ordinary shares in issue ('000)	<u>3,096,456</u>	<u>3,096,456</u>
Basic earnings per share (RMB)	<u>0.5513</u>	<u>0.7429</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 2022, diluted earnings per share is equal to basic earnings per share (six months ended 30 June 2021: same).

10 DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
2021 final, declared and unpaid, of HKD0.328 equivalent to RMB0.265 (2020: HKD0.315 equivalent to RMB0.265) per ordinary share	<u>861,921</u>	<u>815,827</u>
2022 interim, proposed, of HKD0.319 equivalent to RMB0.275 (2021: HKD0.326 equivalent to RMB0.271 per ordinary share)	<u>851,525</u>	<u>839,140</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. It will be recognised in the shareholders' equity during the year ending 31 December 2022.

11 PROPERTY, PLANT AND EQUIPMENT

	2022	2021
	RMB'000	RMB'000
At 1 January	3,896,133	3,201,114
Additions	375,515	415,400
Disposals	(31,684)	(17,798)
Depreciation (<i>note 4</i>)	(66,715)	(45,914)
Exchange differences	333	(241)
	<u>4,173,582</u>	<u>3,552,561</u>
At 30 June	<u>4,173,582</u>	<u>3,552,561</u>

12 INVESTMENT PROPERTIES

	2022	2021
	RMB'000	RMB'000
At 1 January	10,982,210	16,076,236
Additions	—	46,279
Disposals	—	(4,979)
Fair value (losses)/gains, net	(82,066)	71,082
Exchange differences	11,929	(7,413)
	<u>10,912,073</u>	<u>16,181,205</u>
At 30 June	<u>10,912,073</u>	<u>16,181,205</u>

13 TRADE RECEIVABLES

The ageing analysis of trade receivables based on invoice date is as follows:

	As at	
	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	368,304	135,490
1 to 2 years	20,724	13,071
2 to 3 years	9,812	6,712
Over 3 years	9,068	8,805
	<hr/>	<hr/>
	407,908	164,078
Less: provision for impairment of trade receivables	(39,344)	(38,293)
	<hr/>	<hr/>
	368,564	125,785
	<hr/>	<hr/>

14 TRADE AND NOTE PAYABLES

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

	As at	
	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	448,809	663,944
31 - 90 days	148,422	305,863
91 - 180 days	409,875	302,893
181 - 365 days	233,759	310,792
1 - 2 years	184,911	9,338
Over 2 years	23,939	20,012
	<hr/>	<hr/>
	1,449,715	1,612,842
	<hr/>	<hr/>

15 BORROWINGS

	As at	
	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	12,667,531	6,189,243
– Unsecured	21,019,916	17,170,766
Other borrowings		
– Unsecured	23,928,499	22,372,311
	57,615,946	45,732,320
Current		
Bank overdrafts	20	30
Short-term bank borrowings		
– Unsecured	2,162,496	1,431,411
Current portion of long-term bank borrowings		
– Secured	1,403,363	4,952,137
– Unsecured	3,581,824	6,291,103
Other borrowings		
– Secured	–	377,170
– Unsecured	19,811,076	16,749,993
	26,958,779	29,801,844
Total borrowings	84,574,725	75,534,164

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other borrowings	
	As at		As at	
	30 June 2022 RMB'000	31 December 2021 RMB'000	30 June 2022 RMB'000	31 December 2021 RMB'000
Within one year	7,147,703	12,674,681	19,811,076	17,127,163
In the second year	6,654,516	6,986,723	4,079,465	8,725,019
In the third to fifth year	25,569,565	15,073,520	16,891,952	10,827,204
Over five years	1,463,366	1,299,766	2,957,082	2,820,088
	40,835,150	36,034,690	43,739,575	39,499,474

16 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 2022 and 31 December 2021 represents:

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
Deferred tax assets		
– China enterprise income tax	<u>1,941,688</u>	<u>1,950,402</u>
Deferred tax liabilities		
– Hong Kong profits tax	31,181	28,618
– China enterprise income tax and corporate withholding income tax	4,419,503	4,798,940
– China land appreciation tax	<u>1,105,166</u>	<u>1,127,585</u>
	<u>5,555,850</u>	<u>5,955,143</u>

17 GUARANTEES

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	24,902,012	29,521,899
Guarantees for banking and loan facility granted to associates (note (b))	5,792,450	4,766,454
Guarantees for banking and loan facilities granted to joint ventures (note (b))	<u>3,445,000</u>	<u>3,599,200</u>
	<u>34,139,462</u>	<u>37,887,553</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 2022, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB9,237 million (31 December 2021: RMB8,366 million) in respect of loans borrowed by joint ventures and associates of the Group, among which, guarantee of approximately RMB4,792 million (31 December 2021: RMB3,953 million) was utilised and guarantee of RMB4,445 million (31 December 2021: RMB4,413 million) was not utilised yet.

18 SECURITIES FOR BANKING FACILITIES

At 30 June 2022, certain banking facilities and loans granted to the Group were secured by mortgages of certain of the Group's properties under development with aggregate carrying values of approximately RMB17,784 million (31 December 2021: RMB18,817 million). There is no properties held for sale, investment properties, property, plant and equipment and right-of-use assets pledged as collateral (31 December 2021: RMB1,787 million, RMB364 million, RMB706 million, RMB7 million, respectively).

19 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is Guangzhou Yue Xiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the period ended 30 June 2022, and their relationship with the Company as at 30 June 2022:

Significant related parties	Relationship with the Company
Guangzhou Yue Xiu Holdings Limited (“Guangzhou Yue Xiu”)	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited (“YXE”)	Immediate holding company
Guangzhou Metro Group Co., Ltd (“Guangzhou Metro”)	A shareholder
Yuexiu Real Estate Investment Trust (“Yuexiu REIT”)	An associate
廣州宏軒房地產開發有限公司(“廣州宏軒”)	An associate
廣州宏嘉房地產開發有限公司(“廣州宏嘉”)	An associate
廣州環擘房地產開發有限公司(“廣州環擘”)	An associate
廣州越宏房地產開發有限公司(“廣州越宏”)	An associate
武漢錦秀嘉合置業有限公司(“錦秀嘉合”)	An associate
湖北宏秀文苑城市開發有限公司(“湖北宏秀文苑”)	An associate
長沙長越房地產開發有限公司(“長沙長越”)	An associate
佛山市南海區龍光駿惠房地產有限公司(“龍光駿惠”)	An associate
佛山市南海區越佳房地產開發有限公司(“佛山越佳”)	An associate
東莞雋瑞房地產開發有限公司(“東莞雋瑞”)	A joint venture
成都人居興彭置業有限公司(“成都人居”)	A joint venture
廣州智聯汽車小鎮投資發展有限公司(“智聯汽車”)	A joint venture
成都人居興天府置業有限公司(“成都興天府”)	A joint venture
湖北宏秀房地產開發有限公司(“湖北宏秀”)	A joint venture
西咸新區紫塬泊漢置業有限公司(“西咸紫塬”)	A joint venture
長沙悅夢置業有限公司(“悅夢置業”)	A joint venture
廣州智能裝備科技創意園有限公司(“智能裝備”)	A joint venture
廣州敏秀房地產開發有限公司(“廣州敏秀”)	A joint venture
武漢安和盛泰房地產開發有限公司(“武漢安和盛泰”)	A joint venture
桐鄉市安豪投資管理有限公司(“桐鄉安豪”)	Entity with significant influence over certain subsidiaries
Chong Hing Bank Limited (“CHB”)	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd (“GYFL”)	A fellow subsidiary
廣州水泥股份有限公司(“廣州水泥”)	A fellow subsidiary
廣州造紙集團有限公司(“Guangzhou Paper”)	A fellow subsidiary
Guangzhou City Construction & Development Holdings Co.,Ltd. (“GCCD”)	A fellow subsidiary
美萊投資有限公司(“美萊投資”)	A fellow subsidiary

(b) Transactions with related parties

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(I) Interest income (<i>note 6</i>)		
– associates	53,295	80,436
– joint ventures	59,244	52,414
– a fellow subsidiary	12,464	23,366
	<u>125,003</u>	<u>156,216</u>
(II) Interest expense (<i>note 7</i>)		
– ultimate holding company	(33,343)	–
– a shareholder	(69,386)	(192,509)
– immediate holding company	(94,608)	(25,175)
– associates	(6,205)	(9,583)
– an entity with significant influence over certain subsidiaries	(4,680)	(4,680)
– a fellow subsidiary	(6,202)	(2,421)
	<u>(214,424)</u>	<u>(234,368)</u>
(III) Addition of right-of-use assets		
– associates	<u>131,462</u>	<u>23,765</u>
(IV) Rental income		
– fellow subsidiaries	<u>4,180</u>	<u>11,066</u>
(V) Short-term leases rental expenses		
– associates	(13,423)	(24,019)
– a shareholder	(891)	(327)
	<u>(14,314)</u>	<u>(24,346)</u>

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(VI) Consideration for equity transfer – a fellow subsidiary	<u>(30,400)</u>	<u>–</u>
(VII) Revenue from sales of materials		
– associates	18,454	331
– joint ventures	<u>133,620</u>	<u>2,892</u>
	<u>152,074</u>	<u>3,223</u>
(VIII) Property management service income		
– a fellow subsidiary	936	897
– a shareholder	<u>119,007</u>	<u>102,778</u>
	<u>119,943</u>	<u>103,675</u>
(IX) Others		
Tenancy service fees income from an associate	<u>14,968</u>	<u>21,876</u>
Naming right expense to an associate	<u>(10,000)</u>	<u>–</u>

The price of above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

(c) Balances with related parties

		30 June 2022	31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from recorded in current assets			
– a shareholder	(i), (ii)	290,000	–
– associates	(i), (ii)	2,906,884	6,632,683
– joint ventures	(ii), (iii)	1,222,995	1,759,631
– related companies	(i), (ii)	–	20,049
– fellow subsidiaries	(i), (ii)	11,771	17,827
– entities with significant influence over certain subsidiaries	(i), (ii)	4,805,197	4,518,302
Amount due from recorded in non-current assets	(iv)		
– associates		3,364,857	2,018,795
– joint ventures		4,414,674	3,164,494
Amount due to			
– ultimate holding company	(ii), (v)	(3,384,936)	–
– immediate holding company	(i), (ii)	(3,980,634)	(5,639,367)
– associates	(ii), (vi)	(11,462,549)	(12,952,084)
– joint ventures	(i),(ii)	(2,720,433)	(3,183,133)
– related companies	(i), (ii)	–	(34,503)
– fellow subsidiaries	(i), (ii)	(422,057)	(480,029)
– a shareholder	(ii), (vii)	(1,026,369)	(3,450,363)
– an entity with significant influence over certain subsidiaries	(ii), (viii)	(228,200)	(223,519)
Deposits in a fellow subsidiary	(ix)	1,969,983	3,028,159
Bank borrowing from a fellow subsidiary	(x)	(1,106,400)	(153,600)
Borrowing due to ultimate holding company		–	(2,500,000)
Lease liabilities	(xi)		
– immediate holding company		–	(31)
– associates		(190,273)	(12,619)
– a shareholder		(3,576)	(1,836)
– fellow subsidiaries		(183,061)	(201,269)
Trade receivables from a shareholder	(xii)	<u>104,206</u>	<u>59,868</u>

Except for the amount denominated in HKD and USD listed below, other balance with related party are denominated in RMB.

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in HKD		
Amount due from a joint venture	–	19,736
Amount due to an associate	(228,167)	(217,062)
Amount due to immediate holding company	(171)	(379,157)
Lease liabilities to immediate holding company	–	(31)
Bank deposit in a fellow subsidiary	67,418	583,865
Denominated in USD		
Bank deposit in at a fellow subsidiary	3,328	3,162
Amount due from an associate	<u>604,026</u>	<u>573,813</u>

Note:

- (i) These balances are unsecured, interest free and repayable or receivables on demand.
- (ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iii) Except for an amount of approximately RMB40,704,300 (31 December 2021: RMB65,082,000), which is unsecured and interest bearing at 8.50% (2021: 8.50%) per annum, an amount of approximately RMB154,037,000 (31 December 2021: nil) which is unsecured and interest bearing at 4.65% per annum and the remaining balances are unsecured, interest free and receivable on demand.
- (iv) These balances are included in interest in joint ventures and interest in associates. Except for the amount of approximately RMB1,547,176,000 (31 December 2021: RMB1,158,992,000), which is unsecured and interest bearing at 8.00% per annum (2021: 8.00%), an amount of approximately RMB43,700,000 (31 December 2021: RMB18,000,000) which is unsecured and weighted average interest bearing at 12.43% per annum (2021: 10%), the remaining balances are unsecured and interest free.
- (v) Except for an amount of approximately RMB3,260,946,000 (31 December 2021: nil) which is interest bearing at 6.50% per annum and has been fully repaid in July 2022, the remaining balances are unsecured, interest free and repayable on demand.
- (vi) Except for an amount of approximately RMB40,106,000 (31 December 2021: RMB40,160,000) which is unsecured and interest bearing at 9.00% per annum (2021: 9.00%), and an amount of approximately RMB206,363,000 (31 December 2021: RMB206,363,000) which is unsecured and interest bearing at 4.26% (2021: 4.31%) per annum, the remaining balances are unsecured, interest free and repayable on demand.
- (vii) Except for the principal of loan from a shareholder, Guangzhou Metro amounting to approximately RMB1,002,016,000 (31 December 2021: RMB3,227,347,000) which is interest bearing at 6.50% (2021: 6.50%) per annum and repayable from 2022 to 2025, and the interest payable in connection with the aforesaid loan which is paid quarterly, the remaining balances are unsecured, interest free and repayable on demand.

- (viii) Except for an amount of approximately RMB163,311,000 (31 December 2021: RMB163,311,000), which is unsecured and interest bearing at 5.70% (2021: 5.70%) per annum, the remaining balances are unsecured, interest free and repayable on demand.
- (ix) These balances are bank deposits maintained with a fellow subsidiary on normal commercial terms.
- (x) These balances were unsecured and interest bearing at 4.51% (2021: 4.54%) per annum.
- (xi) The Group leases office premises from an immediate holding company, associates and a fellow subsidiary. The monthly rents payable by the Group during the leasing terms are determined with reference to the prevailing market prices.
- (xii) The balance is receivable from Guangzhou Metro for the provision of property management services on normal commercial terms.

(d) Key management compensation

Key management compensation amounted to RMB5,366,000 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB5,238,000).

(e) Guarantee received

- (i) Guangzhou Yue Xiu provides corporate guarantee for the corporate bonds of Guangzhou City Construction & Development Co. Ltd, a subsidiary of the Group, amounted to approximately RMB17,633 million as at 30 June 2022 (31 December 2021: RMB15,477 million).
- (ii) Guangzhou Yue Xiu provides corporate guarantee for bank loan of Wuhan Kangjing Industrial Investment Co., Ltd, a subsidiary of the Group, amounted to RMB440 million as at 31 December 2021. The bank loan was repaid in January 2022.
- (iii) GCCD provides corporate guarantee for bank loan of Guangzhou City Construction & Development Group Nansha corporate Co. Ltd, a subsidiary of the Group, amounted to RMB30 million as at 30 June 2022 (31 December 2021: RMB30 million).
- (iv) GCCD provides corporate guarantee for other loan of Wuhan Kangjing Industrial Investment Co., Ltd., a subsidiary of the Group, amounted to RMB16 million as at 30 June 2022 (31 December 2021: RMB16 million).
- (v) Guangzhou Paper provides corporate guarantee for a bank loan of Guangzhou Yuexiu Haiyiyuan Health Management Co., Ltd., a subsidiary of the Group, amounted to RMB26 million as at 30 June 2022 (31 December 2021: RMB28 million).

(f) Provision of guarantee

The Group provides guarantee for the borrowing of associates and joint ventures, see note 17.

CHAIRMAN’S STATEMENT

I. BUSINESS REVIEW

ECONOMIC AND MARKET ENVIRONMENT

The first half of 2022 saw the resurgence of global COVID-19 pandemic, increasing inflation and rising geopolitical conflict. To control inflation, major countries and economies have accelerated their paces of interest rate hike. The growth of world economy slowed down significantly. In the first half of the year, China’s economy faced increased risks and complexity from internal and external environment with mounting downward pressures. The Chinese government put more efforts on the coordination of economic growth and pandemic prevention and control, and measures to motivate macro economy achieved results gradually. In the first half of the year, the gross domestic product increased by 2.5% period-to-period. Major economic indicators such as consumption, investment and exports continued to improve on a monthly basis. The economic growth rate led among the world’s major economies.

In the first half of the year, property regulatory policies remained to be based on the general principle of “housing for living instead of speculation” and “region-specific regulatory policies”, and of “stabilising land prices, housing prices, and expectation”. However, in response to the demand for stabilising macro economic growth, local governments began to introduce a series of policies to support and relax the restrictions on the real estate market from the second quarter, aiming to optimize the implementation of region-specific regulatory policies, support the reasonable rigid demand and demand for upgrade of residents and maintain the benign cycle and healthy development of the real estate industry. These policies mainly covered the relaxation of restrictions on purchases, loans and sales, housing provident fund loans, interest rate cut, tax and fee cut and exemption and purchase subsidies. The relaxation of regulatory policies has gradually demonstrated its support for the real estate market. The regulatory policies of Guangzhou, the central city of the Greater Bay Area where the Group operates, were also slightly loosened. Loosened and favorable regulatory policies were also introduced in other key cities in the Greater Bay Area such as Foshan, Zhongshan, Zhuhai and Jiangmen.

In the first half of the year, there were major changes in the domestic real estate market. According to the National Bureau of Statistics, the value and area of national commodity housing sales reported a period-to-period decline of 28.9% and 22.2%, respectively, in the first half of the year, and real estate investments declined by 5.4% period-to-period. The sales of property developers almost all recorded significant declines, in particular, the sales of those property developers with liquidity stress recorded dramatic declines. The market had a strong wait-and-see sentiment in general with weak demand, and the differentiation among sales in regions, cities and projects became more obvious. In spite of this, with the weakening

impact of the pandemic and the successive introduction and accelerated implementation of a series of policies to support economy and real estate in China, the market has been recovering gradually since May. The area and value of real estate sales have recorded big increase on a monthly basis with narrowing decrease period-to-period. The housing price gradually returned to a stable level, and the sales in the real estate market began to recover in general, but the differentiation in market performance continued. The Guangzhou market, a major investment market of the Group, also recovered gradually with significant differentiation in regions, where the market performance of the central and suburban areas remained relatively stable.

In land market, the overall scale of land supply and demand reported significant decline period-to-period, and the area of land supply and land transactions both reported significant decline period-to-period due to a number of factors such as the financial pressure in the real estate industry, the lack of confidence of buyers and the downward pressure on the economy. In the first half of the year, local governments continued to optimise and adjust the rules and conditions for land auctions, and increased the number of batches of centralised land auctions with an aim of “reducing premium and stabilising expectation”. The results of land auctions showed that the competition in the land market decreased with lower premium rate, the conditions for land auctions were significantly relaxed, and enterprises with sound financials and high-quality operations played main roles in the land market investments, but the differentiation in the land market in different cities also became more obvious.

In the first half of the year, the Group centered on the annual work theme of “pursuing steady growth with fine management and ‘three new capabilities’ as drivers”, strived to overcome the challenges brought about by the resurgence of the pandemic and economic downturn, and adopted proactive and precise operation strategies to achieve steady development in various businesses.

CONTINUOUS AND STEADY GROWTH IN OPERATING RESULTS

In the first half of the year, the Group realised revenue of approximately RMB31.29 billion, representing a period-to-period increase of 29.1%. Gross profit margin was approximately 21.2%, representing a period-to-period decrease of 5.6 percentage points. Profit attributable to equity holders was approximately RMB1.71 billion, representing a period-to-period decrease of 25.8%. Core net profit was approximately RMB2.13 billion, representing a period-to-period increase of 1.4%. Unrecognised sales value as of 30 June 2022 was RMB156.35 billion, representing an increase of 3.8% comparing with the beginning of the year.

The Board recommended to declare an interim dividend for 2022 of HKD0.319 per share (equivalent to RMB0.275 per share), representing a period-to-period decrease of 2.1%.

CONTRACTED SALES ACHIEVING GROWTH IN AN ADVERSE ENVIRONMENT

Against the strong wait-and-see sentiment in market brought about by the resurgence of the covid and economic downturn, the Group implemented precise marketing strategies, strengthened the integration of online and offline marketing channels, and effectively managed and controlled the pace of development and ensured sales supply. The Group formulated precise marketing strategy featuring “one city, one policy” and “one project, one policy” in accordance with the regulatory policies and market changes in the cities where those projects were located, and achieved growth in contracted sales in an adverse environment for the first half of the year, with the growth rate of contracted sales leading the industry. During the first half of the year, the Group recorded contracted sales value (including contracted sales of projects of joint ventures and associates) of approximately RMB48.91 billion, representing a period-to-period increase of 3.2%; the average selling price was approximately RMB27,500 per sq.m., representing a period-to-period increase of 4.2%.

The Group continued to deepen the implementation of the “1+4” national strategic layout, cultivated its core region the Greater Bay Area, and further expanded its business in Eastern China, Central China, Northern China and Western China. The Group prioritised the selection of advantageous areas and key cities for cultivation according to the scales of economies and real estate markets, industrial prospects, as well as population inflows in different cities, and concentrated on and cultivated the Greater Bay Area and Eastern China. In the first half of the year, the Group achieved contracted sales value of approximately RMB31.75 billion in the Greater Bay Area, accounting for approximately 64.9% of the Group’s contracted sales value. The Group achieved contracted sales value of approximately RMB29.34 billion in Guangzhou, representing a period-to-period increase of 10.4%. according to the ranking by CRIC (克爾瑞), the Group’s total sales value and attributable contracted sales value ranked first in the Guangzhou market. In Eastern China, the Group achieved continuous sales growth, with contracted sales of RMB7.41 billion for the first half of the year, representing a period-to-period increase of 13.7%. The Group achieved contracted sales of approximately RMB5.50 billion in Central China, representing a period-to-period increase of 8.6%.

PRUDENT INVESTMENT AND DIVERSIFIED LAND ACQUISITION

The Group proactively studied changes and impacts of land market policies, strengthened research on local markets, and formulated corresponding investment strategies. In the first half of the year, the Group adhered to prudent investment strategies of “one city, one policy” and “investment based on sales cash inflows”, adhered to the “1+4” regional investment layout, and invested more on the Greater Bay Area and Eastern China. By focusing on regions and cities which enjoy the advantages of economics, industrials and net population inflows, the Group selected the best among the outstanding investment projects. The Group will continue to reinforce its distinctive “6+1” diversified land acquisition platform. In the first half of the year, the Group increased its premium landbank in 7 cities through diversified means, laying a solid foundation for its sustainable and stable development.

The Group acquired 16 new land parcels in Guangzhou, Foshan, Zhongshan, Hangzhou, Hefei, Zhengzhou and Changsha during the reporting period at reasonable premiums and costs, with a total GFA of approximately 3.46 million sq.m. Among those, the Group acquired a total of 5 premium land parcels in Guangzhou, adding approximately 1.26 million sq.m., so that it could continue to strengthen its leading position in Guangzhou. The Group continued to improve “6+1” unique and diversified land acquisition platform with TOD, “city operation”, urban renewal, cooperation with SOEs, mergers and acquisitions, industry-driven acquisitions and open market auction, in order to enhance the Group’s land acquisition ability. In the first half of the year, the new land acquisitions through TOD model, industry-driven acquisitions and cooperation with SOEs accounted for 23.2%, 4.4% and 27.0% respectively. The Group acquired new lands in a diversified manner and the land costs were effectively controlled.

As of 30 June, the total landbank of the Group amounted to approximately 28.60 million sq.m., located in 30 cities in China, which can meet the Group’s sustainable development. The Group continued to deepen the cultivation in the Greater Bay Area and Guangzhou, with a total landbank of approximately 15.12 million sq.m. and 12.92 million sq.m. respectively, accounting for approximately 52.9% and 45.2% of the Group’s total landbank respectively.

NEW BREAKTHROUGHS IN TOD NATIONAL EXPANSION

In the first half of the year, the Group successfully acquired Pazhou South TOD Project in Guangzhou from Yuexiu Group, resulting an increase of approximately 0.43 million sq.m. of TOD landbank. The Group acquired the Gouzhuang TOD project by public tender at Hangzhou Equity Exchange, further increasing approximately 0.37 million sq.m. of TOD landbank. The Hangzhou Gouzhuang TOD project is the Group’s first TOD project outside Guangzhou and the Greater Bay Area, as well as the Group’s first cooperation project with Hangzhou Metro, marking a new breakthrough in national layout of the Group’s TOD projects, definitely accelerating the development of the Group’s national TOD expansion. After years of research and experience, the Group’s TOD Institute has officially launched Yuexiu Property TOD technology and management standardisation system, and plans to apply such “standardisation system” in existing TOD projects, which will effectively support the Group’s TOD layout and expansion in China.

As of the end of June, the Group had 8 TOD projects under development in Guangzhou and Hangzhou. The total landbank of TOD projects reached 3.59 million sq.m., accounting for approximately 12.6% of the total landbank of the Group.

In the first half of the year, the Group’s TOD projects in Guangzhou achieved a total contracted sales value of approximately RMB12.07 billion, representing a period-to-period increase of 58.8%, accounting for approximately 24.7% of the total contracted sales value of the Group in the first half of the year. Among these projects, Pazhou South TOD project realized sales for approximately RMB5.79 billion, Infinity TOD for approximately RMB1.28 billion, Melody TOD for approximately RMB3.01 billion and TOD Town for approximately RMB1.34 billion.

STEADILY PROMOTE THE “COORDINATED RESIDENTIAL AND COMMERCIAL DEVELOPMENT” STRATEGY

During the reporting period, due to the impact of the re-surgence of the covid and the economic downturn, the operation performance of commercial properties in China had also been affected to varying degrees. In the first half of the year, despite covid resurgences in Guangzhou, the overall pandemic situation was effectively controlled and Guangzhou's economy showed a steady recovery trend. The overall office buildings leasing market remained stable, and TMT, financial sectors and professional service companies had stable leasing demand.

The Group upheld the strategy of “Coordinated Residential and Commercial Development”, continuously optimised the operational and tenant acquisition strategies of the relevant business segments according to market changes, strengthened the integration of online and offline marketing, enhanced cooperation with the government and various associations, expanded tenant acquisition channels, and optimised customer structures. The Group actively increased income and reduced expenditures, implemented refined management and effectively controlled operating costs. In the first half of the year, the Group recorded a rental income from commercial properties directly held by it of RMB0.18 billion, and Yuexiu REIT, in which the Group holds 39.99% interest, recorded a revenue of approximately RMB0.94 billion, representing a period-to-period increase of 7.0%. The office assets of Yuexiu REIT maintained steady performance, with a rental income of RMB0.64 billion in the first half of the year, representing a period-to-period increase of 37.1%, demonstrating a strong anti-cyclical and anti-risk ability.

PRUDENT AND SAFE FINANCIAL POSITION

In the first half of the year, the property market experienced major downturns and adjustments, the overall sales in the industry dropped sharply, and liquidity stress for some property developers continued. In response to market changes, on the one hand, the Group accelerated the sales of properties and cash flow recovery, and on the other hand, expanded financing channels to ensure financial health and liquidity safety. As of the end of June, the Group's cash and cash equivalents and charged bank deposits amounted to approximately RMB39.05 billion. With the total liabilities/total assets ratio (excluding unearned revenue) of 69.4%, the net gearing ratio of 59.7%, and the cash to short-term debt ratio of 1.45 times, the “Three Red Lines” indicators of the Group remained in “green lights”. The Company has sufficient liquidity as well as a sound capital structure.

The Group continued to strengthen capital management and reduce financing costs. In the first half of the year, the Group took advantage of the market financing environment in China and successfully issued a total of RMB6.15 billion of onshore corporate bonds. The “3+2” years annual coupon rates range from 2.84 to 2.90%, and the “5+2” years annual coupon rates range from 3.35 to 3.38%. During the period, the Group's average cost of borrowing decreased by 34 basis points period-to-period to 4.11%, leading among the industry in terms of financing costs. The Group continued to maintain its credit ratings of investment grade by Moody's and Fitch with stable outlooks.

II. BUSINESS OUTLOOK

Looking forward to the second half of the year, as the COVID-19 may likely to recur, inflation is running at a high level, interest rates in major countries and economies are increasing at a higher rate and faster pace, it is expected that global economic growth will continue to slow down. The gradual withdrawal of quantitative easing policy and impact of the pandemic on the global supply chain will result in higher risks and greater uncertainty for the global economic growth and the financial market performance. Besides, geopolitical risks and conflicts will also pose certain risks to the stability of the global economic growth and development. Although China's economy has gradually recovered with the support of easing stimulus policies, the possible resurgence of the covid, weak consumer momentum, instability in the global supply chain and the risk of a downward market in the real estate sector will pose challenges to China's economic growth in the second half of the year. In the second half of this year, stabilising economic growth will remain to be the main goal of economic work for the central government. The central government is expected to continue to intensify its efforts to stabilise macroeconomic growth, adopt a proactive fiscal policy and a prudent and loose monetary policy, and maintain a reasonable level of adequate liquidity, so as to continue to consolidate the foundation of economic recovery and promote the steady development of the economy.

In respect of the property policies, the government's regulatory policies will continue to remain consistent and stable. Under the background where the keynote of policies for positioning "housing for living instead of speculation", and stabilising land premium, housing price and expectation remains unchanged, the local governments are expected to issue various policies and measures supporting the property market more actively, so as to better support the property market to meet the reasonable demand of home buyers and promote the benign cycle and healthy development of the real estate industry.

In the second half of the year, it is expected that the property market will gradually recover with increased supporting policies of local governments, but the total transaction volume in the market throughout the year will be moderately decreased, and the market regional differentiation will intensify. The market in tier-1 and strong tier-2 cities and metropolitan areas including the Greater Bay Area and the Yangtze River Delta will be the first to rebound. The competitive landscape of the property market will also change significantly, and the industry will enter an era of quality competition, and property enterprises with high level indebtedness and leverage will be gradually eliminated, with market concentration continuing to rise. Sound and quality property developers will gain competitive advantages in terms of access to capital and other resources, and will be in a favorable position in the future market competition. Under the bottom line of the policy of "housing for living instead of speculation", housing prices are expected to remain stable in general. The government will continue to optimise and adjust the methods, rules and conditions of land transfer. With the rebound of the sales market, the land market is expected to gradually pick up in the second half of the year, but the market will be further differentiated and the competitive landscape in the land market will continue to change, with the intensity of competition in the market decreasing.

ACHIEVING VARIOUS ANNUAL OPERATION TARGETS

The Group will seriously study market environment and policy changes and grasp good opportunities in the market to overcome challenges brought about by the economy, the market and the pandemic and to achieve the annual sales and various operating goals it has set. The Group will make full use of the favourable opportunity presented by the implementation of specific measures under the “Master Plan of Guangzhou Nansha on Deepening Comprehensive Cooperation between Guangdong, Hong Kong and Macao with Global Perspective” to serve Guangzhou and Nansha, consolidate the Group’s leading position in the market shares of Guangzhou and Nansha, and continue to cultivate and focus on the development of the Guangdong-Hong Kong-Macao Greater Bay Area. In terms of sales, in response to the changes of the market, the Group will seek to achieve full year sales target and cash collection rate by continuing to implement precise sales strategies of “one city, one policy” and “one project, one policy”, ensuring supplies, sales and cash collections, enhancing the level of sell-through rate, integrating online and offline sales channels, and leveraging the digital marketing platform of “Yuexiu Fangbao” (越秀房寶) to strengthen the construction of its own sales channels. In terms of operations, the Group will strengthen the management of the entire project development cycle, optimise the integrated management of products, procurement, costs and construction, accelerate project turnover rate and improve development efficiency to guarantee sufficient supplies in sales and ensure that projects are delivered and completed as scheduled with high quality. The Group will continue to improve product competitiveness, design the products more suitable for rigid, improved and other self-occupation demands, optimise the standard of products and the green housing product system, and continuously upgrade unique TOD product line and service system.

IMPLEMENTATION OF PRUDENT INVESTMENT STRATEGY OF “INVESTMENT BASED ON SALES CASH INFLOWS”

In the second half of the year, the Group will continue to make prudent investments by adhering to the prudent investment strategy of “investment based on sales cash inflows” and upholding the investment principle of “one city, one policy”. In terms of regional investment layout, the Group will concentrate on advantageous areas for continuous cultivation, and select the best among the outstanding ones to seize the optimal investment opportunities. The investment resources will be preferentially invested to the regions and cities in which the Group has already entered and where they enjoy the advantages of economics, industrials and net population inflows. The Group will focus on its investment in the Greater Bay Area and Eastern China, as well as quality provincial capitals.

The Group will continue to reinforce and optimise the “6+1” diversified and unique land acquisition platform and increase premium landbank, laying a foundation for continuous and stable development. The Group will continue to deepen its strategic cooperation with Guangzhou Metro Group and continuously increase premium TOD projects in the Greater Bay Area. Meanwhile, the Group will take the first cooperative project with Hangzhou Metro as an opportunity to continuously explore TOD projects outside the Greater Bay Area, accelerate the acquisitions for nationwide TOD projects and continuously deepen the land acquisition model of “city operation”. The Group will increase its efforts to acquire urban renewal projects, strengthen its research on urban renewal policies, and enhance cooperation with urban renewal

platforms of governments at all levels and enterprises which own urban renewal projects, focusing on the redevelopment of old villages and increasing its efforts in renewal project M&As. The Group will continue to strengthen cooperation with various types of state-owned enterprises and introduce industrial resources to strengthen the model of industry driven land acquisitions. The Group will increase its efforts in acquiring quality projects in the market M&As. In terms of obtaining auctioned land, the Group will fully study the trend of policies change, market and industry cycle, so as to strengthen market research, better understand rules and policies, and optimise land reserve structure, select the best projects among the outstanding ones for optimizing its landbank portfolio.

DEEPENING THE “COORDINATED RESIDENTIAL AND COMMERCIAL DEVELOPMENT” STRATEGY

Continuously upholding the strategy of “Coordinated Residential and Commercial Development”, the Group will steadily increase the contribution of commercial properties performance to its financial results, build a full-cycle asset management platform, increase the scale of commercial assets and enhance the professional operation capability for commercial properties. The Group will build on its positioning as an asset manager to proactively manage and enhance the operation capability for commercial properties and create unique commercial product lines. The Group will continue to optimise the organisational control capability of its commercial properties, and emphasise on improving both the capabilities and efficiency in commercial property operations and elevating operation standard to realise the growth in scale. First, by researching cities, industries, markets, and customers, the Group will optimise project positioning and customer structures, implement effective rental policies. The Group will continue to enhance its operational efficiency and commercial property values by increasing its operational capabilities for its commercial properties. Next, the Group will proactively promote an asset management model for commercial properties, and continue to improve the management scale and efficiency of commercial properties.

ADHERING TO PRUDENT AND SAFE FINANCIAL POLICIES

The Group will pay close attention to liquidity risks resulting from changes in the market, continue to enhance cash collection rate, and ensure good debt management and the management of cash flows from operating activities. The Group will maintain effective domestic and overseas financing channels, strengthen the overall management of onshore and offshore funds to increase efficiency in capital utilisation, and keep the “Three Red Lines” indicators staying in “green lights”. The Group will continue to reduce financing costs. Meanwhile, the Group will continue to optimise its debt structure, maintain a reasonable level of financing scale and actively control exchange rate fluctuation risks. To identify and prevent risk dynamically, the Group will continue to optimise its operational and financial risk monitoring system. The Group will continue to maintain its investment-grade credit ratings of Moody’s and Fitch.

ACKNOWLEDGEMENTS

2022 is a critical year for implementation of the “14th Five-Year Plan” for the Group. With “Refined Management” and “New Capabilities, New Mechanisms and New Culture” as the new development objectives and driving forces, the Group will pursue sustainable and steady development in the new landscape of competition in the industry. Adhering to the high-quality, sustainable and steady development, the Group will constantly strive to improve the return on shareholder’s capital and value. With respect to the Group’s achievements in remarkable results and development in a variety of businesses, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless 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 2022, the Group realised revenue of approximately RMB31.29 billion (in the first half of 2021: RMB24.24 billion), representing a period-to-period increase of 29.1%. The gross profit was approximately RMB6.65 billion (in the first half of 2021: RMB6.49 billion), representing a period-to-period increase of 2.5%, and the gross profit margin was approximately 21.2%, representing a period-to-period decrease of 5.6 percentage points.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In the first half of 2022, profit attributable to equity holders of the Group was approximately RMB1.71 billion (in the first half of 2021: RMB2.30 billion), representing a period-to-period decrease of 25.8%, which was mainly due to the foreign exchange losses arising from fluctuations in RMB exchange rates and the net fair value losses on revaluation of investment properties. The core net profit* excluding foreign exchange losses and net fair value losses on revaluation of investment properties was approximately RMB2.13 billion (in the first half of 2021: RMB2.10 billion), representing a period-to-period increase of 1.4%, and the core net profit margin reached approximately 6.8%.

CONTRACTED SALES

In the first half of 2022, the Group recorded aggregate contracted sales value (including sales of projects of joint ventures and associates) of approximately RMB48.91 billion, representing a period-to-period increase of 3.2%, and achieving 39.6% of the full year contracted sales target of RMB123.5 billion. The aggregate contracted sales GFA (including sales of projects of joint ventures and associates) amounted to approximately 1.78 million sq.m., representing a period-to-period decrease of 0.8%, while the average selling price was approximately RMB27,500 per sq.m., representing a period-to-period increase of 4.2%.

Geographically, Greater Bay Area, Eastern China, Central China, Northern China and Western China accounted for approximately 64.9%, 15.2%, 11.2%, 4.9% and 3.8%, of the contracted sales value for the first half of 2022, respectively.

* Core net profit represents profit attributable to equity holders excluding net foreign exchange (losses)/gains recognised in the consolidated statement of profit or loss and net fair value (losses)/gains on revaluation of investment properties held on a continuing basis (excluding investment properties disposed during the period) and the related tax effect.

GREATER BAY AREA

In the first half of 2022, the Greater Bay Area achieved a stable economic development with continuing support from national policies and continuously upgraded industrial layout. Developing with the Greater Bay Area as the core, the Group continued to deploy its resources in seven cities of Greater Bay Area, including Guangzhou, Shenzhen, Hong Kong, Foshan, Jiangmen, Zhongshan and Dongguan. In the first half of 2022, the contracted sales value of the Group in Greater Bay Area amounted to approximately RMB31.75 billion, accounting for approximately 64.9% of the Group's contracted sales value.

Affected by the overall market downturn and the recurrence of the pandemic, the property market in Guangzhou recorded an overall decreased transaction volume in the first half of 2022 as compared with the same period of last year. However, compared to other cities, the property market in Guangzhou is relatively stable and has recorded a continuous increased transaction volume on commodity housing month-to-month since February and higher selling price as compared with the same period of last year, due to its healthy and solid fundamentals as well as policies such as reducing mortgage rates and relaxation of the talent policy in some regions. The Group continued to maintain excellent performance in contracted sales in Guangzhou, with a contracted sales value of approximately RMB29.34 billion, representing a period-to-period increase of 10.4% and accounting for approximately 60.0% of the Group's contracted sales value in the first half of the year. According to the ranking by CRIC (克爾瑞), the Group's total contracted sales value and attributable contracted sales value ranked first in the Guangzhou market.

In the first half of 2022, the property market in Shenzhen remained stable. The supply of commodity housing slightly increased as compared to that of the same period of last year, but the transaction volume recorded a period-to-period decrease due to the effect of market environment, while the selling price continued to rise slightly. In the first half the year, the Group recorded contracted sales value in Shenzhen of approximately RMB0.29 billion.

In the first half of 2022, due to the overall downturn in the property market, the property market in Foshan, Dongguan, Zhongshan and Jiangmen experienced a decline in both supply and demand, with selling prices falling slightly and the overall performance relatively weak. In the first half of the year, the contracted sales value of the Group in the foresaid four cities amounted to approximately RMB2.11 billion.

EASTERN CHINA

In the first half of 2022, the Group has established operations in seven cities including Shanghai, Hangzhou, Suzhou, Jiaxing, Nantong, Nanjing and Ningbo within Eastern China, and has generated sales results in Hangzhou, Ningbo, Nanjing, Suzhou and Nantong. In the first half of 2022, the regulation of the property market in Hangzhou gradually eased in respects of taxation, purchase restrictions, loans and household registration, and the transaction volume of commercial housing transactions has picked up. Nanjing, Suzhou and Nantong all continued to introduce loose policies to promote a stable recovery in the market, resulting transaction figures rebounding in May and June month on month. The property policy environment in Ningbo was relatively stable and market supply and demand were relatively balanced. In the first half of the year, the contracted sales value of the Group in Eastern China was approximately RMB7.41 billion, representing a period-to-period increase of 13.7%.

CENTRAL CHINA

In the first half of 2022, the Group newly entered Hefei, and together with Wuhan, Xiangyang, Zhengzhou, Changsha and Chenzhou, the Group has established operations in six cities within Central China, and has generated sales results in Wuhan, Xiangyang, Zhengzhou, Changsha and Chenzhou. In the first half of 2022, Wuhan saw a moderate relaxation of purchase restrictions against the backdrop of lowering required reserve ratios and interest rates, and in terms of market performance, both supply and demand slowed down, with selling prices falling slightly while maintaining stable. The property market in Changsha, Zhengzhou and Xiangyang maintained stable under active regulation. The regulatory policy in Chenzhou was mainly focused on stabilisation, with the introduction of easing policies such as contract tax subsidies, but supply and demand were relatively weak, with obvious differentiation in performance of projects for sale within the region. In the first half of the year, the Group recorded contracted sales value of approximately RMB5.50 billion in Central China, representing a period-to-period increase of 8.6%.

NORTHERN CHINA

The Group has established operations in five cities including Beijing, Shenyang, Qingdao, Ji'nan and Yantai in Northern China. In the first half of 2022, the property regulation in Beijing remained stable, with transaction volumes declining in line with the overall environment and selling price performing steadily. The property policy in Shenyang was slightly loose in terms of restrictions on purchases, with the overall market showing a decline in both volume and selling price, but a marked increase in demand for upgrade. Both the transaction volume and selling price of the property market in Qingdao remained stable, but there was a strong wait-and-see sentiment in the market. The property market in Ji'nan was in recovery. In the first half of the year, the contracted sales value of the Group in Northern China amounted to approximately RMB2.42 billion, representing a period-to-period increase of 34.2%.

WESTERN CHINA

The Group has mainly established operations in three cities in Western China, including Chongqing, Chengdu and Xi'an, and has generated sales results in Chongqing and Chengdu. Under the adjustments in property industry in the first half of 2022, the supply in the Chongqing market slowed down, while transactions in the main city were relatively active. Chengdu aimed to create a livable city, with policies turning from strict to loose under the premise of "house for living instead of speculation", and the property market has notably rebounded with increased supply and rising transaction volume. In the first half of the year, the Group recorded contracted sales value of approximately RMB1.84 billion in Western China, representing a period-to-period increase of 459.8%.

Contracted sales are summarised as follows:

City	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
Guangzhou	759,900	29,343	38,600
Shenzhen	3,000	294	98,000
Foshan	39,300	966	24,600
Dongguan	13,500	426	31,600
Jiangmen	48,000	406	8,500
Zhongshan	20,000	316	15,800
Subtotal (Greater Bay Area)	883,700	31,751	35,900
Hangzhou	126,800	4,179	33,000
Suzhou	83,600	1,704	20,400
Nantong	3,400	78	22,900
Nanjing	37,700	1,064	28,200
Ningbo	15,500	385	24,800
Subtotal (Eastern China Region)	267,000	7,410	27,800
Wuhan	108,000	2,201	20,400
Xiangyang	36,400	275	7,600
Zhengzhou	16,900	293	17,300
Changsha	203,300	2,676	13,200
Chenzhou	9,600	57	5,900
Subtotal (Central China Region)	374,200	5,502	14,700
Beijing	3,200	117	36,600
Shenyang	15,200	134	8,800
Qingdao	84,700	1,151	13,600
Yantai	3,000	28	9,300
Ji'nan	57,500	985	17,100
Subtotal (Northern China Region)	163,600	2,415	14,800
Chongqing	23,400	376	16,100
Chengdu	65,800	1,460	22,200
Subtotal (Western China Region)	89,200	1,836	20,600
Total	1,777,700	48,914	27,500

RECOGNISED SALES

In the first half of 2022, the value of the recognised sales and GFA of the recognised sales were approximately RMB29.91 billion and 1.20 million sq.m. respectively, representing a period-to-period increase of 30.2% and 17.0%, respectively, and the average selling price was approximately RMB24,900 per sq.m., representing a period-to-period increase of 11.2%.

Recognised sales are summarised as follows:

City	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
Guangzhou	291,300	10,779	37,000
Shenzhen	84,000	7,037	83,800
Foshan	11,500	304	26,400
Jiangmen	46,800	282	6,000
Zhongshan	9,800	151	15,400
Subtotal (Greater Bay Area)	443,400	18,553	41,800
Hangzhou	239,200	3,919	16,400
Suzhou	204,400	3,522	17,200
Jiaxing	900	12	13,300
Subtotal (Eastern China Region)	444,500	7,453	16,800
Wuhan	31,300	454	14,500
Changsha	52,200	473	9,100
Subtotal (Central China Region)	83,500	927	11,100
Shenyang	64,700	1,383	21,400
Qingdao	161,300	1,578	9,800
Yantai	1,600	7	4,400
Subtotal (Northern China Region)	227,600	2,968	13,000
Chengdu	600	6	10,000
Subtotal (Western China Region)	600	6	10,000
Total	1,199,600	29,907	24,900

UNRECOGNISED SALES

As of 30 June 2022, the unrecognised sales value amounted to approximately RMB156.35 billion, representing an increase of 3.8% as compared to that as of the beginning of the year, and the unrecognised sales GFA was approximately 5.65 million sq.m., remaining flat as compared to that as of the beginning of the year. The average selling price was approximately RMB27,700 per sq.m., representing an increase of 4.9% as compared to that as of the beginning of the year.

LANDBANK

In the first half of 2022, the Group has newly acquired 16 land parcels located in Guangzhou, Foshan, Zhongshan, Hangzhou, Hefei, Zhengzhou and Changsha with a total GFA of approximately 3.46 million sq.m..

The land parcels newly acquired in the first half of 2022 are summarised as follows:

No.	Project	Equity Holding	Total GFA (sq.m.)
1	Guangzhou Pazhou South TOD Project	46.78%	429,100
2	Guangzhou Baiyun Guanglong Land II	95.48%	90,600
3	Nansha Hengli Island Land II	94.52%	87,900
4	Nansha Meishan Land	95.48%	494,100
5	Nansha Qingsheng Land	95.00%	153,600
6	Nanhai Shishan Land	9.50%	176,400
7	Zhongshan Yuexiu Grand Palace	48.45%	197,800
8	Hangzhou Cloud Palace	19.00%	213,200
9	Hangzhou Jinnan New Town Land I	50.31%	69,200
10	Hangzhou Jinnan New Town Land II	50.31%	76,900
11	Hangzhou Qingshanhu Sci-tech City Land	50.31%	142,800
12	Hangzhou Yuhang Gouzhuang Land	51.00%	370,700
13	Hefei Yaohai Land	99.64%	194,900
14	Zhengzhou Yuexiu Future Mansion	48.45%	410,500
15	Zhengzhou Jinshui Land	76.00%	112,000
16	Changsha Scenery Culture	28.50%	235,900
	Total		3,455,600

As of 30 June 2022, the landbank of the Group reached approximately 28.60 million sq.m., located in 30 cities in China and the regional layout continued to improve. Geographically, Greater Bay Area, Eastern China, Central China, Northern China, Western China accounted for approximately 52.9%, 14.5%, 19.0%, 9.4% and 4.2%, respectively.

The landbank is summarised as follows:

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Guangzhou Pazhou South TOD Project	429,100	429,100	—
2	Guangzhou Starry Haizhu Bay	207,100	207,100	—
3	Guangzhou Galaxy Bay	539,900	378,000	161,900
4	Guangzhou Joy Cloud	192,800	192,800	—
5	Guangzhou Joy Lake	445,700	445,700	—
6	Guangzhou Joy Golden Sands	332,000	332,000	—
7	Guangzhou Baiyun Guanglong Land I	1,041,100	221,600	819,500
8	Guangzhou Baiyun Guanglong Land II	90,600	—	90,600
9	Guangzhou Skyline Mansion	154,400	154,400	—
10	Guangzhou Liwan Haizhong Village Land	165,200	165,200	—
11	Guangzhou Infinity TOD	806,000	806,000	—
12	Guangzhou Star Wave	234,400	234,400	—
13	Guangzhou Grand Mansion	412,400	412,400	—
14	Guangzhou Grand Mansion II	402,800	402,800	—
15	Guangzhou Starry Wenxi	175,000	175,000	—
16	Guangzhou University Town Starry City	325,400	325,400	—
17	Guangzhou Panyu Jinan University Land II	329,700	—	329,700
18	Guangzhou University Town Grand Mansion (previous name: Guangzhou Panyu Guangzhou International Innovative City Land)	319,400	319,400	—
19	Guangzhou Car Town	50,900	50,900	—
20	Guangzhou Talent Garden	234,300	234,300	—
21	Guangzhou Southern Intelligent Media Center	159,800	159,800	—
22	Guangzhou Voyage TOD	208,400	208,400	—
23	Guangzhou Melody TOD	552,800	552,800	—
24	Guangzhou Fantasy TOD	330,200	330,200	—
25	Guangzhou TOD Town	703,400	703,400	—
26	Guangzhou Mountain Living	137,100	137,100	—
27	Nansha Southern Le Sand	648,700	231,600	417,100
28	Nansha Tianyu Square	50,300	50,300	—
29	Nansha International Financial Center	220,800	220,800	—

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
30	Nansha Joy Bay	250,000	250,000	—
31	Nansha Flourishing Bay (previous name: Nansha Hengli Island Land I)	214,800	214,800	—
32	Nansha Hengli Island Land II	87,900	87,900	—
33	Nansha Golden Bay	188,500	188,500	—
34	Nansha Joy Bay	149,700	149,700	—
35	Nansha Meishan Land	494,100	—	494,100
36	Nansha Qingsheng Land	153,600	—	153,600
37	Huadu Elegant Mansion	70,600	70,600	—
38	Huadu Magnificent Mansion	112,200	112,200	—
39	Huadu Royal Mansion	15,100	15,100	—
40	Guangzhou Galaxy TOD	993,600	707,600	286,000
41	Zengcheng Joy Mountain	85,000	85,000	—
42	Conghua Glade Village	161,900	138,200	23,700
43	Nanhai Starry Mansion	274,000	274,000	—
44	Nanhai Lake View Mansion	237,100	237,100	—
45	Nanhai Shishan Land	176,400	—	176,400
46	Nanhai River Mansion	74,000	74,000	—
47	Dongguan Cloud Lake	89,500	89,500	—
48	Dongguan Joy Bay	199,300	199,300	—
49	Jiangmen Yuexiu Binjiang Enjoy City	25,300	25,300	—
50	Jiangmen Yuexiu Binjiang Grand City	164,500	164,500	—
51	Jiangmen Starry Guanlan	403,800	176,700	227,100
52	Zhongshan Empyrean Bay	134,200	134,200	—
53	Zhongshan Yuexiu Empyrean	157,400	157,400	—
54	Zhongshan Yuexiu Grand Palace	197,800	197,800	—
55	Hong Kong Yau Tong Project	72,100	—	72,100
	Other projects	41,200	—	41,200
	Subtotal (Greater Bay Area)	15,123,300	11,830,300	3,293,000
56	Shanghai Grand Harmony (previous name: Shanghai Minhang Land)	168,400	168,400	—
57	Hangzhou Starry City	470,600	274,500	196,100
58	Hangzhou Cloud Palace	213,200	213,200	—
59	Hangzhou Era Mansion (previous name: Hangzhou Gongshu Land)	142,100	142,100	—

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
60	Hangzhou Enjoy Mansion	421,900	421,900	—
61	Hangzhou Joy Lane	163,000	163,000	—
62	Hangzhou Jinnan New Town Land I	69,200	69,200	—
63	Hangzhou Jinnan New Town Land II	76,900	76,900	—
64	Hangzhou Qingshanhu Sci-tech City Land	142,800	142,800	—
65	Hangzhou Yuhang Gouzhuang Land	370,700	—	370,700
66	Suzhou Joy Years	164,000	164,000	—
67	Suzhou Eastern Cloud	104,200	104,200	—
68	Suzhou Joy Cloud	129,500	129,500	—
69	Suzhou Taicang Never Land	626,100	312,000	314,100
70	Nantong Luminous Mansion	168,100	168,100	—
71	Nanjing Art Cloud	103,400	103,400	—
72	Nanjing Art Times	133,700	133,700	—
73	Nanjing Treasure	237,700	237,700	—
74	Nanjing Jade Mansion	130,500	130,500	—
75	Ningbo Joy Cloud	119,800	119,800	—
	Subtotal (Eastern China Region)	4,155,800	3,274,900	880,900
76	Wuhan International Financial City	222,400	222,400	—
77	Wuhan Hanyang Starry Winking	786,800	509,700	277,100
78	Wuhan Starry Garden	71,500	71,500	—
79	Wuhan Mansion	70,800	70,800	—
80	Wuhan Yuexiu Garden	215,800	215,800	—
81	Xiangyang Starry City	371,300	371,300	—
82	Xiangyang Dongjin Land	148,200	148,200	—
83	Hefei Yaohai Land	194,900	—	194,900
84	Zhengzhou Yuexiu Future Mansion	410,500	410,500	—
85	Zhengzhou Jinshui Land	112,000	—	112,000
86	Zhengzhou Elegant Mansion	137,900	137,900	—
87	Changsha Yue Lake Stage	107,000	107,000	—
88	Changsha Scenery Culture	235,900	235,900	—
89	Changsha Smart Science City	259,500	259,500	—
90	Changsha Qin'ai Lane	75,600	75,600	—

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
91	Changsha Starry City	659,300	659,300	—
92	Changsha Joy Star	517,400	291,000	226,400
93	Chenzhou Starry City	848,300	331,300	517,000
	Subtotal (Central China Region)	5,445,100	4,117,700	1,327,400
94	Beijing Hill Mansion	329,200	308,100	21,100
95	Shenyang Starry Winking	16,500	16,500	—
96	Shenyang Hill Lake	236,900	37,300	199,600
97	Qingdao Magnificent Bay	37,400	37,400	—
98	Qingdao Licang Qingyin Highway East Land	666,300	379,500	286,800
99	Qingdao Starry City	308,000	167,400	140,600
100	Qingdao Yuexiu Starry City	157,200	157,200	—
101	Qingdao Pingdu Southern New Town Land II	268,200	—	268,200
102	Yantai Joy Mansion	146,700	146,700	—
103	Ji'nan Hillside Mansion	237,800	237,800	—
104	Ji'nan Baimai Delighted Mansion	273,800	273,800	—
	Subtotal (Northern China Region)	2,678,000	1,761,700	916,300
105	Chongqing Impressive Lake	206,300	206,300	—
106	Chongqing Avant Garde	147,400	147,400	—
107	Chongqing Avant Jade	39,300	39,300	—
108	Chengdu Grand Wood	300,800	300,800	—
109	Xi'an Xixian Land	374,700	100,800	273,900
110	Bijie Baili Land	23,800	23,800	—
111	Haikou Simapo Island Project	100,500	—	100,500
	Subtotal (Western China Region)	1,192,800	818,400	374,400
	Total	28,595,000	21,803,000	6,792,000

Construction progress

The Group strived to accelerate development efficiency and turnover rate. During the first half of 2022, project development was in line with the Group's schedule. New commencement of construction and completion projects are summarised as follows:

Construction progress	First half of 2022 Actual GFA (sq.m.)	2022 Planned GFA (sq.m.)
New commencement of construction	5,869,600	7,746,200
Completion	1,965,900	6,734,100

OTHER LOSSES, NET

In the first half of 2022, the Group's other losses, net amounted to approximately RMB59 million, which mainly included net fair value losses on revaluation of investment properties held at the end of period of RMB82 million and penalty income of approximately RMB19 million.

OTHER LOSSES, NET — INVESTMENT PROPERTIES

As of 30 June 2022, the Group owned investment properties under lease of approximately 658,000 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 37.6%, 40.4% and 22.0%, respectively. The Group recorded rental income of approximately RMB180 million in the first half of 2022, representing a decrease of 48.5% as compared to the same period of last year, which was mainly due to the disposal of Guangzhou Yuexiu Financial Tower at the end of 2021, for which there was no rental income for the period.

In the first half of 2022, the Group recorded net fair value losses on revaluation of investment properties of approximately RMB82 million, which was mainly attributable to the fact that the Group recorded fair value losses on revaluation of Wuhan International Financial City of approximately RMB79 million as a result of being affected by the pandemic and the market environment.

SELLING AND MARKETING COSTS

In the first half of 2022, the Group's selling and marketing costs were approximately RMB710 million, representing an increase of 25.6% as compared to the same period of last year. The selling and marketing costs accounted for 2.3% of total recognised sales for the period, which remained unchanged from the same period of last year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB651 million, representing an increase of 19.8% as compared to the same period of last year. The administrative expenses accounted for 2.1% of the recognised sales for the period, decreased by 0.1 percentage point from 2.2% for the same period of last year.

FINANCE COSTS

In the first half of 2022, the finance costs of the Group amounted to approximately RMB552 million, representing an increase of RMB436 million as compared to the interim period of 2021. This was due to, on the one hand, the 12% increase in the scale of financing during the period resulting in an increase in the total interest expenses of RMB108 million period-to-period; at the same time, more land was newly acquired during the period and the development was basically divided into phases, resulting in a decrease of RMB117 million in capitalised interest for the period; all the above led to an increase of RMB225 million in interest expenses charged in the statement of profit and loss during the period. On the other hand, due to the depreciation of RMB, foreign currency liabilities recorded an exchange loss of approximately RMB77 million during the period, representing an increase in finance costs of RMB211 million as compared to the exchange gain of RMB134 million for the same period of last year. As the overall financing environment has remained moderate since the first half of 2022, the average effective borrowing interest rate for the period declined to 4.11% per annum from 4.45% per annum for the same period of 2021.

SHARE OF PROFIT FROM ASSOCIATES

In the first half of 2022, the overall net loss from associates attributable to the Group was approximately RMB33 million, including losses on the investment in Yuexiu Real Estate Investment Trust ("Yuexiu REIT") of approximately RMB190 million in the first half of the year, which was mainly attributable to the exchange losses incurred by Yuexiu REIT for the period due to the impact of exchange rate fluctuations.

In the first half of 2022, the total distributable amount of Yuexiu REIT amounted to approximately RMB343 million, representing an increase of 0.8% as compared to the same period of last year, and the cash distribution attributable to the Group amounted to approximately RMB137 million.

BASIC EARNINGS PER SHARE

In the first half of 2022, basic earnings per share attributable to the equity holders of the Company based on the weighted average number of ordinary shares in issue were RMB0.5513 (in the first half of 2021: RMB0.7429).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for 2022 of HKD0.319 per share (equivalent to RMB0.275 per share) (2021 interim: HKD0.326 per share equivalent to RMB0.271 per share) to shareholders whose names appear on the Register of Members of the Company on 21 October 2022. The interim dividend will be distributed to shareholders on or around 18 November 2022.

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 ("PBOC") 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, emphasised 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, optimises 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 2022, the Group obtained new borrowings of approximately RMB30.91 billion, including onshore borrowings of approximately RMB27.05 billion and offshore borrowings of approximately RMB3.86 billion. As at 30 June 2022, total borrowings amounted to approximately RMB84.57 billion (31 December 2021: RMB75.53 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB39.05 billion, and the net gearing ratio was 59.7%. Borrowings due within one year accounted for approximately 32% of the total borrowings (31 December 2021: 39%), fixed-rate borrowings accounted for approximately 54% of the total borrowings (31 December 2021: 57.6%). As the overall financing environment has remained moderate since the first half of 2022, the Group's average effective borrowing interest rate for the period was 4.11% per annum, decreased by 34 bpts from 4.45% per annum for the same period of 2021.

As at 30 June 2022, among the Group's total borrowings, approximately 51% was RMB denominated bank borrowings and other borrowings (31 December 2021: 49%), 10% was Hong Kong dollar denominated bank borrowings (31 December 2021: 12%), 16% was Hong Kong and US dollar denominated medium to long term notes (31 December 2021: 16%), 23% was RMB denominated medium to long term notes (31 December 2021: 23%).

WORKING CAPITAL

On 30 June 2022, the Group's working capital (current assets less current liabilities) amounted to approximately RMB85.51 billion (31 December 2021: approximately RMB80.18 billion). The Group's current ratio (current assets divided by current liabilities) was 1.5 times (31 December 2021: 1.4 times). Cash and cash equivalents amounted to approximately RMB26.07 billion (31 December 2021: RMB32.77 billion). Charged bank deposits amounted to approximately RMB12.99 billion (31 December 2021: RMB7.73 billion). Undrawn committed bank facilities amounted to approximately RMB31.54 billion.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarised as follows:

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
Bank borrowings and notes		
Denominated in RMB	62,190,208	54,058,411
Denominated in HKD	10,997,430	10,661,131
Denominated in USD	11,387,067	10,814,592
	<hr/>	<hr/>
Total bank borrowings and notes	84,574,705	75,534,134
Bank overdrafts	20	30
	<hr/>	<hr/>
Total debts	<u>84,574,725</u>	<u>75,534,164</u>

	As at	
	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Ageing analysis:		
Within one year	26,958,779	29,801,844
In the second year	10,733,981	15,711,742
In the third to fifth year	42,461,517	25,900,724
Beyond five years	4,420,448	4,119,854
	<hr/>	<hr/>
Total borrowings	84,574,725	75,534,164
Lease liabilities	965,495	871,203
Less: Cash and cash equivalents	(26,067,676)	(32,766,455)
	<hr/>	<hr/>
Net borrowings	59,472,544	43,638,912
Total equity	76,256,929	74,366,749
	<hr/>	<hr/>
Total capitalisation	135,729,473	118,005,661
	<hr/>	<hr/>
Gearing ratio	43.8%	37.0%
	<hr/>	<hr/>

INTEREST RATE EXPOSURE

The Group's interest rate exposure is mainly derived from relevant loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. As of 30 June 2022, among the total borrowings of the Group, approximately 36% was floating rate bank loans denominated in Renminbi, approximately 10% was floating rate bank loans denominated in Hong Kong dollars, approximately 15% was fixed rate bank loans and other borrowings denominated in Renminbi, approximately 23% was medium-to-long term fixed rate bonds denominated in Renminbi, and approximately 16% was medium-to-long term fixed rate notes denominated in US dollars and Hong Kong dollars.

The inflation rate in the United States remains high. In order to control high inflation, it is expected that the Federal Reserve will continue to hike interest rates. Currently, the interest rate increase in Hong Kong dollar is slightly lagging behind, and the interest rate spreads has resulted in a substantial drop in the inter-bank balances in Hong Kong. Hong Kong dollar interest rates are expected to continue to rise in the coming months, gradually catching up with the level of US dollar interest rates. At present, the ratio of fixed rate financing against the total financing of the Group is approximately 54% with controllable interest rate risk. Offshore floating rate borrowings for real estate are mainly bank borrowings denominated in Hong Kong dollars. As the IRS quotes of Hong Kong dollars generally reflected interest rate hike expectation, the Group did not arrange interest-rate hedging instruments during the reporting year. However, it will continue to track the market condition to hedge some of floating interest rate exposure at a reasonable cost when opportunities arise. The average effective borrowing interest rate during the year was approximately 4.11% per annum, decreased by 34 basis points from 4.45% per annum for the year of 2021.

With respect to Renminbi interest rates, the PBOC has introduced relatively loose and prudent monetary policies due to the downward pressure faced by China's economy, and may implement slight reserve requirement ratio or interest rate cuts in the future. In addition, as the United States has tightened monetary policies to facilitate interest rate hike cycle in an active manner, it is estimated that there is limited room for onshore RMB reserve requirement ratio or interest rate cuts in China, so as to maintain exchange rates and capital inflows and outflows at a reasonable level.

With respect to US dollar interest rates, the inflation rate of the United States reached a new high for 40 years, as such, the Federal Reserve has currently taken inflation control as its top priority. It is expected that monetary tightening policy will continue to be implemented, and the Federal Reserve has started to gradually reduce the purchase of bonds in June. For the time being, there has not been much market panic and chaos regarding the interest rate hikes and tapering. However, the market has begun to expect that the continuous tightened monetary policy may eventually lead to a recession in the United States by the end of the year to the middle of next year. It is expected that after inflation is under control, the Federal Reserve will implement the quantitative easing policy again to support the economy.

With respect to Hong Kong dollar interest rates, it is expected to follow the upward trend of US dollar interest rate. Currently, the liquidity of Hong Kong dollar is still sufficient on the market. The interest rate spreads are causing inter-bank balances to decrease, and it is estimated to accelerate the interest rate increase in Hong Kong dollar.

The Group will continue to pay close attention to changes in domestic and foreign interest rate market and continuously manage its debt structure and interest rate risks.

FOREIGN EXCHANGE RISK

Since the main business operations of the Group are conducted in Mainland China, its income and assets are denominated 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 enhance the management and control of the foreign exchange exposure. As at 30 June 2022, among the borrowings denominated in foreign currencies, approximately HKD10.58 billion (equivalent to approximately RMB9.04 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.70 billion (equivalent to approximately RMB11.39 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.28 billion (equivalent to approximately RMB1.95 billion) was notes denominated in Hong Kong dollars. Approximately 26% (28% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which, hedging products were purchased to manage part of foreign exchange exposures with respect to the borrowings denominated in foreign currencies equivalent to approximately RMB10.55 billion. The Group currently has limited foreign exchange exposure with controllable exchange rate risks.

As the 2019 Novel Coronavirus pandemic repeated resurgence in China, but import and export data remained satisfactory, China's economy is expected to rebound in the second half of 2022 from the low point in the second quarter. However, its economy is still under a considerable downward pressure. In the face of a number of challenges, there is still an uncertainty over the stabilization of the real estate market, the preservation of export growth, the upgrade of domestic consumption and etc. In addition, whether the energy crisis caused by the special military operation of Russia in Ukraine, high global inflation and supply chain disruptions can be improved remains a major challenge for the economy in the second half of the year. Due to the ongoing China-US conflict and asynchronous monetary policy of China and the United States, the interest rate of Renminbi is still estimated to fluctuate in the second half of 2022. The Group will continue to keep track of developments in the foreign exchange market, appropriately adopt financial instruments to manage its foreign exchange exposure, strike a balance between foreign exchange risk and hedging cost, and continuously optimize its debt structure to manage its foreign exchange exposure.

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 principal sum together with accrued interests under the guarantee, and the Group then acquires the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 30 June 2022, total contingent liabilities relating to these guarantees amounted to approximately RMB24.90 billion (31 December 2021: RMB29.52 billion).

As of 30 June 2022, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB9,237 million (31 December 2021: RMB8,366 million) in respect of loans borrowed by joint ventures and associates of the Group, among which, guarantee of approximately RMB4,792 million (31 December 2021: RMB3,953 million) was utilised and guarantee of approximately RMB4,445 million (31 December 2021: RMB4,413 million) was not utilised yet.

Employees and Remuneration Policy

As of 30 June 2022, the Group had approximately 17,980 employees (31 December 2021: 16,320 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. The Group adopted the Share Incentive Scheme on 2 December 2016 and the Share Award Scheme on 17 March 2017. Both schemes will (i) provide the selected participants (including senior management, middle management and other employees) with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company and the Group; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Group, the Company and its shareholders, with a view to achieving the objective of aligning the interests of the selected participants with those of the shareholders of the Company. Details of the Share Incentive Scheme and Share Award Scheme have been respectively disclosed in the announcements dated 2 December 2016 and 17 March 2017.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2022.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2022 have been reviewed by the audit committee of the Board 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 2022. 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 Wednesday, 19 October 2022 to Friday, 21 October 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Tuesday, 18 October 2022.

By order of the Board
Yuexiu Property Company Limited
LIN Zhaoyuan
Chairman

Hong Kong, 18 August 2022

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

Executive Directors: LIN Zhaoyuan (Chairman), LIN Feng, LI Feng, CHEN Jing and LIU Yan

Non-executive Director: ZHANG Yibing

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