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 2017 Interim Results

Results Summary

- The revenue was approximately RMB11.94 billion, representing a year-on-year increase of 135.0%.
- The gross profit was approximately RMB2.98 billion, representing a year-on-year increase of 132.9%.
- Profit attributable to equity holders was approximately RMB1.10 billion, representing a year-on-year increase of 13.2%; core net profit* was approximately RMB1.04 billion, representing a year-on-year increase of 21.8%.
- The value of the aggregate contracted sales (including contracted sales by joint venture projects) for the first half of 2017 amounted to approximately RMB20.05 billion, representing a year-on-year increase of 25.1%, and accounting for 60.8% of the original full-year contracted sales target of RMB33.0 billion. The Group decided to adjust the full-year contracted sales target upwards from RMB33.0 billion to RMB36.0 billion.
- As at the date of this announcement, the Group has newly acquired 12 land parcels mainly located in Guangzhou, Hangzhou, Wuhan, etc., with total GFA of approximately 3.09 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 1.47 million sq.m..
- The cash and cash equivalents and charged bank deposits at the end of the period were approximately RMB23.80 billion, representing an increase of 8.1% as compared to the beginning of the year; the net gearing ratio** went down from 53.1% at the beginning of the year to 52.0%.
- The average borrowing interest rate decreased from 4.64% for 2016 to 4.54% for the first half of 2017.
- The Board proposed to declare an interim dividend for 2017 of HKD0.040 per share (equivalent to RMB0.034 per share), representing a year-on-year increase in interim dividend of 21.2% in terms of HKD; total interim dividends accounted for approximately 40% of the core net profit.

•	Revenue	RMB11.94 billion (+135.0%)
•	Gross profit margin	24.9% (-0.3 percentage point)
•	Profit attributable to equity holders	RMB1.10 billion (+13.2%)
•	Core net profit	RMB1.04 billion (+21.8%)
•	Contracted sales value	RMB20.05 billion (+25.1%)
•	Unrecognized sales value	RMB34.57 billion (+25.2%)
•	Total assets	RMB132.32 billion (+5.6%)
•	Cash and cash equivalents and charged bank deposits	RMB23.80 billion (+8.1%)
•	Net gearing ratio	52.0% (-1.1 percentage points)

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

** 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 2017, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Unaudited	
		Six months ended 30 June	
	Note	**2017**	**2016**
		RMB'000	*RMB'000*
Revenue	3	11,937,436	5,079,101
Cost of sales	4	(8,961,471)	(3,801,150)
Gross profit		2,975,965	1,277,951
Proceeds from sales of investment properties		345,695	43,764
Direct costs of investment properties sold		(348,037)	(31,569)
(Loss)/gain on sales of investment properties, net		(2,342)	12,195
Fair value gains on revaluation of investment properties, net		75,254	227,052
Other gains, net	5	58,449	782,490
Selling and marketing costs	4	(252,347)	(260,397)
Administrative expenses	4	(374,512)	(283,229)
Operating profit		2,480,467	1,756,062
Finance income	6	87,568	56,018
Finance costs	7	(650,726)	(412,184)
Share of (loss)/profit of			
- joint ventures		(3,175)	12,587
- associated entities		374,201	154,611
Profit before taxation		2,288,335	1,567,094
Taxation	8	(1,016,338)	(569,836)
Profit for the period		1,271,997	997,258

	Note	Unaudited Six months ended 30 June 2017 *RMB'000*	 2016 *RMB'000*
Attributable to			
Equity holders of the Company		1,102,319	974,088
Non-controlling interests		169,678	23,170
		1,271,997	997,258
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
- Basic and diluted	9	0.0889	0.0785

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited Six months ended 30 June **2017** *RMB'000*	 **2016** *RMB'000*
Profit for the period	1,271,997	997,258
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences	69,437	5,898
Change in fair value of available-for-sale financial assets, net of tax	9,663	30,424
Other comprehensive income for the period, net of tax	79,100	36,322
Total comprehensive income for the period	1,351,097	1,033,580
Attributable to		
Equity holders of the Company	1,180,894	1,008,755
Non-controlling interests	170,203	24,825
	1,351,097	1,033,580

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017

		As at	
	Note	**30 June 2017**	**31 December 2016**
		Unaudited	*audited*
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,725,396	1,583,815
Investment properties	12	13,967,388	14,337,252
Land use rights	13	227,897	233,326
Interests in joint ventures		4,137,257	4,241,073
Interests in associated entities		12,388,374	11,238,601
Available-for-sale financial assets		1,199,704	1,186,208
Deferred tax assets	17	190,565	221,491
		33,836,581	33,041,766
Current assets			
Properties under development		36,602,784	44,138,207
Properties held for sale		17,010,727	12,683,569
Prepayments for land use rights		7,740,572	5,143,797
Inventories		105,129	47,308
Derivative financial instrument		—	79
Trade receivables	14	61,357	36,359
Other receivables, prepayments and deposits		12,001,004	6,825,617
Taxation recoverable		1,166,293	984,691
Charged bank deposits		4,091,549	4,330,554
Cash and cash equivalents		19,707,322	17,691,428
		98,486,737	91,881,609
Non-current assets held-for-sale		—	441,541

	Note	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 audited RMB'000
LIABILITIES			
Current liabilities			
Trade and note payables	15	59,967	63,499
Advance receipts from customers		14,811,989	16,139,912
Other payables and accrued charges		32,183,739	26,793,143
Borrowings	16	6,887,959	6,778,340
Taxation payable		3,015,014	3,151,762
		56,958,668	52,926,656
Net current assets		41,528,069	39,396,494
Total assets less current liabilities		75,364,650	72,438,260
Non-current liabilities			
Borrowings	16	35,316,954	33,514,935
Deferred tax liabilities	17	4,597,794	4,478,236
Deferred revenue		58,315	59,212
		39,973,063	38,052,383
Net assets		35,391,587	34,385,877
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		12,759,402	12,759,402
Other reserves		646,538	566,555
Retained earnings			
- Proposed dividends	10	421,644	347,237
- Others		17,632,869	16,950,792
		31,460,453	30,623,986
Non-controlling interests		3,931,134	3,761,891
Total equity		35,391,587	34,385,877

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Operating activities		
Net cash generated from operations	525,348	7,648,281
Interest received	64,402	37,922
Interest paid	(842,462)	(1,090,924)
Hong Kong profits tax paid	(1,650)	(4,312)
China taxation paid	(1,183,143)	(1,748,883)
Net cash (used in)/generated from operating activities	(1,437,505)	4,842,084
Investing activities		
Purchases of property, plant and equipment	(165,737)	(97,598)
Purchases of investment properties	(6,842)	(110,304)
Proceeds from sale of investment properties	345,695	43,764
Dividends received from an associated entity	153,213	137,074
Increase in interests in associated entities and joint ventures	(828,144)	(215,000)
Decrease in charged bank deposits	239,005	159,967
Proceeds from sale of property, plant and equipment	1,202	14,789
Proceeds from sales of non-current assets held-for-sale	488,523	—
Increase in amounts due from associated entities	(2,653,666)	—
Increase in amounts due from non-controlling shareholders	(796,472)	—
Net proceeds from disposal of a subsidiary	—	3,686,024
Receipts from joint ventures and associated entities	—	169,747
Net cash (used in)/generated from investing activities	(3,223,223)	3,788,463

	Unaudited Six months ended 30 June 2017	
	2017	**2016**
	RMB'000	*RMB'000*
Financing activities		
Capital contribution from a non-controlling interest	—	9
Dividends paid to a non-controlling interest	(960)	(68,539)
Increase in amount due to an intermediate holding company	—	1
Decrease in amounts due to joint ventures and associated entities	(2,582,476)	(1,049,075)
Increase in amounts due to fellow subsidiaries	6,997,696	15,288
Increase in amounts due to non-controlling interests	467,417	—
Decrease in amount due to related parties of a non-controlling interest	(206,650)	—
Proceeds from bank borrowings	8,562,422	9,047,150
Repayment of bank borrowings	(7,827,506)	(15,768,397)
Repayment of bank overdraft	(3)	—
Proceeds from other borrowings from an intermediate holding company	1,901,944	1,767,238
Repayment of borrowings from an intermediate holding company	(600,000)	—
Net cash generated from/(used in) financing activities	6,711,884	(6,056,325)
Increase in cash and cash equivalents	2,051,156	2,574,222
Cash and cash equivalents at the beginning of period	17,691,375	9,545,485
Exchange (loss)/gain on cash and cash equivalents	(35,259)	5,709
Cash and cash equivalents at the end of period	19,707,272	12,125,416

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Analysis of balances of cash and cash equivalents		
Bank balances and cash	19,707,322	12,125,484
Bank overdrafts	(50)	(68)
	19,707,272	12,125,416

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 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016 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 applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(a) Amendments to existing standards adopted by the Group:

The following amendments to existing standards are mandatory for adoption for the financial year beginning 1 January 2017 for the Group:

		Effective for accounting periods beginning on or after
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

The Group has assessed the impact of the adoption of these new standards, amendments to existing standards and improvements that are effective for the first time for this interim period and considered that there was no material impact on 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 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-base payment transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

		Effective for accounting periods beginning on or after
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018

The directors and management of the Company are in the process of making an assessment of the impact of these new standards and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3 Segment information

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

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

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

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

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

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

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

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

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2016					
Revenue	4,474,331	261,914	234,386	717,622	5,688,253
Inter-segment revenue	—	(38,983)	(1,364)	(568,805)	(609,152)
Revenue from external customers	4,474,331	222,931	233,022	148,817	5,079,101
Segment results	567,910	10,084	405,223	12,555	995,772
Depreciation and amortisation	(29,679)	(100)	—	(86)	(29,865)
Fair value losses on revaluation of investment properties, net	—	—	227,052	—	227,052
Share of profit/(loss) of					
- joint ventures	12,587	—	—	—	12,587
- associated entities	(4,487)	—	153,089	6,009	154,611

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2017					
Segment assets	96,639,758	1,028,415	13,967,388	694,484	112,330,045
Interests in joint ventures	4,137,257	—	—	—	4,137,257
Interests in associated entities	6,095,231	—	6,062,932	230,211	12,388,374
Total reportable segments' assets	106,872,246	1,028,415	20,030,320	924,695	128,855,676
Total reportable segments' assets include:					
Additions to non-current assets (note)	162,055	2,609	6,842	1,073	172,579

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016					
Segment assets	91,296,147	1,031,997	14,778,793	552,268	107,659,205
Interests in joint ventures	4,241,073	—	—	—	4,241,073
Interests in associated entities	4,749,723	—	6,281,340	207,538	11,238,601
Total reportable segments' assets	100,286,943	1,031,997	21,060,133	759,806	123,138,879
Total reportable segments' assets include:					
Additions to non-current assets (note)	447,643	2,728	572,646	1,000	1,024,017

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

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

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
Segment results	2,443,845	995,772
Unallocated operating costs *(note)*	(21,827)	(22,200)
Other gains, net *(note 5)*	58,449	782,490
Operating profit	2,480,467	1,756,062
Finance income *(note 6)*	87,568	56,018
Finance costs *(note 7)*	(650,726)	(412,184)
Share of *(loss)*/profit of:		
- joint ventures	(3,175)	12,587
- associated entities	374,201	154,611
Profit before taxation	2,288,335	1,567,094

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

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

	As at	
	30 June 2017	**31 December 2016**
	RMB'000	*RMB'000*
Total reportable segments' assets	128,855,676	123,138,879
Deferred tax assets *(note 17)*	190,565	221,491
Taxation recoverable	1,166,293	984,691
Corporate assets	2,110,784	1,019,855
Total assets	132,323,318	125,364,916

For the six months ended 30 June 2017, no geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in China (six months ended 30 June 2016: same).

For the six months ended 30 June 2017, the Group does not have any single customer with the transaction value over 10% of the total external revenue (six months ended 30 June 2016: same).

4 **Expenses by nature**

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

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
Amortisation of land use rights *(note 13)*	5,429	5,703
Business tax and other levies	350,899	346,926
Depreciation *(note 11)*	22,578	24,162
Provision for impairment of properties held for sale	80,435	—
Reversal of provision for impairment of property, plant and equipment *(note 11)*	(830)	(3,731)

5 **Other gains, net**

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary	50,514	371,791
Loss on disposal of non-current assets held for sale	(12,004)	—
(Loss)/gain on disposal of property, plant and equipment	(1,186)	332
Gain on deemed acquisition of an associated entity	—	358,422
Fair value gain on derivative financial instruments	—	28,039
Fair value losses on derivative financial instrument	(79)	(27)
Others	21,204	23,933
	58,449	782,490

6 **Finance income**

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
Interest income from bank deposits	64,402	37,922
Interest income from loan to an associated entity	23,166	—
Fair value gain on top-up payment liability	—	18,096
	87,568	56,018

7 **Finance costs**

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
Interest on borrowings and bank overdrafts	652,204	691,281
Interest on loan from associated entities	8,277	10,039
Interest on loan from an intermediate holding company	16,717	59,307
Interest on other borrowings	263,885	213,843
Interest on other payable (note)	75,321	116,454
Net foreign exchange loss on financing activities	17,639	180,813
Total borrowing costs incurred	1,034,043	1,271,737
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	(383,317)	(955,588)
	650,726	316,149
Loss on extinguishment of financial liabilities	—	96,035
	650,726	412,184

Note: Interest on other payable represents interest on the current amount of a subsidiary of the Group due to a non-controlling interest. The balance is approximately RMB2,200 million as at 30 June 2017. The balance, which is included in other payables and accrued charges, is repayable on demand and denominated in RMB (31 December 2016: same).

8 **Taxation**

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2016: 16.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and joint ventures in China at 25 percent (2016: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the year, withholding income tax was provided for dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, joint ventures and associated entities in China at tax rates ranging from 5 percent to 10 percent (2016: 5 percent to 10 percent).

(c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

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

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
Current taxation		
- Hong Kong profits tax	—	94
- China enterprise income tax	574,607	255,115
- China land appreciation tax	234,476	50,918
Deferred taxation		
- Origination and reversal of temporary differences	58,044	132,559
- China land appreciation tax	24,369	56,659
- Corporate withholding income tax on undistributed profits	124,842	74,491
	1,016,338	569,836

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	
	2017	**2016**
Profit attributable to equity holders of the Company (RMB'000)	1,102,319	974,088
Weighted average number of ordinary shares in issue ('000)	12,401,307	12,401,307
Basic earnings per share (RMB)	0.0889	0.0785

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 2017, diluted earnings per share is equal to basic earnings per share (six months ended 30 June 2016: same).

10 **Dividends**

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
2016 final, declared and unpaid, of HK$0.032 equivalent to RMB0.028 (2015: HK$0.019 equivalent to RMB0.016) per ordinary share	344,427	198,421
2017 interim, proposed, of HK$0.040 equivalent to RMB0.034 (2016: HK$0.033 equivalent to RMB0.028) per ordinary share	421,644	347,237

The interim dividend proposed after the balance sheet date has not been recognised as a liabilities at the balance sheet date. It will be recognized in the shareholders' equity for the year ended 31 December 2017.

11 **Property, plant and equipment**

	2017	**2016**
	RMB'000	*RMB'000*
At 1 January	1,583,815	1,462,807
Exchange differences	(20)	5,983
Additions	165,737	97,598
Disposals	(2,388)	(2,261)
Depreciation	(22,578)	(24,162)
Reversal of provision for impairment	830	3,731
At 30 June	1,725,396	1,543,696

12 **Investment properties**

	2017	**2016**
	RMB'000	*RMB'000*
At 1 January	14,337,252	14,168,595
Exchange differences	(22,672)	13,757
Additions	6,842	110,304
Disposals	(348,788)	(29,143)
Disposal of a subsidiary	(80,500)	—
Fair value gains, net	75,254	227,052
At 30 June	13,967,388	14,490,565

13 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	233,326	244,458
Amortisation	(5,429)	(5,703)
At 30 June	227,897	238,755

14 Trade receivables

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
0 - 30 days	41,756	19,758
31 - 180 days	6,048	3,929
181 - 365 days	4,783	1,207
Over 1 year	18,056	20,751
	70,643	45,645
Less: provision for impairment of trade receivables	(9,286)	(9,286)
	61,357	36,359

15 Trade and note payables

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
0 - 30 days	17,995	44,425
31 - 90 days	13,720	1,899
91 - 180 days	19,549	11,265
181 - 365 days	5,202	1,999
1 - 2 years	107	3,731
Over 2 years	3,394	180
	59,967	63,499

16 Borrowings

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
Non-current		
Long-term bank borrowings		
- Secured	9,727,069	3,341,299
- Unsecured	12,276,038	16,724,944
Other borrowings, unsecured	13,313,674	13,448,514
Obligations under finance leases	173	178
	35,316,954	33,514,935
Current		
Bank overdrafts	50	53
Short-term bank borrowings		
- Unsecured	—	1,885,021
Current portion of long-term bank borrowings		
- Secured	721,495	404,061
- Unsecured	3,963,062	3,587,760
Other borrowings, unsecured	2,203,303	901,359
Obligations under finance leases	49	86
	6,887,959	6,778,340
Total borrowings	42,204,913	40,293,275

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other borrowings	
	As at		As at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,684,607	5,876,895	2,203,352	901,445
In the second year	7,644,543	3,964,692	64	66
In the third to fifth year	11,362,564	12,293,151	4,983,839	4,981,709
Over five years	2,996,000	3,808,400	8,329,944	8,466,917
	26,687,714	25,943,138	15,517,199	14,350,137

17 Deferred taxation

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

Deferred taxation as at 30 June 2017 and 31 December 2016 represents:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Deferred tax assets		
- China enterprise income tax	190,565	221,491
Deferred tax liabilities		
- Hong Kong profits tax	24,454	28,678
- China enterprise income tax	3,446,116	3,287,735
- China land appreciation tax	1,127,224	1,161,823
	4,597,794	4,478,236

18 Guarantees

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note a)	8,077,943	11,303,638
Guarantees for banking and loan facilities granted to associated entities (note b)	193,770	2,360,000
Guarantees for banking and loan facilities granted to joint ventures (note b)	450,000	249,049
	8,721,713	13,912,687

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 2017, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB644 million (31 December 2016: RMB2,609 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB141 million was utilised and guarantee of approximately RMB503 million was not utilised yet.

19 **Commitments under operating leases**

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

	As at	
	30 June 2017	**31 December 2016**
	RMB'000	*RMB'000*
Not later than one year	61,178	49,493
Later than one year and not later than five years	54,139	43,408
More than five years	6,000	14,430
	121,317	107,331

20 **Capital commitments**

	As at	
	30 June 2017	**31 December 2016**
	RMB'000	*RMB'000*
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	996,444	1,063,676
Authorised but not contracted for	780,234	789,475
	1,776,678	1,853,151

21 **Securities for banking facilities**

At 30 June 2017, certain banking facilities and loans granted to the Group were secured by:

(a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties and property, plant and equipment with an aggregate carrying value of approximately RMB23,744 million (31 December 2016: RMB6,817 million), RMB4,813 million (31 December 2016: RMB4,397 million), RMB6,224 million (31 December 2016: Nil) and RMB587 million (31 December 2016: RMB572 million) respectively; and

(b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB7 million (31 December 2016: RMB7 million).

22 Significant related party transactions

(a) Related parties

The Company's ultimate holding company is Guangzhou Yuexiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 30 June 2017:

Significant related parties	Relationship with the Company
Guangzhou Yuexiu Holdings Limited ("GYHL")	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Yuexiu Real Estate Investment Trust ("Yuexiu REIT")	An associated entity
Guangzhou Hongsheng Property Development Co., Ltd. ("GHPD")	An associated entity
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Development Group Co., Limited ("GYD")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd.("GYFL")	Note

Note: GYFL, a company partially and indirectly held by GYHL, was significantly affected by GYHL on 30 June 2017.

(b) **Transactions with related parties**

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

		Six months ended 30 June	
		2017	**2016**
		RMB'000	*RMB'000*
(I)	Transactions with YXE		
	Rental expenses and property management fees paid to YXE	(1,671)	(1,821)
	Interest expenses paid to YXE *(note 7)*	(16,717)	(59,307)
(II)	Transactions with Yuexiu REIT		
	Tenancy service fees received from Yuexiu REIT	10,952	11,288
	Rental expenses paid to Yuexiu REIT	(31,191)	(34,520)
	Interest paid to Yuexiu REIT	(8,277)	(9,618)
	Top up payment paid/payable to Yuexiu REIT	—	(35,442)
(III)	Transaction with CHB		
	Deposits interest received from CHB	3,245	—
	Borrowing interest paid to CHB	—	(6,120)
	Rental income received from CHB	3,801	—
	Management fee income received from CHB	752	—
(IV)	Transactions with GYFL		
	Rental income received from GYFL	4,735	—
	Management fee income received from GYFL	724	—
(V)	Transaction with GHPD		
	Interest income receivable from GHPD *(note 6)*	23,166	—
(VI)	Transactions with GYD		
	Incomes from sales of properties to GYD	426,674	—

(c) **Balances with related parties**

		As at	
		30 June 2017	**31 December 2016**
	Note	*RMB'000*	*RMB'000*
Amount due to an intermediate holding company	(i), (ii)	(11)	(11)
Amounts due from associated entities	(iv), (vii)	7,392,197	3,993,038
Amounts due to associated entities	(ii), (vi),(viii)	(2,244,541)	(5,050,440)
Amounts due from joint ventures	(i), (iii), (v)	2,464,480	2,561,703
Amounts due to joint ventures	(i), (ii)	(1,647,530)	(1,549,186)
Amounts due from related companies	(i), (ii)	38,285	38,285
Amounts due to related companies	(i), (ii)	(40,487)	(40,604)
Amounts due to fellow subsidiaries	(i), (ii)	(10,942,476)	(3,944,663)
Cash at bank at a fellow subsidiary	(ix)	3,568,340	236,063
Other borrowings from an intermediate holding company	(x)	(2,203,303)	(901,359)

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

Notes:

(i) These balances are unsecured, interest free and repayable on demand.

(ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.

(iii) The balance is included in interests in joint ventures except for an amount of RMB23,453,000 (31 December 2016: RMB20,642,000) which is included in other receivables, prepayments and deposits.

(iv) The balance is included in interests in associated entities except for an amount of RMB4,872,768,000 (31 December 2016: RMB2,382,812,000) which is included in other receivables, prepayments and deposits.

(v) These balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (31 December 2016: RMB999,000) which is made for an amount due from a joint venture.

(vi) The balance excludes top-up payment liability with an amount of approximately nil (31 December 2016: RMB17,384,000) which is included in other payables and accrued expenses.

(vii) Except for an amount of approximately RMB1,590,698,000 (31 December 2016: RMB1,590,698,000) which is unsecured and interest bearing, the remaining balance are unsecured, interest-free and receivable on demand.

(viii) Except for an amount of approximately RMB271,683,000 (31 December 2016: RMB131,351,000) which is unsecured and interest bearing at 9.0 percent per annum, the remaining balances are unsecured, interest free and repayable on demand.

(ix) These balances are deposits maintained with a fellow subsidiary on normal commercial terms.

(x) These balances are unsecured and interest bearing at 4.35%, repayable within twelve months and are denominated in RMB.

(d) **Key management compensation**

Key management compensation amounted to RMB2,487,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB2,772,000).

CHAIRMAN'S STATEMENT

I. BUSINESS REVIEW

Economic and Market Environment

In the first half of 2017, the global economy continued to recover and grow amid instability and imbalance. The US economy continued to maintain its strong growth momentum, and began to enter the rate hike cycle, with quantitative easing measures gradually phasing out. Risks resulting from the "Brexit" to the global economy were basically eliminated. European and Japan's economy growth has shown sign of picking up. The economies of emerging markets are stable in general with differentiated performances. In the first half of the year, investment and consumption in China remained stable with the implementation of various growth stimulating measures. The external demand was recovering and the export growth rebounded, and the new momentum of economic development continued to release. The economy achieved a year-on-year growth of 6.9% in GDP. However, the private investment growth was still weak and the growth in real estate investment and sales slowed down as a result of the increasingly tightened macro control on the PRC property market and financial deleverage.

In the first half of the year, real estate market policies are "implemented based on each individual city" and control measures are categorised. Although strict control policies restricting purchase, credit, prices and sales of properties have been implemented in certain cities where the housing prices have increased excessively, the PRC real estate market as a whole maintained a stable development. The GFA of commodity housing sales for the first half of the year was approximately 750 million sq.m., representing a year-on-year increase of 16.1% while commodity housing sales value was approximately RMB5.9 trillion, representing a year-on-year increase of 21.5%. The real estate sector continues to be an important force to promote steady macroeconomic growth. In the first half of the year, the real estate market continued to differentiate. The investment and speculative demand in Tier 1 and major Tier 2 cities were effectively controlled. However, due to the strong rigid demand and the decrease in supply, the market supply still fell short of demand. Under the influence of strong control measures implemented by the government, the overall sale volumes in the property market in Tier 1 and Tier 2 cities started to go down, while the price remained stable. The "de-stocking" in Tier 3 and Tier 4 cities continued, but with the demand spillover resulting from controls in Tier 1 and Tier 2 cities, the market began to pick up. The de-stocking cycle has gradually shortened, the trading volume rebounded markedly and the price began to rise in certain Tier 3 and Tier 4 cities. Therefore, the risks from the tightened governmental macro control policies are also increasing. In the first half of the year, although many local governments increased the land supply to balance the supply and demand and stabilize the housing price in response to the call of the central government, the land market remained highly competitive and land price remained high due to the limited supply of land. In order to lead reasonable expectation, certain hot cities announced the land supply plan of 2017 and the following years and adjusted the land grant methods in order to significantly increase the land supply and to control the land premium, which would help the market to regain balance between supply and demand, and gradually change the bullish expectation on real estate price. The land premium is expected to fall gradually.

Stable Growth in Operating Results

During the first half of the year, by conforming to the themes of "upgrading management to improve quality and integrating resources to promote development", through comprehensively upgrading management and accelerating improvement of operation efficiency and asset quality, the Group has gathered internal growth momentum of development and enhanced core capability, and achieved continuous stable growth in business operation.

During the first half of the year, the revenue of the Group was approximately RMB11.94 billion, representing a year-on-year increase of 135.0%. Profit attributable to equity holders was approximately RMB1.10 billion, increased by 13.2% on a year-on-year basis. Core net profit (profit attributable to equity holders excluding net fair value gain on revaluation of investment properties and the related tax effect and net foreign exchange loss recognized in consolidated income statement) was approximately RMB1.04 billion, increased by 21.8% on a year-on-year basis.

The Board proposed to declare an interim dividend for 2017 of HK$0.040 per share, which is equivalent to approximately RMB0.034 per share. Calculated in Hong Kong dollars, interim dividend increased by 21.2% on a year on year basis. Total interim dividends accounted for about 40% of the core net profit.

Growing Increase in Contracted Sales

During the first half of the year, amid the strict control measures on the industry and the expanding scope and extent of "policy implementation based on each individual city", by capturing the opportunity of the strong rigid demand in the market and taking advantage of the effects on different markets brought by city-specific and de-stocking policies, the Group implemented differentiated and targeted sales strategy in the light of local conditions so as to speed up sales pace, thus achieving good sales results and significant increase in the sale price. During the first half year, the Group recorded an aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB20.05 billion, increased by 25.1% on a year-on-year basis and the aggregate contracted sales GFA was approximately 1.25 million sq.m., decreased by 12.4% on a year-on-year basis. The average selling price was RMB16,100 per sq.m., representing an increase of 42.5%.

Continuous Expansion of Landbank

As at the date of this announcement, the Group continued to expand its land bank by adding 12 land parcels in cities including Guangzhou, Hangzhou, Wuhan, etc. with a total GFA of approximately 3.09 million sq.m.. In terms of the attributable interest, GFA was approximately 1.47 million sq.m..

As at the date of this announcement, the total landbank of the Group was approximately 15.03 million sq.m.. In terms of the attributable interests, the landbank was approximately 9.30 million sq.m.. The Group's landbank is located in 12 cities in the Pearl River Delta, the Yangtze River Delta, Bohai Rim, Central China, etc, with more than 80% located in Tier 1 and Tier 2 cities.

In accordance with the development strategy of the "13th Five-year Plan", in terms of regional expansion layout, the Group made the Pearl River Delta, the Yangtze River Delta and the Central China as the three major growth regions and allocated resources in priority. During the first half of the year, the three major regions accounted for approximately 92.1% of the total land reserve of the Group and newly added land reserve of the Group during the first half of the year mainly came from the three major regions.

Continued Enhancement of Commercial Operation Capability

The Group strives to build up commercial operation capability as the Group's core competitive strength. The Group focused on enhancing its capability of initial stage planning and stably operated its existing commercial leasing properties. Moreover, the Group continued to optimize its commercial operation by implementing the Yuexiu "Property-REIT" dual platform and promoting the interaction with Yuexiu REIT so as to constantly improve the operation capability of its commercial projects.

As of the end of June 2017, Yuexiu Property directly owned a total of approximately 0.79 million sq.m. of commercial leasing properties, and generated rental income of approximately RMB0.29 billion, representing a year-on-year increase of 24.6%. The Group indirectly owned, through Yuexiu REIT, approximately 0.74 million sq.m. of commercial leasing properties contributing revenue of approximately RMB0.91 billion.

Steady Improvement of Operation and Management

To promote and optimize the regional layout across the country, the Group successfully carried out and effectively implemented the organizational management and control system of "strategic headquarters, coordinating and operating regions and managing projects". Centering on the full life-cycle operation of projects, the Group optimized and improved its operating-decision system of projects and leveled up its standards of operation and management. The Group further improved its performance-based and long-term incentive scheme, promoted its incentive plan for key employees, comprehensively improved performance evaluation system and built up market-oriented remuneration system. The plan of co-investment by project management teams and win-win profit-sharing plan was fully promoted within the Group with an aim to share risks and profits to effectively motivate project management teams to create value for shareholders.

During the first half of the year, the Group promoted the implementation of systematic staff development plan with the business development as its objective, optimized the current training system for staff, especial for key staff members, actively recruited external excellent talent, continued enhancement of the market-oriented employment mechanism and strengthened the building of professional manager team.

Enhancement of Financial Indicators

During the first half of the year, the Group expedited the implementation of management accounting system, optimized the system of management and control indicators, and strengthened the guiding effect of each performance indicator on its operation. The Group promoted the establishment of finance-pooling center so as to increase the utilization rate of financial resources. The Group adopted effective measures to keep reducing the borrowing interest rate. The average borrowing interest rate decreased from 4.64% for 2016 to 4.54% for the first half of 2017.

At the end of the period, the Group held total cash and cash equivalents and charged bank deposits of approximately RMB23.8 billion, representing an increase of 8.1% from the beginning of the year. As of 30 June 2017, the net gearing ratio of the Group decreased from 53.1% at the beginning of the year to 52.0%.

Accelerating Expansion of New Businesses

The Group established an urban renewal project company, as an important channel for acquiring land reserve, focusing on the "Railway + Properties" development, development by cooperating with state-owned enterprises and land redevelopment projects covering old factories, old towns and old villages.

In order to speed up the expansion of the elderly-care home business, the Group established a company to invest in elderly-care sector with focus on the development of elderly-care home business. Currently, several projects are in progress.

In line with the government's policies, the Group actively explored the operating model of leasing apartments and the new "real estate +" businesses, with emphasis and exploration on the development of new businesses relating to real estate, such as "+ industries", "+ small towns" and "+ education".

II. BUSINESS OUTLOOK

Looking forward to the second half of 2017, the global economy will continue to sustain its growth. Uncertainties such as trade protectionism, pace of US interest rate hike, credit squeeze and geopolitics will continue to pose challenges and risks to global economic growth. Although the PRC's economy has shown sign of steady improvement in the first half of the year, the impact of tight control over the property market and financial deleveraging will gradually be felt in the second half of the year. Under the influence of the international environment, there still exists considerable uncertainties in external demand, and as a result, investment and export growth may slow down. All these will increase the risk of macroeconomic downturn. However, with the deepening of "supply side reform" and the implementation of innovation-driven development strategy, the endogenous driving force of economic development will continue to increase, and the macroeconomic growth will remain stable in the second half of the year.

Since the government will continue to implement categorised and city-specific control policies with respect to property market in the second half of the year, the control over the property market will remain tight. Differentiation in the property market will continue. The property market in Tier 1 and Tier 2 cities will cool off and encounter adjustment, and Tier 3 and Tier 4 cities will retain a de-stocking tone with rebound in volume and prices. The market performance of lower-tier cities will be relatively stable, however it is possible to further tighten the control as a result of the performance of property prices. The tightening credit policies due to continued regulation over the property and financial deleveraging will become the major risk of the future property market in the PRC. The land market will moderately cool off due to credit squeeze, tightening liquidity and the increase in capital cost. The intensity of competition in the land market will be eased, following the gradual increase of land supply in hot cities in the second half of the year.

Different market performances resulting from the differentiation of regulation policies will also bring growth opportunities to the property enterprises despite the pressure of the continuing and tightened control from the government. Meanwhile, the property industry as a pillar industry will continue to play an important role in stabilizing economy and promoting growth. The modest and fast growth in economy, the increase in disposable income per capita and sustainable development of urbanization will continue to support the residents' demand for housing. Therefore, it is expected that the overall property market continues to maintain steady and healthy in the second half of the year.

In the second half of 2017, the Group, with the aim to accomplish sales and operating targets for the full year, will continue to implement the business development plan for the year and actively promote the implementation of various development strategies under the "13th Five Year Plan". The Group will continue to focus on three core regions, namely Pearl River Delta, Yangtze River Delta and Central China and strengthen and optimize the business of development and operation of residential and commercial properties so as to develop the Group into an outstanding enterprise in the industry and constantly create value for shareholders.

Investment Strategies

The Group seeks to gain resources advantage via various means and channels. By taking advantage of the parent company's resources platform, the Group's unique reserve increase model of "incubation by the parent — acquisition by property" to increase land reserve has become the normality to gain resource. The Group has established a urban renewal project company which will collaborate with the "Guangzhou State-owned Asset Development Alliance" established by the Group, and the "Guangzhou Urban Renewal Fund" being initialled by the parent company with a target size of RMB200 billion to deepen its participation in urban renewal projects arising from the "Railway + Properties" development and redevelopment plans covering old plants, old towns and old villages. By utilizing the resource platform of the state-owned enterprises, the Group will continue to strengthen strategic cooperation with state-owned enterprises to explore quality land resources. The Group will strengthen cooperation with excellent peer enterprises to actively pursue merger & acquisition opportunities in the secondary market. Land resources acquisition in the open market is also one of the important ways for the Group to increase reserves. The Group will adhere to the strategy of "active biddings, prudence on premiums and seeking for cooperation" to seize opportunities of land grant in the open market to increase quality land resources.

Operation Strategies

Taking the opportunity of the Guangdong-Hong Kong-Macau Greater Bay Area, the Group will speed up the growth of its business in such area through in-depth operation in existing cities, development of blueprints for new cities as well as exploring new types of businesses. The Group emphasizes operation in three major areas, the Pearl River Delta, the Yangtze River Delta and Central China. The Group will improve its overall professional standards and competitiveness in each part of the value chain, strengthen its profitability, accelerate turnover of projects and increase capital returns for the shareholders. The Group will enhance its property operating and management capacity, its interaction with Yuexiu Reit and form an integrated operation model of "Investing — Financing — Operating — Exiting", in order to increase its core competitive strength in business operation and with an aim to increase its commercial leasing income. The Group will put in place marketing strategies in response to the market changes, thereby expanding sales channels and promoting sales volumes with a focus on collection of sale proceeds.

The Group is actively developing elderly housing business and has implemented and promoted various projects. It will explore and develop the "real estate +" new businesses and new models, such as apartments for lease, "+ education", "+towns", "+ industries", making them new grounds of growth for the Group's business development in the future.

Management Strategies

The Group will continue to optimize the regional management and control system of business layout and is committed to the improvement of investment efficiency and operating efficiency, in order to accelerate its business development. The Group is building the market-oriented remuneration system, and will continue to optimize the plan of co-investment by project management teams and win-win profit-sharing plan and to deepen the development of long term incentive system. Setting the goal of "enhancing both performance and competence" as its direction, the Group will fully optimize the performance appraisal system and continue to improve operating results. The Group has been implementing systematic staff development plan, improving key talents training mechanism, and strengthening the building of professional manager team.

Financial Strategies

The Group closely monitors changes in macro-policy conditions and takes various effective responsive measures to enforce risk management as well as to safeguard the security of its working capital. The Group emphasizes the collection of sales proceeds and cash flow management, and explores multiple channels of funding sources, to ensure the sufficient liquidity. The Group implements and improves the management accounting system, increases the utilize rate of financial resources, optimizes the system of management and control indicators, and strengthens the supporting effect of financial management on its operational development. The Group continues to optimize asset-liability structure and financing portfolio and allocates onshore and offshore financial resources reasonably to reduce the financing costs and effectively manages the foreign currency risks.

ACKNOWLEDGMENT

The Group is implementing the annual business plan of 2017 and the "13th Five-year" development plan comprehensively and it will take effective strategies and measures in response to market changes, thereby promoting rapid development of the Group's business. The Group will continue to build the refined and streamlined operation as well as develop the control and management system with the management accounting system as the core aspect, providing a solid assurance for rapid development of its business. With respect to the development of various businesses of the Group achieved over the years, I would like to take this opportunity to extend my gratitude to the Board of Directors for their 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 2017, the Group realized revenue of approximately RMB11.94 billion (the same period of 2016: RMB5.08 billion), an increase of 135.0% comparing with the corresponding period of last year. The total revenue (including proceeds from sales of investment properties) was approximately RMB12.28 billion (the same period of 2016: RMB5.12 billion), an increase of 139.8% comparing with the corresponding period of last year. The gross profit was approximately RMB2.98 billion (the same period of 2016: RMB1.28 billion), an increase of 132.9% comparing with the corresponding period of last year, and the gross profit margin reached approximately 24.9%, a decrease of 0.3 percentage point comparing with the corresponding period of last year.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In the first half of 2017, profit attributable to equity holders of the Group was approximately RMB1.10 billion (the same period of 2016: RMB0.97 billion), an increase of 13.2% comparing with the corresponding period of last year. Excluding fair value gain on revaluation of investment properties and the related tax impact and foreign exchange loss, the core net profit was approximately RMB1.04 billion (the same period of 2016: RMB0.86 billion), an increase of 21.8% comparing with the corresponding period of last year. The core net profit margin was 8.7%.

CONTRACTED SALES

In the first half of 2017, the Group recorded aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB20.05 billion, an increase of 25.1% comparing with the corresponding period of last year, which achieved approximately 60.8% of the original full-year contracted sales target of RMB33.0 billion. The aggregate contracted sales GFA (including contracted sales by joint venture projects) amounted to approximately 1.25 million sq.m., a decrease of 12.4% comparing with the corresponding period of last year, while the average selling price was approximately RMB16,100 per sq.m., an increase of 42.5% comparing with the corresponding period of last year. The Group decided to adjust the full-year contracted sales target upwards from RMB33.0 billion to RMB36.0 billion.

In terms of regional composition, Guangzhou accounted for approximately 37.6% of the contracted sales value of the first half of 2017, Pearl River Delta (excluding Guangzhou) accounted for approximately 17.0%, Yangtze River Delta accounted for approximately 26.8%, Central China Region accounted for approximately 9.4%, Bohai Rim Economic Zone accounted for approximately 8.4%, and Hong Kong accounted for approximately 0.8%. In terms of type, residential properties accounted for approximately 71.5%, commercial properties, parking and others accounted for approximately 28.5%.

In the first half of 2017, in term of sales, Guangzhou, Wuhan and Hangzhou were the major cities within the top three regions of the Group, and the sales in the three cities accounted for approximately 73.2% in total. The property market of Guangzhou as a first-tier city remained rational and recorded a stable increase despite stringent control. Under a series of control policies, the demand remained strong in second-tier key cities such as Wuhan and Hangzhou with supply over demand. It is expected that the property market of the top three cities will achieve a stable growth in the second half of 2017.

Contracted sales are summarized as follows:

No.	**Project**	**Type**	**GFA** *(sq.m.)*	**Value** *(RMB million)*	**ASP** *(RMB/sq.m.)*
1	Guangzhou Starry Golden Sands	Residential, commercial and parking	2,800	88	31,400
2	Guangzhou Starry Wenhua	Residential, commercial and parking	7,100	215	30,300
3	Guangzhou Paradiso Riverside	Residential, commercial and parking	8,300	108	13,000
4	Guangzhou Starry Cullinan	Residential and parking	6,100	408	66,900
5	Guangzhou Lingnan Hillside	Residential, commercial and parking	36,800	448	12,200
6	Guangzhou Lingnan Villas	Residential, commercial and parking	2,100	22	10,500
7	Guangzhou Lingnan Wood	Residential, commercial and parking	1,200	24	20,000
8	Guangzhou Yuexiu Poly Aite City	Residential	47,500	987	20,800
9	Guangzhou Starry Sky City	Residential and commercial	18,600	722	38,800
10	Guangzhou Starry Haizhu Bay	Residential and commercial	51,300	2,097	40,900
11	Guangzhou Greenland Yuexiu Haiyue	Residential	16,400	718	43,800
12	Guangzhou Lingnan Riverside	Commercial and parking	13,300	475	35,700
13	Guangzhou Poly Purple Cloud	Residential	13,300	504	37,900

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
14	Nansha Southern Le Sand	Residential, commercial and parking	32,800	607	18,500
	Other projects	N/A	8,300	122	14,700
	Subtotal (Guangzhou)		**265,900**	**7,545**	**28,400**
15	Jiangmen Starry Regal Court	Residential and parking	11,400	55	4,800
16	Jiangmen Xijiang Mansion	Residential	15,900	136	8,600
17	Jiangmen Xijiang Joy Mansion	Residential	101,000	905	9,000
18	Jiangmen Tianyuexingyuan	Residential and commercial	27,500	314	11,400
19	Zhongshan Starry Winking	Residential, commercial and parking	107,300	537	5,000
20	Zhongshan Starry Junting	Parking	2,300	7	3,000
21	Zhongshan Starry Peakfield	Residential, commercial and parking	5,500	20	3,600
22	Zhongshan Paradiso Jadin	Residential, commercial and parking	50,500	302	6,000
23	Nanhai Starry Winking	Residential and parking	21,900	367	16,800
24	Foshan Lingnan Junting	Residential, commercial and parking	34,500	459	13,300
25	Foshan Paradiso Power	Residential, commercial and parking	25,600	318	12,400
	Subtotal (Pearl River Delta ex. Guangzhou)		**403,400**	**3,420**	**8,500**

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
26	Hangzhou Starry City	Residential, commercial and parking	153,500	1,470	9,600
27	Hangzhou Starry Joy City	Commercial and parking	3,300	68	20,600
28	Hangzhou Starry Upper City	Residential, commercial and parking	79,300	1,735	21,900
29	Hangzhou Victory Center	Commercial	18,300	567	31,000
30	Hangzhou Crystal City	Residential	63,900	1,404	22,000
31	Suzhou Paradiso Pavilion	Residential, commercial and parking	6,600	127	19,200
32	Suzhou Starry Pavilion	Parking	300	2	6,700
	Subtotal (Yangtze River Delta)		**325,200**	**5,373**	**16,500**
33	Wuhan Starry Winking	Residential, commercial and parking	7,000	172	24,600
34	Wuhan Starry Emperor	Residential, commercial and parking	18,400	272	14,800
35	Wuhan International Financial City	Residential and commercial	38,700	1,437	37,100
	Subtotal (Central China Region)		**64,100**	**1,881**	**29,300**
36	Shenyang Starry Winking	Residential	28,800	384	13,300
37	Shenyang Starry Blue Sea	Residential, commercial and parking	1,300	16	12,000

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
38	Shenyang Yuexiu Hill Lake	Residential	1,000	8	8,000
39	Yantai Starry Golden Sands	Residential, commercial and parking	75,300	443	5,900
40	Yantai Starry Phoenix	Residential and parking	2,300	19	8,300
41	Qingdao Starry Blue Bay	Residential, commercial and parking	20,300	251	12,400
42	Qingdao Infinite Mansion	Residential and parking	39,200	426	10,900
43	Dalian Yuexiu Building	Commercial	18,100	135	7,500
	Subtotal (Bohai Rim)		**186,300**	**1,682**	**9,000**
44	16 Tsing Tai Road Project (Hong Kong)	Residential	800	153	191,300
	Total		**1,245,700**	**20,054**	**16,100**

RECOGNIZED SALES

In the first half of 2017, the recognized sales value and recognized sales GFA were approximately RMB11.35 billion (including the sale of investment properties of RMB0.35 billion) and approximately 1.08 million sq.m. (including the sale of investment properties of approximately 0.09 million sq.m.), increases of 151.1% and 126.9% respectively comparing with the corresponding period of last year, and the average selling price was approximately RMB10,500 per sq.m.

Recognized sales are summarized as follows:

No.	**Project**	**Type**	**GFA** *(sq.m.)*	**Value** *(RMB million)*	**ASP** *(RMB/sq.m.)*
1	Guangzhou Starry Cullium	Residential and parking	1,300	70	54,600
2	Guangzhou Starry Golden Sands	Residential, commercial and parking	7,400	187	25,300
3	Guangzhou Starry Wenhua	Residential, commercial and parking	6,400	194	30,300
4	Guangzhou Paradiso Riverside	Residential, commercial and parking	7,500	92	12,300
5	Guangzhou Starry Winking	Parking	100	5	50,000
6	Guangzhou Lingnan Hillside	Residential, commercial and parking	1,200	16	13,300
7	Guangzhou Lingnan Villas	Residential, commercial and parking	10,200	143	14,000
8	Guangzhou Fortune Apartment	Commercial	11,600	432	37,200

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
9	Nansha Southern Le Sand	Residential, commercial and parking	99,400	1,294	13,000
	Other projects	N/A	6,000	79	13,200
	Subtotal (Guangzhou)		**151,100**	**2,512**	**16,600**
10	Jiangmen Starry Regal Court	Residential and parking	8,600	91	10,600
11	Zhongshan Starry Winking	Residential, commercial and parking	2,000	14	7,000
12	Zhongshan Starry Junting	Parking	1,000	8	8,000
13	Zhongshan Starry Peakfield	Residential, commercial and parking	160,600	1,109	6,900
14	Zhongshan Paradiso Jadin	Residential, commercial and parking	114,800	517	4,500
15	Nanhai Starry Winking	Residential and parking	48,700	780	16,000
16	Foshan Lingnan Junting	Residential, commercial and parking	4,500	72	16,000
	Subtotal (Pearl River Delta ex. Guangzhou)		**340,200**	**2,591**	**7,600**
17	Hangzhou Starry City	Residential, commercial and parking	33,800	246	7,300
18	Hangzhou Starry Joy City	Commercial and parking	8,100	77	9,500

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
19	Hangzhou Starry Upper City	Residential, commercial and parking	114,700	1,832	16,000
20	Hangzhou Victory Center	Commercial	7,500	178	23,700
21	Suzhou Paradiso Pavilion	Residential, commercial and parking	8,400	107	12,700
22	Suzhou Starry Pavilion	Residential and parking	72,200	965	13,400
	Subtotal (Yangtze River Delta)		**244,700**	**3,405**	**13,900**
23	Wuhan Starry Winking	Residential, commercial and parking	11,400	249	21,800
24	Wuhan Starry Emperor	Residential, commercial and parking	28,200	349	12,400
	Subtotal (Central China Region)		**39,600**	**598**	**15,100**
25	Shenyang Starry Winking	Residential	17,400	199	11,400
26	Shenyang Starry Blue Sea	Residential, commercial and parking	2,100	10	4,800
27	Shenyang Yuexiu Hill Lake	Residential	400	3	7,500
28	Yantai Starry Golden Sands	Residential, commercial and parking	25,700	135	5,300

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
29	Qingdao Starry Blue Bay	Residential, commercial and parking	174,500	1,554	8,900
	Subtotal (Bohai Rim)		**220,100**	**1,901**	**8,600**
	Investment properties	N/A	85,800	346	4,000
	Total		**1,081,500**	**11,353**	**10,500**

UNRECOGNIZED SALES

As of 30 June 2017, the unrecognized sales value amounted to approximately RMB34.57 billion, with unrecognized sales GFA of approximately 2.22 million sq.m., and the average selling price was approximately RMB15,600 per sq.m.

Unrecognized sales are summarized as follows:

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
1	Guangzhou Starry Cullium	Residential and parking	7,000	469	67,000
2	Guangzhou Starry Golden Sands	Residential, commercial and parking	9,200	297	32,300
3	Guangzhou Starry Wenhua	Residential, commercial and parking	16,500	427	25,900
4	Guangzhou Paradiso Riverside	Residential, commercial and parking	32,200	491	15,200
5	Guangzhou Starry Sky City	Residential	65,000	2,125	32,700

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
6	Guangzhou Starry Haizhu Bay	Residential	81,700	3,152	38,600
7	Guangzhou Greenland Yuexiu Haiyue	Residential	67,300	2,356	35,000
8	Guangzhou Lingnan Hillside	Residential, commercial and parking	36,800	455	12,400
9	Guangzhou Lingnan Villas	Residential, commercial and parking	3,600	62	17,200
10	Guangzhou Lingnan Wood	Residential, commercial and parking	10,600	239	22,500
11	Guangzhou Yuexiu Poly Aite City	Residential	42,800	913	21,300
12	Guangzhou Lingnan Riverside	Commercial and parking	1,700	22	12,900
13	Guangzhou Poly Purple Cloud	Residential	13,300	504	37,900
14	Nansha Southern Le Sand	Residential, commercial and parking	160,100	2,574	16,100
	Other projects	N/A	28,900	673	23,300
	Subtotal (Guangzhou)		**576,700**	**14,759**	**25,600**
15	Jiangmen Starry Regal Court	Residential and parking	7,300	72	9,900
16	Jiangmen Xijiang Mansion	Residential	162,200	1,224	7,500
17	Jiangmen Xijiang Joy Mansion	Residential	125,200	1,106	8,800
18	Jiangmen Tianyuexingyuan	Residential and commercial	27,500	314	11,400

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
19	Zhangshan Starry Winking	Residential, commercial and parking	132,100	832	6,300
20	Zhangshan Starry Peakfield	Residential, commercial and parking	7,700	51	6,600
21	Zhangshan Paraoliso Jadin	Residential, commercial and parking	94,000	588	6,300
22	Nanhai Starry Winking	Residential and parking	18,200	357	19,600
23	Foshan Lingnan Junting	Residential, commercial and parking	117,800	1,173	10,000
24	Foshan Paradiso Power	Residential, commercial and parking	165,200	1,740	10,500
	Subtotal (Pearl River Delta ex. Guangzhou)		**857,200**	**7,457**	**8,700**
25	Hangzhou Starry City	Residential, commercial and parking	166,000	1,555	9,400
26	Hangzhou Starry Joy City	Commercial and parking	4,600	84	18,300
27	Hangzhou Starry Upper City	Residential, commercial and parking	55,200	1,250	22,600
28	Hangzhou Victory Center	Commercial	15,500	523	33,700
29	Hangzhou Crystal City	Residential	88,700	1,936	21,800
30	Suzhou Paradiso Pavilion	Residential, commercial and parking	5,300	78	14,700

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
31	Suzhou Starry Pavilion	Residential, commercial and parking	76,000	988	13,000
	Subtotal (Yangtze River Delta)		**411,300**	**6,414**	**15,600**
32	Wuhan Starry Winking	Residential, commercial and parking	8,200	220	26,800
33	Wuhan Starry Emperor	Residential, commercial and parking	97,000	1,285	13,200
34	Wuhan International Financial City	Residential and commercial	74,200	2,559	34,500
	Subtotal (Central China Region)		**179,400**	**4,064**	**22,700**
35	Shenyang Starry Winking	Residential	26,300	362	13,800
36	Shenyang Starry Blue Sea	Residential, commercial and parking	4,500	100	22,200
37	Yantai Starry Golden Sands	Residential, commercial and parking	91,200	547	6,000
38	Qingdao Starry Blue Bay	Residential, commercial and parking	12,800	156	12,200
39	Qingdao Yuexiu Infinite Mansion	Residential and parking	39,200	426	10,900
40	Dalian Yuexiu Building	Commercial	18,100	134	7,400
	Subtotal (Bohai Rim)		**192,100**	**1,725**	**9,000**

No.	Project	Type	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
41	16 Tsing Tai Road Project (Hong Kong)	Residential	800	153	191,300
	Total		**2,217,500**	**34,572**	**15,600**

LANDBANK

As at the date of this announcement, the Group acquired 12 additional land parcels located in cities such as Guangzhou, Hangzhou, and Wuhan etc., with the total GFA of approximately 3.09 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 1.47 million sq.m..

As at the date of this announcement, land parcels newly acquired are summarized as follows:

No.	Project	Equity holding	Site Area *(sq.m.)*	Total GFA *(sq.m.)*	GFA based on Proportional Interest *(sq.m.)*
1	Guangzhou Guanggang Phase 4 Land	16.7%	38,800	263,200	43,900
2	Nansha Jinling North Land	15.0%	31,300	122,000	18,300
3	Nansha Lingshan Island Land	100.0%	49,500	175,800	175,800
4	Jiangmen Heshan Yayao Land I	95.0%	56,700	223,000	211,900
5	Jiangmen Heshan Yayao Land II	95.0%	49,000	190,400	180,900
6	Hangzhou Genbei New Town West Land	48.5%	114,000	337,900	163,700
7	Hangzhou Lin’an Binghu New District Land	95.0%	61,800	225,100	213,900

No.	Project	Equity holding	Site Area	Total GFA	GFA based on Proportional Interest
			(sq.m.)	*(sq.m.)*	*(sq.m.)*
8	Hangzhou Yuhang Xingguo Road Land	51.0%	77,600	227,300	115,900
9	Wuhan Yangsi Port Land	12.3%	182,900	1,107,800	135,700
10	Wuhan Guobo New Town Land	95.0%	15,100	90,600	86,100
11	Wuhan Aoyuan East Land	95.5%	9,400	44,300	42,300
12	Wuhan Caidian Land	95.0%	16,200	83,100	78,900
	Total		**702,300**	**3,090,500**	**1,467,300**

As of the date of this announcement, the landbank of the Group reached approximately 15.03 million sq.m. with a total of 47 projects in 12 cities in the PRC with an improved balance between the regions. In terms of the attributable interest, the Group's landbank was approximately 9.30 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 39.9% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 11.6%, Yangtze River Delta accounted for approximately 24.7%, the Central China Region accounted for approximately 15.9%, Bohai Rim Economic Zone accounted for approximately 6.7%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.5%.

Landbank is summarized as follows:

No.	Project	Landbank GFA *(sq.m.)*	PUD GFA *(sq.m.)*	PFD GFA *(sq.m.)*
1	Asia Pacific Century Plaza	216,300	216,300	—
2	Guangzhou Starry Sky City	688,100	337,200	350,900
3	Guangzhou Starry Haizhu Bay	776,800	415,800	361,000
4	Guangzhou Greenland Yuexiu Haiyue	237,900	237,900	—
5	Guangzhou Haizhu Nanzhou Road Land	152,600	—	152,600
6	Guangzhou Yuexiu Poly Aite City	510,200	510,200	—
7	Guangzhou Poly Purple Cloud	297,800	297,800	—
8	Guangzhou Guanggang Phase 4 Land	263,200	—	263,200
9	Nansha Southern Le Sand	1,312,400	716,700	595,700
10	Nansha Yuexiu Binhai New Town (formerly known as Nansha Phase 10 Land)	952,600	262,200	690,400
11	Nansha Tantou Land	250,400	—	250,400
12	Nansha Jinling North Land	122,000	—	122,000
13	Nansha Lingshan Island Land	175,800	—	175,800
	Other projects	44,000	44,000	—
	Subtotal (Guangzhou)	**6,000,100**	**3,038,100**	**2,962,000**
14	Jiangmen Xijiang Joy Mansion	228,800	228,800	—
15	Jiangmen Xijiang Mansion	239,900	239,900	—
16	Jiangmen Tianyuexingyuan	170,800	170,800	—
17	Jiangmen Starry Regal Court	57,500	57,500	—
18	Jiangmen Heshan Yayao Land I	223,000	—	223,000

No.	Project	Landbank GFA *(sq.m.)*	PUD GFA *(sq.m.)*	PFD GFA *(sq.m.)*
19	Jiangmen Heshan Yayao Land II	190,400	—	190,400
20	Zhongshan Starry Winking	152,100	152,100	—
21	Zhongshan Starry Peakfield	158,600	158,600	—
22	Zhongshan Paradiso Jadin	79,900	79,900	—
23	Foshan Paradiso Power	226,000	226,000	—
24	Foshan Lingnan Junting	22,100	5,700	16,400
	Subtotal (Pearl River Delta ex. Guangzhou)	**1,749,100**	**1,319,300**	**429,800**
25	Hangzhou Starry City	1,356,200	276,800	1,079,400
26	Hangzhou Crystal City	125,200	125,200	—
27	Hangzhou Yuexiu Qinai Lane (formerly known as Hangzhou Jianggan Niutian Land)	77,900	77,900	—
28	Hangzhou Garden 1872 (formerly known as Hangzhou Genbei New Town East Land)	333,300	—	333,300
29	Hangzhou Genbei New Town West Land	337,900	—	337,900
30	Hangzhou Lin'an Binghu New District Land	225,100	—	225,100
31	Hangzhou Yuhang Xingguo Road Land	227,300	—	227,300
32	Suzhou Starry Pavilion	91,000	91,000	—
33	Suzhou Taicang Xiangdong Island Land	936,000	—	936,000
	Subtotal (Yangtze River Delta)	**3,709,900**	**570,900**	**3,139,000**
34	Wuhan Starry Emperor	113,600	113,600	—
35	Wuhan International Financial City	889,800	889,800	—

No.	Project	Landbank GFA *(sq.m.)*	PUD GFA *(sq.m.)*	PFD GFA *(sq.m.)*
36	Wuhan Wuchang Zhongbei Road Land	55,800	55,800	—
37	Wuhan Yangsi Port Land	1,107,800	—	1,107,800
38	Wuhan Guobo New Town Land	90,600	90,600	—
39	Wuhan Aoyuan East Land	44,300	—	44,300
40	Wuhan Caidian Land	83,100	—	83,100
	Subtotal (Central China Region)	**2,385,000**	**1,149,800**	**1,235,200**
41	Shenyang Yuexiu Hill Lake	251,800	—	251,800
42	Shenyang Starry Winking	394,300	40,800	353,500
43	Shenyang Starry Blue Sea	9,800	9,800	—
44	Yantai Starry Golden Sands	215,000	215,000	—
45	Qingdao Yuexiu Infinite Mansion	138,100	138,100	—
	Subtotal (Bohai Rim)	**1,009,000**	**403,700**	**605,300**
46	Hainan Simapo Island Project	100,500	6,100	94,400
	Subtotal (China)	**14,953,600**	**6,487,900**	**8,465,700**
47	Hong Kong Yau Tong Project	73,400	—	73,400
	Subtotal (Hong Kong)	**73,400**	**—**	**73,400**
	Total	**15,027,000**	**6,487,900**	**8,539,100**

CONSTRUCTION PROGRESS

In the first half of the year, completion and delivery of the Group's properties were faster than the time schedule, while completion of new construction has lagged behind the time schedule. However, with successive commencement of construction of new projects in the second half of the year, it is expected that the Group will still be able to achieve the target for commencement of new construction for the whole year as scheduled.

New commencement of constructions, completions and deliveries are summarized as follows:

Construction progress	Actual GFA in 2017 1H *(sq.m.)*	Planned GFA for 2017 *(sq.m.)*
New commencement of constructions	745,200	2,420,400
Completion	1,567,400	2,367,000

INVESTMENT PROPERTIES

As of 30 June 2017, the Group owned investment properties under lease of approximately 788,500 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 36.8%, 47.8% and 15.4%, respectively. The Group recorded rental revenue of approximately RMB290 million in the first half of 2017, representing an increase of 24.6% as compared to the same period of last year, which was mainly due to the increase in rental revenue of Yuexiu Financial Tower.

In the first half of 2017, the Group recorded fair value gains on revaluation of investment properties of approximately RMB75 million, which was mainly due to fair value gains on revaluation of Yuexiu Financial Tower of approximately RMB43 million during the period.

OTHER GAINS, NET

In the first half of 2017, the Group's other gains, net amounted to approximately RMB58 million, representing a decrease of 92.5% as compared to the same period of last year, which was mainly due to gains on equity transfer of Dalian Perfect Base of approximately RMB51 million. In the same period of 2016, the disposal of 51% equity interest of an indirect wholly-owned subsidiary recorded profits on disposal before tax of approximately RMB372 million and the remaining 49% equity interest held by the Group recorded fair value gains before tax of approximately RMB358 million after re-measurement according to relevant accounting standards.

SELLING AND MARKETING COSTS

In the first half of 2017, the Group's selling and marketing costs were approximately RMB252 million, representing a decrease of 3.1% as compared to the same period of last year. The Group has been endeavoring to implement effective marketing plans to control its selling and marketing costs at an appropriate level. The selling and marketing costs accounted for 1.3% of total contracted sales for the period, down by 0.3 percentage point from 1.6% for the same period of last year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB375 million, representing an increase of 32.2% as compared to the same period of last year. The Group continued to strengthen control over expenses and strictly followed the annual expenses budget. Administrative expenses accounted for 1.9% of the contracted sales for the period, up by 0.1 percentage point as compared to 1.8% for the same period of last year.

FINANCE COSTS

In the first half of 2017, the Group's interest expenses amounted to approximately RMB1.02 billion, including interest expenses of bank borrowings and bonds of RMB916 million, representing an increase of RMB11 million on a year-on-year basis. In addition, the interest expenses of borrowings from an intermediate holding company, related entities and a non-controlling shareholder of a subsidiary amounted to approximately RMB100 million in total for the period, representing a decrease of RMB85 million as compared to the same period of last year. The average effective borrowing interest rate for the period decreased to 4.54% per annum from 4.64% per annum for the year of 2016.

On 30 June 2017, the exchange rate of RMB against USD appreciated by 2.3% as compared to that at the beginning of the year. The Group's revenue was mainly denominated in RMB. After the Group took active measures to narrow down the foreign exchange exposures in 2016, and exchange differences for foreign currency denominated borrowing resulting from the changes in exchange rates have no significant impact on the consolidated income statement of the period. The foreign exchange losses arising from bank deposits in foreign currency amounted to approximately RMB18 million during this period. Total foreign exchange losses for the period amounted to approximately RMB18 million, representing a decrease of 90.2% as compared to that of RMB181 million for the same period of last year.

The interest expenses and net foreign exchange loss for the period amounted to approximately RMB1.03 billion in total. According to the relevant requirements of the Hong Kong Accounting Standards, the capitalised interest expenses for the period amounted to approximately RMB383 million. Due to the decrease in newly started projects during the period, capitalized interest expenses decreased by 52.1% as compared to the same period of last year. Finance costs (excluding loss on extinguishment of financial liabilities) recorded in the income statement were approximately RMB651 million, representing an increase of 57.9% as compared to the same period of last year.

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

In the first half of 2017, the overall net contribution from associated entities attributable to the Group increased by 142.0% to approximately RMB374 million as compared to the same period of last year, which was mainly due to the profit contribution from Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

In the first half of 2017, the total distributable amount of Yuexiu REIT amounted to approximately RMB395 million, representing an increase of 2.8% as compared to the same period of last year, and the cash distribution attributable to the Group amounted to approximately RMB139 million.

BASIC EARNINGS PER SHARE

In the first half of 2017, basic earnings per share attributable to the equity holders of the Company based on the weighted average number of ordinary shares in issue were RMB0.0889 (first half of 2016: RMB0.0785).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for 2017 of HK$0.040 per share (equivalent to RMB0.034 per share) (2016 interim: HK$0.033 per share (equivalent to RMB0.028 per share)) to shareholders whose names appear on the Register of Members of the Company on 18 October 2017. The interim dividend will be distributed to shareholders on or around 16 November 2017.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

In the first half of 2017, the Group obtained new bank borrowings of approximately RMB8.56 billion, including onshore bank borrowings of approximately RMB6.22 billion and offshore bank borrowings of approximately RMB2.34 billion. As at 30 June 2017, total borrowings amounted to approximately RMB42.20 billion (31 December 2016: RMB40.29 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB23.80 billion, and the net gearing ratio was 52.0%. Borrowings due within one year accounted for approximately 16% of the total borrowings (31 December 2016: 17%), fixed-rate borrowings accounted for approximately 65% of the total borrowings (31 December 2016: 76%). Due to the Group's optimization of the capital structure, the Group's average effective borrowing interest rate for the period further decreased by 0.1 percentage points to 4.54% per annum from 4.64% per annum for the year of 2016.

As at 30 June 2017, among the Group's total borrowings, approximately 56% was RMB denominated bank borrowings (31 December 2016: 63%), 7% was Hong Kong dollar denominated bank borrowings (31 December 2016: 1%), 13% was Hong Kong and US dollar denominated medium to long term notes (31 December 2016: 14%), 19% was RMB denominated medium to long term notes (31 December 2016: 20%) and 5% was RMB denominated loan from shareholder (31 December 2016: 2%).

WORKING CAPITAL

On 30 June 2017, the Group's working capital (current assets less current liabilities) amounted to approximately RMB41.53 billion (31 December 2016: approximately RMB39.40 billion). The Group's current ratio (current assets divided by current liabilities) was 1.7 times (31 December 2016: 1.7 times). Cash and cash equivalents amounted to approximately RMB19.71 billion (31 December 2016: RMB17.69 billion). Charged bank deposits amounted to approximately RMB4.09 billion (31 December 2016: RMB4.33 billion). Undrawn committed bank facilities amounted to approximately RMB7.95 billion.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarized as follows:

	As at June 30 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Bank borrowings and notes		
Denominated in RMB	31,938,876	33,534,214
Denominated in Hong Kong dollar	4,696,519	2,413,163
Denominated in US dollar	3,365,943	3,444,222
Total bank borrowings and notes	40,001,338	39,391,599
Borrowings from an intermediate holding company	2,203,303	901,359
Finance lease obligations	222	264
Bank overdrafts	50	53
Total debts	42,204,913	40,293,275

	As at June 30 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Ageing analysis:		
Within one year	6,887,959	6,778,340
In the second year	7,644,607	3,964,758
In the third to fifth year	16,346,403	17,274,860
Beyond five years	11,325,944	12,275,317
Total borrowings	42,204,913	40,293,275
Less: Cash and cash equivalents	(19,707,322)	(17,691,428)
Net borrowings	22,497,591	22,601,847
Total equity	35,391,587	34,385,877
Total capitalization	57,889,178	56,987,724
Gearing ratio	38.9%	39.7%

INTEREST RATE EXPOSURE

The Group's major interest rate exposure is derived from loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. On 30 June 2017, among the total borrowings of the Group, approximately 28.3% was floating rate bank loans denominated in Renminbi, approximately 6.4% was floating rate bank loans denominated in Hong Kong dollars, approximately 28.5% was fixed rate bank loans denominated in Renminbi, approximately 18.9% was medium to long term fixed rate bonds denominated in Renminbi, approximately 12.7% was medium to long term fixed rate notes denominated in US dollars/Hong Kong dollars, and approximately 5.2% was fixed rate borrowings from an intermediate holding company denominated in Renminbi. Having considered the currencies and structural composition of loans, the Group did not enter into any arrangement of interest rate hedging instruments during the reporting period. The average borrowing interest rate decreased from 4.64% per annum in the year of 2016 to 4.54% per annum in the first half of 2017.

With respect to the Renminbi loan interest rates, the People's Bank of China ("PBOC") has cut interest rates and reduced reserve requirement ratios (RRR) continually since November 2014. The one-year benchmark interest rate went down from 5.6% to the current level of 4.35%. It is generally expected in the market that the interest rate of Renminbi will slightly go up from a relatively low level in 2017.

With respect to the loan interest rates of US dollars and Hong Kong dollars, it is expected in the market that the U.S. economic recovery will accelerate. In June 2017, the US Federal Reserve raised interest rate again after the interest rate hike in March 2017, December 2016 and December 2015. It is expected in the market that in December 2017 the US Federal Reserve may raise interest rate again. It is estimated that the loan interest rates of Hong Kong dollars will follow the change of US dollars interest rates with slight delay in terms of timing.

At present, the global economy and the financial environment are unstable and the liquidity in domestic market has slightly tightened. The Group anticipates that Renminbi loan interest rate will slightly go up in 2017. Meanwhile, it is expected that the US dollar loan interest rate will rise with improvements in employment and annual average consumption as well as inflation reaching a given level in the United States.

Currently, the proportion of the loans denominated in Renminbi and foreign currencies of the Group is 81:19. The foreign currency denominated financing mainly comprises fixed rate financing. It is estimated that the increase in interest rates will not have any material adverse effects on the overall financial position of the Group in the short term. As a result, the Group has made no hedging against exposure to interest rate risk for the present. However, the Group will continue to closely monitor the changes of onshore and offshore interest rates and adopt hedging to manage its interest rate risk exposure at the appropriate time.

FOREIGN EXCHANGE EXPOSURE

Currently, RMB appreciated against US dollar as compared to that of the beginning of the year. However, it was expected in the market that RMB would depreciate slightly against US dollar in the fourth quarter of the year, with a relatively stable level maintained for the whole year.

Since the main business operations of the Group are conducted in Mainland China, its income is primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to narrow down the foreign exchange exposure and reduce risk. As at 30 June 2017, approximately 19% (15% at the beginning of the year) of the total borrowings of the Group were borrowings denominated in foreign currencies, among which approximately HKD3.14 billion (equivalent to approximately RMB2.72 billion) were bank borrowings denominated in Hong Kong dollars, approximately USD500 million (equivalent to approximately RMB3.37 billion) were medium to long term notes denominated in US dollars, and approximately HKD2.30 billion (equivalent to approximately RMB1.98 billion) were medium to long term notes denominated in Hong Kong dollars. As at 30 June 2017, the middle rate of onshore Renminbi against Hong Kong dollars raised by 2.97% as compared to the exchange rate as at 31 December 2016 and a net exchange loss of RMB18 million was recorded for this period, all of which was recorded in the consolidated income statement.

The Group will continue to strengthen its study and tracking on the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, adjust and optimize the structure of onshore and offshore debts and control the foreign exchange exposure. The Group will consider using suitable financial instruments to manage foreign exchange exposure when costs are reasonable.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 30 June 2017, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB1.78 billion (31 December 2016: RMB1.85 billion).

CONTINGENT LIABILITIES

The Group arranged bank loans for certain purchasers of the Group's properties in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interests in performing its liabilities under the guarantee, but the Group owns the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 30 June 2017, total contingent liabilities relating to these guarantees amounted to approximately RMB8.08 billion (31 December 2016: RMB11.30 billion).

As at 30 June 2017, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB644 million (31 December 2016: RMB2,609 million) in respect of loans borrowed by joint ventures and associates entities of the Group, among which, guarantee of approximately RMB141 million was utilised and guarantee of approximately RMB503 million was not utilised yet.

Employees and Remuneration Policy

As of 30 June 2017, the Group had approximately 6,950 employees (31 December 2016: 6,550 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2017.

Code Provision A.4.1

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

Code Provision E.1.2

Code Provision E.1.2 stipulates that chairman of the board should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 6 June 2017 due to other business engagement. The chairman or members of Audit, Remuneration and Nomination Committees attended the annual general meeting.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2017 have been reviewed by the Audit Committee and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of its shares during the six months ended 30 June 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 October 2017 to Wednesday, 18 October 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 13 October 2017.

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

Hong Kong, 18 August 2017

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

Executive Directors:	*ZHANG Zhaoxing (Chairman), ZHU Chunxiu, LIN Zhaoyuan, LI Feng and CHEN Jing*
Independent Non-executive Directors:	*YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose*