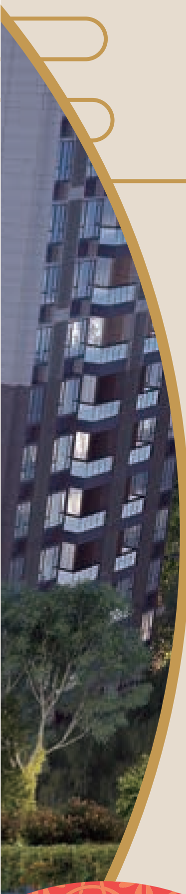
越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED

Stock Code : 00123

Where Good Living Starts

Interim Report 2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Lin Zhaoyuan (Chairman)
Mr Lin Feng
Mr Li Feng
Ms Chen Jing
Ms Liu Yan

Non-executive director

Mr Ouyang Changcheng
(appointed with effect from 23 July 2019)

Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph
Mr Lee Ka Lun
Mr Lau Hon Chuen Ambrose

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited
DBS Bank Ltd.
China Construction Bank (Asia) Corporation Limited
Agricultural Bank of China Limited

WEBSITES TO ACCESS COMPANY INFORMATION

http://www.yuexiuproperty.com
http://www.irasia.com/listco/hk/yuexiuproperty
http://www.hkexnews.hk

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Wanchai, Hong Kong

SHARE REGISTRAR

Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

Stock codes

The Stock Exchange of Hong Kong Limited - 00123
Reuters – 123.HK
Bloomberg – 123 HK

INVESTOR RELATIONS

For further information about
Yuexiu Property Company Limited,
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CHAIRMAN'S STATEMENT

I. BUSINESS REVIEW

Economic and Market Environment

In the first half of 2019, global economic growth decelerated and recovery faltered. The escalation of China-US trade disputes posed enormous risks to the growth in both global trade and global economy. The growth in the US economy and major economies started to slow down. The growth in emerging markets and developing economies continued to drop and there was financial market turbulence. In the first half of 2019, China's economy as a whole maintained a stable and progressive development trend. In the face of increased external uncertainties and destabilizing factors, there was downward pressure on the macro economy. The macroeconomic indicators was maintained within a proper range due to greater support of fiscal policy and monetary policy from the Chinese government, active implementation of the policy of "Six Stabilities" that ensures "stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations", continued adjusting economic structure and upgrading consumption and accelerated reform and opening up. In the first half of the year, the macro economy continued to maintain a stable momentum with a period-to-period growth of 6.3% in GDP.

In the first half of 2019, property market policies were based on "housing for living in rather than for speculation", "policy implementation in line with each city and categorized control measures" and the control policies of "stabilising in land price, housing price, and expectation". As a result, development of the PRC property market as a whole was stable. The GFA of commodity housing sales was approximately 0.76 billion sq.m., representing a period-to-period decrease of 1.8%, while commodity housing sales value was approximately RMB7.1 trillion, representing a period-to-period increase of 5.6%. The property sector continued to act as a pillaring role in the national economy. There was also a clear regional differentiation in the property market. The transactions rebounded in the property market in tier-1 cities, however, the supply failed to meet the demand. The transactions tended to stabilize in tier-2 cities. The market cooled down distinctly in tier-3 and tier-4 cities. With tier-1 and tier-2 cities witnessing an increase in property price, some cities began to tighten the housing loan policy and properly adjusted the housing purchase policy to maintain a sound development of the property market. The land market presented a stable performance on the whole because local governments intensified the categorized controls of land supply, optimized the rule of land auction and controlled the land premiums. Property developers generally showed interest in the market of tier-1 and tier-2 cities where the land supply was limited, which led to a fierce competition in land. But with continued enhancement of land control by the government and accumulation of experience, the land price was under relatively effective control and control policy for stabilizing land price and housing price starts to show effect.

Significant Growth in Operating Results

In the first half of 2019, the Group centered on the annual work theme of "deepened management ability improvement, operation-driven development", and grasped the guiding principle of "enhanced competitiveness, stable operation, and balanced development." By improving the management ability and building the core competitiveness of business development, the Group realized sustained high-quality business growth.

During the first half of 2019, the revenue of the Group was approximately RMB21.79 billion, representing a period-to-period increase of 114.4%. The gross profit margin was approximately 30.0%, representing a period-to-period increase of 4.2 percentage points. Profit attributable to equity holders was approximately RMB1.87 billion, representing a period-to-period increase of 42.4%. Core net profit (profit attributable to equity holders excluding the net value gains on revaluation of investment properties, the effect of related taxation and net foreign exchange gain/(loss) recognized in the condensed consolidated statement of profit or loss) was approximately RMB1.83 billion, representing a period-to-period increase of 63.2%. As of 30 June 2019, the unrecognized sales value amounted to RMB77.55 billion, representing an increase of 21.4% as compared to the beginning of the year.

The Board resolved to declare an interim dividend for 2019 of HKD0.053 per share (equivalent to RMB0.047 per share). Calculated in Hong Kong dollars, an interim dividend per share dividend increased 26.2% on a period-to-period basis.

CHAIRMAN'S STATEMENT

Contracted Sales Hit Record High

In the first half of 2019, the Group adjusted, in a timely manner, sales strategies according to the specific control policies and market performance of different region and city markets, accelerated the pace of sales and cash collection of sales proceeds, achieved significant growth in contracted sales and hit a record high. In the first half of the year, the Group recorded a contracted sales value (including contracted sales by joint venture projects) of approximately RMB36.90 billion, 31.9% up on a period-to-period basis, which accounted for approximately 54.3% of the full year contracted sales target of RMB68.0 billion. The contracted sales GFA was approximately 1.64 million sq.m., 19.3% up on a period-to-period basis. The average selling price was RMB22,500 per sq.m., 10.8% up on a period-to-period basis. The aggregate contracted sales value in Greater Bay Area was approximately RMB23.16 billion, accounting for approximately 62.8% of the Group's total contracted sales. The Yue Galaxy project, the first "Railway + Property" project of the Group, contributed contracted sales of approximately RMB2.09 billion for the Group.

Continuous Improvement in Financial Position

As at the end of June 2019, cash and cash equivalents and charged bank deposits of the Group amounted to approximately RMB31.58 billion, representing an increase of 16.3% as compared to the beginning of the year; the net gearing ratio was 63.6%, representing an increase of 2.4 percentage points as compared to the beginning of the year. The financial position was healthy and safe.

In the first half of 2019, fully leveraging the advantages of multiple financing channels onshore and offshore, the Group strengthened capital management, optimized the financing models, and endeavoured to reduce the financing cost. The Group successfully issued bonds of RMB2.5 billion with interest rates of 3.85% (3-year term) and 3.93% (3+2-year term), which helps optimize the debt portfolio and debt structure. In the first half of the year, the average borrowing interest rate was 4.76%, representing a decrease of 6 bpts on a period-to-period basis.

Increase High-quality Landbank through Diversified Models

In the first half of 2019, through various channels including "Railway + Property", cooperation with state-owned enterprises, land acquisition by application mechanism, auction in the open market, the Group newly acquired 14 prime land parcels located in seven cities including Guangzhou, Shenzhen, Hangzhou, Chengdu, Zhengzhou, Qingdao and Jiangmen at relatively low premiums, with a total GFA of approximately 3.74 million sq.m. and the attributable GFA was approximately 2.75 million sq.m.. With the expansion to new tier-1 and key tier-2 cities including Shenzhen, Chengdu and Zhengzhou, the regional development layout becomes more reasonable.

Taking advantage of the strategic opportunity of "The Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area" announced by the state in February this year, the Group deepened the strategic layout in the Greater Bay Area and for the first time invested in Shenzhen, a central city of the Greater Bay Area for the first time. With a strong economic development momentum, the total GDP in Shenzhen ranked first among cities in the Greater Bay Area in 2018, with per capita GDP ranking only after Macau and Hong Kong in the Greater Bay Area. According to the development plan, Shenzhen would utilize its unique strengths in the future development of the Greater Bay Area, and develop into an innovation-led global city. Property development businesses remained an enormous potential for development with booming demand in spite of scarce residential land supply in Shenzhen. In the first half of the year, the Group successfully acquired one prime land parcel located in Baoan District of Shenzhen, with a total GFA of approximately 160,000 sq.m., which fully implemented the development strategy integrating in-depth operation and expansion of the Group in the Greater Bay Area.

In July, the Group obtained the qualification for the re-development of Lirendong village in Panyu district in Guangzhou according to the voting results at the villagers' representative meeting. In the next step, the Group would negotiate with the villagers on the specific demolition plan. Only after the relevant procedures are satisfied gradually, then the land reserve can be officially obtained. Acquisition of the qualification for the renovation of the old village of Lirendong has opened up a new channel for the Group to acquire land resources, which becomes another important potential acquisition model for land resources after the Group successfully implemented the "Railway + Property" model.

As at 30 June 2019, the total landbank of the Group was approximately 21.52 million sq.m.. The Group's landbank was located in 17 cities, with approximately 49.0% located in the Greater Bay Area.

Successful Implementation of "Railway + Property" Model

In the first half of the year, the Group completed acquisition of 86% of the equity interest in Yue Galaxy, which was the first "Railway + Property" project, and also completed 3.08 billion shares subscription by Guangzhou Metro Group at the subscription price of HK$2.0 per subscription share, The equity holding of Guangzhou Metro was 19.9% and it became the Group's second-largest shareholder.

Upon completion of the acquisition, Yue Galaxy project would be developed into a large residential project with a total GFA of approximately 1.39 million sq.m., in which sellable GFA was approximately 0.94 million sq.m.. With such a large scale of the project, the Group aims at building a mega residential complex with sound supporting communities in commerce, education and culture. The project located in Guanhu village, Xintang town, Zengcheng district, Guangzhou city is a above-station development project of Guangzhou Metro Line 13.

On 28 May 2019, the Group announced that it entered into two options contracts with Guangzhou Yuexiu Group to obtain the right to acquire 51% interest in two new metro property projects respectively held by Guangzhou Yuexiu Group. The two new metro property projects, namely Luogang project and Chentougang project, were respectively located at Huangpu district and Panyu district, both in Guangzhou. The Luogang project adjacent to Xiangxue Station of Guangzhou Metro Line 6 was the only large-scale land in the core area of district, with the total GFA of approximately 0.91 million sq.m.. It can be developed into a large-scale complex consisting of residential buildings and educational facilities. Located at Chentougang Station of Guangzhou Metro Line 22, the Chentougang project is a above-station development project. It was a rare large-scale residential project at Panyu district in Guangzhou, with a total GFA of approximately 0.88 million sq.m.. Guangzhou Metro Line 22 was expected to be launched in 2020, which may add support to the value of project.

Exercise of options for the two metro property projects will provide the Group with the opportunity to acquire an additional premium landbank of approximately 1.79 million sq.m.. If the two options are exercised and completed as planned, the total GFA of the Group's metro property projects will increase to approximately 3.18 million sq.m..

Steady Development of Commercial Properties

Upholding the Strategy of "Coordinated Development of Both Residential and Commercial Properties", the Group committed to constantly improve business operation capacity to utilize the dual platform of "Yuexiu Property-Yuexiu REIT" to optimize the development model of "development + operations + securitization", and developed commercial properties business as a growth pole and stabilizer for the Group. As at the end of June 2019, the Group directly owned approximately 0.59 million sq.m. of investment properties for leasing and recorded a rental income of approximately RMB337 million, representing a period-to-period increase of 6.6%. The Group held approximately 36.39% of Yuexiu REIT as at the end of June 2019, which had 0.97 million sq.m. of commercial properties for lease and achieved revenue of approximately RMB1.0 billion for the half year that remained at the same level as compared to the period of last year.

CHAIRMAN'S STATEMENT

Constant Improvement in Organizational Management

In light of the continuous growth in the development scale, the Group focused on establishing an operation system centered on project operations so as to enhance operational capability on a continual basis. The Group continued to optimize the management of business lines including construction, product and cost, and promote the product standardized system and the capacity to build a "fast turnover" system, thus achieving actual improvement in development efficiency. Adhering to the customer-centered approach, the Group strengthened customer research and upheld the concept of "product + service" to continuously enhance its product competitiveness system and capabilities. The Group also continuously optimized the cost through strengthening the project management and cost control, identified the gap among the benchmarking enterprises to optimize the project plan, deepened the reform of procurement, improved the suppliers and list bidding, and strengthened the control over the main contractor, with continuous enhancement in the ability and level of cost control. The Group stepped up the cultivation and introduction of core talents, optimized the talent team and structure, and continuously delivered core talents to frontline through various training and development plans. Moreover, the Group continued to optimize and enhance the incentive system, review and improve the co-investment scheme and the share incentive scheme of core employees. As a result, organizational vitality was released.

II. BUSINESS OUTLOOK

Looking forward to the second half of 2019, the global economy will still face many risk factors such as the China-US trade conflicts, British hard Brexit and geopolitical risks that will pose enormous uncertainties to the growth in the global economy. Therefore, it is expected that the development of the global economy will slow down. Meanwhile, in response to the slow-down in the global economy and support for economic growth, major developed economies and developing economies will adopt looser policies, and also the Federal Reserve has cut interest rates, which will be conducive to the stabilization and recovery of the global economy in the second half of the year. China's economy as well will face a number of external environmental challenges. In particular, the prospect of China-US trade conflicts will bring certain uncertainties to China's economic growth. Thus macroeconomy will face more significant downward pressure in the second half of the year. However, in response to the uncertainties from the external factors of the country's economic growth, the Chinese government is expected to continue to increase its supporting macroeconomic growth and continue to implement a proactive fiscal policy and a moderately prudent monetary policy. Besides, it will continue to deepen supply-side reforms and strengthen drive from innovation to accelerate the upgrading of industries and consumption structure. As Chinese market is enormous with huge potential for industrial upgrading, the country will speed up the pace of reform and opening up continuously. With the support of the policy "Six Stabilities" and favorable measures, China's macroeconomy is expected to maintain a steady growth trend as a whole in the second half of 2019.

In 2019, as an essential pillar of the national economy, the real estate industry is expected to remain stable as a whole. The control policies on the property market will continue to remain stable, adhering to the keynote of "housing for living in rather than for speculation", focusing on city-specific policies and categorized control, speeding up the long-term mechanism of the property market, and ensuring the steady and healthy development of the real estate industry. The property market is expected to remain stable in general supply and the space for price increases will be limited with continuous market differentiation. The market development of the tier-1 and key tier-2 cities will be steady, while the market demand in tier-3 and tier-4 cities is relatively weak. Therefore, the downward pressure is relatively high. However, first-home buyers and upgraders will still dominate the overall market demand. On the one hand, the government will implement the categorized control over "city-specific policies" for the land market of different cities, continue to increase the supply of land in overheating cities to lower the premium of land and control housing prices. On the other hand, the government will stabilize housing prices in falling property markets by reducing land supply and optimizing land structure. Supply of credit fund will remain moderate in general in response to the economic downturn. The financing environment of property developers will be steady and tight, and the government will strengthen the supervision of real estate financing to control the industry risks effectively.

Achieving Various Annual Operation Targets

In 2019, the Group will adhere to the theme of "in-depth management ability improvement, operation-driven development" and devote every effort to achieve its annual sales and business targets. In terms of sales, the Group will achieve high sell-through rate and cash collection rate through managing the pace of sales, precise launches, flexible marketing and innovative channels, aiming to achieve the annual sales target. For the operation, the Group will speed up project development and asset turnover to continuously enhance profitability. For the product development, adhering to customer needs to improve the competitiveness of products, the Group will focus on building and optimizing its product lines to better satisfy with rigid and improved demand. For the human resource, the Group will deepen the implementation of the mechanisms of co-investment and share incentive schemes, step up the cultivation and introduction of core talents, and enhance the organizational and protection capability for the business.

Acquisition of High-Quality Land Resources by Diversified and Unique Models

The Group will continue to acquire quality land resources via various channels. The Group will optimize the unique acquisition model of "Railway + Property", consolidate acquisition approach of "Group Incubation + Yuexiu Property Purchase", and accelerate cooperation with state-owned enterprises to support the increase of the diversified reserve. Taking the renewal project of Lirendong village as an opportunity, the Group will make the model of old village renewal into a new channel for the Group to obtain quality resources. The Group will strengthen market analysis and research on key potential cities, focusing on projects with high returns and controllable risks, and fast turnover projects in accordance with controlled pace, optimized structure, strict standard and better geographical layout in the open land market. Furthermore, the Group will actively and prudently pursue merger & acquisition opportunities in the secondary market. In respect of regional layout, the Group will focus on cities of the Greater Bay Area to consolidate its dominant position in the market, increasing the investment in cities of Eastern China, Central China and Northern China regions to improve layout of regional development within the country further.

Continued Improvement in Development and Operation Capabilities

Guided by customer needs, the Group will accelerate the establishment of a customer research system, and with the customer's life cycle experience as the direction, provide quality products and services and continue to improve its development and operation capabilities.

The refined management level of operations is strengthened to well manage the operation of the projects, and improve operational efficiency. Besides, the Group will optimize the assessment system of the project schedule as a result of strengthening the project management and ensuring on-time supply and project delivery. Quality control of the projects will be effectively improved by enhancing the standardization of project management. Moreover, the Group will develop and improve various systems of cost and procurement to optimize supplier resources and compositions continuously. The Group will optimize cost control and strengthen dynamic cost management, thereby achieving an accurate cost control.

CHAIRMAN'S STATEMENT

Steady Development of Commercial Properties

"Coordinated development of both residential and commercial properties" is one of the vital development strategies of the Group. The Group will continue to deepen the whole industry chain business model of "development + operations + securitization" to make sure that commercial properties play a "stabilizer" role in the development of the Group. On the one hand, by enhancing property operational capabilities, the Group will strengthen its control over the commercial properties for leasing, and optimize the project positioning and customer structure, so that the value in commercial property will be increased by continuous enhancement of the rental rate and the occupancy rate. On the other hand, the Group will strengthen its capabilities in planning and developing for commercial properties under development, speeding up the development of projects. At the same time, the Group will proactively explore asset-light management and operation model, thus developing commercial properties business into an important "stabilizer" and core competitive capacity of the Group.

Ensuring Financial Prudence and Security

Facing the external economic fluctuations and risks in liquidity, interest rate and foreign exchange rate arising from uncertainties of environment factors, the Group will continue to accelerate the pace of sales and collection of sales proceeds. Moreover, the Group will make full use of all kinds of financial instruments including the extensive use of onshore and offshore financing channels to continuously optimize the capital management, reduce the financing costs and optimize the liability structure, thereby managing exchange rate risk. At the same time, the Group shall further strengthen the function of risk control, improve the financial risk monitoring system, and enhance the risk alert and prevention.

Steadily Develop New Businesses

The Group will steadily advance the new businesses. Concerning the elderly-care business, the overall operation level will need to be improved. For the operated projects, the Group will focus on enhancing the services quality and customer satisfaction, optimizing the standardized operating system of the elderly-care business and striving to improve operational efficiency. Meanwhile, the Group will actively develop new projects, integrate premium domestic and foreign resources of medicine and elderly care, and create a model of combining medical care and elderly care through multi-ways and multi-levels. Concerning the long-term leasing business, the Group will speed up the leasing business through multi-platforms, multi-channels and multi-ways, focus on advancing the SOE-owned stock projects cooperation and asset-light strategy, and cultivate the core operating ability. Regarding the "Properties+" business, the Group will strengthen collaboration with the state-owned enterprises and scientific research institutions, steadily promote businesses such as "+ industries", "+towns", and integrate premium educational resources of the Greater Bay Area to accelerate the business development of "+ education".

ACKNOWLEDGMENT

In the first half of the year, the Group achieved outstanding performance and constantly strived to improve the rate of return on capital of shareholders and shareholders' value. The Group developed businesses intensively in key cities of the Greater Bay Area and consolidated development in Eastern China, Central China and Northern China. With respect to the Group's achievement in remarkable results and development of various businesses, I would like to take this opportunity to extend my gratitude to the Board of Directors for their proper leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers and business partners for their full trust and dedicated support.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND GROSS PROFIT

In the first half of 2019, the Group realized revenue of approximately RMB21.79 billion (the same period of 2018: RMB10.16 billion), a period-to-period increase of 114.4%. The gross profit was approximately RMB6.55 billion (the same period of 2018: RMB2.62 billion), a period-to-period increase of 149.5%, and the gross profit margin reached approximately 30.0%, a period-to-period increase of 4.2 percentage points.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In the first half of 2019, profit attributable to equity holders of the Group was approximately RMB1.87 billion (the same period of 2018: RMB1.31 billion), a period-to-period increase of 42.4%. The core net profit was approximately RMB1.83 billion (the same period of 2018: RMB1.12 billion), a period-to-period increase of 63.2%.

CONTRACTED SALES

In the first half of 2019, the Group recorded aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB36.90 billion, a period-to-period increase of 31.9%, achieving approximately 54.3% of the full-year contracted sales target of RMB68.0 billion. The aggregate contracted sales GFA (including contracted sales by joint venture projects) amounted to approximately 1.64 million sq.m., a period-to-period increase of 19.3%, while the average selling price was approximately RMB22,500 per sq.m., a period-to-period increase of 10.8%.

In terms of regional composition, with respect to the value of the aggregate contracted sales for the first half of 2019, the Greater Bay Area accounted for approximately 62.8%, Eastern China Region accounted for approximately 25.3%, Central China Region accounted for approximately 7.5%, and Northern China Region accounted for approximately 4.4%.

In the first half of 2019, the development of the property markets was stable for the four major regions that the Group focused on, namely Greater Bay Area, Eastern China Region, Central China Region and Northern China Region.

Greater Bay Area

In the first half of 2019, the Group's key four cities for sales within Greater Bay Area were Guangzhou, Foshan, Jiangmen and Zhongshan. With announcement of "The Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area" in February 2019, Greater Bay Area ushered in the phase for rapid development, providing strong support for the property market of cities in Greater Bay Area in a steady and healthy manner.

In the first half of the year, total area, selling price and average selling price of the commodity residential housing sold in the property market in Guangzhou recorded a period-to-period rise due to various favourable policies and plans such as loosing household registration, construction of transportation and infrastructure. The Group proactively capitalized on existing advantages of homebase to continuously strengthen its leading position in the property market of Guangzhou. The contracted sales value in Guangzhou for the first half of 2019 amounted to approximately RMB20.39 billion, up 30.0% on a period-to-period basis, while the average selling price was approximately RMB28,300 per sq.m., up 0.4% on a period-to-period basis.

Benefited from the implementation of a number of favourable policies of Greater Bay Area, Nansha District of Guangzhou, a property market of core area of Greater Bay Area, remained active in property transactions in the property market. The Group continued to deepen its participation in Nansha District. The contracted sales value in Nansha for the first half of 2019 amounted to approximately RMB6.29 billion, up 33.5% on a period-to-period basis, while the average selling price was approximately RMB19,600 per sq.m., up 9.5% on a period-to-period basis.

In the first half of 2019, the overall volume of transactions and the average selling price of Foshan, Zhongshan and Jiangmen saw a period-to-period increase. The contracted sales value of the Group in the above three cities for the first half of 2019 amounted to approximately RMB2.77 billion, representing a period-to-period increase of 16.8%, while the average selling price was approximately RMB13,800 per sq.m., representing a period-to-period increase of 25.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Eastern China Region

The Group has already established operations in Hangzhou and Suzhou within Eastern China Region. Although the property market of Hangzhou and Suzhou was affected by the stringent control policies, the overall volume of transactions increased and the average selling price remained steady. The contracted sales value of the Group in Eastern China Region for the first half of 2019 amounted to approximately RMB9.35 billion, representing a period-to-period increase of 125.3%, while the average selling price was approximately RMB22,400 per sq.m., representing a period-to-period increase of 29.5%.

Central China Region

In the first half of 2019, the Group's key cities for sales within Central China Region were Wuhan and Xiangyang. The overall volume of transactions and the average selling price maintained a steady growth although Wuhan and Xiangyang maintained the control policies. The contracted sales value of the Group in Central China Region for the first half of 2019 amounted to approximately RMB2.76 billion, representing a period-to-period decrease of 13.3%, while the average selling price was approximately RMB14,500 per sq.m., representing a period-to-period decrease of 47.1%.

Contracted sales are summarized as follows:

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Haizhu Bay	55,000	2,448	44,500
2	Guangzhou Yuexiu Greenland Haiyue	15,800	820	51,900
3	Guangzhou Joy Bay (Previous name: Guangzhou Haizhu Nanzhou Road Land)	1,000	69	69,000
4	Guangzhou Starry Sky City	53,700	2,220	41,300
5	Guangzhou Joyful Mansion	42,600	1,785	41,900
6	Guangzhou Park Avenue	37,800	1,841	48,700
7	Guangzhou Paradiso Riverside	1,100	19	17,300
8	Guangzhou Cullinan	17,800	735	41,300
9	Guangzhou Lingnan Villas	2,500	21	8,400
10	Guangzhou Lingnan Wood	1,200	14	11,700
11	Guangzhou Yuexiu Poly Aite City	66,400	1,433	21,600
12	Nansha Southern Le Sand	82,700	1,639	19,800
13	Nansha Binhai New City	203,500	3,801	18,700
14	Nansha Yuexiu East Hillside	34,700	854	24,600
15	Huadu Elegant Mansion	9,400	292	31,100
16	Huadu Magnificent Mansion (Previous name: Huadu Phoenix Road Land II)	6,800	205	30,100
17	Guangzhou Yue Galaxy	82,900	2,088	25,200
18	Nanhai Starry Winking	700	10	14,300
19	Nanhai Starry Mansion	40,400	1,044	25,800
20	Foshan Lingnan Junting	1,800	28	15,600

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
21	Foshan Paradiso Power	1,600	19	11,900
22	Foshan Longfor Yuexiu Cloud	5,000	126	25,200
23	Jiangmen Starry Regal Court	600	5	8,300
24	Jiangmen Xijiang Mansion	2,500	35	14,000
25	Jiangmen Xijiang Joy Mansion	7,700	80	10,400
26	Jiangmen Starry Mountain	9,600	93	9,700
27	Jiangmen Yuexiu Binjiang City Glory	41,300	581	14,100
28	Jiangmen Man Wah Mansion	17,600	176	10,000
29	Heshan Starry Regal Court	40,300	298	7,400
30	Zhongshan Starry Peakfield	23,900	263	11,000
31	Zhongshan Paradiso Jadin	7,300	15	2,100
	Other projects	5,800	104	17,900
	Subtotal (Greater Bay Area)	**921,000**	**23,161**	**25,100**
32	Hangzhou Starry City	145,700	2,303	15,800
33	Hangzhou Garden 1872	29,400	1,176	40,000
34	Hangzhou Joy Bay	44,400	1,594	35,900
35	Hangzhou Qinaili Lane	200	8	40,000
36	Hangzhou Lake & Mountain	57,600	992	17,200
37	Hangzhou Joy Mountain	36,500	758	20,800
38	Suzhou YueFu Mansion	76,000	1,920	25,300
39	Suzhou Joy Bay	26,900	594	22,100
	Subtotal (Eastern China Region)	**416,700**	**9,345**	**22,400**
40	Wuhan International Financial City	44,000	1,362	31,000
41	Wuhan Starry Emperor	2,900	35	12,100
42	Wuhan Starry Mountain	1,500	36	24,000
43	Wuhan Yuexiu Paradiso Mansion	11,400	180	15,800
44	Wuhan Joy Mansion	16,100	146	9,100
45	Wuhan Yuexiu Paradiso Garden	25,900	315	12,200
	Subtotal (Central China Region)	**189,700**	**2,755**	**14,500**
46	Xiangyang Starry City (Previous name: Xiangyang Lejin New District Land)	87,900	681	7,700
47	Shenyang Starry Winking	55,300	1,029	18,600
48	Shenyang Hill Lake	4,300	39	9,100
49	Shenyang Starry Blue Sea	1,500	18	12,000
50	Yantai Starry Golden Sands	7,900	33	4,200
51	Qingdao Starry Blue Bay	2,600	20	7,700
52	Qingdao Jiaozhou Platinum Mansion	7,200	105	14,600
53	Ji’nan Baimai Delighted Mansion	30,800	320	10,400
54	Ji’nan Art Living	3,900	71	18,200
	Subtotal (Northern China Region)	**113,500**	**1,635**	**14,400**
	Total	**1,640,900**	**36,896**	**22,500**

MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNIZED SALES

In the first half of 2019, the recognized sales value and recognized sales GFA were approximately RMB20.80 billion and approximately 0.81 million sq.m., increases of 126.0% and 53.0% respectively on a period-to-period basis, and the average selling price was approximately RMB25,600 per sq.m., representing a period-to-period increase of 48.0%.

Recognized sales are summarized as follows:

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	1,700	109	64,100
2	Guangzhou Starry Winking	200	7	35,000
3	Guangzhou Fortune Century Square	200	12	60,000
4	Guangzhou Starry Haizhu Bay	133,000	5,638	42,400
5	Guangzhou Yuexiu Greenland Haiyue	130,500	5,331	40,900
6	Guangzhou Starry Golden Sands	400	7	17,500
7	Guangzhou Starry Sky City	27,500	1,007	36,600
8	Guangzhou Starry Wenhua	600	18	30,000
9	Guangzhou Starry Wenyu	200	4	20,000
10	Guangzhou Paradiso Riverside	2,500	34	13,600
11	Guangzhou Lingnan Hillside	600	8	13,300
12	Guangzhou Lingnan Villas	2,100	17	8,100
13	Nansha Southern Le Sand	56,900	1,087	19,100
14	Nansha Binhai New City	206,700	3,295	15,900
15	Nanhai Starry Winking	4,400	74	16,800
16	Foshan Lingnan Junting	7,900	131	16,600
17	Foshan Paradiso Power	2,700	37	13,700
18	Jiangmen Starry Regal Court	32,900	250	7,600
19	Jiangmen Xijiang Joy Mansion	31,100	270	8,700
20	Jiangmen Starry Mountain	4,500	76	16,900
21	Zhongshan Starry Winking	100	1	10,000
22	Zhongshan Starry Peakfield	400	3	7,500
23	Zhongshan Paradiso Jadin	1,200	11	9,200
	Other projects	4,100	73	17,800
	Subtotal (Greater Bay Area)	**652,400**	**17,500**	**26,800**
24	Hangzhou Starry City	8,000	83	10,400
25	Hangzhou Joy Bay	61,300	2,074	33,800
26	Hangzhou Qinaili Lane	700	20	28,600
27	Suzhou Paradiso Pavilion	400	3	7,500
28	Suzhou Starry Pavilion	100	2	20,000
	Subtotal (Eastern China Region)	**70,500**	**2,182**	**31,000**
29	Wuhan International Financial City	2,400	273	113,800
30	Wuhan Starry Emperor	4,600	62	13,500
31	Wuhan Starry Mountain	4,300	139	32,300
	Subtotal (Central China Region)	**11,300**	**474**	**41,900**

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
32	Shenyang Starry Winking	4,800	82	17,100
33	Shenyang Hill Lake	500	4	8,000
34	Shenyang Starry Blue Sea	2,700	11	4,100
35	Yantai Starry Golden Sands	16,100	80	5,000
36	Qingdao Starry Blue Bay	4,700	52	11,100
37	Qingdao Elegant Mansion	50,300	414	8,200
	Subtotal (Northern China Region)	**79,100**	**643**	**8,100**
	Total	**813,300**	**20,799**	**25,600**

UNRECOGNIZED SALES

As of 30 June 2019, the unrecognized sales value amounted to approximately RMB77.55 billion, with unrecognized sales GFA of approximately 3.52 million sq.m., and the average selling price was approximately RMB22,100 per sq.m..

Unrecognized sales are summarized as follows:

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	3,900	261	66,900
2	Guangzhou Starry Haizhu Bay	119,500	5,913	49,500
3	Guangzhou Yuexiu Greenland Haiyue	13,700	748	54,600
4	Guangzhou Joy Bay (Previous name: Guangzhou Haizhu Nanzhou Road Land)	1,000	69	69,000
5	Guangzhou Starry Sky City	137,500	5,822	42,300
6	Guangzhou Joyful Mansion	169,000	7,267	43,000
7	Guangzhou Park Avenue	46,500	2,262	48,600
8	Guangzhou Cullinan	31,100	1,242	39,900
9	Guangzhou Yuexiu Poly Aite City	235,600	5,414	23,000
10	Nansha Southern Le Sand	154,600	3,445	22,300
11	Nansha Binhai New City	350,600	6,462	18,400
12	Nansha Yuexiu East Hillside	61,700	1,477	23,900
13	Huadu Elegant Mansion	16,300	516	31,700
14	Huadu Magnificent Mansion (Previous name: Huadu Phoenix Road Land II)	6,800	205	30,100
15	Guangzhou Yue Galaxy	82,900	2,088	25,200
16	Nanhai Starry Mansion	52,400	1,267	24,200
17	Foshan Longfor Yuexiu Cloud	17,500	231	13,200
18	Jiangmen Starry Regal Court	27,700	117	4,200
19	Jiangmen Starry Mountain	10,800	108	10,000
20	Jiangmen Yuexiu Binjiang City Glory	95,300	1,135	11,900

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
21	Jiangmen Man Wah Mansion	17,600	176	10,000
22	Heshan Starry Regal Court	134,500	1,072	8,000
23	Zhongshan Starry Peakfield	125,900	1,602	12,700
	Subtotal (Greater Bay Area)	**1,912,400**	**48,899**	**25,600**
24	Hangzhou Starry City	393,400	5,900	15,000
25	Hangzhou Garden 1872	89,500	3,577	40,000
26	Hangzhou Joy Bay	54,200	2,162	39,900
27	Hangzhou Lake & Mountain	118,900	2,013	16,900
28	Hangzhou Joy Mountain	156,800	2,867	18,300
29	Suzhou YueFu Mansion	106,600	2,663	25,000
30	Suzhou Joy Bay	35,400	783	22,100
	Subtotal (Eastern China Region)	**954,800**	**19,965**	**20,900**
31	Wuhan International Financial City	53,700	1,563	29,100
32	Wuhan Starry Emperor	16,500	178	10,800
33	Wuhan Starry Mountain	6,200	127	20,500
34	Wuhan Starry Bay	59,100	934	15,800
35	Wuhan Yuexiu Paradiso Mansion	19,300	303	15,700
36	Wuhan Joy Mansion	88,100	761	8,600
37	Wuhan Yuexiu Paradiso Garden	72,600	896	12,300
38	Xiangyang Starry City (Previous name: Xiangyang Lejin New District Land)	87,900	681	7,700
	Subtotal (Central China Region)	**403,400**	**5,443**	**13,500**
39	Shenyang Starry Winking	89,000	1,511	17,000
40	Shenyang Hill Lake	3,800	35	9,200
41	Yantai Starry Golden Sands	21,800	169	7,800
42	Yantai Elegant Mansion	64,800	717	11,100
43	Qingdao Jiaozhou Platinum Mansion	20,100	291	14,500
44	Ji'nan Baimai Delighted Mansion	40,500	422	10,400
45	Ji'nan Art Living	4,800	95	19,800
	Subtotal (Northern China Region)	**244,800**	**3,240**	**13,200**
	Total	**3,515,400**	**77,547**	**22,100**

LANDBANK

In the first half of 2019, the Group has newly acquired 14 land parcels mainly located in Guangzhou, Shenzhen, Hangzhou, Zhengzhou, Qingdao, Chengdu and Jiangmen, with total GFA of approximately 3.74 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 2.75 million sq.m..

As of 30 June 2019, land parcels newly acquired are summarised as follows:

No.	Project	Equity holding	Total GFA (sq.m.)	Attributable GFA (sq.m.)
1	Guangzhou Zhilian Automobile Town Project II	21.48%	315,300	67,700
2	Nansha Lingshan Island Land IV	38.23%	128,500	49,100
3	Conghua Jiangpu Jiulibu Land	46.79%	207,200	96,900
4	Guangzhou Yue Galaxy	82.11%	1,387,900	1,139,600
5	Zengcheng Zhongxin Sanjing Land	38.19%	97,600	37,300
6	Shengzhen Bao'an Jiangangshan Land	95.48%	157,200	150,100
7	Jiangmen Man Wah Mansion	48.45%	83,000	40,200
8	Hangzhou Jianggan Niution Land II	95%	46,800	44,500
9	Hangzhou Lin'an Binhu New City Land	95%	66,200	62,900
10	Hangzhou Lin'an Jinnan New City Land	100%	333,200	333,200
11	Zhengzhou Elegant Mansion	95%	137,300	130,400
12	Qiangdao Chengyang Shangma Land	100%	412,200	412,200
13	Chengdu Joyful Mansion	42.75%	296,900	126,900
14	Chengdu Qingbaijiang Land	95%	66,000	62,700
	Total		**3,735,300**	**2,753,700**

As of 30 June 2019, the landbank of the Group reached approximately 21.52 million sq.m. with a total of 67 projects in 17 cities in China and the regional layout continued to improve. In terms of the attributable interest to the Group, the total landbank was approximately 13.45 million sq.m.. In terms of regional composition, Greater Bay Area accounted for approximately 49.0% of the total landbank, Eastern China Region accounted for approximately 18.1%, Central China Region accounted for approximately 17.5%, Northern China Region accounted for approximately 13.2%, and others accounted for approximately 2.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

Landbank is summarised as follows:

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Guangzhou Asia Pacific Century Plaza	229,400	229,400	—
2	Guangzhou Starry Haizhu Bay	394,600	190,800	203,800
3	Guangzhou Joy Bay (Previous name: Guangzhou Haizhu Nanzhou Road Land)	154,600	154,600	—
4	Guangzhou Starry Sky City	442,400	442,400	—
5	Guangzhou Joyful Mansion	148,900	148,900	—
6	Guangzhou Park Avenue	272,300	272,300	—
7	Guangzhou Cullinan	383,800	383,800	—
8	Guangzhou Zhilian Automobile Town Project I	527,900	—	527,900
9	Guangzhou Zhilian Automobile Town Project II	315,300	315,300	—
10	Guangzhou Yuexiu Poly Aite City	359,500	359,500	—
11	Nansha Southern Le Sand	989,000	209,100	779,900
12	Nansha Binhai New City	702,600	649,600	53,000
13	Nansha Yuexiu East Hillside	258,300	258,300	—
14	Nansha Jinling North Land	134,500	134,500	—
15	Nansha Lingshan Island Land I	221,300	53,400	167,900
16	Nansha Joy Bay (Previous name: Nansha Lingshan Island Land II)	410,900	—	410,900
17	Nansha The Willow Shores (Previous name: Nansha Lingshan Island Land III)	130,000	130,000	—
18	Nansha Lingshan Island Land IV	128,500	—	128,500
19	Huadu Elegant Mansion	222,200	222,200	—
20	Huadu Magnificent Mansion (Previous name: Huadu Phoenix Road Land II)	292,200	292,200	—
21	Huadu Royal Mansion (Previous name: Huadu Phoenix Road Land III)	187,600	187,600	—
22	Guangzhou Yue Galaxy	1,387,900	439,600	948,300
23	Zengcheng Zhongxin Sanjing Land	97,600	—	97,600
24	Conghua Jiangpu Jiulibu Land	207,200	—	207,200
25	Shengzhen Bao' an Jiangangshan Land	157,200	—	157,200
26	Nanhai Starry Mansion	567,100	435,500	131,600
27	Foshan Lingnan Junting	24,000	24,000	—
28	Foshan Longfor Yuexiu Cloud	76,300	76,300	—
29	Jiangmen Yuexiu Binjiang City Glory	351,300	351,300	—
30	Jiangmen Man Wah Mansion	83,000	83,000	—
31	Heshan Starry Regal Court	416,000	416,000	—
32	Zhongshan Starry Peakfield	153,100	153,100	—
33	Hong Kong Yau Tong Project	72,100	—	72,100
	Other projects	50,100	—	50,100
	Subtotal (Greater Bay Area)	**10,548,700**	**6,612,700**	**3,936,000**

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
34	Hangzhou Starry City	1,158,600	536,800	621,800
35	Hangzhou Garden 1872	230,300	107,600	122,700
36	Hangzhou Joy Bay	181,100	181,100	—
37	Hangzhou Lake & Mountain	224,800	224,800	—
38	Hangzhou Joy Mountain	225,000	225,000	—
39	Hangzhou New Band Mansion (Previous name: Hangzhou Jianggan Niutian Land I)	122,900	122,900	—
40	Hangzhou Jianggan Niutian Land II	46,800	—	46,800
41	Hangzhou Lin'an Jinnan New City Land	333,200	—	333,200
42	Hangzhou Lin'an Binhu New City Land	66,200	—	66,200
43	Suzhou YueFu Mansion	210,500	210,500	—
44	Suzhou Joy Bay	116,300	116,300	—
45	Suzhou Taicang Xiangdong Island Land	987,200	240,500	746,700
	Subtotal (Eastern China Region)	**3,902,900**	**1,965,500**	**1,937,400**
46	Wuhan International Financial City	598,900	598,900	—
47	Wuhan Hanyang Starry Winking	1,128,600	1,128,600	—
48	Wuhan Starry Bay	84,500	84,500	—
49	Wuhan Yuexiu Paradiso Mansion	42,200	42,200	—
50	Wuhan Grand Mansion (Previous name: Wuhan Caidian Land I)	78,000	78,000	—
51	Wuhan Joy Mansion	171,700	171,700	—
52	Wuhan Yuexiu Paradiso Garden	210,000	210,000	—
53	Wuhan Joy Mansion (Previous name: Wuhan Huangpi Land)	231,500	231,500	—
54	Xiangyang Starry City (Previous name: Xiangyang Lejin New District Land)	1,082,700	356,600	726,100
55	Zhengzhou Elegant Mansion	137,300	—	137,300
	Subtotal (Central China Region)	**3,765,400**	**2,902,000**	**863,400**
56	Shenyang Starry Winking	371,700	371,700	—
57	Shenyang Hill Lake	270,200	—	270,200
58	Yantai Elegant Mansion	78,600	78,600	—
59	Qingdao Joy Bay (Previous name: Qingdao Licang Ocean Chemical Industry Land)	213,300	175,800	37,500
60	Qingdao Licang Qingyin Highway East Land	666,300	—	666,300
61	Qingdao Jiaozhou Platinum Mansion	209,100	209,100	—
62	Ji'nan Baimai Delighted Mansion	565,400	565,400	—
63	Ji'nan Art Living	52,600	52,600	—
64	Qindao Chengyang Shangma Land	412,200	—	412,200
	Subtotal (Northern China Region)	**2,839,400**	**1,453,200**	**1,386,200**
65	Chengdu Joyful Mansion	296,900	152,300	144,600
66	Chengdu Qingbaijiang Land	66,000	—	66,000
67	Haikou Simapo Island Land	100,500	—	100,500
	Total	**21,519,800**	**13,085,700**	**8,434,100**

MANAGEMENT DISCUSSION AND ANALYSIS

CONSTRUCTION PROGRESS

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

New commencement of construction and completion are summarised as follows:

Construction progress	Actual GFA In 2019 1H (sq.m.)	Planned GFA for 2019 (sq.m.)
New commencement constructions	2,411,900	5,951,600
Completion	1,520,400	2,943,400

INVESTMENT PROPERTIES

As of 30 June 2019, the Group owned investment properties under lease of approximately 588,000 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 49.36%, 33.49% and 17.15%, respectively. The Group recorded rental revenue of approximately RMB337 million in the first half of 2019, representing an increase of 6.6% 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 2019, the Group recorded net fair value losses on revaluation of investment properties of approximately RMB16 million. Fair value on revaluation of investment properties basically remained at the same level as compared to the beginning of the period.

OTHER GAINS, NET

In the first half of 2019 the Group's other gains, net amounted to approximately RMB798 million, representing an increase of 43.6% as compared to the same period of last year. It is because after obtaining control over a joint venture, the existing equity interest held by the Group recorded fair value gains before tax of approximately RMB766 million after re-measurement according to relevant accounting standards. Such gains were mainly attributable to the gross operating profit of the joint venture accounted for the current period.

SELLING AND MARKETING COSTS

In the first half of 2019, the Group's selling and marketing costs were approximately RMB418 million, representing an increase of 111.2% as compared to the same period of last year. The selling and marketing costs accounted for 1.9% of total recognized sales for the period, which was at the same level as compared to the same period of last year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB601 million, representing a increase of 61.3% as compared to the same period of last year. Administrative expenses accounted for 2.8% of the recognized sales for the period, decreased by 0.9 percentage point from 3.7% for the same period of last year.

FINANCE COSTS

The finance costs, net of the Group amounted to approximately RMB634 million, representing a decrease of 2.6% from RMB651 million for the interim period of 2018. The decrease was mainly due to the increase in newly started projects during the period and the capitalised interest expenses grew by 65.4% as compared to the same period of last year. As the overall financing environment has remained moderate since the first half of 2019, the average effective borrowing interest rate for the period declined to 4.76% per annum from 4.82% per annum for the year of 2018.

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

In the first half of 2019, the overall net contribution from associated entities attributable to the Group increased by 43.0% to approximately RMB346 million as compared to the same period of last year, which was mainly due to the increase of the profit contribution from Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

In the first half of 2019, the total distributable amount of Yuexiu REIT amounted to approximately RMB424 million, which was at the same level as compared to the same period of last year, and the cash distribution attributable to the Group amounted to approximately RMB154 million.

BASIC EARNINGS PER SHARE

In the first half of 2019, basic earnings per share attributable to the equity holders of the Company based on the weighted average number of ordinary shares in issue were RMB0.1393 (first half of 2018: RMB0.1059).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for 2019 of HKD0.053 per share (equivalent to RMB0.047 per share) (2018 interim: HKD0.042 per share (equivalent to RMB0.036 per share)) to shareholders whose names appear on the Register of Members of the Company on 24 October 2019. The interim dividend will be distributed to shareholders on or around 18 November 2019.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

In the first half of 2019, the Group obtained new borrowings of approximately RMB21.47 billion, including onshore borrowings of approximately RMB16.93 billion and offshore borrowings of approximately RMB4.54 billion. As at 30 June 2019, total borrowings amounted to approximately RMB65.03 billion (31 December 2018: RMB53.41 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB31.58 billion, and the net gearing ratio was 63.6%. Borrowings due within one year accounted for approximately 12% of the total borrowings (31 December 2018: 11%), fixed-rate borrowings accounted for approximately 56.5% of the total borrowings (31 December 2018: 57%). Since the first half of 2019, overall financing environment is moderate. The Group's average effective borrowing interest rate for the period decreased by 6 bpts to 4.76% per annum from 4.82% per annum for the year of 2018.

As at 30 June 2019, among the Group's total borrowings, approximately 49% was RMB denominated bank borrowings and other borrowings (31 December 2018: 45%), 7% was Hong Kong dollar denominated bank borrowings (31 December 2018: 10%), 1% was Hong Kong dollar denominated short term notes (31 December 2018: nil), 21% was Hong Kong and US dollar denominated medium to long term notes (31 December 2018: 25%), 22% was RMB denominated medium to long term notes (31 December 2018: 20%).

WORKING CAPITAL

On 30 June 2019, the Group's working capital (current assets less current liabilities) amounted to approximately RMB77.94 billion (31 December 2018: approximately RMB61.01 billion). The Group's current ratio (current assets divided by current liabilities) was 1.9 times (31 December 2018: 1.8 times). Cash and cash equivalents amounted to approximately RMB24.50 billion (31 December 2018: RMB21.99 billion). Charged bank deposits amounted to approximately RMB7.08 billion (31 December 2018: RMB5.17 billion). Undrawn committed bank facilities amounted to approximately RMB9,502 million.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarized as follows:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Bank borrowings and notes		
Denominated in RMB	**46,149,488**	34,657,300
Denominated in HKD	**7,242,038**	7,144,488
Denominated in USD	**11,634,005**	11,604,151
Total bank borrowings and notes	**65,025,531**	53,405,939
Finance lease obligations	**85**	109
Bank overdrafts	**39**	57
Total debts	**65,025,655**	53,406,105

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Ageing analysis:		
Within one year	**7,989,119**	5,786,145
In the second year	**19,705,610**	8,461,171
In the third to fifth year	**32,505,830**	31,380,146
Beyond five years	**4,825,096**	7,778,643
Total borrowings	**65,025,655**	53,406,105
Lease liabilities	**375,009**	—
Less: Cash and cash equivalents	**(24,504,308)**	(21,990,512)
Net borrowings	**40,896,356**	31,415,593
Total equity	**52,618,925**	42,911,718
Total capitalization	**93,515,281**	74,327,311
Gearing ratio	**43.7%**	42.3%

INTEREST RATE EXPOSURE

The Group's major interest rate exposure is mainly derived from relevant loans and deposits denominated in Renminbi, Hong Kong dollars, and US dollars. As of 30 June 2019, among the total borrowings of the Group, approximately 36.9% was floating rate bank loans denominated in Renminbi, approximately 6.6% was floating rate bank loans denominated in Hong Kong dollars, approximately 11.8% was fixed rate bank loans denominated in Renminbi, approximately 22.2% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 22.5% was fixed rate notes denominated in US dollars/Hong Kong dollars. Fixed rate borrowings accounted for approximately 56.5% of the total borrowings of the Group. Since the second half of 2018, the domestic liquidity has been relaxed and the actual Renminbi interest rate has dropped. The interest rate of foreign currencies has also shifted from interest rate hike to interest rate cut in the second quarter of 2019. At present, the ratio of floating-fixed rate borrowings of the Group is relatively reasonable with the overall interest rate risk that is controllable. The Group did not arrange interest-rate hedging instruments for the half year. The average borrowings interest rate during the period was approximately 4.76%, decreased by 0.06 percentage point from 4.82% per annum for the year of 2018.

With respect to onshore Renminbi borrowing interest rates, the People's Bank of China ("PBOC") has continually cut interest rates and reduced reserve requirement ratios (RRR) since November 2014. The one-year benchmark interest rate dropped from 5.60% to the current level of 4.35%. In the first half of 2018, the actual market interest rate has seen a relatively huge increase as liquidity is tightening in China, and the PBOC reduced RRR for targeted release of liquidity in the second half of the year. Although the RRR reduction and liquidity release was carried out in a full and targeted manner again in January and May of 2019, there are restrictions on financing for industries. Taking into account the slow down of the domestic economy, the continuous US-China trade war, the market expects that there will remain relatively great uncertainties, and China will maintain a neutral and slightly loose domestic monetary policy in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

With respect to interest rates on US dollar and Hong Kong dollar borrowings, due to a stable economic growth in the United States, the Federal Reserve has raised interest rates nine times from December 2015 to the end of 2018. The Federal Reserve raised interest rates four times within 2018, with an accumulated increase rate of approximately 1%. Due to the influence intensified by the continuous US-China trade war, Brexit and slow growth in US economy, the Federal Reserve recently has adopted loose policies. The market expects that the Federal Reserve will stop raising interest rates in 2019 and cut them two or three times, 0.25 % each time in the second half of the year. It is estimated that the loan interest rates of Hong Kong dollars will follow the US dollars decline with a slight delay in terms of timing. The Group expects the offshore US dollar/Hong Kong dollar loan interest rates to slightly drop compared to that in 2018. The Group will continue to monitor the changes in onshore and offshore interest rates, adjust and optimize its debt structure and adopt appropriate financial instruments to manage its interest rate risk exposure in a timely manner.

FOREIGN EXCHANGE RISK

Since the main business operations of the Group are conducted in Mainland China, its income is primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to manage the foreign exchange exposure. As at 30 June 2019, approximately 29% (35% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which, approximately HKD4.85 billion (equivalent to approximately RMB4.27 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.70 billion (equivalent to approximately RMB11.63 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD3.40 billion (equivalent to approximately RMB2.97 billion) was notes denominated in Hong Kong dollars. Hedging products were purchased to manage part of foreign exchange exposures with respect to offshore borrowings (equivalent to RMB5.00 billion).

In the second half of the year, the exchange rate of Renminbi is expected to remain fluctuated due to a mixture of challenges caused by the US-China trade war, the expectation of US interest rate cuts, and the slow growth in Chinese economy. The Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimize its debt structure and control its foreign exchange exposure. The Group has used suitable financial instruments at reasonable costs to manage its foreign exchange exposure. The Group is expected to continue to arrange for appropriate products to manage its foreign exchange exposure in the second half of 2019.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 30 June 2019, the Group’s capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB765 million (31 December 2018: RMB798 million).

CONTINGENT LIABILITIES

The Group arranged bank loans for certain purchasers of the Group’s properties in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued 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 2019, total contingent liabilities relating to these guarantees amounted to approximately RMB10.71 billion (31 December 2018: RMB13.69 billion).

As at 30 June 2019, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB1,778 million (31 December 2018: RMB2,130 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1,316 million (31 December 2018: RMB1,198 million) was utilised and guarantee of approximately RMB462 million (31 December 2018: RMB932 million) was not utilised yet.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2019, the Group had approximately 8,450 employees (31 December 2018: 8,190 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.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Certain loan agreements of the Company and its subsidiary ("Loan Agreements") respectively include a condition that imposes one or more of the following specific performance obligations on Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the controlling shareholder of the Company, or (as the case may be) Guangzhou Yue Xiu Holdings Limited, the ultimate controlling shareholder of the Company:

(i) the controlling shareholder remains to be the single largest beneficial shareholder of the Company;

(ii) the controlling shareholder maintains a shareholding interest of not less than 35% in the issued voting shares of the Company;

(iii) the controlling shareholder maintains effective management control over the Company.

As at 30 June 2019, the aggregate balance of the loans provided in Renminbi was RMB5,035,029,000. Such Loan Agreements will expire from 30 October 2020 to 29 December 2022.

Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

On 24 January 2013, the Company issued USD350 million 3.25 per cent. notes due 2018 (the "2018 Notes") and USD500 million 4.50 per cent. notes due 2023 (the "2023 Notes") to investors under a USD2,000 million medium term note programme established on 11 January 2013. The Company has completed the redemption and cancellation of all the 2018 Notes. Since 17 August 2016, there are no outstanding 2018 Notes in issue. With effect from 29 December 2016, (i) the Company has substituted in its place Leading Affluence Limited, a wholly-owned subsidiary of the Company, as the issuer and the principal debtor in respect of the 2023 Notes; and (ii) the 2023 Notes are unconditionally and irrevocably guaranteed by the Company. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited is required to maintain control (as defined in the announcement dated 17 January 2013) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

On 19 April 2018, Westwood Group Holdings Limited, an indirect wholly-owned subsidiary of the Company issued USD800 million 4.875 per cent. guaranteed notes due 2021 and USD400 million 5.375 per cent. guaranteed notes due 2023 to investors under a USD3,000 million guaranteed medium term note programme established on 4 April 2018. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited is required to maintain control (as defined in the announcement dated 13 April 2018) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

These obligations have been duly complied with for the six months ended 30 June 2019.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF YUEXIU PROPERTY COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 66, which comprises the condensed consolidated balance sheet of Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 August 2019

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
	Note	2019 RMB'000	2018 RMB'000
Revenue	6	21,788,127	10,162,841
Cost of sales	7	(15,241,498)	(7,539,396)
Gross profit		6,546,629	2,623,445
Proceeds from sales of investment properties		29,572	43,983
Direct costs of investment properties sold		(17,736)	(43,312)
Gain on sales of investment properties, net		11,836	671
Fair value (losses)/gains on revaluation of investment properties, net	15	(16,232)	377,958
Other gains, net	8	797,544	555,583
Selling and marketing costs	7	(418,474)	(198,132)
Administrative expenses	7	(600,574)	(372,281)
Operating profit		6,320,729	2,987,244
Finance income	9	258,670	108,281
Finance costs	10	(634,102)	(650,964)
Share of (losses)/profits of			
– joint ventures		(57,691)	30,008
– associated entities		345,898	241,838
Profit before taxation		6,233,504	2,716,407
Taxation	11	(3,474,386)	(1,266,142)
Profit for the period		2,759,118	1,450,265
Attributable to			
Equity holders of the Company		1,870,140	1,313,738
Non-controlling interests		888,978	136,527
		2,759,118	1,450,265
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	12	0.1393	0.1059

The notes on pages 33 to 66 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Profit for the period	**2,759,118**	1,450,265
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(64,896)**	(499,629)
Losses on cash flow hedges	**(931)**	—
Items that will not be reclassified to profit or loss		
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	**63,073**	9,617
Other comprehensive income for the period, net of tax	**(2,754)**	(490,012)
Total comprehensive income for the period	**2,756,364**	960,253
Attributable to		
Equity holders of the Company	**1,863,955**	823,204
Non-controlling interests	**892,409**	137,049
	2,756,364	960,253

The notes on pages 33 to 66 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	2,047,527	1,994,812
Right-of-use assets	23	365,007	—
Land use rights		202,068	207,569
Investment properties	15	10,834,733	10,865,470
Properties under development		4,838,499	—
Interests in joint ventures		6,284,169	6,473,872
Interests in associated entities		13,304,960	13,912,313
Financial assets at fair value through other comprehensive income		1,320,120	1,228,635
Derivative financial instruments		—	9,069
Deferred tax assets	21	555,500	492,137
		39,752,583	35,183,877
Current assets			
Properties under development		93,809,251	73,069,099
Properties held for sale		15,530,951	10,164,536
Contract costs		425,204	334,697
Prepayments for land use rights		8,979,586	4,862,699
Trade receivables	16	59,902	50,916
Other receivables, prepayments and deposits		15,895,230	16,223,088
Prepaid taxation		2,237,620	1,772,324
Charged bank deposits		7,078,819	5,168,750
Cash and cash equivalents		24,504,308	21,990,512
		168,520,871	133,636,621
LIABILITIES			
Current liabilities			
Trade and note payables	17	1,679,644	1,407,577
Contract liabilities		36,866,511	31,637,956
Other payables and accrued charges		38,261,587	29,371,429
Borrowings	18	7,989,119	5,786,145
Lease liabilities	23	85,080	—
Devirative financial instruments		15,899	—
Taxation payable		5,688,004	4,425,962
		90,585,844	72,629,069
Net current assets		77,935,027	61,007,552
Total assets less current liabilities		117,687,610	96,191,429

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Non-current liabilities			
Borrowings	18	57,036,536	47,619,960
Lease liabilities	23	289,929	—
Deferred tax liabilities	21	6,632,286	5,604,127
Deferred revenue		54,726	55,624
Devirative financial instruments		4,782	—
Other payables and accrued charges		1,050,426	—
		65,068,685	53,279,711
Net assets		52,618,925	42,911,718
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	18,035,015	12,759,402
Shares held under share award scheme		(80,933)	(55,220)
Other reserves	20	167,801	455,671
Retained earnings	20	21,832,708	20,666,714
		39,954,591	33,826,567
Non-controlling interests		12,664,334	9,085,151
Total equity		52,618,925	42,911,718

The notes on pages 33 to 66 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Operating activities		
Net cash generated from operations	3,486,477	6,763,409
Interest received	92,818	61,234
Interest paid	(1,782,174)	(1,169,094)
Hong Kong profits tax paid	(924)	—
China taxation paid	(2,087,348)	(2,322,929)
Net cash (used in)/generated from operating activities	(291,151)	3,332,620
Investing activities		
Acquisition of subsidiaries, net cash paid	(4,806,427)	(1,934,348)
Purchases of property, plant and equipment	(93,296)	(324,307)
Purchases of investment properties	—	(672)
Proceeds from sale of investment properties	29,357	43,626
Proceeds from sale of property, plant and equipment	7,654	49,282
Proceeds from sale of non-current asset held-for-sale	—	306,481
Dividends received from an associate	156,547	143,885
Decrease in interests in associated entities and jointly controlled entities	426,592	937,479
Increase in charged bank deposits	(1,910,069)	(2,535,591)
Capital injection in associated entities	(95,562)	(31,802)
Capital injection in joint venture	(77,436)	(6,999)
Proceeds from disposal of a subsidiary	1,450,500	—
(Increase)/decrease in amounts due from associated entities	(5,101,809)	52,229
(Increase)/decrease in amounts due from non-controlling interests	(1,024,571)	267,932
Net cash used in investing activities	(11,038,520)	(3,032,805)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Financing activities		
Capital contribution from non-controlling interests	146,756	1,446,287
Dividends paid to a non-controlling interest	(41,352)	—
Increase in amounts due to joint ventures and associated entities	4,580,283	661,938
Increase in amounts due to ultimate holding company	4,018,584	—
Decrease in amounts due to intermediate holding company	(647,956)	—
Increase in amounts due to a related company and fellow subsidiaries	61,584	193,164
(Decrease)/increase in amount due to non-controlling interests	(1,483,154)	5,975,402
Proceeds from bank borrowings	7,591,732	8,419,076
Repayment of bank borrowings	(5,932,207)	(19,033,581)
Proceeds from other borrowing from intermediate holding company	3,000,000	760,716
Repayment of other borrowing from intermediate holding company	(3,000,000)	(4,844,476)
Proceeds from other borrowings - others	6,528,424	8,622,679
Repayment of other borrowings - others	(949,000)	(23,000)
(Decrease)/increase of bank overdraft	(18)	1
Repayment for lease liabilities (including interests)	(41,004)	—
Increase in amounts due to a related party of a non-controlling interest	20,604	10,426
Net cash generated from financing activities	13,853,276	2,188,632
Increase in cash and cash equivalents	2,523,605	2,488,447
Cash and cash equivalents at the beginning of period	21,990,455	16,655,248
Exchange (loss)/gain on cash and cash equivalents	(9,791)	12,953
Cash and cash equivalents at the end of period	24,504,269	19,156,648
Analysis of balances of cash and cash equivalents		
Bank balances and cash	24,504,308	19,156,700
Bank overdrafts	(39)	(52)
	24,504,269	19,156,648

The notes on pages 33 to 66 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital RMB'000	Shares held under share award scheme RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2019	12,759,402	(55,220)	21,122,385	9,085,151	42,911,718
Comprehensive income					
Profit for the period	–	–	1,870,140	888,978	2,759,118
Other comprehensive income					
Currency translation differences	–	–	(64,896)	–	(64,896)
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	59,642	3,431	63,073
Losses on cash flow hedges	–	–	(931)	–	(931)
Total other comprehensive income for the period, net of tax	–	–	(6,185)	3,431	(2,754)
Total comprehensive income for the period	–	–	1,863,955	892,409	2,756,364
Transactions with owners					
Issurance of shares (note 22(a))	5,275,613	–	(291,673)	–	4,983,940
Dividend (note 13)	–	–	(694,158)	(41,352)	(735,510)
Capital injection to subsidiaries	–	–	–	1,033,484	1,033,484
Non-controlling interests arising on business combination	–	–	–	1,694,642	1,694,642
Acquisition of shares under share award scheme	–	(33,917)	–	–	(33,917)
Shares granted to employees	–	8,204	–	–	8,204
Total transactions with owners	5,275,613	(25,713)	(985,831)	2,686,774	6,950,843
Balance at 30 June 2019	18,035,015	(80,933)	22,000,509	12,664,334	52,618,925

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital RMB'000	Shares held under share award scheme RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017	12,759,402	(21,301)	19,647,537	4,603,280	36,988,918
Change in accounting policy	—	—	154,727	39,921	194,648
Restated balance at 1 January 2018	12,759,402	(21,301)	19,802,264	4,643,201	37,183,566
Comprehensive income					
Profit for the period	—	—	1,313,738	136,527	1,450,265
Other comprehensive income					
Currency translation differences	—	—	(499,629)	—	(499,629)
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	9,095	522	9,617
Total other comprehensive income for the period, net of tax	—	—	(490,534)	522	(490,012)
Total comprehensive income for the period	—	—	823,204	137,049	960,253
Transactions with owners					
Dividend (note 13)	—	—	(543,689)	—	(543,689)
Capital injection to subsidiaries	—	—	—	1,446,287	1,446,287
Non-controlling interests arising on business combination	—	—	—	2,842,000	2,842,000
Total transactions with owners	—	—	(543,689)	4,288,287	3,744,598
Balance at 30 June 2018	12,759,402	(21,301)	20,081,779	9,068,537	41,888,417

The notes on pages 33 to 66 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information have been approved for issue by the Board of Directors on 13 August 2019.

The financial information relating to the year ended 31 December 2018 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018 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 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of 2018 and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards and interpretation as set out below.

(a) The following new standards, amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 January 2019 for the Group:

HKAS 19 (Amendments)	Plan Amendment, Curtailment and Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRS
HK (IFRIC) 23	Uncertainty over Income Tax Treatments

The Group has assessed the impact of the adoption of these new and amended standards and interpretation that are effective for the first time for this interim period. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 "Leases".

Then impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 23. The other standards, amendments and interpretation did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Conceptual Framwork for Financial Reporting 2018	Revised Conceptual Framwork for Financial Reporting	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
HKFRS 17	Insurance Contracts	1 January 2021

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2018.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

(a) Liquidity risk

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

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2019					
Borrowings (principal amount plus interest)	10,772,632	21,959,551	34,321,145	5,721,212	72,774,540
Trade and note payables	1,679,644	—	—	—	1,679,644
Other payables and accrued charges	35,095,008	68,278	1,246,841	—	36,410,127
Lease liabilities	96,881	94,070	100,315	180,622	471,888
Financial guarantees	12,490,077	—	—	—	12,490,077
Derivative financial instruments	15,899	4,782	—	—	20,681
At 31 December 2018					
Borrowings (principal amount plus interest)	7,967,755	10,302,543	32,861,639	7,977,088	59,109,025
Trade and note payables	1,407,577	—	—	—	1,407,577
Other payables and accrued charges	27,830,331	—	—	—	27,830,331
Financial guarantees	15,822,256	—	—	—	15,822,256

5.2 Capital risk management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

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

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

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

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Capital risk management (Continued)

The gearing ratios at 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Total borrowings (note 18)	65,025,655	53,406,105
Lease liabilities	375,009	—
Less: Cash and cash equivalents	(24,504,308)	(21,990,512)
Net debt	40,896,356	31,415,593
Total equity (including non-controlling interests)	52,618,925	42,911,718
Total capital	93,515,281	74,327,311
Gearing ratio	43.7%	42.3%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the period.

5.3 Fair value measurement of financial instruments

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2019 and 31 December 2018 on a recurring basis.

At 30 June 2019	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets			
Financial assets at fair value through other comprehensive income ("FVOCI")	—	1,320,120	1,320,120
Total financial assets	—	1,320,120	1,320,120
Financial liabilities			
Derivative financial instruments – foreign currency forwards	4,782	—	4,782
Derivative financial instrument – embedded derivative of exchangeable bond	—	15,899	15,899
Total financial liabilities	4,782	15,899	20,681

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value measurement of financial instruments (Continued)

Fair value hierarchy (Continued)

At 31 December 2018	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets			
Derivative financial instruments – foreign currency forwards	9,069	—	9,069
Financial assets at FVOCI	—	1,228,635	1,228,635
Total financial assets	9,069	1,228,635	1,237,704

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no transfer between fair value hierarchy levels during the period.

Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

- The fair value of financial assets at FVOCI is derived through the Guideline Public Company Method by using the appropriate market multiples of comparable public company peers in the same or a similar industry.
- The fair value of foreign currency forwards is determined using present value of future cash flows based on the forward exchange rates at the balance sheet date.
- The fair value of embedded derivative of exchangeable bond is determined using binomial tree method.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value measurement of financial instruments (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instrument for the six months ended 30 June 2019:

	Financial assets at FVOCI RMB'000	Derivative financial instruments – embedded derivative of exchangeable bond RMB'000	Total RMB'000
Opening balance at 1 January	1,228,635	–	1,228,635
Unrealised fair value loss recognised in profit or loss	–	(15,899)	(15,899)
Unrealised fair value changes recognised in other comprehensive income	91,485	–	91,485
Closing balance at 30 June	1,320,120	(15,899)	1,304,221
Includes unrealised loss in profit or loss attributable to balances held at the end of the reporting period	–	(15,899)	(15,899)

The following table presents the changes in level 3 instrument for the six months ended 30 June 2018:

	Financial assets at FVOCI RMB'000
Opening balance at 1 January	1,206,645
Unrealised fair value changes recognised in other comprehensive income	13,949
Closing balance at 30 June	1,220,594
Includes unrealised loss in profit or loss attributable to balances held at the end of the reporting period	–

There were no changes made to any of the valuation techniques applied as at 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value measurement of financial instruments (Continued)

Valuation process

The Group measures its financial assets at FVOCI and embedded derivative of exchangeable bond at fair value. The level 3 financial assets were revalued by Jones Lang LaSalle Incorporated ("JLL"), an independent qualified valuer not related to the Group, who holds recognised relevant professional qualification at 30 June 2019.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes, including level 3 fair values. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

The main Level 3 input used by the Group for financial assets at FVOCI pertains to the discount for lack of marketability. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

5.4 Fair value of other financial assets and liabilities

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

- Trade receivables
- Cash and cash equivalents and charged bank deposits
- Other receivables and deposits
- Other payables and accrued charges
- Trade and note payables
- Borrowings
- Lease liabilities

6 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, building design consultancy services and decoration services

6 SEGMENT INFORMATION (Continued)

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

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

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

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2019 and 30 June 2018 respectively.

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Six months ended 30 June 2019					
Revenue	20,510,219	483,786	356,708	1,101,852	22,452,565
Inter-segment revenue	–	(95,261)	(19,647)	(549,530)	(664,438)
Revenue from external customers	20,510,219	388,525	337,061	552,322	21,788,127
Revenue from contracts with customers:					
Recognised at a point in time	20,510,219	–	–	231,816	20,742,035
Recognised over time	–	388,525	–	320,506	709,031
Revenue from other sources:					
Rental income	–	–	337,061	–	337,061
	20,510,219	388,525	337,061	552,322	21,788,127
Segment results	5,186,610	29,941	237,572	112,232	5,566,355
Depreciation and amortisation	(60,418)	(14,642)	–	(15,358)	(90,418)
Fair value losses on revaluation of investment properties, net	–	–	(16,232)	–	(16,232)
Share of (loss)/profit of					
– joint ventures	(46,546)	–	–	(11,145)	(57,691)
– associated entities	80,638	–	260,875	4,385	345,898

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Six months ended 30 June 2018					
Revenue	9,158,908	436,870	331,311	658,976	10,586,065
Inter-segment revenue	—	(49,065)	(15,007)	(359,152)	(423,224)
Revenue from external customers	9,158,908	387,805	316,304	299,824	10,162,841
Revenue from contracts with customers:					
Recognised at a point in time	9,158,908	—	—	155,706	9,314,614
Recognised over time	—	387,805	—	144,118	531,923
Revenue from other sources:					
Rental income	—	—	316,304	—	316,304
	9,158,908	387,805	316,304	299,824	10,162,841
Segment results	2,111,016	8,090	297,515	39,370	2,455,991
Depreciation and amortisation	(24,024)	(1,222)	–	(156)	(25,402)
Fair value gains on revaluation of investment properties, net	—	—	377,958	—	377,958
Share of profit of					
– joint ventures	30,008	—	—	—	30,008
– associated entities	14,971	—	211,859	15,008	241,838

6 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 30 June 2019					
Segment assets	171,485,882	1,283,586	10,834,733	1,804,029	185,408,230
Interests in joint ventures	6,233,636	—	864	49,669	6,284,169
Interests in associated entities	5,341,693	—	7,686,648	276,619	13,304,960
Total reportable segments' assets	183,061,211	1,283,586	18,522,245	2,130,317	204,997,359
Total reportable segments' assets include:					
Additions to non-current assets (note)	193,506	53,725	—	213,966	461,197

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 31 December 2018					
Segment assets	131,179,966	1,289,242	10,865,470	2,064,894	145,399,572
Interests in joint ventures	6,410,367	—	1,059	62,446	6,473,872
Interests in associated entities	7,336,060	—	6,298,546	277,707	13,912,313
Total reportable segments' assets	144,926,393	1,289,242	17,165,075	2,405,047	165,785,757
Total reportable segments' assets include:					
Additions to non-current assets (note)	126,332	6,294	5,266	2,947	140,839

Note: Non-current assets represent those assets other than financial instruments, interests in joint ventures, interests in associated entities and deferred tax assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Segment results	5,566,355	2,455,991
Unallocated operating costs (note)	(43,170)	(24,330)
Other gains, net (note 8)	797,544	555,583
Operating profit	6,320,729	2,987,244
Finance income (note 9)	258,670	108,281
Finance costs (note 10)	(634,102)	(650,964)
Share of (loss)/profit of		
– joint ventures	(57,691)	30,008
– associated entities	345,898	241,838
Profit before taxation	6,233,504	2,716,407

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

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

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Total reportable segments' assets	204,997,359	165,785,757
Deferred tax assets (note 21)	555,500	492,137
Prepaid taxation	2,237,620	1,772,324
Corporate assets (note)	482,975	770,280
Total assets	208,273,454	168,820,498

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

For the six months ended 30 June 2019, 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 2018: same).

For the six months ended 30 June 2019, the Group does not have any single customer with the transaction value over 10% of the total external revenue (six months ended 30 June 2018: same).

7 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Other tax and surcharges	**158,734**	153,701
Depreciation		
– Right-of-use assets	**51,006**	—
– Property, plant and equipment (note 14)	**33,911**	20,141
Amortisation of land use rights	**5,501**	5,261
Impairment of properties held for sale	**20,523**	—

8 OTHER GAINS, NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Remeasurement gains on a joint venture (note 22(b))	**765,623**	—
Gain on bargain purchase on acquisitions	**11,807**	40,111
Remeasurement gains on interests in associated entities	**636**	553,636
Loss on disposal of non-current assets held-for-sale	**—**	(5,550)
Others	**19,478**	(32,614)
	797,544	555,583

9 FINANCE INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest income from bank deposits	**91,803**	61,234
Interest income from loans to associated entities (note 27)	**165,852**	47,047
Interest income from loan to a join venture (note 27)	**1,015**	—
	258,670	108,281

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest on borrowings and bank overdrafts	870,453	924,582
Interest on other borrowings	731,145	340,779
Interest on other payable (note (a))	196,765	75,792
Interest on loan from intermediate holding company (note 27)	41,166	64,072
Interest on loan from a shareholder (note (b), note 27)	24,383	—
Interest on loan from an associated entity (note 27)	9,943	11,487
Interest on loan from a fellow subsidiary (note 27)	2,765	173
Interest expense on lease liabilities	9,569	—
Net fair value gains on derivative financial instruments	(7,158)	—
Net foreign exchange gain on financing activities	(51,639)	(44,369)
Total borrowing costs incurred	1,827,392	1,372,516
Less: amount capitalised as properties under development and property, plant and equipment	(1,193,290)	(721,552)
	634,102	650,964

Note:

(a) Interest on other payable represents interest on the amounts due to non-controlling interests ("NCI") and related parties of NCI. The balance is approximately RMB3,209 million as at 30 June 2019 (31 December 2018: RMB4,910 million) and interest bearing at weighted average rate of 7.28% per annum (2018: 6.69% per annum). The balance which is included in other payables and accrued charges is repayable on demand and denominated in RMB.

(b) The balance of loan from a shareholder, Guangzhou Metro Group Co., Ltd ("Guangzhou Metro"), is approximately RMB1,050 million as at 30 June 2019, with an interest rate of 6.50% per annum. The balance which is included in other payables and accrued charges is repayable in 2023 and denominated in RMB.

11 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2018: 16.5 percent) on the estimated assessable profit for the period.

(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 (2018: 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 period, withholding income tax was provided for the 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 (2018: 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 condensed consolidated statement of profit or loss comprises:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current taxation		
– China enterprise income tax	**1,388,666**	580,822
– China land appreciation tax	**2,086,764**	616,511
Deferred taxation		
– Origination and reversal of temporary differences	**(182,817)**	(100,617)
– China land appreciation tax	**(3,095)**	63,263
– Corporate withholding income tax on undistributed profits	**184,868**	106,163
	3,474,386	1,266,142

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 EARNINGS PER SHARE

Basic

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

	Six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	1,870,140	1,313,738
Weighted average number of ordinary shares in issue ('000)	13,428,298	12,401,307
Basic earnings per share (RMB)	0.1393	0.1059

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 2019, diluted earnings per share is equal to basic earnings per share (six months ended 30 June 2018: same).

13 DIVIDENDS

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
2018 final, declared and unpaid, of HKD0.051 equivalent to RMB0.044 (2017: HKD0.052 equivalent to RMB0.042) per ordinary share	694,158	543,689
2019 interim, proposed, of HKD0.053 equivalent to RMB0.047 (2018: HKD0.042 equivalent to RMB0.036) per ordinary share	727,667	446,447

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. It will be recognised in shareholders' equity in the year ending 31 December 2019.

14 PROPERTY, PLANT AND EQUIPMENT

	2019 RMB'000	2018 RMB'000
At 1 January	1,994,812	1,961,077
Exchange differences	35	4
Additions	93,296	29,665
Acquisition of subsidiaries (note 22)	689	646
Disposals	(7,394)	(49,321)
Depreciation (note 7)	(33,911)	(20,141)
At 30 June	2,047,527	1,921,930

15 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At 1 January	10,865,470	13,743,710
Exchange differences	3,016	101
Additions	–	672
Disposals	(17,521)	(42,955)
Fair value (losses)/gains, net	(16,232)	377,958
At 30 June	10,834,733	14,079,486

16 TRADE RECEIVABLES

The Group has defined different 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 2019 RMB'000	31 December 2018 RMB'000
0 - 30 days	26,107	20,216
31 - 180 days	23,789	11,393
180 - 365 days	5,011	13,623
Over 1 year	13,800	14,489
	68,707	59,721
Less: provision for impairment of trade receivables	(8,805)	(8,805)
	59,902	50,916

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 TRADE AND NOTE PAYABLES

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

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
0 – 30 days	**329,298**	560,463
31 – 90 days	**469,949**	332,645
91 – 180 days	**789,379**	469,212
181 – 365 days	**80,790**	21,037
1 – 2 years	**4,654**	16,579
Over 2 years	**5,574**	7,641
	1,679,644	1,407,577

18 BORROWINGS

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	**12,557,262**	10,855,895
– Unsecured	**13,499,929**	9,623,606
Other borrowings (a)		
– Secured	**784,000**	920,160
– Unsecured	**30,195,295**	26,220,249
Obligations under finance leases	**50**	50
	57,036,536	47,619,960
Current		
Bank overdrafts	**39**	57
Short-term bank borrowings		
– Unsecured	**486,115**	383,527
Current portion of long-term bank borrowings		
– Secured	**2,123,268**	2,204,200
– Unsecured	**360,153**	100
Other borrowings (a)		
– Secured	**350,000**	300,000
– Unsecured	**4,669,509**	2,898,202
Obligations under finance leases	**35**	59
	7,989,119	5,786,145
Total borrowings	**65,025,655**	53,406,105

18 BORROWINGS (Continued)

(a) Other borrowings

(i) PRC corporate bonds

In 2016, the Group issued aggregated nominal value of RMB8,000 million corporate bonds with interest rates ranging from 2.95% to 3.19% per annum and with maturity between 3 years to 7 years. The net proceed, after deducting the issuance costs, amounted to RMB7,968 million.

In 2018, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates ranging from 4.24% to 4.25% per annum and with maturity between 3 years to 5 years. The net proceed, after deducting the issuance costs, amounted to approximately RMB1,494 million.

In 2019, the Group issued aggregated nominal value of RMB2,500 million corporate bonds with interest rates ranging from 3.85% to 3.93% per annum and with maturity between 3 years to 5 years. The net proceed, after deducting the issuance costs, amounted to RMB2,491 million.

In 2019, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates of 3.83% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to RMB1,494 million.

Guangzhou Yuexiu Holdings Limited ("GYHL"), the ultimate holding company, provides guarantee for above corporate bond (note 27(e)).

(ii) Medium term notes

In 2013, the Group issued medium-term notes of USD500 million with an interest rate of 4.50% per annum and with maturity in 2023.

In 2014, the Group issued medium term notes of HKD2,300 million with an interest rate of 6.10% per annum and with maturity in 2029.

In 2018, the Group borrowed a loan of RMB1,111 million with a 9-year maturity. The interest rates are ranging from 4.98% to 5.50% per annum.

In 2018, the Group issued medium term notes of USD1,200 million with interest rates ranging from 4.875% to 5.375% per annum and with maturity between 2021 to 2023. The net proceed, after deducting the issuance costs, amounted to RMB7,566 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 BORROWINGS (Continued)

(a) Other borrowings (Continued)

(iii) Exchangeable bond

The Group issued an exchangeable bond with an aggregate cash proceeds of HKD1.1 billion, which will be matured on 27 April 2020. The bonds will bear interest at the rate of 1.875% per annum. Each bondholder shall have the right to deposit all or any of its bonds with, or to the order of, the Group and to receive in exchange a pro rata share of the units in Yuexiu Real Estate Investment Trust ("Yuexiu REIT")as at the relevant exchange date.

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts As at		Other borrowings As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000	**30 June 2019 RMB'000**	31 December 2018 RMB'000
Within one year	**2,969,575**	2,587,884	**5,019,544**	3,198,261
In the second year	**12,520,769**	6,805,171	**7,184,841**	1,656,000
In the third to fifth year	**11,125,089**	11,096,030	**21,380,741**	20,284,116
Over five years	**2,411,333**	2,578,300	**2,413,763**	5,200,343
	29,026,766	23,067,385	**35,998,889**	30,338,720

19 SHARE CAPITAL

	Number of shares 2019 ('000)	Number of shares 2018 ('000)	**Share capital 2019 RMB'000**	Share capital 2018 RMB'000
At 1 January	**12,401,307**	12,401,307	**12,759,402**	12,759,402
Issues of oridinary shares during the period				
Acquisition of subsidiary, net of transaction cost and tax (note 22(a))	**3,080,973**	—	**5,275,613**	—
At 30 June	**15,482,280**	12,401,307	**18,035,015**	12,759,402

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 RESERVES

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Hedging reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	213,964	(503,324)	745,865	(834)	–	20,666,714	21,122,385
Currency translation differences	–	(64,896)	–	–	–	–	(64,896)
Change in the fair value of equity investments at FVOCI							
– gross	–	–	86,911	–	–	–	86,911
– tax	–	–	(21,728)	–	–	–	(21,728)
– effect of withholding tax	–	–	(5,541)	–	–	–	(5,541)
Losses on cash flow hedges	–	–	–	(931)	–	–	(931)
Profit attributable to shareholders	–	–	–	–	–	1,870,140	1,870,140
Transfer to statutory reserves	9,988	–	–	–	–	(9,988)	–
Acquisition of subsidiary, net of transaction cost and tax (note 22(a))	–	–	–	–	(291,673)	–	(291,673)
Dividend (note 13)	–	–	–	–	–	(694,158)	(694,158)
At 30 June 2019	223,952	(568,220)	805,507	(1,765)	(291,673)	21,832,708	22,000,509

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 31 December 2017	213,964	(88,114)	731,529	–	18,790,158	19,647,537
Change in accounting policy	–	–	(731,529)	731,529	154,727	154,727
Restated balance as at 1 January 2018	213,964	(88,114)	–	731,529	18,944,885	19,802,264
Currency translation differences	–	(499,629)	–	–	–	(499,629)
Change in the fair value of equity investments at FVOCI						
– gross	–	–	–	13,254	–	13,254
– tax	–	–	–	(3,314)	–	(3,314)
– effect of withholding tax	–	–	–	(845)	–	(845)
Profit attributable to shareholders	–	–	–	–	1,313,738	1,313,738
Dividend (note 13)	–	–	–	–	(543,689)	(543,689)
At 30 June 2018	213,964	(587,743)	–	740,624	19,714,934	20,081,779

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 RESERVES (Continued)

Note:

(a) Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries, joint ventures and associated entities in China. As stipulated by regulations in China, the Company's subsidiaries, joint ventures and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital only.

21 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 2019 and 31 December 2018 represents:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Deferred tax assets		
– China enterprise income tax	**555,500**	492,137
Deferred tax liabilities		
– Hong Kong profits tax	**27,204**	26,842
– China enterprise income tax	**5,392,333**	4,361,441
– China land appreciation tax	**1,212,749**	1,215,844
	6,632,286	5,604,127

22 BUSINESS COMBINATION

The significant acquisitions during the period are as follows:

(a) Acquisition of Guangzhou City Pinxiu Property Developemnt Company Limited

On 27 February 2019,the Company entered into a conditional subscription agreement ("Subscription Agreement") with the Guangzhou Metro Investment Finance (HK) Limited (a wholly-owned subsidiary of Guangzhou Metro Group Co., Ltd ("Guangzhou Metro")) relating to the proposed subscription by the Guangzhou Metro Investment Finance (HK) Limited of 3,080,973,807 subscription shares of the Company ("Subscription Shares") at the subscription price of HK$2.00 per subscription share for a total consideration of HK$6,162 million (equivalent to RMB5,276 million). The Subscription Shares represent approximately 19.9% of the enlarged issued shares after the allotment and issuance of the Subscription Shares.

Simultaneously, with the entering into of the Subscription Agreement above, Guangzhou Yunhu Real Estate Development Co., Ltd. ("Yunhu Company") (an indirectly non-wholly owned subsidiary of the Company) entered into a set of acquisitions agreements ("Acquisitions Agreements") with GYHL, a wholly owned subsidiary of GYHL and Guangzhou Metro respectively, pursuant to which Yunhu Company has conditionally agreed to acquire directly or indirectly, an aggregate of 86% of the equity interest in Guangzhou City Pinxiu Property Development Company Limited ("Pinxiu Company") together with the related balances due to GYHL and Guangzhou Metro. The total consideration for the Acquisitions Agreements was RMB14,082 million in aggregate. The completion of the Acquisitions Agreements was subject to the satisfaction of the conditions that the completion of above Subscription Agreement having taken place.

Yunhu Company obtained control of Pinxiu Company on 11 April 2019. Upon such acquisition date, Pinxiu Company became an indirect non-wholly owned subsidiary of the Company.

Details of the purchase consideration, the net assets acquired and bargain purchase are as follows:

Consideration	RMB'000
Cash paid (comprises consideration for equity transfer and shareholder's loan transfer)	14,081,683
Cash received from the issuance of shares to Guangzhou Metro	(5,275,613)
Fair value of consideration shares	4,983,940
	13,790,010

The fair value of the 3,080,973,807 Subscription Shares issued as part of the consideration paid for the Company (RMB4,983,940,000) was based on the published share price on the acquisition date of 11 April 2019 of HK$1.89 (equivalent to RMB1.62) per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 BUSINESS COMBINATION (Continued)

(a) Acquisition of Guangzhou City Pinxiu Property Developemnt Company Limited (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Property, plant and equipment	689
Properties under development	16,571,000
Other receivables, prepayments and deposits	32,079
Contract cost	9,010
Cash and cash equivalents	417,916
Trade and note payables	(84,180)
Other payables and accrued charges	(2,518,930)
Deferred tax liabilities	(446,449)
Net identifiable assets acquired	13,981,135
Non-controlling interest	(186,992)
Gain on bargain purchase on acquisition	(4,133)
	13,790,010

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

	RMB'000
Cash paid	(14,081,683)
Cash received	5,275,613
Cash and bank balance acquired	417,916
	(8,388,154)

The acquired business contributed nil of revenues and net losses of RMB69 million to the Group for the period from 11 April 2019 to 30 June 2019.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax of the Group for the six months ended 30 June 2019 would have been RMB21,788 million and RMB2,645 million respectively.

22 BUSINESS COMBINATION (Continued)

(b) Acquisition of Guangzhou Huibang Property Company Limited

On 26 April 2019, Guangzhou Yingsheng Investment Co., Ltd. ("Yingsheng Company") (an indirectly non-wholly owned subsidiary of the Company) and Guangzhou Greenland Property Development Co., Ltd. ("Greenland Company") (a third party) entered into the voting right transfer agreement under which Greenland Company agreed to transfer 1% of shareholder's voting right in Guangzhou Huibang Property Co., Ltd. ("Huibang Company") to Yingsheng Company with no consideration. The transaction was completed on 30 April 2019.

Upon completion of the transaction, Yingsheng Company's voting right in Huibang Company was increased from 50% to 51% such that Yingsheng Company has control on the shareholders' meeting and board of directors in Huibang Company. Accordingly, Huibang Company became an indirect non-wholly owned subsidiary of the Company.

Details of the purchase consideration and the net assets acquired are as follows:

Consideration	RMB'000
Fair value of 50% shares held by the Group	1,507,532

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Properties under development	5,707,700
Contract costs	66,741
Other receivables, prepayments and deposits	2,557,730
Cash and cash equivalents	688,783
Prepaid taxation	471,620
Trade and note payables	(294)
Contract liabilities	(5,561,764)
Borrowings	(370,000)
Taxation payable	(1,959)
Deferred tax liabilities	(510,399)
Other payables and accrued charges	(33,094)
Net identifiable assets acquired	3,015,064
Non-controlling interest	(1,507,532)
	1,507,532
Fair value of interest in a joint venture	1,507,532
Less: Interest in a joint venture	(741,909)
Remeasurement gain on interest in a joint venture (note 8)	765,623

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 BUSINESS COMBINATION (Continued)

(b) Acquisition of Guangzhou Huibang Property Company Limited (Continued)

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

	RMB'000
Cash paid	—
Cash and bank balance acquired	688,783
	688,783

The acquired business contributed revenues of RMB5,331 million and net profit of RMB101 million to the Group for the period from 30 April 2019 to 30 June 2019.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax of the Group for the six months ended 30 June 2019 would have been RMB21,788 million and RMB2,716 million respectively.

23 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 23(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. All right-of-use assets will be measured at the amount of lease liability on adoption (adjusted for any prepaid or accrued expenses).

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.82%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	72,516
Discounted using the lessee's incremental borrowing rate at the date of initial application	60,684
Less: short-term leases recognised on a straight-line basis as expenses	(12,973)
Lease liability recognised as at 1 January 2019	47,711
Of which are:	
Current lease liabilities	12,330
Non-current lease liabilities	35,381
	47,711

23 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

The associated right-of-use assets for property leases were measured at the amount of lease liability on adoption (adjusted in any prepaid or accrued expenses). There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Properties	**365,007**	47,711

(i) Impact on segment disclosures and earnings per share

Segment assets and additions to non-current assets for June 2019 increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment assets RMB'000	Additions to non-current assets RMB'000
Property development	107,834	129,792
Property management	65,381	48,711
Others	191,792	189,799
	365,007	368,302

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, apartments and carparks. Rental contracts are typically made for fixed periods of 1 to 17 years without extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Lease payments that related to contracts that have previously been classified as operating leases are presented as operating cash flows.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Cash payements for the principal portion and interests of the lease liability are classified within financing activities. Payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability remain presented within operating activity.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

23 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

HKFRS 16 does not contain substantial changes to lessor accounting compared to HKAS 17. The lessor still has to classify leases as either finance or operating, depending on whether substantially all of the risk and rewards incidental to ownership of the underlying asset have been transferred.

HKFRS 16 requires the lessor to evaluate the sublease with reference to the right-of-use asset. Since the lessor of the sublease is, at the same time, the lessee with respect to the head lease, it will in any case have to recognise an asset on its balance sheet – as a right-of-use asset with respect to the head lease (if the sublease is classified as an operating lease) or a lease receivable with respect to the sublease (if the sublease is classified as a finance lease).

24 GUARANTEES

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note a)	**10,711,809**	13,692,282
Guarantee for banking and loan facility granted to associated entities (note (b))	**878,268**	779,974
Guarantees for banking and loan facilities granted to joint ventures (note b)	**900,000**	1,350,000
	12,490,077	15,822,256

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 2019, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB1,778 million (31 December 2018: RMB2,130 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1,316 million (31 December 2018: RMB1,198 million) was utilised and guarantee of approximately RMB462 million (31 December 2018: RMB932 million) was not utilised yet.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

25 CAPITAL COMMITMENTS

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	452,634	486,092
Authorised but not contracted for	311,906	311,906
	764,540	797,998

26 SECURITIES FOR BANKING FACILITIES

At 30 June 2019, 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 aggregate carrying values of approximately RMB29,994 million (31 December 2018: RMB29,365 million), RMB170 million (31 December 2018: RMB1,435 million), RMB6,672 million (31 December 2018: RMB6,650) and RMB663 million (31 December 2018: RMB639 million) respectively; and

(b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB7 million (31 December 2018: RMB7 million).

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is Guangzhou Yuexiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the period ended 30 June 2019, and their relationship with the Company as at 30 June 2019:

Significant related parties	Relationship with the Company
GYHL	Ultimate holding company
Guangzhou Metro	A shareholder
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Yuexiu REIT	An associated entity
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd ("GYFL")	A fellow subsidiary
Guangzhou Securities Company Limited ("GSCL")	A fellow subsidiary
Guangzhou City Construction&Development Holdings Co.,Ltd. ("GCCD")	A fellow subsidiary
Guangzhou Hong Sheng Property Development Co., Ltd ("GHPD")	Note (a)
廣州宏耀房地產開發有限公司("宏耀")	Note (b)
廣州萬宏房地產開發有限公司("萬宏")	An associated entity
濟南鵬遠置業有限公司("濟南鵬遠")	A joint venture
廣州資產管理有限公司("資產管理")	An associated entity of a fellow subsidiary
金鷹基金管理有限公司("金鷹")	An associated entity of a fellow subsidiary

Note:

(a) GHPD was an associated company and has become a subsidiary of the Company since 2018.

(b) 宏耀 was an associated company and has become a subsidiary of the Company since 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(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	
		2019 RMB'000	2018 RMB'000
(I)	Transactions with YXE		
	Rental expenses and property management fees	**(8)**	(1,517)
	Interest expense (note 10)	**(41,166)**	(64,072)
	Addition of right-of-use assets	**7,631**	—
	Interest expense on lease liabilities	**(164)**	—
	Repayment of lease liabilities	**(1,135)**	—
(II)	Transactions with Yuexiu REIT		
	Tenancy service fees income	**10,511**	12,109
	Rental expenses	**—**	(34,620)
	Interest expense (note 10)	**(9,943)**	(11,487)
	Interest income (note 9)	**—**	8,093
	Support expenses on support arrangement	**(14,630)**	(11,092)
	Addition of right-of-use assets	**85,890**	—
	Interest expense on lease liabilities	**(4,355)**	—
	Repayment of lease liabilities	**(33,596)**	—
(III)	Transaction with CHB		
	Deposit interest income	**11,270**	7,544
	Rental income	**6,050**	4,854
	Interest expense (note 10)	**(2,765)**	(173)
	Exchange gain/(loss) on bank deposits	**9,406**	(4,002)
	Gain on foreign currency forward	**9,978**	—
(IV)	Transaction with GYFL		
	Rental income	**5,073**	4,970
(V)	Transaction with GSCL		
	Rental income	**1,022**	759
(VI)	Transaction with 金鷹		
	Rental income	**4,297**	4,797
(VII)	Transaction with 資產管理		
	Rental income	**3,598**	3,160
(VIII)	Transaction with GCCD		
	Income from sales of investment properties	**—**	30,441
(IX)	Transaction with GHPD		
	Interest income (note 9)	**—**	38,954
(X)	Transaction with 萬宏		
	Interest income (note 9)	**34,227**	—
(XI)	Transaction with 濟南鵬遠		
	Interest income (note 9)	**1,015**	—
(XII)	Transaction with 宏耀		
	Interest income (note 9)	**131,625**	—
(XIII)	Transaction with Guangzhou Metro		
	Interest expense (note 10)	**(24,383)**	—

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

		As at	
	Note	**30 June 2019 RMB'000**	31 December 2018 RMB'000
Amount due to ultimate holding company	(i)(ii)	**(4,019,030)**	—
Amount due to intermediate holding company	(i), (ii)	**(852,045)**	(1,500,000)
Amounts due from associated entities	(iv), (v)	**6,402,075**	9,880,716
Amounts due to associated entities	(ii), (viii)	**(7,011,414)**	(1,270,717)
Amounts due from joint ventures	(iii), (vii), (vi)	**3,976,104**	3,577,445
Amounts due to joint ventures	(i), (ii)	**(2,872,853)**	(3,318,814)
Amounts due from related companies	(i), (ii)	**38,284**	38,282
Amounts due to related companies	(i), (ii)	**(34,427)**	(34,422)
Amounts due from fellow subsidiaries	(i), (ii)	**33,352**	—
Amounts due to fellow subsidiaries	(i), (ii)	**(353,263)**	(286,534)
Amounts due to a shareholder	(ii), (xi)	**(1,192,095)**	—
Cash at bank at a fellow subsidiary	(ix)	**1,319,959**	924,875
Bank borrowing from a fellow subsidiary	(x)	**121,356**	83,526
Lease liabilities to intermediate holding company	(xii)	**(7,313)**	—
Lease liabilities to associated entities	(xii)	**(161,285)**	—

Except for the amounts due from associated entities of approximately RMB48,174,000 (31 December 2018: RMB60,329,000), amounts due from joint ventures of approximately RMB105,300,000 (31 December 2018: RMB105,216,000), amount due to an associated entity of approximately RMB179,264,000 (31 December 2018: RMB168,985,000), amount due to a joint venture of approximately RMB 55,729,000 (31 December 2018: RMB55,513,000) and cash at bank at a fellow subsidiary of approximately RMB11,806,000 (31 December 2018: nil) which are denominated in HKD, all others related party balances are denominated in RMB.

Notes:

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

(ii) These balances are included in 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 RMB17,000,000 (31 December 2018: 60,139,000) which is included in other receivables, prepayments and deposits.

(iv) The balance is included in interests in associated entities except for an amount of approximately RMB3,627,082,000 (31 December 2018: RMB6,237,335,000) which is included in other receivables, prepayments and deposits.

(v) Except for an amount of approximately RMB63,741,000 (31 December 2018: RMB7,371,000) which is unsecured and interest bearing at 8.50% per annum (2018: 4.35% per annum), the remaining balances are unsecured, interest free and receivable on demand.

(vi) These balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (31 December 2018: RMB999,000) which is made for an amount due from a joint venture.

(vii) Except for an amount of approximately RMB95,888,000 (31 December 2018: 95,948,000) which is unsecured and interest bearing at 4.75% per annum (2018: 4.75% per annum), the remaining balances are unsecured, interest free and receivable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

Notes: (Continued)

(viii) Except for an amount of approximately RMB228,956,000 (31 December 2018: RMB238,915,000) which is unsecured and interest bearing at 9.0% per annum (2018: 9.0% 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 5.22% per annum (2018: 5.22% per annum).

(xi) These balance is unsecured and interest bearing at 6.5% per annum and repay in 2023.

(xii) The Group leases office premises from an intermediate holding company and an associated entity. The monthly rents payable by the Group during the leasing terms determined with reference to the prevailing market prices.

(d) Key management compensation

Key management compensation was amounted to RMB3,525,000 for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB3,136,000).

(e) Guarantee received

(i) GYHL provides guarantee for the corporate bonds of Guangzhou City Construction & Development Co. Ltd ("GZCC"), a subsidiary of the Group, amounted to RMB13,466 million as at 30 June 2019 (31 December 2018: RMB9,477 million).

(ii) GYHL provides guarantee for bank loan of Wuhan Kangjing Industrial Investment Co., Ltd, a subsidiary of the Group, amounted to RMB3,180 million as at 30 June 2019 (31 December 2018: RMB1,155 million).

(iii) GYHL provides guarantee for bank loan of Suzhou Shenyi Property Development Co., Ltd, a subsidiary of the Group, amounted to RMB700 million as at 30 June 2019 (31 December 2018: RMB300 million).

(iv) GYHL provides guarantee for bank loan of 宏耀, a subsidiary of the Group, amounted to RMB800 million as at 30 June 2019 (31 December 2018: nil).

(v) GCCD provides guarantee for bank loan of Guangzhou City Construction & Development Group Nansha Co. Ltd, a subsidiary of the Group, amounted to RMB136 million as at 30 June 2019 (31 December 2018: RMB136 million).

(f) Provision of guarantee

The Group provides guarantee for the borrowing of associated entities and joint ventures, see note 24.

OTHER INFORMATION

INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 30 June 2019, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

The Company

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lin Zhaoyuan (Note 1)	Beneficial Owner/ Beneficiary of a trust	2,917,343	0.019
Mr Lin Feng (Note 2)	Beneficial Owner/ Beneficiary of a trust/ Spouse interest	5,043,901	0.033
Mr Li Feng	Beneficial Owner	172,900	0.001
Ms Liu Yan	Beneficial Owner	17,000	0.0001
Mr Yu Lup Fat Joseph	Beneficial Owner	4,000,000	0.026
Mr Lee Ka Lun	Beneficial Owner	3,200,000	0.021
Mr Lau Hon Chuen Ambrose	Beneficial Owner	4,841,200	0.031

Note 1: Mr Lin Zhaoyuan is interested in 2,917,343 Shares, out of which 373,464 Shares are owned by him as beneficial owner, 2,543,879 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management.

Note 2: Mr Lin Feng is interested in 5,043,901 Shares, out of which 1,819,419 Shares are owned by him as beneficial owner, 3,124,482 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management and 100,000 Shares are held by his spouse.

Yuexiu Transport Infrastructure Limited

Long positions in shares of Yuexiu Transport Infrastructure Limited:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lin Zhaoyuan	Beneficial Owner	120	0.00001
Ms Liu Yan	Beneficial Owner	485	0.00003
Mr Lau Hon Chuen Ambrose	Beneficial Owner	195,720	0.012

Save as disclosed herein, as at 30 June 2019, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its other associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

Save as disclosed herein, at no time in the first half of 2019 was the Company or a subsidiary a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 30 June 2019, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Approximate % of interest
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interests of controlled corporations	6,159,447,662 (Long position)	39.78
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Interests of controlled corporations	6,159,447,662 (Long position)	39.78
廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.) (Note 2)	Interests of controlled corporations	3,080,973,807 (Long position)	19.90

Note 1:

Pursuant to the SFO, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) is deemed to be interested in 6,159,447,662 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long positions in shares
Yue Xiu	6,159,447,662
Superb Master Ltd.	401,989,620
Excellence Enterprises Co., Ltd. ("Excellence")	5,749,874,187
Bosworth International Limited ("Bosworth") (Note i)	4,202,934,153
Sun Peak Enterprises Ltd. ("Sun Peak")	978,065,907
Novena Pacific Limited ("Novena") (Note ii)	978,065,907
Shine Wah Worldwide Limited ("Shine Wah")	273,266,721
Morrison Pacific Limited ("Morrison") (Note iii)	273,266,721
Perfect Goal Development Co., Ltd. ("Perfect Goal")	234,689,273
Greenwood Pacific Limited ("Greenwood") (Note iv)	234,689,273
Seaport Development Limited ("Seaport")	60,918,133
Goldstock International Limited ("Goldstock") (Note v)	60,918,133
Yue Xiu Finance Company Limited	7,583,855

(i) 4,202,934,153 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.

(ii) 978,065,907 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.

(iii) 273,266,721 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.

(iv) 234,689,273 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.

(v) 60,918,133 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

Note 2:

Pursuant to the SFO, 廣州地鐵集團有限公司(Guangzhou Metro Group Co., Ltd.) is deemed to be interested in 3,080,973,807 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long positions in shares
Guangzhou Metro Investment Finance (HK) Limited (Note i)	3,080,973,807

(i) 3,080,973,807 shares were held by Guangzhou Metro Investment Finance (HK) Limited, which was wholly-owned by廣州地鐵集團有限公司(Guangzhou Metro Group Co., Ltd.)

Saved as disclosed herein, as at 30 June 2019, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register of interests of the Company required to be kept under Section 336 of the SFO.

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 2019.

Code Provision A.4.1

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

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2019 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.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of 2018 Annual Report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules, are set out below.

	Appointment (effective)	Cessation (effective)
Mr Li Feng		
Yuexiu Transport Infrastructure Limited – Chairman	22 July 2019	—
Mr Lau Hon Chuen Ambrose		
Brightoil Petroleum (Holdings) Limited – Independent non-executive director	—	19 June 2019

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry of all the directors has been made and all the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

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 2019. 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 Tuesday, 22 October 2019 to Thursday, 24 October 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Monday, 21 October 2019.