



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

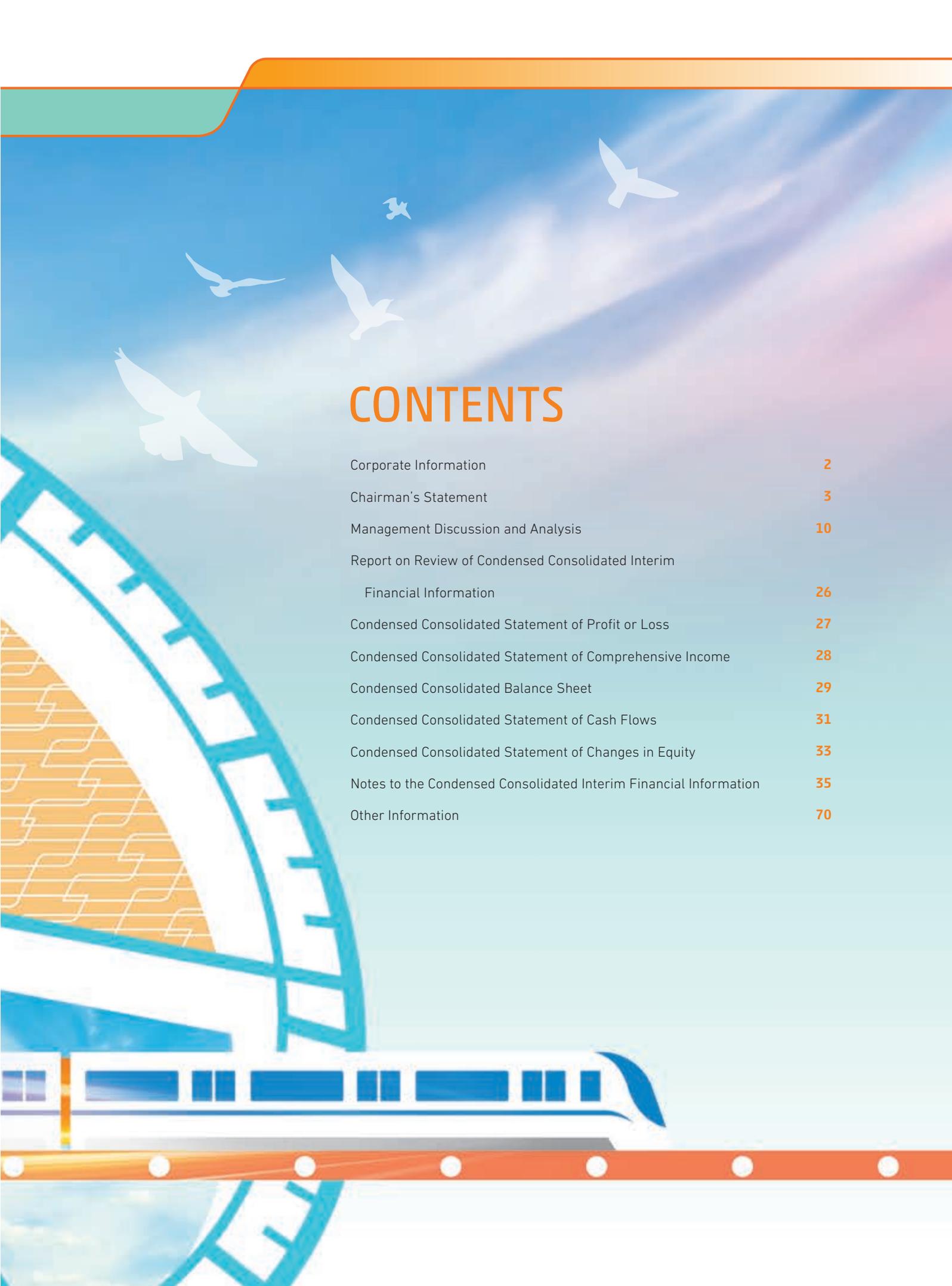
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WHERE GOOD LIVING
STARTS



INTERIM REPORT 2020





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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

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
Registered Public Interest Entity Auditor

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

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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

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CHAIRMAN'S STATEMENT

I. BUSINESS REVIEW

ECONOMIC AND MARKET ENVIRONMENT

In the first half of 2020, the global outbreak of the COVID-19 pandemic battered global economic growth and international trade shrank dramatically. As a result, US economy, the Eurozone economy and other developed economies were heading into recession. Economic growth in emerging markets and developing countries also plunged. In the first half of the year, China's economy was wrecked by the COVID-19 pandemic, with its gross domestic product (GDP) showing a negative growth of 6.8% in the first quarter and major economic indicators fell sharply. In the second quarter, with rapid response and effective controls of COVID-19 pandemic, the resumption in work and production to normal was accelerated, and the declines in consumption and investment continued to narrow. Obvious economic recovery trend is set. The Central and Local Governments bolstered their support for both fiscal and monetary policies, and the stimulus measures relating to macroeconomic policies continued to show positive change. During the pandemic, rapid development in the digital economy, smart economy, online network economy, and other new economic forms supported recovery in macroeconomic growth. In the second quarter, economic growth shifted from negative to positive, with GDP recording 3.2% increase. In the first half of the year, GDP had fell by 1.6% period-to-period, with the decline narrowed substantially. As a result, a steady economic recovery was gaining pace.

In the first half of the year, the domestic property market in February and March was basically frozen due to the impact from COVID-19 pandemic. However, since late March, with significant relief measures and effective controls of the domestic pandemic, the property markets in different regions have recovered gradually. The transactions of property market became progressively active; and major indicators, such as property investment and sales, have clearly ameliorated. In the first half of the year, national property development investment, construction area, and other indicators showed positive growth. The rigid housing demand accumulated during the pandemic started to be released and, the property sales showed a sharp rebound and the period-to-period decline in accumulative sales was narrowed. In the first half of the year, the national GFA for commodity housing sales was approximately 0.69 billion sq.m., representing a period-to-period decrease of 8.4%, and increase of 3.9 percentage points compared with the first five months. The sales of commodity housing value was approximately RMB 6.7 trillion, representing a period-to-period increase of 5.4%, and increase of 5.2 percentage points compared with the first five months. The property market has gathered momentum towards signs of a strong recovery, acting as a pillar role for the recovery of the national economy.

In the first half of the year, property regulatory policies were based on "housing for living instead of speculation" and "region-specific regulatory policies", and for "stabilising land prices, housing prices, and expectation". This led to, except for the sharp drop in sales and investment for the individual months due to the impact of the COVID-19 pandemic, relatively stable development for the PRC property market as a whole. The land market performance was fundamentally similar to that of the sales market. The land market was basically stagnant in the first quarter, while in the second quarter, with significant rebound in the sales market and substantial increase in land supply, the land transaction market became active and the transaction volume increased significantly. Especially, premium lands in tier-1 and tier-2 cities with sound economic fundamentals were in short supply, and lands fetched very high premiums amid fierce competition.

CHAIRMAN'S STATEMENT

STEADY GROWTH IN OPERATING RESULTS

In the first half of 2020, the Group centered on the annual work theme of “improving efficiency by optimising structure and driving development by operation” to proactively respond to market changes and neutralize the pandemic’s adverse impacts by continually improving operations and management capacity, and achieve a solid increase in operating results.

During the first half of the year, the Group realised revenue of approximately RMB23.71 billion, representing a period-to-period increase of 8.8%. Gross profit margin was approximately 28.0%, representing a period-to-period decrease of 2 percentage points. Profit attributable to equity holders was approximately RMB1.99 billion, representing a period-to-period increase of 6.7%. Core net profit was approximately RMB1.99 billion, representing a period-to-period increase of 8.5%. Unrecognised sales value as of 30 June 2020 was approximately RMB95.54 billion, representing an increase of 7.9% comparing with the beginning of the year.

The Board proposed to declare an interim dividend for 2020 of HKD0.057 per share (equivalent to RMB0.051 per share), representing a period-to-period increase of 7.5% in terms of HKD.

CONTRACTED SALES HIT RECORD HIGH

In the first half of the year, in response to the huge impact brought on by the COVID-19 pandemic to the property market, the Group strove to neutralise the impact of the pandemic by proactively adopting effective response measures, accelerating resumption of work and production, innovating sales methods, and actively promoting online sales. Meanwhile, the Group recorded a period-to-period increase in contracted sales and even a new high in contracted sales value during the turbulent market in the first half of the year by seizing on the swift rebound in the market resulting from pandemic controls showing effectiveness and focusing earnestly on sales and cash collection. In the first half of the year, the Group recorded a contracted sales value (including contracted sales by joint venture projects) of approximately RMB37.56 billion, representing a period-to-period increase of 1.8%, and achieved 46.8% of the full year sales target of RMB80.2 billion. The average selling price was approximately RMB24,700 per sq.m., representing a period-to-period increase of 9.8%.

The Group implemented the Greater Bay Area market cultivation strategy to bolster business expansion in the Greater Bay Area market. In the first half of the year, the contracted sales value of the Greater Bay Area amounted to approximately RMB22.39 billion, accounting for approximately 59.6% of the total contracted sales value of the Group. The contracted sales value in Guangzhou amounted to approximately RMB20.25 billion, accounting for approximately 53.9% of the total contracted sales value of the Group.

The Group implemented the “1+4” national strategic layout, which guided it to continue expanding into Eastern China Region, Central China Region, Northern China Region and Western China Region in addition to deepening penetration of the Greater Bay Area. In the first half of the year, the scale of sales in Eastern China Region recorded an all-new high, with the contracted sales value of over RMB10 billion for the first time, representing a period-to-period increase of 9.4%. In view of the COVID-19 pandemic impact and market changes, other regions actively took various promotional measures to expedite project construction and sales. As a result, a satisfactory sales performance was achieved in the first half of the year.



CHAIRMAN'S STATEMENT

INCREASE HIGH-QUALITY LANDBANK THROUGH DIVERSIFIED CHANNELS

In the first half of the year, through diversified land acquisition channels, the Group newly acquired 5 prime land parcels located in Guangzhou, Hangzhou, and Suzhou at relatively low premiums, with a total GFA of approximately 1.10 million sq.m., and the attributable GFA was approximately 850,000 sq.m.. Among them, the Group acquired Guangzhou Panyu Changlong South Land through the "Residential + Government Project" model, adding landbank of approximately 440,000 sq.m..

By the end of June, the total landbank of the Group amounted to approximately 23.63 million sq.m. located in 19 cities in China, which can meet the Group's development for the next three to five years. The Group continued to increase prime landbank in the Greater Bay Area, and the total landbank in six cities in the Greater Bay Area amounted to approximately 12.73 million sq.m., accounting for approximately 53.9% of the total landbank. The landbank of TOD projects amounted to approximately 4.19 million sq.m., accounting for approximately 17.7% of the total landbank.

SMOOTH PROGRESS OF "RAILWAY + PROPERTY" STRATEGY

The three TOD projects including Yue Galaxy, Yue Melody and Yue Infinity, successfully acquired by the Group last year, continued to be the hot sellers in the first half of the year, achieving RMB5.05 billion in contracted sales. Strategic cooperation with Guangzhou Metro Group continued smoothly.

In the first half of the year, the Group has obtained the rights to acquire 51% interest in two new TOD projects, namely Shuixi Project and Zhenlong Project due to its strategic partnership with the Guangzhou Metro Group, by entering into two option deeds with Guangzhou Yue Xiu group, the ultimate controlling shareholder. The Group intends to exercise two options and complete project acquisitions in the fourth quarter of this year.

Shuixi Project, located in Science City of Huangpu District, Guangzhou, is the project on the top of Shuixi North Station in Phase 2 of the No.7 metro line, which is expected to be completed and commence operation in 2023. It is also near Shuixi Station on the No.21 metro line, which is currently operating, therefore, its location is prominent. The total GFA for this project is approximately 339,000 sq.m., on which a large-scale complex consisting of residential buildings and supporting facilities. Zhenlong Project is located at the intersection of Zengcheng District and Huangpu District. It is also adjacent to Zhenlong Station on the No.21 metro line, therefore, its location is prominent. The total GFA for this project is approximately 707,000 sq.m., on which a large-scale residential community, consisting of residential buildings and supporting facilities will be developed.

The Group believed that implementing the two options for the acquisition of the TOD projects is an essential step in establishing a strategic partnership with Guangzhou Metro Group and realising the "Railway+Property" strategy, which can provide the Group with opportunities to add 1.05 million sq.m. of premium landbank in Guangzhou. Upon completion of the acquisitions, the landbank of TOD projects will reach 4.19 million sq.m., accounting for 17.7% of the total landbank. The Group has become one of the largest TOD property developers in China. This distinctive railway property development business will support the continuous growth for the Group.

CHAIRMAN'S STATEMENT

STABLE OPERATIONS IN COMMERCIAL PROPERTIES

Upholding the strategy of “equal focus on residential property development and commercial property operation”, the Group continued to improve the development mode of “development + operations + securitisation” by taking advantage of the unique dual platform of “Yuexiu Property-Yuexiu REIT”. In the first half of the year, to overcome the adverse effects brought upon its business operations by the pandemic, the Group actively innovated and adjusted its operating methods across various business segments, optimised customer structures, increased income and reduced expenditures, implemented strict management, and effectively controlled operating costs, which resulted in stable operations. The Group's Yuexiu Financial Tower located in Zhu Jiang New Town, Guangzhou recorded a high occupancy rate of 95% at the end of the period, and a rental income of RMB0.18 billion, representing a period-to-period increase of 3.8%. In the first half of the year, the Group recorded a rental income of approximately RMB0.29 billion. Yuexiu REIT, which the Group holds approximately 38.37% interest, recorded a revenue of approximately RMB0.83 billion.

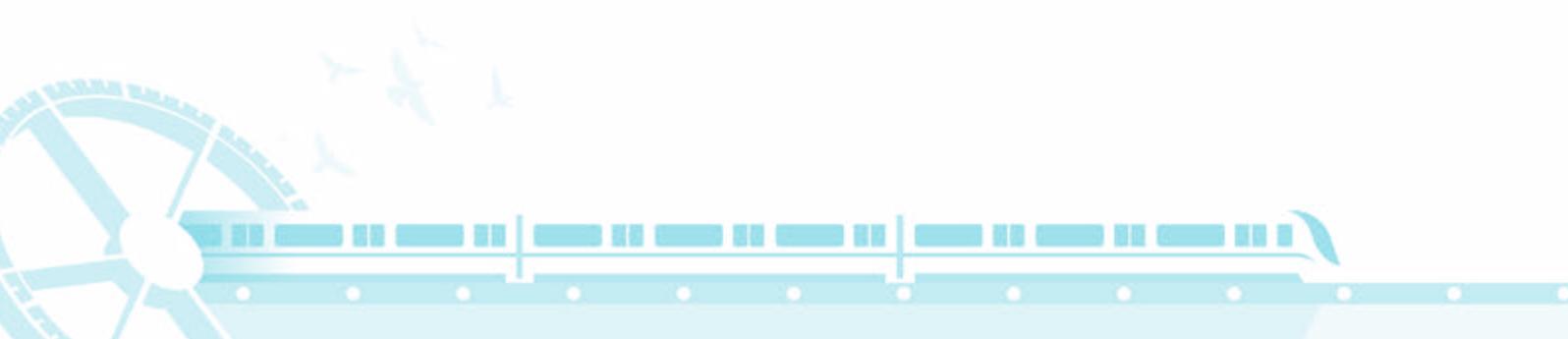
SOUND FINANCIAL AND CAPITAL POSITIONS

By the end of June, cash and cash equivalents and charged bank deposits for the Group amounted to approximately RMB30.16 billion, which remained similar to that at the beginning of the year, and the Group's liquidity is sufficient; the net gearing ratio was 71.2%, decreased by 2.8 percentage points comparing with the beginning of the year. The selling, general and administrative ratio stayed at a healthy level. The major financial indicators were healthy and sound, and financial risks were effectively controlled.

In the first half of the year, the Group actively expanded financing channels, strengthened capital management, improved capital utilisation efficiency, and continued to reduce funding costs. In the first half of the year, the average borrowing interest rate for the Group decreased by 5 btps to 4.71%. The Group successfully issued onshore corporate bonds of RMB1.50 billion with a coupon rate of 3.13% for a term of 3+2 years. The Group proactively explored other financing channel, such as supply chain financing, which helped to optimise debt maturity portfolio and debt structure. The Group continued to maintain its investment grade credit ratings of Moody's and Fitch.

IMPROVEMENT IN OPERATION MANAGEMENT AND CONTROL SYSTEMS

In light of the continuous growth in the development scale, the Group continued to improve the organisational management and control system. The Group comprehensively implemented the 3.5-level operational management and control system, improving efficiency in front-line decision-making and management by refining its headquarters, strengthening regions, and performing well on projects. With its focus on business and performance driven indicators, the Group continued to improve its management level in engineering, products, costs, bidding, procurement and other essential control stages. Guided by both strategy and performance, the Group strengthened external introduction and internal training for key talents to establish a talent bank, seeking to build an excellent team with a strong ability to execute, along with common goals and values. The Group continued to improve its implementation of project co-investment mechanism and the share incentive scheme for key employees.



CHAIRMAN'S STATEMENT

II. BUSINESS OUTLOOK

Looking forward to the second half of the year, the global economy will remain weak amidst recessions as the COVID-19 pandemic has not yet been effectively controlled throughout the world. Sino-US relations will still be tested by uncertainties. UK's hard Brexit and the World's geopolitical problems will pose enormous potential risks to the global economy's growth. Meanwhile, in response to the COVID-19 pandemic spreading across the world and the subsequent global economic recession, countries around the world have adopted quantitative easing policies. It is estimated that the global economy needs longer time to recover. Although China's economy has improved significantly in the second quarter, some indicators are still on the decline period-to-period. At the same time, overt upsurging challenges in the external environment, impact of the pandemic and world economic recession will also pose material and adverse effects to the domestic economy; as a result, the recovery in the domestic economy will face with pressure. In 2020, stabilising economic growth will remain to be the main goal of economic work. The Chinese government is expected to continue to intensify its efforts to stabilise macroeconomic growth, implement a proactive fiscal policy and a moderate easing monetary policy to speed up reform and opening up, and strengthen the "six stabilities" measures.

In the second half of the year, the government's regulatory policies will stabilise by consistently focusing on positioning "housing for living instead of speculation", along with region-specific regulatory policies that will not use the real estate industry as short-term economic stimulus. The government will continue to refine long-term property mechanisms to ensure stable and healthy development in the property market with measures on stabilising land prices, housing prices and expectation. Local governments will adjust property policies in consideration of housing price performance and local economic situation.

It is anticipated that when the pandemic is effectively under control, the housing demand that accumulated during the pandemic is expected to be further released. Consumers would like to pursue a healthy and safe living environment and services. Besides that, new development opportunities will also come to property developers by meeting increased requirements of home buyers for product competitiveness, service standards, and refined levels of operation. In the second half of the year, the property market will continue to rebound, and market performance will still be clearly differentiated; therefore, the overall market trend of "guaranteed volume and price controls" is developing. The overall market in tier-1 and tier-2 cities, the Greater Bay Area, and the Yangtze River Delta present sound trend due to strong demand for housing and greater room for favorable policies; however, tier-3 and tier-4 cities are under significant downward pressure. Both rigid and improved demand will still dominate the overall market. The government will implement categorized control measures based on land markets in different cities to enhance land supply and stabilise prices. Financing will remain moderate in general, while, the government will still strengthen capital supervision for property developers, which will result in a tightened domestic financing environment for property developers.

ACHIEVING VARIOUS ANNUAL OPERATION TARGETS

In the second half of the year, the Group will adhere to the theme of "improving efficiency by optimising structure and driving development by operation" and grasp any recovery opportunities in the market to achieve the annual sales and various operating goals it has set. In terms of sales, the Group will seek to achieve full year sales targets and cash collection rate by seizing any favorable opportunity resulting from market rebound and formulating sales strategies based on the "one city, one policy", ensuring supplies, sales, and cash collections, as well as speeding up sales of TOD projects. In terms of operations, the Group will accelerate project development and asset turnover to ensure that projects are delivered and completed as scheduled and help improve profitability.

CHAIRMAN'S STATEMENT

ACQUISITION OF PREMIUM LAND RESOURCES BY DIVERSIFIED MODELS

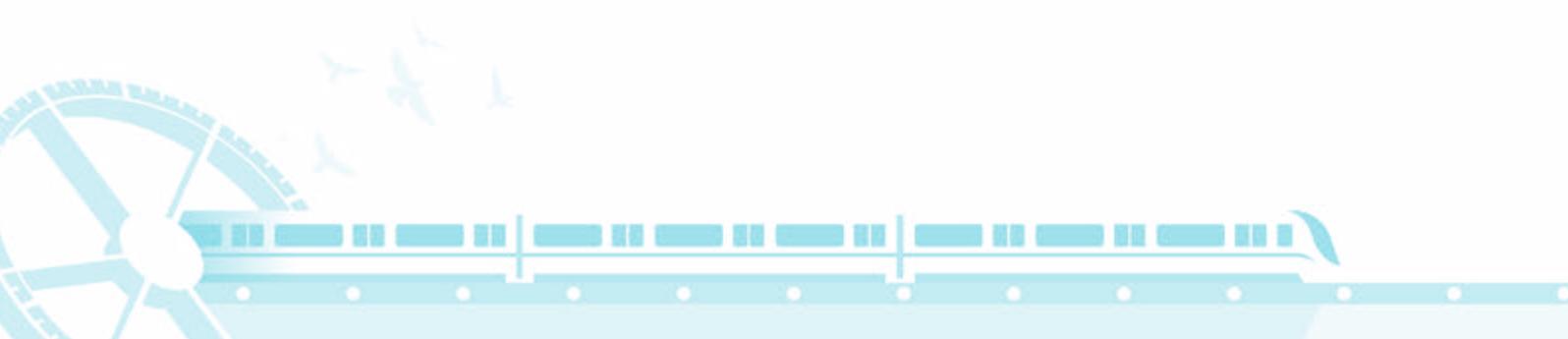
The Group will continue to reinforce distinctive and diversified land acquisition platforms and continue to increase premium landbank, laying a foundation for stable development. The Group will increase its strategic cooperation with Guangzhou Metro Group and improve the "Railway+Property" unique land acquisition model, looking to continually increase premium TOD landbank. As a state-owned enterprise, the Group will increase cooperation with state-owned enterprises to acquire quality landbank. The Group will actively acquire new urban renewal projects for "old villages, old cities, and old factories" by accelerating the renewal and reconstruction of Lirendong Village, Guangzhou and Dongliu Village, Nansha as planned. The Group will comprehensively promote new models in land acquisition through building government project and build a "Residential + Government Projects" model for increasing landbank, making it the primary model for the Group to increase its landbank. The Group will introduce internal industrials resources and external industrial resources to bolster land acquisitions. The Group will support more research into market acquisition opportunities as a convincing supplement for the Group to increase premium landbank. In terms of open land market competition, the Group will optimise its structures, increase standards and fine layouts, and focus on acquiring projects with fast turnover rate and on the basis of fully studying market and industry cycles to implement prudent investment. For investment region layouts, the excellent "1+4" national regional layout will enable the Group to focus on investing in the Greater Bay Area, and allocate reasonable investment resources in other regions.

STEADY ENHANCEMENTS IN COMMERCIAL PROPERTY OPERATIONS

Adhering to the crucial development strategy of "equal focus on residential property development and commercial property operation", the Group will emphasise improving both the capacity and efficiency in commercial property operations. First, by researching cities, industries, markets, and customers, the Group will optimise project positioning and customer structures. The Group will continue to enhance its operational efficiency and commercial property values by increasing its operational capabilities throughout its commercial properties. Next, the Group will proactively promote an asset management model and asset-light management model for commercial properties, while it actively promotes implementing and developing the "Joy Time (悦匯時光)" community commercial brand.

ENSURING FINANCIAL PRUDENCE AND CAPITAL SECURITY

Due to liquidity risks resulting from external economic fluctuations and uncertainties in the market environment, the Group will strengthen its overall capital management to increase efficiency in capital utilisation. The Group will focus on accelerating sales and cash collections to increase the collection rate. Moreover, the Group will fully utilise diversified financing channels at home and abroad to reduce financing costs. Meanwhile, the Group will optimise its debt structure and rationally curb interest-bearing debt. The Group will effectively control exchange rate fluctuation risks and reduce foreign exchange exposure. To identify and prevent risk, the Group will optimize its financial risk monitoring system. The Group will continue to maintain its investment-grade credit ratings of Moody's and Fitch.



CHAIRMAN'S STATEMENT

CONTINUOUSLY IMPROVE IN OPERATIONAL CONTROL CAPABILITY

The Group will comprehensively implement the 3.5-level control system to optimise operations and controls to refine its operating conference system and succeed in constructing and implementing an operating control system.

The Group will strengthen its refined management level in operations, adeptly manage project operations and improve operational efficiency. The Group will accelerate progress in projects, while ensuring timely supply and project deliveries. The Group will comprehensively carry out the advanced engineering management system to effectively improve project management control standards. Moreover, the Group will enhance the project cost control, establish the cost and expenditure standard system and assessment system, optimise and upgrade operating cost methods, optimise dynamic cost control, thereby achieving accurate cost allocations. The Group will also continue to optimise bidding and procurement management and establish a full-cycle risk management and control system for suppliers.

The Group focuses on customer needs and establish a customer relations center. For a better property owner's life cycle experience, the Group comprehensively manages its relationships with clients, provides quality products and services, and continues to improve customer satisfaction.

PROMOTING QUALITY DEVELOPMENT OF NEW BUSINESS SEGMENTS

The Group will proactively promote sound development of new business segments. With respect to the healthcare business, the Group will re-position its elderly-care business as part of its healthcare business. The Group also will use its elderly-care operations as the base to integrate upstream and downstream resources, accelerate the integration of medical care and elderly care, thereby achieving stable growth in the healthcare business. The Group will optimise its own standardised operating system for the elderly-care business and work to improve operational efficiency while steadily expanding into new projects concurrently. With respect to long-term leasing business, the Group will accelerate its apartment leasing business through multi-platforms, multi-channels and multi-dimensions, particularly focusing on advancing the asset-light strategy for long-term rental apartments. In addition to development of its "Properties+" business, the Group will combine premium educational resources in the Greater Bay Area to support business development in "+Education" to steadily promote other innovative businesses, such as "+Industries" and "+Towns".

ACKNOWLEDGEMENTS

The year 2020 marks a great completion in the strategic planning of the 13th Five-Year Plan for the Group. The work in the second half of the year is critical to completing various operation indicators for the entire year. In order to achieve high-quality and steady development, the Group will endeavor to realise stable growth in various businesses and operating results on a consistent basis with its unwavering confidence and hard work. Meanwhile the Group will constantly strive to improve the rate of return on shareholder capital and value. With respect to the Group's achievements in remarkable results and development in a variety of businesses, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers, and business partners for their full trust and dedicated support.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND GROSS PROFIT

In the first half of 2020, the Group realised revenue of approximately RMB23.71 billion (in the first half of 2019: RMB21.79 billion), representing a period-to-period increase of 8.8%. The gross profit was approximately RMB6.64 billion (in the first half of 2019: RMB6.55 billion), representing a period-to-period increase of 1.5%, and the gross profit margin was approximately 28.0%, representing a period-to-period decrease of 2 percentage points.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In the first half of 2020, profit attributable to equity holders of the Group was approximately RMB1.99 billion (in the first half of 2019: RMB1.87 billion), representing a period-to-period increase of 6.7%. The core net profit was approximately RMB1.99 billion (in the first half of 2019: RMB1.83 billion), representing a period-to-period increase of 8.5%, and the core net profit margin reached approximately 8.4%.

CONTRACTED SALES

In the first half of 2020, the Group recorded aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB37.56 billion, representing a period-to-period increase of 1.8%, and achieving approximately 46.8% of the full year sales target of RMB80.2 billion. The aggregate contracted sales GFA (including contracted sales by joint venture projects) amounted to approximately 1.52 million sq.m., representing a period-to-period decrease of 7.4%, while the average selling price was approximately RMB24,700 per sq.m., representing a period-to-period increase of 9.8%.

Geographically, Greater Bay Area, Eastern China Region, Central China Region, Northern China Region and Western China Region accounted for approximately 59.6%, 27.2%, 6.9%, 5.3% and 1.0%, respectively, of the contracted sales value for the first half of 2020.

GREATER BAY AREA

As one of the regions with the highest degree of openness and the most active economic development in China, the Greater Bay Area owns an important strategic position in national development. Since the implementation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in 2019, a series of measures concerning "one-hour living circle" within the Greater Bay Area, tax allowance for talents, preferential policies for Hong Kong, and beneficial policies for financial institutions have been rolled out. The property market in the Greater Bay Area is under sound development. The Group's market strategy is to deploy its resources in Guangzhou, Shenzhen, Hong Kong, Foshan, Jiangmen, and Zhongshan in the Greater Bay Area. In the first half of the year, the contracted sales value of the Group in Greater Bay Area amounted to approximately RMB22.39 billion, accounting for approximately 59.6% of the Group's contracted sales value, while the average selling price in the Greater Bay Area was approximately RMB27,700 per sq.m., representing a period-to-period increase of 10.4%, mainly due to a significant increase in the average selling price in Guangzhou.



MANAGEMENT DISCUSSION AND ANALYSIS

As a national central city and a comprehensive gateway city, Guangzhou has implemented various measures to ensure the resumption of work since the pandemic. GDP growth turned from negative into positive in the second quarter on a period-to-period basis, but it dropped 2.7% in the first half of the year on a period-to-period basis. In the first half of 2020, fixed asset investment recorded a period-to-period increase of 1.5%, while there was a period-to-period increase of 24.8% in the first half of 2019. In the first half of the year, Guangzhou adopted “different policies for different districts”. Baiyun District and Panyu District relaxed Hukou policies for talents, while Zengcheng District and Nansha District relaxed pre-sale restrictions. At the beginning of the year, the demand in the property market was suppressed due to the impact of the pandemic, the volume of supply and transactions has increased since March. The volume of commodity residential housing supply across the city increased by 9.6% on a period-to-period basis in the first half of the year, whereas the transaction volume fell by 16.4% on a period-to-period basis, and the average selling price fell by 1.9% on a period-to-period basis. Leveraging the experience in developing local market over years, the Group actively responded to the market changes and continued to strengthen its leading position in the property market in Guangzhou. In the first half of the year, the contracted sales in Guangzhou achieved approximately RMB20.25 billion, which was in line with the same period last year, accounting for approximately 53.9% of the Group’s contracted sales value. The average selling price was approximately RMB30,800 per sq.m., representing a period-to-period increase of 8.5%.

Located in the core region of the Greater Bay Area, Nansha District of Guangzhou is an essential platform for cooperation between Guangdong, Hong Kong and Macao, and also a comprehensive transportation hub, enjoying favorable policies including talent introduction and opening of financial market. After a number of projects boosted the market in Lingshan Island, the average selling price surged by 21.2% on a period-to-period basis in the first half of the year. Against the backdrop of the decline in the overall transaction volume in Nansha District, the Group still realised a contracted sales value of approximately RMB6.29 billion in the first half of the year, which basically remained the same on a period-to-period basis. The average selling price was approximately RMB28,000 per sq.m., soaring by 42.9% on a period-to-period basis.

The supply volume and transaction volume of commodity residential housing in Foshan and Zhongshan dropped significantly as a result of the pandemic impact, whereas the decline in Jiangmen was smaller. The average selling price in Foshan surged by 11% on a period-to-period basis, which was driven by projects in the central city area and neighboring areas of Guangzhou. The average selling price in Zhongshan and Jiangmen remained almost unchanged on a period-to-period basis. In the first half of the year, the Group realised contracted sales value of approximately RMB1.95 billion in the three cities above, representing a period-to-period decrease of 29.5%, while the average selling price was approximately RMB14,500 per sq.m., representing a period-to-period increase of 5.1%.

EASTERN CHINA REGION

The Group has already established operations in Hangzhou, Suzhou, and Jiaxing within Eastern China Region. In the first half of the year, GDP in Hangzhou, Suzhou and Jiaxing grew by 1.5%, 0.8%, 0.6%, respectively, and such growth shows a strong economic resilience. The property market in Hangzhou rebounded significantly after the COVID-19 pandemic was under control. In the first half of the year, both the supply volume and transaction value of the commodity residential housing jumped by over 30% on a period-to-period basis, and the average selling price grew by more than 10% on a period-to-period basis. In the first half of 2020, Hangzhou did not introduce any control policies, but in early July a policy that limits “housing lottery” to prevent the market from overheating was implemented. In the first half of 2020, Suzhou relaxed the pre-sale restrictions, extended the payment date for land premium and relaxed the conditions for Hukou policies for talents. As a result, the supply volume of commodity residential housing surged by 32.0% on a period-to-period basis, and the average selling price soared by 23.7% on a period-to-period basis. The contracted sales value of the Group in Eastern China Region achieved approximately RMB10.23 billion for the first half of the year, representing a period-to-period increase of 9.4%, and the average selling price was approximately RMB28,900 per sq.m., representing a period-to-period increase of 29.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

CENTRAL CHINA REGION

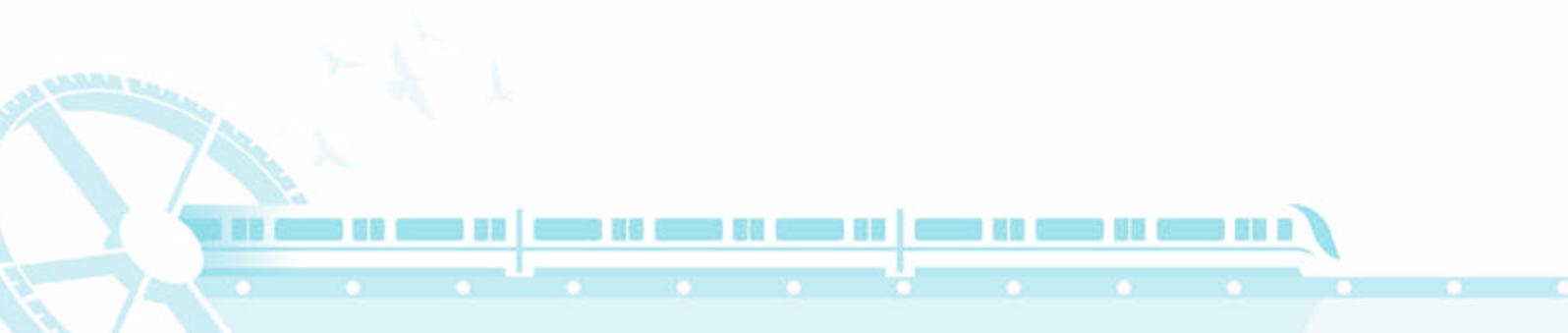
The Group has already established operations in four cities including Wuhan, Xiangyang, Zhengzhou and Changsha within Central China Region. In the first half of the year, GDP in Wuhan, the hardest hit city by the pandemic, dropped by 19.5% on a period-to-period basis in the first half of the year but rebounded in the second quarter; GDP in Zhengzhou decreased by 0.2% on a period-to-period basis in the first half of the year; Changsha increased by 2.2% on a period-to-period basis in the first half of the year. Due to the pandemic at the beginning of the year, the supply and demand in the property market in Wuhan and Xiangyang declined sharply on a period-to-period basis. Their governments introduced policies such as lowering the pre-sale conditions and relaxing the standards on payment of housing fund, to support the property market. Since May, the supply volume has gradually returned to the same level as in the same period last year. Moreover, the transaction volume has rebounded significantly with a gradual release of the delayed demand. In the first half of the year, the average selling price of commodity residential housing in Changsha recorded a period-to-period sharp increase of 16.2%. In the first half of the year, the Group recorded a period-to-period decrease by 6.1% of the contracted sales value of approximately RMB2.59 billion and a period-to-period increase by 2.1% of the average selling price of approximately RMB14,800 per sq.m. in Central China Region.

NORTHERN CHINA REGION

The Group has established its operations in four cities including Shenyang, Qingdao, Jinan and Yantai in Northern China Region. In the first half of the year, Jinan, Yantai, and Qingdao recorded a period-to-period GDP growth of 0.7%, 0.4% and 0.1% respectively, while Shenyang recorded a period-to-period GDP drop of 5.2%. With respect to commodity residential housing, Jinan and Yantai dropped considerably in terms of supply and transaction volume due to the pandemic, while Shenyang and Qingdao dropped slightly. The average selling prices in all three cities except Qingdao rose steadily. In the first half of the year, the contracted sales value of the Group in the Northern China Region amounted to approximately RMB2.00 billion, representing a period-to-period sharp increase of 22.3%, while the average selling price was approximately RMB14,600 per sq.m., representing a period-to-period increase of 1.4%.

WESTERN CHINA REGION

The Group entered Chengdu for the first time in the second half of 2019. In the first half of 2020, Chengdu's GDP grew by 0.6% on a period-to-period basis. In the first half of the year, the demand still stayed strong although the supply was impacted by the pandemic, with a period-to-period increase of more than 10% in the transaction volume and the average selling price. In the first half of the year, the contracted sales value of the Group in Chengdu realised approximately RMB0.36 billion, and the average selling price was approximately RMB8,200 per sq.m..



MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales are summarized as follows:

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Haizhu Bay	32,100	984	30,700
2	Guangzhou Yuexiu Greenland Haiyue	6,000	237	39,500
3	Guangzhou Joy Bay	8,100	602	74,300
4	Guangzhou Starry Sky City	18,700	802	42,900
5	Guangzhou Park Avenue	49,800	2,478	49,800
6	Guangzhou Cullinan	15,600	629	40,300
7	Guangzhou Yue Infinity	32,100	1,054	32,800
8	Guangzhou Talent Garden (previous name: Guangzhou Zhilian Automobile Town)	75,900	1,250	16,500
9	Guangzhou Yue Melody	78,500	3,070	39,100
10	Guangzhou Yuexiu Poly Aite City	6,900	106	15,400
11	Nansha Southern Le Sand	31,200	817	26,200
12	Nansha Binhai New Town	58,600	1,153	19,700
13	Nansha Yuexiu East Hillside	20,400	519	25,400
14	Nansha Tianyu Square	3,500	92	26,300
15	Nansha Joy Bay	26,400	941	35,600
16	Nansha Jinmao Bay	21,200	712	33,600
17	Nansha The Willow Shores	49,600	1,556	31,400
18	Nansha China Resources Yuexiu Mansion	13,900	503	36,200
19	Huadu Elegant Mansion	4,100	115	28,000
20	Huadu Magnificent Mansion	29,100	785	27,000
21	Huadu Royal Mansion	32,300	846	26,200
22	Guangzhou Yue Galaxy	37,500	921	24,600
23	Zengcheng Joy Mountain	700	12	17,100
24	Conghua Glade Village	4,500	63	14,000
25	Nanhai Starry Mansion	34,000	872	25,600
26	Foshan Lingnan Junting	5,400	56	10,400
27	Foshan Longfor Yuexiu Cloud	5,800	143	24,700
28	Jiangmen Xijiang Mansion	2,600	16	6,200
29	Jiangmen Xijiang Joy Mansion	3,200	18	5,600
30	Jiangmen Man Wah Mansion	7,200	66	9,200
31	Jiangmen Yuexiu Binjiang Glorious City	15,100	152	10,100
32	Jiangmen Yuexiu Binjiang Enjoy City	11,100	115	10,400
33	Jiangmen Yuexiu Binjiang Grand City	37,100	421	11,300
34	Heshan Starry Regal Court	10,700	79	7,400
35	Zhongshan Starry Peakfield	2,300	16	7,000
	Other Projects	18,300	192	10,500
	Subtotal (Greater Bay Area)	809,500	22,393	27,700

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
36	Hangzhou Starry City	33,100	750	22,700
37	Hangzhou Garden 1872	45,900	1,817	39,600
38	Hangzhou Joy Bay	55,100	2,429	44,100
39	Hangzhou Lake & Mountain	24,300	396	16,300
40	Hangzhou Impressive City	75,700	1,312	17,300
41	Hangzhou New Bund Mansion	55,900	2,156	38,600
42	Hangzhou Yue Present	2,700	108	40,000
43	Hangzhou Manyun Mansion	17,800	411	23,100
44	Suzhou Joy Bay	22,500	511	22,700
45	Suzhou Taicang Never Land	11,200	209	18,700
46	Jiaxing Joy Lane (previous name: Jiaxing Nanhu Yuxin Land)	10,000	127	12,700
Subtotal (Eastern China Region)		354,200	10,226	28,900
47	Wuhan International Financial City	8,600	314	36,500
48	Wuhan Hanyang Starry Winking	27,100	639	23,600
49	Wuhan Joy Mansion	2,600	23	8,800
50	Wuhan Elite Mansion	6,800	62	9,100
51	Wuhan Yuexiu Paradise Garden	5,400	66	12,200
52	Wuhan Mansion	7,400	97	13,100
53	Xiangyang Starry City	25,200	202	8,000
54	Changsha Yue Lake Stage	59,300	833	14,000
55	Changsha Qin'ai Lane	12,300	148	12,000
56	Changsha Starry City	20,600	202	9,800
Subtotal (Central China Region)		175,300	2,586	14,800
57	Shenyang Starry Winking	34,000	772	22,700
58	Shenyang Hill Lake	8,500	93	10,900
59	Qingdao Starry Blue Bay	3,400	24	7,100
60	Qingdao Magnificent Bay	9,500	193	20,300
61	Qingdao Jiaozhou Platinum Mansion	11,100	126	11,400
62	Qingdao Yue Mansion	1,800	20	11,100
63	Qingdao Starry City	34,700	353	10,200
64	Ji'nan Baimai Delighted Mansion	27,800	283	10,200
65	Ji'nan Art Living	5,900	136	23,100
Subtotal (Northern China Region)		136,700	2,000	14,600
66	Chengdu Glorious Mansion	38,600	316	8,200
67	Chengdu Qin'ai Lane	4,800	40	8,300
Subtotal (Western China Region)		43,400	356	8,200
Total		1,519,100	37,561	24,700

MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNISED SALES

In the first half of 2020, the value of the recognised sales (including the sales of investment property) and GFA of the recognised sales were approximately RMB22.62 billion and 1.34 million sq.m., representing a period- on-period increase of 8.7% and 65.2%, respectively, and the average selling price was approximately RMB16,800 per sq.m..

Recognised sales are summarized as follows:

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Golden Sands	2,800	33	11,800
2	Guangzhou Starry Sky City	24,400	889	36,400
3	Guangzhou Starry Haizhu Bay	16,000	538	33,600
4	Guangzhou Yuexiu Greenland Haiyue	6,200	294	47,400
5	Huadu Elegant Mansion	16,400	440	26,800
6	Nansha Southern Le Sand	13,600	233	17,100
7	Nansha Binhai New Town	305,500	5,145	16,800
8	Nansha Yuexiu East Hillside	15,800	355	22,500
9	Foshan Lingnan Junting	3,300	60	18,200
10	Jiangmen Starry Regal Court	12,900	80	6,200
11	Heshan Starry Regal Court	65,400	451	6,900
12	Zhongshan Starry Winking	2,000	12	6,000
13	Zhongshan Starry Peakfield	3,900	28	7,200
14	Zhongshan Paradiso Jardin	2,500	15	6,000
	Other Projects	12,300	108	8,800
	Subtotal (Greater Bay Area)	503,000	8,681	17,300
15	Hangzhou Starry City	187,800	2,900	15,400
16	Hangzhou Joy Bay	10,800	368	34,100
17	Hangzhou Lake & Mountain	167,500	2,538	15,200
18	Hangzhou Joy Mountain	152,100	2,591	17,000
19	Hangzhou New Bund Mansion	34,900	1,248	35,800
20	Suzhou YueFu Mansion	113,000	2,590	22,900
	Subtotal (Eastern China Region)	666,100	12,235	18,400

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
21	Wuhan International Financial City	3,500	116	33,100
22	Wuhan Starry Mountain	500	18	36,000
23	Wuhan Joy Mansion	71,900	518	7,200
24	Wuhan Yuexiu Paradiso Garden	1,800	43	23,900
25	Wuhan Starry Bay	20,400	252	12,400
Subtotal (Central China Region)		98,100	947	9,700
26	Yantai Starry Golden Sands	3,500	11	3,100
27	Yantai Elegant Mansion	64,700	656	10,100
28	Shenyang Starry Winking	2,100	33	15,700
29	Shenyang Hill Lake	6,000	52	8,700
Subtotal (Northern China Region)		76,300	752	9,900
Total		1,343,500	22,615	16,800

UNRECOGNISED SALES

As of 30 June 2020, the unrecognised sales value amounted to approximately RMB95.54 billion, and the unrecognised sales GFA was approximately 4.37 million sq.m.. The average selling price was approximately RMB21,900 per sq.m..

LANDBANK

In the first half of 2020, the Group has newly acquired 5 land parcels located in Guangzhou, Hangzhou and Suzhou, with total GFA of approximately 1.10 million sq.m.. In terms of the attributable interest to the Group, the attributable GFA was approximately 0.85 million sq.m..

The land parcels newly acquired are summarized as follows:

No.	Project	Equity holding	Total GFA (sq.m.)	Attributable GFA (sq.m.)
1	Guangzhou Panyu Changlong South Land	95.48%	442,500	422,500
2	Guangzhou Panyu Changlong North Land	46.79%	402,800	188,500
3	Suzhou Taicang Shaxi Land	95.00%	61,100	58,000
4	Suzhou Wuzhong Xukou Land	100.00%	30,700	30,700
5	Hangzhou Lin'an Shuanglin Land	95.00%	162,800	154,700
Total			1,099,900	854,400

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2020, the landbank of the Group reached approximately 23.63 million sq.m., with a total of 76 projects in 19 cities in China and the regional layout continued to improve. Geographically, Greater Bay Area, Eastern China Region, Central China Region, Northern China Region, Western China Region, and other regions accounted for approximately 53.9%, 13.0%, 19.0%, 12.2%, 1.5%, and 0.4%, respectively.

The landbank is summarized as follows:

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Guangzhou International Commerce Center (previous name: Asia Pacific Century Plaza)	229,400	229,400	—
2	Guangzhou Starry Haizhu Bay	394,600	394,600	—
3	Guangzhou Joy Bay	154,600	154,600	—
4	Guangzhou Starry Sky City	558,800	558,800	—
5	Guangzhou Park Avenue	272,300	272,300	—
6	Guangzhou Cullinan	382,100	382,100	—
7	Guangzhou Yue Infinity	878,600	70,700	807,900
8	Guangzhou Southern Intelligent Media Center	159,800	159,800	—
9	Guangzhou Panyu Changlong South Land	442,500	148,400	294,100
10	Guangzhou Panyu Changlong North Land	402,800	—	402,800
11	Guangzhou Talent Garden (previous name: Guangzhou Zhilian Automobile Town)	833,400	833,400	—
12	Guangzhou Yue Melody	911,900	674,700	237,200
13	Guangzhou Yuexiu Poly Aite City	162,000	162,000	—
14	Nansha Southern Le Sand	864,300	447,200	417,100
15	Nansha Binhai New Town	309,900	309,900	—
16	Nansha Yuexiu East Hillside	86,900	86,900	—
17	Nansha Tianyu Square	134,500	134,500	—
18	Nansha International Financial Center	220,800	220,800	—
19	Nansha Joy Bay	410,100	410,100	—
20	Nansha Jinmao Bay	130,200	130,200	—
21	Nansha The Willow Shores	140,500	140,500	—
22	Nansha China Resources Yuexiu Mansion	151,900	151,900	—
23	Huadu Elegant Mansion	200,300	200,300	—
24	Huadu Magnificent Mansion	296,700	296,700	—
25	Huadu Royal Mansion	187,100	187,100	—
26	Guangzhou Yue Galaxy	1,355,300	934,000	421,300
27	Zengcheng Joy Mountain	94,700	94,700	—
28	Conghua Glade Village	213,600	136,100	77,500
29	Shenzhen Majestic Mansion	169,400	169,400	—
30	Nanhai Starry Mansion	567,300	522,700	44,600
31	Foshan Lingnan Junting	17,600	17,600	—
32	Foshan Longfor Yuexiu Cloud	76,300	76,300	—

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
33	Jiangmen Man Wah Mansion	83,000	83,000	—
34	Jiangmen Yuexiu Binjiang Glorious City	350,100	350,100	—
35	Jiangmen Yuexiu Binjiang Enjoy City	101,400	101,400	—
36	Jiangmen Yuexiu Binjiang Grand City	164,500	164,500	—
37	Heshan Starry Regal Court	264,900	264,900	—
38	Zhongshan Empyrean Bay (previous name: Zhongshan West District Caihong Land)	230,100	230,100	—
39	Hong Kong Yau Tong Project	72,100	—	72,100
	Other projects	50,100	8,900	41,200
	Subtotal (Greater Bay Area)	12,726,400	9,910,600	2,815,800
40	Hangzhou Starry City	621,800	425,700	196,100
41	Hangzhou Garden 1872	230,300	230,300	—
42	Hangzhou Joy Bay	173,500	173,500	—
43	Hangzhou Impressive City	317,700	317,700	—
44	Hangzhou Yue Present	46,500	46,500	—
45	Hangzhou Manyun Mansion	75,200	75,200	—
46	Hangzhou Lin'an Shuanglin Land	162,800	—	162,800
47	Suzhou Joy Bay	116,300	116,300	—
48	Suzhou Taicang Never Land	866,700	240,500	626,200
49	Suzhou Splendid Mansion (previous name: Suzhou Xiangcheng Changwang Land)	141,900	141,900	—
50	Suzhou Wuzhong Xukou Land	30,700	—	30,700
51	Suzhou Taicang Shaxi Land	61,100	61,100	—
52	Jiaxing Joy Lane (previous name: Jiaxing Nanhu Yuxin Land)	217,900	217,900	—
	Subtotal (Eastern China Region)	3,062,400	2,046,600	1,015,800
53	Wuhan International Financial City	573,100	573,100	—
54	Wuhan Hanyang Starry Winking	1,143,500	866,400	277,100
55	Wuhan Yuexiu Paradiso Mansion	42,200	42,200	—
56	Wuhan Joy Mansion	97,400	97,400	—
57	Wuhan Elite Mansion	78,000	78,000	—
58	Wuhan Yuexiu Paradiso Garden	143,300	143,300	—
59	Wuhan Mansion	231,500	231,500	—
60	Xiangyang Starry City	1,078,000	694,000	384,000
61	Zhengzhou Elegant Mansion	137,900	137,900	—
62	Changsha Yue Lake Stage	130,600	130,600	—
63	Changsha Qin'ai Lane	132,400	132,400	—
64	Changsha Starry City	714,200	337,100	377,100
	Subtotal (Central China Region)	4,502,100	3,463,900	1,038,200

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
65	Shenyang Starry Winking	371,400	353,000	18,400
66	Shenyang Hill Lake	270,300	34,800	235,500
67	Qingdao Magnificent Bay	213,200	175,800	37,400
68	Qingdao Licang Qingyin Highway East Land	666,300	—	666,300
69	Qingdao Jiaozhou Platinum Mansion	209,100	209,100	—
70	Qingdao Yue Mansion	50,800	50,800	—
71	Qingdao Starry City	479,800	176,900	302,900
72	Ji'nan Baimai Delighted Mansion	562,000	562,000	—
73	Ji'nan Art Living	52,600	52,600	—
	Subtotal (Northern China Region)	2,875,500	1,615,000	1,260,500
74	Chengdu Glorious Mansion	296,900	296,900	—
75	Chengdu Qin'ai Lane	66,200	66,200	—
	Subtotal (Western China Region)	363,100	363,100	—
76	Haikou Simapo Island Project	100,500	—	100,500
	Total	23,630,000	17,399,200	6,230,800

CONSTRUCTION PROGRESS

Since early February, the Group has quickly made preparation for work resumption by closely following up with the government guidance on resumption work for construction projects in different cities. The Group worked with contractors to ensure that workers returned to work without delay. The Group also worked with material suppliers to accelerate the supply of materials in shortage. Beside, the Group achieved the scheduled construction progress of the projects, which were in short of inventories and were in a tight completion schedule through coordination of production and sales. The major cities in each region realised the resumption of project production in early March. Hubei region generally realised the resumption in production by the end of April. In the first half of the year, the project development, new commencement of construction and completion were in line with the Group's schedule.

MANAGEMENT DISCUSSION AND ANALYSIS

New commencement of construction and completion projects are summarized as follows:

Construction progress	First half of 2020	2020
	Actual GFA (sq.m.)	Planned GFA (sq.m.)
New commencement of construction	2,763,100	6,950,000
Completion	1,831,000	5,511,700

INVESTMENT PROPERTIES

As of 30 June 2020, the Group owned investment properties under lease of approximately 452,300 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 57.3%, 24.8% and 17.9%, respectively. The Group recorded rental revenue of approximately RMB291 million in the first half of 2020, representing a decrease of 13.6% as compared to the same period of last year, which was mainly due to the disposal of a commercial shopping mall located in Foshan at the end of 2019.

In the first half of 2020, the Group recorded net fair value losses on revaluation of investment properties of approximately RMB18 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 2020, the Group's other gains, net amounted to approximately RMB11 million, representing a decrease of 98.7% as compared to the same period of last year. Other gains, net for 2019 mainly included a remeasure gain on interest in a joint venture amounting to approximately RMB766 million, which was arising from remeasuring the existing equity interest in a joint venture held by the Group to fair value according to relevant accounting standards when obtaining control over the joint venture.

SELLING AND MARKETING COSTS

In the first half of 2020, the Group's selling and marketing costs were approximately RMB499 million, representing an increase of 19.2% as compared to the same period of last year. The selling and marketing costs accounted for 2.1% of total recognised sales for the period, representing an increase of 0.2 percentage point from 1.9% last year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB561 million, representing a decrease of 6.6% as compared to the same period of last year. Administrative expenses accounted for 2.4% of the recognised sales for the period, decreased by 0.4 percentage point from 2.8% for the same period of last year.

FINANCE COSTS

The finance costs, net of the Group amounted to approximately RMB505 million, representing a decrease of 20.3% from RMB634 million for the interim period of 2019. The decrease was mainly due to the improvement in the overall construction turnover rate of the Group's projects during the period, which led to an increase of interest on capitalisation by 40.5% as compared to the same period of last year. As the overall financing environment has remained moderate since the first half of 2020, the average effective borrowing interest rate for the period declined to 4.71% per annum from 4.76% per annum for the same period of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

In the first half of 2020, the overall net contribution from associated entities attributable to the Group decreased by 84.1% to approximately RMB55 million as compared to the same period of last year, which was mainly due to the decrease of profit contribution from Yuexiu Real Estate Investment Trust ("Yuexiu REIT") as a result of operating losses for the period.

In the first half of 2020, the total distributable amount of Yuexiu REIT amounted to approximately RMB319 million, representing a decrease of 24.9% as compared to the same period of last year, and the cash distribution attributable to the Group amounted to approximately RMB122 million.

BASIC EARNINGS PER SHARE

In the first half of 2020, basic earnings per share attributable to the equity holders of the Company based on the weighted average number of ordinary shares in issue were RMB0.1288 (in the first half of 2019: RMB0.1393).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for 2020 of HKD0.057 per share (equivalent to RMB0.051 per share) (2019 interim: HKD0.053 per share (equivalent to RMB0.047 per share)) to shareholders whose names appear on the Register of Members of the Company on 22 October 2020. The interim dividend will be distributed to shareholders on or around 18 November 2020.

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, optimises the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its risk resistance capabilities.

In the first half of 2020, the Group obtained new borrowings of approximately RMB11.26 billion, including onshore borrowings of approximately RMB9.92 billion and offshore borrowings of approximately RMB1.34 billion. As at 30 June 2020, total borrowings amounted to approximately RMB71.43 billion (31 December 2019: RMB71.02 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB30.16 billion, and the net gearing ratio was 71.2%. Borrowings due within one year accounted for approximately 15% of the total borrowings (31 December 2019: 10%), fixed-rate borrowings accounted for approximately 57.1% of the total borrowings (31 December 2019: 57.7%). Since the first half of 2020, overall financing environment is moderate. The Group's average effective borrowing interest rate for the period was 4.71% per annum, decreased by 5 bpts from 4.76% per annum for the same period of 2019.

As at 30 June 2020, among the Group's total borrowings, approximately 48% was RMB denominated bank borrowings and other borrowings (31 December 2019: 46%), 8% was Hong Kong dollar denominated bank borrowings (31 December 2019: 9%), 20% was Hong Kong and US dollar denominated medium to long term notes (31 December 2019: 21%), 24% was RMB denominated medium to long term notes (31 December 2019: 24%).

MANAGEMENT DISCUSSION AND ANALYSIS

WORKING CAPITAL

On 30 June 2020, the Group's working capital (current assets less current liabilities) amounted to approximately RMB79.31 billion (31 December 2019: approximately RMB78.14 billion). The Group's current ratio (current assets divided by current liabilities) was 1.7 times (31 December 2019: 1.7 times). Cash and cash equivalents amounted to approximately RMB21.90 billion (31 December 2019: RMB24.11 billion). Charged bank deposits amounted to approximately RMB8.26 billion (31 December 2019: RMB6.08 billion). Undrawn committed bank facilities amounted to approximately RMB20.50 billion.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarized as follows:

As at		
	June 30 2020 RMB'000	31 December 2019 RMB'000
Bank borrowings and notes		
Denominated in RMB	51,415,294	49,621,641
Denominated in HKD	8,009,164	9,583,648
Denominated in USD	12,002,005	11,816,326
Total bank borrowings and notes	71,426,463	71,021,615
Bank overdrafts	44	41
Total debts	71,426,507	71,021,656

As at		
	June 30 2020 RMB'000	31 December 2019 RMB'000
Ageing analysis:		
Within one year	10,649,632	7,138,023
In the second year	17,242,193	20,270,167
In the third to fifth year	40,490,635	39,387,355
Beyond five years	3,044,047	4,226,111
Total borrowings	71,426,507	71,021,656
Lease liabilities	665,724	678,207
Less: Cash and cash equivalents	(21,900,590)	(24,105,541)
Net borrowings	50,191,641	47,594,322
Total equity	57,925,847	55,191,816
Total capitalization	108,117,488	102,786,138
Gearing ratio	46.4%	46.3%

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE EXPOSURE

The Group's interest rate exposure is mainly derived from relevant loans and deposits denominated in Renminbi, Hong Kong dollars, and US dollars. As of 30 June 2020, among the total borrowings of the Group, approximately 34.6% was floating rate bank loans denominated in Renminbi, approximately 8.3% was floating rate bank loans denominated in Hong Kong dollars, approximately 13.2% was fixed rate bank loans denominated in Renminbi, approximately 24.2% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 19.7% was fixed rate notes denominated in US dollars/Hong Kong dollars.

At present, fixed rate borrowing of the Group accounts for approximately 57.1% of the total borrowing, and the interest rate risk is controllable. The Group did not arrange for interest-rate hedging instruments during the reporting year. The average effective borrowing interest rate during the period was approximately 4.71% per annum, decreased by 5 bpts from 4.76% per annum for the same period of 2019.

With respect to Renminbi borrowing interest rates, the actual onshore Renminbi borrowing interest rates has decreased since the central government adopted a easing monetary policy to stabilize liquidity and support economic development in response to the impact of COVID-19 outbreak. But there are restrictions and policy constraints on financing for real estate industries, the average interest rate on borrowings, and recorded a small decrease.

With respect to interest rates on US dollar and Hong Kong dollar borrowings, due to the influence intensified by the US-China trade war, Brexit and slow growth in US economy, the Federal Reserve stopped raising interest rates in the middle of 2019 and cut them three times in the second half of the year by 0.75% in aggregate. In 2020, with the outbreak of COVID-19, the US and global financial markets witnessed a turmoil, the economy was in a rapid decline and unemployment was serious. In the first half of 2020, the Federal Reserve cut its benchmark interest rate to near zero and launched unlimited quantitative easing policy. The United States and Western countries have launched a series of fiscal policies to save the economy and employment, and adopted loose monetary policy to release liquidity, and the interest rate of Hong Kong dollar also decreased in line with drop of the interest rates of US dollar. However, the interest rates of Hong Kong dollar may also increase in the near future for a short term due to the influence of social events, listing of more large-scale companies in Hong Kong, intensity of US-China trade war and other uncertainty. The Group expects the offshore US dollar/Hong Kong dollar loan interest rates to maintain at a low level. The Group will continue to monitor the changes in onshore and offshore interest rates, adjust and optimize its debt structure and adopt 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 and assets are primarily denominated 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 strengthen the management of the foreign exchange exposure. As at 30 June 2020, approximately 28% (30% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which, approximately HKD6.57 billion (equivalent to approximately RMB5.93 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.70 billion (equivalent to approximately RMB12.00 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.30 billion (equivalent to approximately RMB2.09 billion) was notes denominated in Hong Kong dollars. Financial products were bought to hedge part of foreign exchange exposures with respect to offshore borrowings (equivalent to RMB9.55 billion).

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the exchange rate of Renminbi is expected to remain fluctuated due to the US-China trade war, the widened interest rate gap between the PRC and the US by the sharp interest rate cut in the US, the slow growth in Chinese economy, and the outbreak of COVID-19. 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 to manage its foreign exchange exposure. The Group continues to arrange for suitable financial instruments to manage its foreign exchange exposure at reasonable costs as and when appropriate in the second half of the year.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 30 June 2020, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB680 million (31 December 2019: RMB726 million).

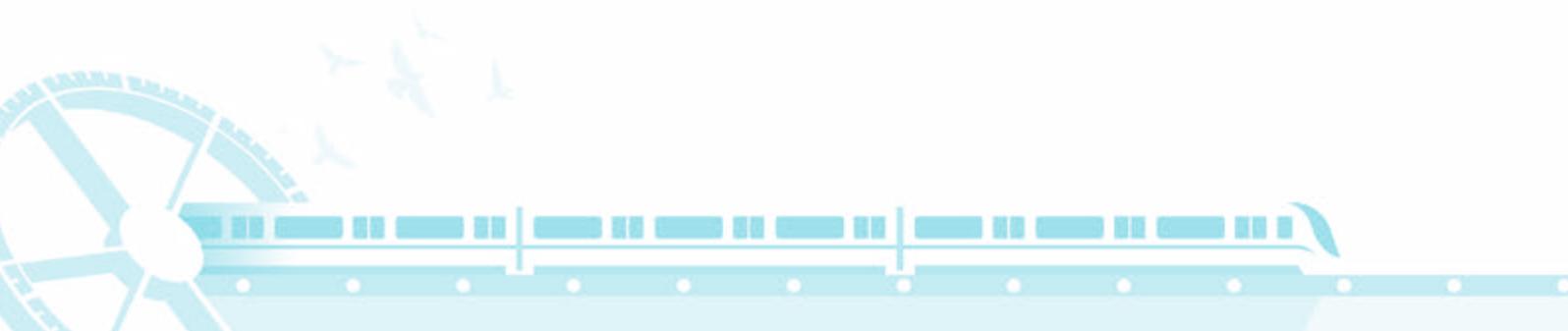
CONTINGENT LIABILITIES

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 principal sum together with accrued interests under the guarantee, and the Group then acquires the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 30 June 2020, total contingent liabilities relating to these guarantees amounted to approximately RMB21.37 billion (31 December 2019: RMB20.09 billion).

As at 30 June 2020, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB3,260 million (31 December 2019: RMB2,035 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1,280 million (31 December 2019: RMB1,007 million) was utilised and guarantee of approximately RMB1,980 million (31 December 2019: RMB1,028 million) was not utilised yet.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2020, the Group had approximately 10,740 employees (31 December 2019: 10,100 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training. The Group adopted the Share Incentive Scheme on 2 December 2016 and the Share Award Scheme on 17 March 2017. Both schemes will (i) provide the selected participants (including senior management, middle management and other employees) with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company and the Group; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Group, the Company and its shareholders, with a view to achieving the objective of aligning the interests of the selected participants with those of the shareholders of the Company. Details of the Share Incentive Scheme and Share Award Scheme have been respectively disclosed in the announcement dated 2 December 2016 and 17 March 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

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 ("YXE"), 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% or 30% in the issued voting shares of the Company;
- (iii) the controlling shareholder maintains effective management control over the Company.

As at 30 June 2020, the aggregate balance of the loans provided in Renminbi was RMB6,001,300,800. Such Loan Agreements will expire from 12 April 2021 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 2020.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED 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 condensed consolidated interim financial information set out on pages 27 to 69, which comprises the condensed consolidated balance sheet of Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 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 condensed consolidated 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 condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated 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 condensed consolidated 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 condensed consolidated 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, 24 August 2020

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited	
		Six months ended 30 June	
	Note	2020	2019
		RMB'000	RMB'000
Revenue	6	23,713,884	21,788,127
Cost of sales	7	(17,071,363)	(15,241,498)
Gross profit		6,642,521	6,546,629
Proceeds from sales of investment properties		7,346	29,572
Direct costs of investment properties sold		(6,663)	(17,736)
Gain on sales of investment properties, net		683	11,836
Fair value losses on revaluation of investment properties, net	16	(18,042)	(16,232)
Other gains, net	8	10,577	797,544
Selling and marketing costs	7	(498,674)	(418,474)
Administrative expenses	7	(561,070)	(600,574)
Operating profit		5,575,995	6,320,729
Finance income	9	326,745	258,670
Finance costs	10	(505,379)	(634,102)
Share of (losses)/profits of			
– joint ventures		(45,201)	(57,691)
– associated entities		54,964	345,898
Profit before taxation		5,407,124	6,233,504
Taxation	11	(3,109,908)	(3,474,386)
Profit for the period		2,297,216	2,759,118
Attributable to			
Equity holders of the Company		1,994,723	1,870,140
Non-controlling interests		302,493	888,978
		2,297,216	2,759,118
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	12	0.1288	0.1393

The notes on pages 35 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit for the period	2,297,216	2,759,118
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Exchange differences on translation of foreign operations	(218,092)	(64,896)
Cash flow hedges	(5,955)	727
Costs of hedging	61,004	(1,658)
<u>Items that will not be reclassified to profit or loss</u>		
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	(45,501)	63,073
Other comprehensive loss for the period, net of tax	(208,544)	(2,754)
Total comprehensive income for the period	2,088,672	2,756,364
Attributable to		
Equity holders of the Company	1,788,654	1,863,955
Non-controlling interests	300,018	892,409
	2,088,672	2,756,364

The notes on pages 35 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

As at			
	Note	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	2,618,909	2,505,924
Right-of-use assets	15	4,029,069	4,065,788
Investment properties	16	9,428,580	9,438,108
Intangible assets		90,976	85,995
Properties under development		11,614,298	11,532,544
Interests in joint ventures		6,498,412	7,162,021
Interests in associated entities		11,984,134	12,830,629
Financial assets at fair value through other comprehensive income		1,227,266	1,293,264
Derivative financial instruments		63,293	65,179
Deferred tax assets	22	814,830	665,128
		48,369,767	49,644,580
Current assets			
Properties under development		121,394,144	125,407,543
Properties held for sale		13,740,233	13,446,673
Contract costs		473,587	481,320
Prepayments for land use rights		4,974,226	3,086,312
Trade receivables	17	99,970	68,309
Other receivables, prepayments and deposits		12,806,380	9,956,283
Prepaid taxation		3,099,498	2,416,865
Derivative financial instruments		166,607	—
Charged bank deposits		8,260,469	6,083,829
Cash and cash equivalents		21,900,590	24,105,541
		186,915,704	185,052,675
LIABILITIES			
Current liabilities			
Trade and note payables	18	1,784,701	2,432,898
Contract liabilities		37,680,959	41,942,500
Other payables and accrued charges		48,830,036	47,665,154
Borrowings	19	10,649,632	7,138,023
Lease liabilities		140,680	114,542
Derivative financial instruments		—	1,347
Taxation payable		8,516,010	7,623,170
		107,602,018	106,917,634
Net current assets		79,313,686	78,135,041
Total assets less current liabilities		127,683,453	127,779,621

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

		As at	
	Note	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Non-current liabilities			
Borrowings	19	60,776,875	63,883,633
Lease liabilities		525,044	563,665
Deferred tax liabilities	22	6,915,982	6,911,015
Deferred revenue		52,932	53,829
Other payables and accrued charges		1,486,773	1,175,663
		<u>69,757,606</u>	<u>72,587,805</u>
Net assets		<u>57,925,847</u>	<u>55,191,816</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	18,035,015	18,035,015
Shares held under share award scheme		(81,577)	(81,577)
Other reserves	21	619,282	567,349
Retained earnings	21	23,248,084	22,202,721
		<u>41,820,804</u>	<u>40,723,508</u>
Non-controlling interests		16,105,043	14,468,308
Total equity		<u>57,925,847</u>	<u>55,191,816</u>

The notes on pages 35 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Operating activities		
Net cash generated from operations	4,732,695	3,486,477
Interest received	380,471	92,818
Interest paid	(1,883,350)	(1,782,174)
Hong Kong profits tax paid	(8,866)	(924)
China taxation paid	(3,015,561)	(2,087,348)
Net cash generated from/(used in) operating activities	205,389	(291,151)
Investing activities		
Acquisition of subsidiaries, net cash paid	—	(4,806,427)
Purchases of property, plant and equipment and intangible assets	(227,127)	(93,296)
Proceeds from sale of investment properties	7,285	29,357
Proceeds from sale of property, plant and equipment	8,296	7,654
Dividends received from associate entities	228,945	156,547
Decrease in interests in associated entities and joint ventures	1,361,924	426,592
Increase in charged bank deposits	(2,176,640)	(1,910,069)
Capital injection in associated entities	(5,000)	(95,562)
Capital injection in joint ventures	(14,291)	(77,436)
Proceeds from disposal of a subsidiary	355,211	1,450,500
Decrease in amounts due from related companies	8,956	—
Increase in amounts due from associated entities	(2,060,419)	(5,101,809)
Increase in amounts due from related parties of non-controlling interests and non-controlling interests	(790,781)	(1,024,571)
Net cash used in investing activities	(3,303,641)	(11,038,520)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Financing activities		
Capital contribution from non-controlling interests	424,079	146,756
Dividends paid to a non-controlling interest	—	(41,352)
Increase in amounts due to joint ventures and associated entities	378,141	4,580,283
(Decrease)/increase in amounts due to ultimate holding company	(163,356)	4,018,584
Increase/(decrease) in amounts due to intermediate holding company	485,912	(647,956)
Increase in amounts due to related companies and fellow subsidiaries	13,560	61,584
Decrease in amounts due to a shareholder	(28,404)	—
Decrease in amount due to related parties of non-controlling interests and non-controlling interests	(113,238)	(1,462,550)
Proceeds from bank borrowings	9,780,598	7,591,732
Repayment of bank borrowings	(9,342,480)	(5,932,207)
Proceeds from other borrowing from intermediate holding company	—	3,000,000
Repayment of other borrowing from intermediate holding company	—	(3,000,000)
Proceeds from other borrowings – others	1,498,800	6,528,424
Repayment of other borrowings – others	(1,986,784)	(949,000)
Increase/(decrease) of bank overdraft	3	(18)
Repayment for lease liabilities	(73,152)	(41,004)
Net cash generated from financing activities	873,679	13,853,276
(Decrease)/increase in cash and cash equivalents	(2,224,573)	2,523,605
Cash and cash equivalents at the beginning of period	24,105,500	21,990,455
Exchange gain/(loss) on cash and cash equivalents	19,619	(9,791)
Cash and cash equivalents at the end of period	21,900,546	24,504,269
Analysis of balances of cash and cash equivalents		
Bank balances and cash	21,900,590	24,504,308
Bank overdrafts	(44)	(39)
	21,900,546	24,504,269

The notes on pages 35 to 69 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 2020

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 2020	18,035,015	(81,577)	22,770,070	14,468,308	55,191,816
Comprehensive income					
Profit for the period	—	—	1,994,723	302,493	2,297,216
Other comprehensive income					
Currency translation differences	—	—	(218,092)	—	(218,092)
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	(43,026)	(2,475)	(45,501)
Cash flow hedges	—	—	(5,955)	—	(5,955)
Costs of hedging	—	—	61,004	—	61,004
Total other comprehensive income for the period, net of tax	—	—	(206,069)	(2,475)	(208,544)
Total comprehensive income for the period	—	—	1,788,654	300,018	2,088,672
Transactions with owners					
Dividend (note 13)	—	—	(691,358)	(49,249)	(740,607)
Capital injection to subsidiaries	—	—	—	1,385,966	1,385,966
Total transactions with owners	—	—	(691,358)	1,336,717	645,359
Balance at 30 June 2020	18,035,015	(81,577)	23,867,366	16,105,043	57,925,847

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	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
Cash flow hedges	—	—	727	—	727
Costs of hedging	—	—	(1,658)	—	(1,658)
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					
Issuance of shares	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

The notes on pages 35 to 69 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 24 August 2020.

The financial information relating to the year ended 31 December 2019 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019 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).

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) has brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group has been keeping continuous attention to the situation of COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issuance, COVID-19 does not have any material adverse impact on the financial position and operating results of the Group.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, 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 2019 and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards and interpretation as set out below.

- (a) The following amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 January 2020 for the Group:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	COVID-19-related Rent Concessions
Conceptual for Financial Reporting 2018	Revised Conceptual for Financial Reporting

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

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 3 (Amendments)	Business Combinations	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment	1 January 2022
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
HKFRS 1 (Amendments)	First-time Adoption of HKFRS	1 January 2022
Annual improvements to HKFRS 9	Financial Instruments	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2021 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2019.

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 2019.

(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.

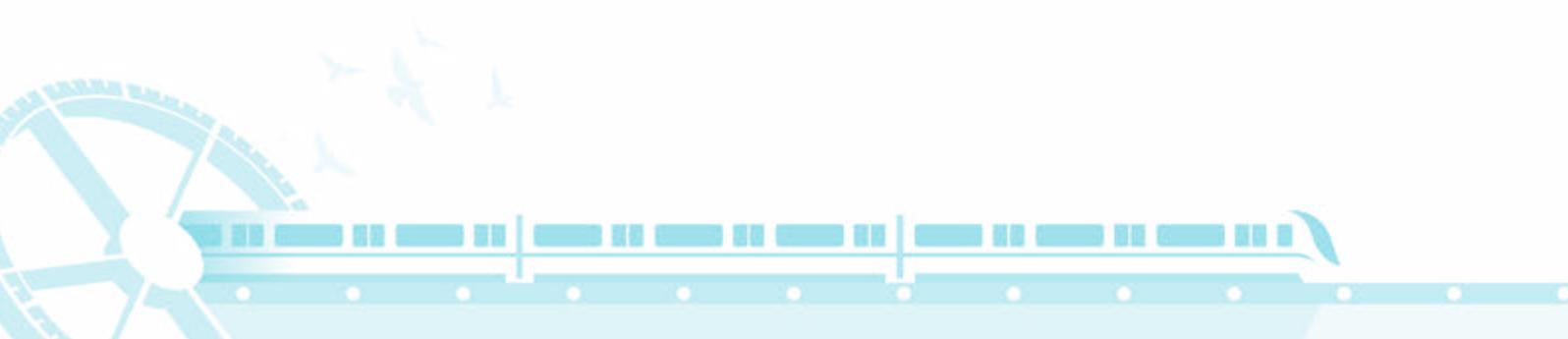
Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending 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 2020					
Borrowings (principal amount plus interest)	13,782,946	19,581,177	43,012,415	3,641,116	80,017,654
Trade and note payables (note 18)	1,784,701	—	—	—	1,784,701
Other payables and accrued charges	45,608,195	223,929	1,427,483	—	47,259,607
Lease liabilities	169,832	94,690	167,874	409,318	841,714
Financial guarantees (note 23)	24,634,152	—	—	—	24,634,152
At 31 December 2019					
Borrowings (principal amount plus interest)	10,371,372	22,789,927	42,350,318	5,019,851	80,531,468
Trade and note payables (note 18)	2,432,898	—	—	—	2,432,898
Other payables and accrued charges	44,354,511	84,794	1,253,640	—	45,692,945
Lease liabilities	131,735	120,802	161,636	435,785	849,958
Financial guarantees (note 23)	22,125,405	—	—	—	22,125,405
Derivative financial instruments	1,347	—	—	—	1,347



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(Continued)***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 condensed consolidated balance sheet plus net debt.

The gearing ratios at 30 June 2020 and 31 December 2019 were as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Total borrowings (note 19)	71,426,507	71,021,656
Lease liabilities	665,724	678,207
Less: Cash and cash equivalents	(21,900,590)	(24,105,541)
Net debt	50,191,641	47,594,322
Total equity (including non-controlling interests)	57,925,847	55,191,816
Total capital	108,117,488	102,786,138
Gearing ratio	46.4%	46.3%

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (Continued)

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 2020 and 31 December 2019 on a recurring basis.

At 30 June 2020	Level 2 RMB'000	Level 3 RMB'000
Financial assets		
Derivative financial instruments – foreign currency forwards	229,900	—
Financial assets at fair value through other comprehensive income ("FVOCI")	—	1,227,266
Total financial assets	229,900	1,227,266
At 31 December 2019	Level 2 RMB'000	Level 3 RMB'000
Financial assets		
Derivative financial instruments – foreign currency forwards	65,179	—
Financial assets at FVOCI	—	1,293,264
Total financial assets	65,179	1,293,264
Financial liabilities		
Derivative financial instrument – embedded derivative of exchangeable bond	—	1,347

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 market 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(Continued)***5.3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)**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.

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 2020:

	Financial assets at FVOCI RMB'000	Derivative financial instruments – embedded derivative of exchangeable bond RMB'000	Total RMB'000
Opening balance at 1 January	1,293,264	(1,347)	1,291,917
Mature in this period	—	1,347	1,347
Unrealised fair value changes recognised in other comprehensive income	(65,998)	—	(65,998)
Closing balance at 30 June	<u>1,227,266</u>	<u>—</u>	<u>1,227,266</u>
Includes unrealised loss in profit or loss attributable to balances held at the end of the reporting period	<u>—</u>	<u>—</u>	<u>—</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

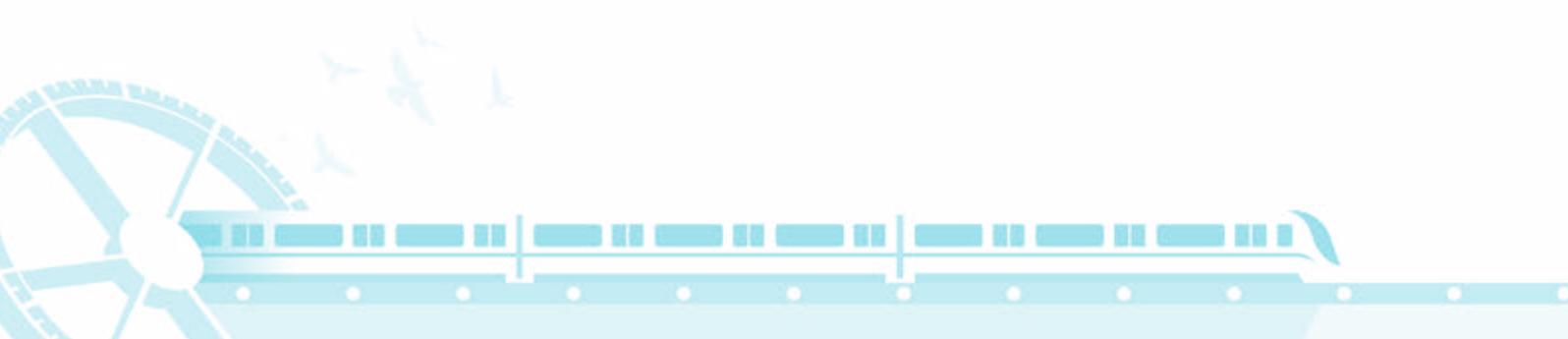
5 FINANCIAL RISK MANAGEMENT *(Continued)*5.3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

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)

There were no changes made to any of the valuation techniques applied as at 31 December 2019.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(Continued)***5.3 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)**Fair value measurements using significant unobservable inputs (Level 3) (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 2020.

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
- Other payables and accrued charges
- Trade and note payables
- Borrowings
- Lease liabilities

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 decoration services, etc.

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

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

Sales between segments are carried out on terms equivalent to those that prevail on 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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (Continued)

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2020 and 30 June 2019 respectively.

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Six months ended					
30 June 2020					
Revenue	22,541,774	582,721	304,263	1,397,991	24,826,749
Inter-segment revenue	—	(130,629)	(13,119)	(969,117)	(1,112,865)
Revenue from external customers	22,541,774	452,092	291,144	428,874	23,713,884
Revenue from contracts with customers:					
Recognised at a point in time	22,541,774	—	—	277,635	22,819,409
Recognised over time	—	452,092	—	151,239	603,331
Revenue from other sources:					
Rental income	—	—	291,144	—	291,144
	22,541,774	452,092	291,144	428,874	23,713,884
Segment results	5,330,093	59,906	153,700	91,114	5,634,813
Depreciation and amortisation	(90,882)	(34,140)	—	(26,749)	(151,771)
Fair value losses on revaluation of investment properties, net	—	—	(18,042)	—	(18,042)
Share of (loss)/profit of					
– joint ventures	(36,666)	—	—	(8,535)	(45,201)
– associated entities	105,728	—	(75,917)	25,153	54,964

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 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
As at 30 June 2020					
Segment assets	198,327,856	1,143,284	9,428,580	2,228,539	211,128,259
Interests in joint ventures	6,446,544	—	—	51,868	6,498,412
Interests in associated entities	3,054,751	—	7,902,558	1,026,825	11,984,134
Total reportable segments' assets	<u>207,829,151</u>	<u>1,143,284</u>	<u>17,331,138</u>	<u>3,307,232</u>	<u>229,610,805</u>
Total reportable segments' assets include: Additions to non-current assets (note)	<u>128,230</u>	<u>84,816</u>	<u>—</u>	<u>98,750</u>	<u>311,796</u>
As at 31 December 2019					
Segment assets	196,792,224	1,315,120	9,438,108	2,424,198	209,969,650
Interests in joint ventures	7,116,910	—	—	45,111	7,162,021
Interests in associated entities	3,615,060	—	8,224,747	990,822	12,830,629
Total reportable segments' assets	<u>207,524,194</u>	<u>1,315,120</u>	<u>17,662,855</u>	<u>3,460,131</u>	<u>229,962,300</u>
Total reportable segments' assets include: Additions to non-current assets (note)	<u>375,270</u>	<u>60,483</u>	<u>—</u>	<u>653,328</u>	<u>1,089,081</u>

Note: Non-current assets represent non-current assets other than properties under development, 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	
	2020 RMB'000	2019 RMB'000
Segment results	5,634,813	5,566,355
Unallocated operating costs (note)	(69,395)	(43,170)
Other gains, net (note 8)	10,577	797,544
Operating profit	5,575,995	6,320,729
Finance income (note 9)	326,745	258,670
Finance costs (note 10)	(505,379)	(634,102)
Share of (loss)/profit of		
– joint ventures	(45,201)	(57,691)
– associated entities	54,964	345,898
Profit before taxation	<u>5,407,124</u>	<u>6,233,504</u>

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

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

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Total reportable segments' assets	229,610,805	229,962,300
Deferred tax assets (note 22)	814,830	665,128
Prepaid taxation	3,099,498	2,416,865
Corporate assets (note)	1,760,338	1,652,962
Total assets	<u>235,285,471</u>	<u>234,697,255</u>

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

For the six months ended 30 June 2020, 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 2019: same).

For the six months ended 30 June 2020, the Group does not have any single customer with the transaction value over 10% of the total external revenue (six months ended 30 June 2019: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Other tax and surcharges	132,570	158,734
Amortisation of right-of-use assets	87,797	56,507
Depreciation of property, plant and equipment (note 14)	42,613	33,911
Amortisation of intangible assets	21,361	29,610
Impairment of properties held for sale	161,144	20,523

8 OTHER GAINS, NET

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Remeasurement gains on a joint venture	—	765,623
Gain on bargain purchase on acquisitions	—	11,807
Remeasurement gains on interests in associated entities	—	636
Others	10,577	19,478
	10,577	797,544

9 FINANCE INCOME

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest income from bank deposits	120,770	91,803
Interest income from loans to associated entities (note 26 (b)(VI), (VII), (X), (XI))	86,172	165,852
Interest income from loans to joint ventures (note 26 (b)(V), (VIII), (IX))	119,803	1,015
	326,745	258,670

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 FINANCE COSTS

Six months ended 30 June		
	2020 RMB'000	2019 RMB'000
Interest on borrowings and bank overdrafts	866,723	870,453
Interest on other borrowings	969,441	731,145
Interest on loan from non-controlling interest ("NCI") with significant influence over the subsidiaries (note 26 (b)(XIII), (XIV), (XV), (XVI))	4,770	145,088
Interest on loan from NCI and related parties of NCI (note)	72,958	51,677
Interest on loan from intermediate holding company (note 26 (b)(I))	32,174	41,166
Interest on loan from a shareholder (note 26 (b)(XII))	232,180	24,383
Interest on loan from an associated entity (note 26 (b)(II))	9,355	9,943
Interest on loan from a fellow subsidiary (note 26 (b)(III))	546	2,765
Interest expense on lease liabilities	15,516	9,569
Net fair value gains on derivative financial instruments	(7,599)	(7,158)
Net foreign exchange gain on financing activities	(14,623)	(51,639)
Total borrowing costs incurred	2,181,441	1,827,392
Less: amount capitalised as properties under development and property, plant and equipment	(1,676,062)	(1,193,290)
	505,379	634,102

Note: The amount represents interest on the amounts of subsidiaries of the Group due to NCI and related parties of NCI. Out of the total amount of approximately RMB4,029 million, the interest bearing balance is approximately RMB2,102 million as at 30 June 2020 (31 December 2019: RMB2,332 million) and bears interest at a weighted average rate of 6.71% per annum (2019: 5.79% per annum). The balance which is included in other payables and accrued charges is repayable on demand and denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2019: 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 (2019: 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 (2019: 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	
	2020 RMB'000	2019 RMB'000
Current taxation		
– China enterprise income tax	1,391,340	1,388,666
– China land appreciation tax	1,714,294	2,086,764
– Corporate withholding income tax	128,512	—
Deferred taxation		
– Origination and reversal of temporary differences	(272,268)	(182,817)
– China land appreciation tax	(19,932)	(3,095)
– Corporate withholding income tax on undistributed profits	167,962	184,868
	3,109,908	3,474,386

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		
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	1,994,723	1,870,140
Weighted average number of ordinary shares in issue ('000)	15,482,280	13,428,298
Basic earnings per share (RMB)	0.1288	0.1393

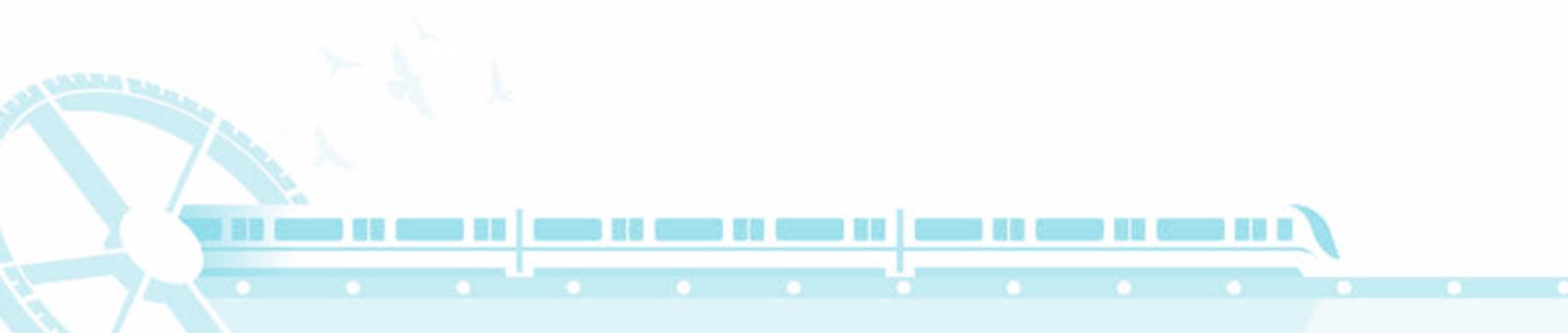
DILUTED

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 2020, diluted earnings per share is equal to basic earnings per share (six months ended 30 June 2019: same).

13 DIVIDENDS

Six months ended 30 June		
	2020 RMB'000	2019 RMB'000
2019 final, declared and unpaid, of HKD0.049 equivalent to RMB0.044 (2018: HKD0.051 equivalent to RMB0.044) per ordinary share	691,358	694,158
2020 interim, proposed, of HKD0.057 equivalent to RMB0.051 (2019: HKD0.053 equivalent to RMB0.047) per ordinary share	789,596	727,667

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 ended 31 December 2020.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 PROPERTY, PLANT AND EQUIPMENT

	2020 RMB'000	2019 RMB'000
At 1 January	2,505,924	1,994,812
Exchange differences	158	35
Additions	163,178	93,296
Acquisition of subsidiaries	—	689
Disposals	(7,738)	(7,394)
Depreciation (note 7)	(42,613)	(33,911)
At 30 June	<u>2,618,909</u>	<u>2,047,527</u>

15 RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Properties RMB'000	Total RMB'000
At 1 January 2020	3,412,710	653,078	4,065,788
Additions	—	85,891	85,891
Amortisation	(40,074)	(82,536)	(122,610)
At 30 June 2020	<u>3,372,636</u>	<u>656,433</u>	<u>4,029,069</u>
At 1 January 2019	207,569	47,711	255,280
Additions	—	368,302	368,302
Amortisation	(5,501)	(51,006)	(56,507)
At 30 June 2019	<u>202,068</u>	<u>365,007</u>	<u>567,075</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
At 1 January	9,438,108	10,865,470
Exchange differences	15,116	3,016
Disposals	(6,602)	(17,521)
Fair value losses, net	(18,042)	(16,232)
At 30 June	9,428,580	10,834,733

17 TRADE RECEIVABLES

The Group's credit period of the trade receivables is 90 days from the date of invoice. The ageing analysis of trade receivables is as follows:

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
0 - 30 days	52,569	29,920
31 - 180 days	25,190	19,760
181 - 365 days	12,452	11,809
Over 1 year	18,564	15,625
	108,775	77,114
Less: provision for impairment of trade receivables	(8,805)	(8,805)
	99,970	68,309



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 TRADE AND NOTE PAYABLES

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

As at		
	30 June 2020 RMB'000	31 December 2019 RMB'000
0 - 30 days	415,384	585,856
31 - 90 days	819,170	676,356
91 - 180 days	354,716	967,073
181 - 365 days	172,366	147,875
1 - 2 years	13,331	42,680
Over 2 years	9,734	13,058
	1,784,701	2,432,898

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 BORROWINGS

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	8,973,540	9,784,060
– Unsecured	17,894,888	15,233,754
Other borrowings (a)		
– Secured	373,660	570,160
– Unsecured	33,534,787	38,295,659
	60,776,875	63,883,633
Current		
Bank overdrafts	44	41
Short-term bank borrowings		
– Unsecured	1,000	49,377
Current portion of long-term bank borrowings		
– Secured	692,000	2,196,840
– Unsecured	3,094,148	2,790,372
Other borrowings (a)		
– Secured	550,000	350,000
– Unsecured	6,312,440	1,751,393
	10,649,632	7,138,023
Total borrowings	71,426,507	71,021,656



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 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 2019, an amount of RMB1,000 million of corporate bonds were matured and the issuer adjusted certain coupon rates.

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 3.60% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to RMB1,494 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.

In 2020, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates of 3.13% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to RMB1,494 million.

Except for the PRC corporate bonds amounting to RMB9,250 million, other PRC corporate bonds contain the early redemption options, which means the Group shall be entitled to adjust the coupon rate whereas the investors shall be entitled to sell back in whole or in part the bonds.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 30 June 2020 and 31 December 2019.

Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu"), the ultimate holding company, provides guarantee for above corporate bond (note 26(e)).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 BORROWINGS *(Continued)***(a) OTHER BORROWINGS** *(Continued)**(ii) Private placement note*

In 2019, the Group issued aggregated nominal value of RMB1,800 million private placement note with interest rates of 4.03% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to RMB1,797 million.

(iii) 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 USD1,191 million.

(iv) Exchangeable bond

The Group issued exchangeable bonds with an aggregate cash proceeds of HKD1.1 billion, which was matured on 27 April 2020. The bonds bear interest at the rate of 1.875% per annum. There was no bondholder to exercise the right to exchange its bonds with the share of units in Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and the exchange bond was repaid in 2020.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 BORROWINGS (Continued)

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other borrowings	
	As at		As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000	30 June 2020 RMB'000	31 December 2019 RMB'000
Within one year	3,787,192	5,036,630	6,862,440	2,101,393
In the second year	7,468,621	6,742,277	9,773,572	13,527,890
In the third to fifth year	18,439,348	16,431,829	22,051,287	22,955,526
Over five years	960,459	1,843,708	2,083,588	2,382,403
	30,655,620	30,054,444	40,770,887	40,967,212

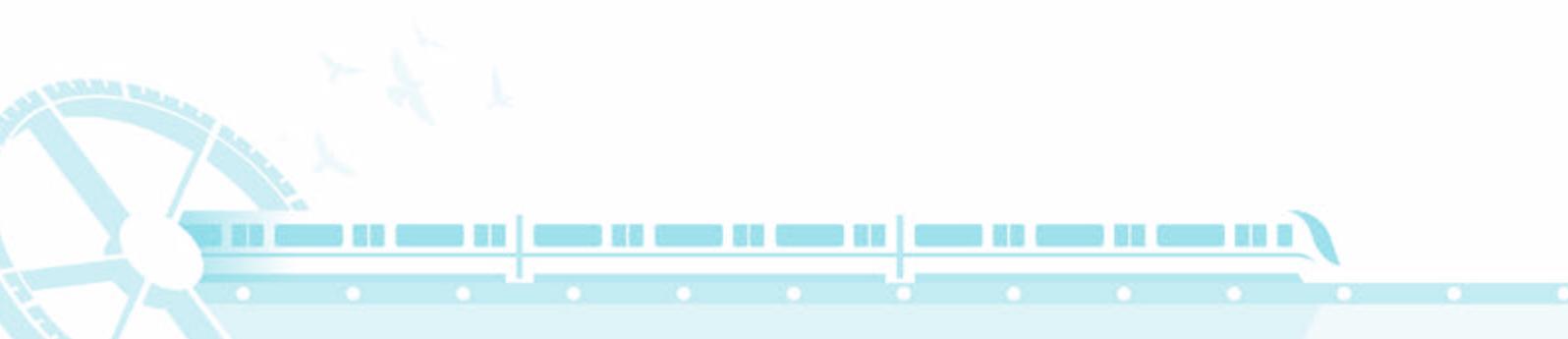
20 SHARE CAPITAL

	Number of shares 2020 ('000)	Number of shares 2019 ('000)	Share capital 2020 RMB'000	Share capital 2019 RMB'000
At 1 January	15,482,280	12,401,307	18,035,015	12,759,402
Issues of ordinary shares during the period				
Acquisition of a subsidiary, net of transaction cost and tax	—	3,080,973	—	5,275,613
At 30 June	15,482,280	15,482,280	18,035,015	18,035,015

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 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 2020	728,636	(708,415)	788,000	50,801	(291,673)	22,202,721	22,770,070
Currency translation differences	—	(218,092)	—	—	—	—	(218,092)
Change in the fair value of equity investments at FVOCI							
– gross	—	—	(62,698)	—	—	—	(62,698)
– tax	—	—	15,675	—	—	—	15,675
– effect of withholding tax	—	—	3,997	—	—	—	3,997
Cash flow hedges	—	—	—	(5,955)	—	—	(5,955)
Costs of hedging	—	—	—	61,004	—	—	61,004
Profit attributable to shareholders	—	—	—	—	—	1,994,723	1,994,723
Transfer to statutory reserves	258,002	—	—	—	—	(258,002)	—
Dividend (note 13)	—	—	—	—	—	(691,358)	(691,358)
At 30 June 2020	986,638	(926,507)	744,974	105,850	(291,673)	23,248,084	23,867,366



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 RESERVES (Continued)

	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)
Cash flow hedges	—	—	—	727	—	—	727
Costs of hedging	—	—	—	(1,658)	—	—	(1,658)
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	—	—	—	—	(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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 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 2020 and 31 December 2019 represents:

As at		
	30 June 2020 RMB'000	31 December 2019 RMB'000
Deferred tax assets		
– China enterprise income tax	814,830	665,128
Deferred tax liabilities		
– Hong Kong profits tax	30,639	28,956
– China enterprise income tax	5,718,135	5,694,919
– China land appreciation tax	1,167,208	1,187,140
	6,915,982	6,911,015

23 GUARANTEES

As at		
	30 June 2020 RMB'000	31 December 2019 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	21,374,104	20,090,477
Guarantee for banking and loan facility granted to associated entities (note (b))	978,228	974,928
Guarantees for banking and loan facilities granted to joint ventures (note (b))	2,281,820	1,060,000
	24,634,152	22,125,405

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 GUARANTEES *(Continued)*

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 2020, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB3,260 million (31 December 2019: RMB2,035 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1,280 million (31 December 2019: RMB1,007 million) was utilised and guarantee of approximately RMB1,980 million (31 December 2019: RMB1,028 million) was not utilised yet.

24 CAPITAL COMMITMENTS

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	410,466	449,315
Authorised but not contracted for	269,351	276,641
	679,817	725,956

25 SECURITIES FOR BANKING FACILITIES

At 30 June 2020, 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 RMB23,640 million (31 December 2019: RMB29,051 million), RMB18 million (31 December 2019: RMB170 million), RMB6,690 million (31 December 2019: RMB6,690 million) and RMB702 million (31 December 2019: RMB686 million) respectively; and
- (b) mortgages of certain of the Group's right-of-use assets with an aggregate carrying value of RMB7 million (31 December 2019: RMB7 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

(A) RELATED PARTIES

The Company's ultimate holding company is Guangzhou Yue Xiu. The table below summarises the names of related parties, with whom the Group has significant transactions during the period ended 30 June 2020, and their relationship with the Company as at 30 June 2020:

Significant related parties	Relationship with the Company
Guangzhou Yue Xiu	Ultimate holding company
廣州地鐵集團有限公司 ("Guangzhou Metro")	A shareholder
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Yuexiu REIT	An associated entity
杭州星日房地產開發有限公司 ("杭州星日")	An associated entity
廣州綠嶸房地產開發有限公司 ("綠嶸")	An associated entity
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd ("GYFL")	A fellow subsidiary
Guangzhou City Construction & Development Holdings Co.,Ltd. ("GCCD")	A fellow subsidiary
廣州越展資產經營管理有限公司 ("越展")	A fellow subsidiary
廣州造紙集團有限公司 ("廣州造紙")	A fellow subsidiary
廣州智聯汽車小鎮投資發展有限公司 ("智聯汽車小鎮")	A joint venture
廣州廣宏房地產開發有限公司 ("廣宏")	A joint venture
濟南鵬遠置業有限公司 ("濟南鵬遠")	A joint venture
深圳安創投資管理有限公司 ("深圳安創")	NCI with significant influence over the subsidiaries
桐鄉市安豪投資管理有限公司 ("桐鄉安豪")	NCI with significant influence over the subsidiaries
廣州聯衡置業有限公司 ("聯衡")	NCI with significant influence over the subsidiaries
深圳聯新投資管理有限公司 ("深圳聯新")	NCI with significant influence over the subsidiaries
廣州宏耀房地產開發有限公司 ("宏耀")	Note
廣州萬宏房地產開發有限公司 ("萬宏")	Note

Note: 宏耀 and 萬宏 were associated entities and have become subsidiaries of the Company since 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 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		
	2020 RMB'000	2019 RMB'000
(I) Transactions with YXE		
Interest expense (note 10)	(32,174)	(41,166)
Gain on foreign currency forward	60,163	—
Addition of right-of-use assets	—	7,631
Interest expense on lease liabilities	(141)	(164)
Repayment of lease liabilities	(1,810)	(1,135)
(II) Transactions with Yuexiu REIT		
Tenancy service fees income	19,867	10,511
Interest expense (note 10)	(9,355)	(9,943)
Expense related to short-term leases	(39,384)	—
Support expenses on support arrangement	(13,161)	(14,630)
Addition of right-of-use assets	—	85,890
Interest expense on lease liabilities	(2,484)	(4,355)
Repayment of lease liabilities	(36,224)	(33,596)
(III) Transaction with CHB		
Deposit interest income	9,101	11,270
Rental income	6,050	6,050
Interest expense (note 10)	(546)	(2,765)
Exchange gain on bank deposits	10,363	9,406
Proceeds from management service	947	—
Gain on foreign currency forward	46,713	9,978
(IV) Transaction with GYFL		
Rental income	4,888	5,073
(V) Transaction with 智聯汽車小鎮		
Interest income (note 9)	107,713	—
(VI) Transaction with 綠嶸		
Interest income (note 9)	70,287	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(B) TRANSACTIONS WITH RELATED PARTIES (Continued)

		Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
(VII)	Transaction with 杭州星日 Interest income (note 9)	15,885	—
(VIII)	Transaction with 廣宏 Interest income (note 9)	11,746	—
(IX)	Transaction with 濟南鵬遠 Interest income (note 9)	344	1,015
(X)	Transaction with 萬宏 Interest income (note 9)	—	34,227
(XI)	Transaction with 宏耀 Interest income (note 9)	—	131,625
(XII)	Transaction with Guangzhou Metro Interest expense (note 10)	(232,180)	(24,383)
	Management service income	5,272	3,698
(XIII)	Transaction with 桐鄉安豪 Interest expense (note 10)	(4,770)	(4,240)
(XIV)	Transaction with 深圳安創 Interest expense (note 10)	—	(57,413)
(XV)	Transaction with 聯衡 Interest expense (note 10)	—	(44,747)
(XVI)	Transaction with 深圳聯新 Interest expense (note 10)	—	(38,688)
(XVII)	Transaction with 越展 Interest expense on lease liabilities	(2,777)	—
	Repayment of lease liabilities	(6,010)	—
(XVIII)	Transaction with 廣州造紙 Interest expense on lease liabilities	(1,254)	—
	Repayment of lease liabilities	(2,457)	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(C) BALANCES WITH RELATED PARTIES

		As at	
	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
Amount due to ultimate holding company	(i), (ii)	(19,156)	(182,512)
Amount due to intermediate holding company	(i), (ii)	(2,386,216)	(1,900,304)
Amounts due from associated entities	(i), (iii)	4,304,372	2,914,497
Amounts due to associated entities	(ii), (vi)	(9,454,424)	(9,594,294)
Amounts due from joint ventures	(iv), (v), (vii)	3,771,135	4,563,486
Amounts due to joint ventures	(i), (ii)	(3,162,896)	(2,969,800)
Amounts due from related companies	(i), (ii)	38,285	47,241
Amounts due to related companies	(i), (ii)	(42,336)	(34,503)
Amounts due to fellow subsidiaries	(i), (ii)	(254,669)	(250,562)
Amounts due to a shareholder	(viii)	(7,658,766)	(7,538,621)
Amounts due from NCI with significant influence over the subsidiaries	(i), (ii)	1,593,002	1,593,002
Amounts due to NCI with significant influence over the subsidiaries	(ii), (ix)	(209,324)	(204,554)
Deposits in a fellow subsidiary	(x)	1,480,624	2,160,191
Bank borrowing from a fellow subsidiary	(xi)	—	(40,000)
Lease liabilities to intermediate holding company	(xii)	(4,785)	(7,374)
Lease liabilities to associated entities	(xii)	(97,653)	(132,823)
Lease liabilities to fellow subsidiaries	(xii)	(163,373)	(172,224)
Accrual for construction cost payable to a shareholder	(xiii)	(1,543,853)	(1,542,716)

Except for the amounts due from associated entities of nil (31 December 2019: RMB54,610,000), amounts due from joint ventures of approximately RMB106,724,000 (31 December 2019: RMB106,298,000), amount due to an associated entity of approximately RMB172,426,000 (31 December 2019: RMB179,622,000), amount due to a joint venture of approximately RMB57,837,000 (31 December 2019: RMB56,735,000), lease liabilities to intermediate holding company of approximately RMB4,785,000 (31 December 2019: RMB7,374,000), amount due to intermediate holding company of approximately RMB32,000 (31 December 2019: RMB303,000), and bank deposit in a fellow subsidiary of approximately RMB12,753,000 (31 December 2019: RMB10,286,000) which are denominated in HKD, bank deposit in a fellow subsidiary of approximately RMB3,638,000 (31 December 2019: RMB1,836,000) and amount due from an associated entity of approximately RMB617,688,000 (31 December 2019: RMB627,858,000) which are denominated in USD, other related party balances are denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)***(C) BALANCES WITH RELATED PARTIES** *(Continued)*

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 associated entities except for an amount of approximately RMB2,908,791,000 (31 December 2019: RMB793,274,000) which is included in other receivables, prepayments and deposits.
- (iv) The balance is included in interests in joint ventures except for an amount of RMB3,475,000 (31 December 2019: RMB103,186,000) which is included in other receivables, prepayments and deposits.
- (v) These balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (31 December 2019: RMB999,000) which is made for an amount due from a joint venture.
- (vi) Except for an amount of approximately RMB218,603,000 (31 December 2019: RMB223,617,000) which is unsecured and interest bearing at 9% per annum (2019: 9% per annum), and an amount of approximately RMB480,626,000 (31 December 2019: RMB480,626,000) which is unsecured and interest bearing at 4.31% per annum (2019: 4.31% per annum), the remaining balances are unsecured, interest free and repayable on demand.
- (vii) Except for an amount of approximately RMB1,076,873,000 (31 December 2019: RMB28,013,000) which is unsecured and interest bearing at 4.75% per annum (2019: 4.75% per annum) and except for an amount of nil (31 December 2019: RMB73,312,000) which is unsecured and interest bearing at 8.50% per annum (2019: 8.50% per annum), the remaining balances are unsecured, interest free and receivable on demand.
- (viii) The balance of loan from a shareholder, Guangzhou Metro was approximately RMB7,048,856,000 as at 30 June 2020 (31 December 2019: RMB7,076,856,000), with an interest rate of 6.50% per annum (2019: 6.5% per annum). The balance is included in other payables and accrued charges. An amount of approximately RMB786,946,000 is repayable in 2023. The remaining balance is repayable on demand.
- (ix) Except for an amount of approximately RMB163,311,000 (31 December 2019: RMB163,311,000), which is unsecured and interest bearing at 5.70% per annum (2019: 5.70% per annum), the remaining balances are unsecured, interest free and receivable on demand.
- (x) These balances are deposits maintained with a fellow subsidiary on normal commercial terms.
- (xi) As at 31 December 2019, these balances were unsecured and interest bearing at 5.23% per annum. They were repaid in 2020.
- (xii) The Group leases office premises from an intermediate holding company and associated entities, and premises for elder-care and medical services use from fellow subsidiaries. The monthly rents payable by the Group during the leasing terms are determined with reference to the prevailing market prices.
- (xiii) The balance is payable to Guangzhou Metro for the project construction on normal commercial terms.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)***(D) KEY MANAGEMENT COMPENSATION**

Key management compensation was amounted to RMB3,907,000 for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB3,525,000).

(E) GUARANTEE RECEIVED

- (i) Guangzhou Yue Xiu provides guarantee for the corporate bonds of Guangzhou City Construction & Development Co. Ltd, a subsidiary of the Group, amounted to approximately RMB15,467 million as at 30 June 2020 (31 December 2019: RMB13,966 million).
- (ii) Guangzhou Yue Xiu provides guarantee for bank loan of Wuhan Kangjing Industrial Investment Co., Ltd, a subsidiary of the Group, amounted to RMB1,500 million as at 30 June 2020 (31 December 2019: RMB2,000 million).
- (iii) Guangzhou Yue Xiu provided guarantee for bank loan of Suzhou Shenyi Property Development Co., Ltd, a subsidiary of the Group, amounted to RMB200 million as at 31 December 2019. The bank loan was repaid in 2020.
- (iv) GCCD provides guarantee for bank loan of Guangzhou City Construction & Development Group Nansha Co. Ltd, a subsidiary of the Group, amounted to RMB90 million as at 30 June 2020 (31 December 2019: RMB90 million).
- (v) GCCD provides corporate guarantee for other loan of Wuhan Kangjing Industrial Investment Co.,Ltd., a subsidiary of the Group, amounted to RMB16 million as at 30 June 2020 (31 December 2019: RMB16 million).

(F) PROVISION OF GUARANTEE

The Group provides guarantee for the borrowing of associated entities and joint ventures, see note 23.

OTHER INFORMATION

INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 30 June 2020, 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	5,543,319	0.036
Mr Lin Feng (Note 2)	Beneficial Owner/ Beneficiary of a trust/ Spouse interest	7,242,234	0.047
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 5,543,319 Shares, out of which 1,108,165 Shares are owned by him as beneficial owner, 4,435,154 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 7,242,234 Shares, out of which 2,925,787 Shares are owned by him as beneficial owner, 4,216,447 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.

OTHER INFORMATION

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 2020, 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.

Save as disclosed herein, at no time in the first half of 2020 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 2020, 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
廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interests of controlled corporations	6,159,447,662 (Long position)	39.78
Yue Xiu Enterprises (Holdings) Limited ("YXE")	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

OTHER INFORMATION

Note 1:

Pursuant to the SFO, 廣州越秀集團股份有限公司 (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
YXE	6,159,447,662
Superb Master Ltd. ("Superb") (Note i)	401,989,620
Bosworth International Limited ("Bosworth") (Note i)	4,202,934,153
Novena Pacific Limited ("Novena") (Note i)	978,065,907
Morrison Pacific Limited ("Morrison") (Note i)	273,266,721
Greenwood Pacific Limited ("Greenwood") (Note i)	234,689,273
Goldstock International Limited ("Goldstock") (Note i)	60,918,133
Yue Xiu Finance Company Limited ("Yue Xiu Finance") (Note i)	7,583,855

(i) Superb, Bosworth, Novena, Morrison, Greenwood, Goldstock and Yue Xiu Finance are wholly-owned by YXE.

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 2020, 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.



OTHER INFORMATION

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 2020.

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 2020 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 DIRECTOR'S BIOGRAPHICAL DETAILS

Changes in director's biographical details since the date of 2019 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.

Director	Appointment (effective)	Cessation (effective)
Mr Lau Hon Chuen Ambrose China Jinmao Holdings Group Limited – Independent non-executive director	—	10 June 2020

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 2020.

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 2020. 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, 20 October 2020 to Thursday, 22 October 2020, 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, no later than 4:30 p.m. on Monday, 19 October 2020.

