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

(incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Announcement of 2016 Interim Results

Results Summary

- **Contracted Sales Hit Another New High.** In the first half of 2016, the value of aggregate contracted sales (including contracted sales by joint venture projects) was approximately RMB16.03 billion, representing a year-on-year increase of 39.5% and 62.1% of the full year sales target of RMB25.8 billion. By the end of June 2016, unrecognized sales value was approximately RMB33.87 billion, representing an increase of 49.8% as compared to that at the beginning of the year.
- **A decrease in revenue.** In the first half of 2016, the revenue of approximately RMB5.08 billion was recorded, representing a year-on-year decrease of 23.3%, mainly due to a year-on-year decrease of 29.1% in the recognized sales value. Most of the Group's projects as scheduled will be delivered in the second half of the year.
- **An increase in core net profit.** In the first half of 2016, core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and net exchange loss recognized in the consolidated income statement) was approximately RMB0.86 billion, representing a year-on-year increase of 17.2%.
- **Significant improvement in the operating cash flow.** In the first half of 2016, net operating cash inflow of approximately RMB4.84 billion was achieved, compared to net outflow of approximately RMB0.17 billion during the same period of last year. As of 30 June 2016, cash and cash equivalents and charged bank deposits were approximately RMB17.59 billion in aggregate, representing an increase of 16.0% as compared to those at the beginning of the year.
- **Decline in the net gearing ratio.** As of 30 June 2016, the net gearing ratio was 55.7%, significantly decreased from 73.1% at the beginning of the year. The average borrowing interest rate was down from 5.02% for the first half of 2015 to 4.94%.

- **Foreign currency exchange exposure was effectively controlled.** In the first half of 2016, the Group's foreign currency denominated loans decreased by approximately RMB12.52 billion. The pro rata amount corresponding to foreign currency denominated loans decreased significantly to 24% from 53% at the beginning of the year. So far, a match in essence between the remaining foreign currency denominated loans and the offshore assets has been achieved, thus foreign exchange exposure has been effectively managed and controlled.
- **Progress achieved in refined management.** The Group fully implemented the Activity Based Cost accounting and control system and also established four platforms, namely commercial operation division, products center, financial center and property management, strengthening the core operating capacity in professional areas. The Group fully promoted core staff incentive scheme for project developments and has been contemplating the staff share incentive scheme.
- **Return to shareholders.** The Board proposed to declare an interim dividend for 2016 of HK\$0.033 per share, which is equivalent to approximately RMB0.028 per share, representing 40% of profit per share attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and net exchange loss recognized in the consolidated income statement.

Results Summary

- | | |
|--|---------------------------------|
| • Revenue | RMB5.08 billion (-23.3%) |
| • Core net profit* | RMB0.86 billion (+17.2%) |
| • Contracted sales value | RMB16.03 billion (+39.5%) |
| • Unrecognized sales value | RMB33.87 billion (+49.8%) |
| • Total assets | RMB113.95 billion (+1.7%) |
| • Cash and cash equivalent and charged bank deposits | RMB17.59 billion (+16.0%) |
| • Net gearing ratio | 55.7% (-17.4 percentage points) |

* Core net profit represents profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and net foreign exchange gain/loss.

UNAUDITED RESULTS

The board of directors (“Directors” or “Board”) of Yuexiu Property Company Limited (“Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) prepared under Hong Kong Accounting Standard 34 “Interim Financial Reporting” for the six months ended 30 June 2016, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	5,079,101	6,624,661
Cost of sales	4	<u>(3,801,150)</u>	<u>(4,887,605)</u>
Gross profit		1,277,951	1,737,056
Proceeds from sales of investment properties		43,764	216,088
Direct costs of investment properties sold		<u>(31,569)</u>	<u>(144,277)</u>
Gain on sales of investment properties, net		12,195	71,811
Fair value gains on revaluation of investment properties, net		227,052	679,285
Other gains, net	5	782,490	39,518
Selling and marketing costs	4	(260,397)	(198,291)
Administrative expenses	4	<u>(283,229)</u>	<u>(306,196)</u>
Operating profit		1,756,062	2,023,183
Finance income	6	56,018	57,001
Finance costs	7	(412,184)	(169,844)
Share of profit of			
- joint ventures		12,587	338
- associated entities		<u>154,611</u>	<u>201,876</u>
Profit before taxation		1,567,094	2,112,554
Taxation	8	<u>(569,836)</u>	<u>(879,018)</u>
Profit for the period		<u><u>997,258</u></u>	<u><u>1,233,536</u></u>

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
Attributable to			
Equity holders of the Company		974,088	1,197,623
Non-controlling interests		<u>23,170</u>	<u>35,913</u>
		<u>997,258</u>	<u>1,233,536</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
- Basic and diluted	9	<u>0.0785</u>	<u>0.0966</u>

Details of dividends payable to equity holders of the Company are set out in Note 10.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Unaudited	
	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	997,258	1,233,536
	-----	-----
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences	5,898	(2,663)
Change in fair value of available-for-sale financial assets, net of tax	30,424	15,150
	-----	-----
Other comprehensive income for the period, net of tax	36,322	12,487
	-----	-----
Total comprehensive income for the period	<u>1,033,580</u>	<u>1,246,023</u>
Attributable to		
Equity holders of the Company	1,008,755	1,209,286
Non-controlling interests	24,825	36,737
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	<u>1,033,580</u>	<u>1,246,023</u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016**

		As at	
	<i>Note</i>	30 June 2016	31 December 2015
		<i>Unaudited</i>	<i>audited</i>
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,543,696	1,462,807
Investment properties	12	14,490,565	14,168,595
Land use rights	13	238,755	244,458
Interests in joint ventures		5,072,637	5,134,642
Interests in associated entities		9,608,933	7,083,320
Available-for-sale financial assets		1,033,005	988,875
Deferred tax assets	18	<u>198,982</u>	<u>208,302</u>
		<u>32,186,573</u>	<u>29,290,999</u>
Current assets			
Properties under development		45,260,916	40,171,217
Properties held for sale		9,892,897	12,754,963
Prepayments for land use rights		2,534,737	11,888,938
Inventories		37,693	36,061
Derivative financial instruments		28,039	27
Trade receivables	14	39,350	32,465
Other receivables, prepayments and deposits		4,733,912	1,861,832
Taxation recoverable		1,608,777	783,447
Charged bank deposits		5,462,603	5,622,570
Cash and cash equivalents		<u>12,125,484</u>	<u>9,545,548</u>
		<u>81,724,408</u>	<u>82,697,068</u>
Non-current assets held-for-sale	15	<u>36,587</u>	<u>36,587</u>

		As at	
	<i>Note</i>	30 June 2016	31 December 2015
		<i>Unaudited RMB'000</i>	<i>audited RMB'000</i>
LIABILITIES			
Current liabilities			
Trade and note payables	16	83,457	125,105
Advance receipts from customers		21,981,021	13,915,464
Other payables and accrued charges		18,502,668	20,374,641
Borrowings	17	7,493,062	5,511,795
Taxation payable		<u>2,125,175</u>	<u>2,607,085</u>
		<u>50,185,383</u>	<u>42,534,090</u>
Net current assets		<u>31,575,612</u>	<u>40,199,565</u>
Total assets less current liabilities		<u>63,762,185</u>	<u>69,490,564</u>
Non-current liabilities			
Borrowings	17	25,864,609	32,653,146
Deferred tax liabilities	18	5,403,786	5,275,522
Deferred revenue		60,109	61,006
Other payables and accrued charges		<u>2,427</u>	<u>34,686</u>
		<u>31,330,931</u>	<u>38,024,360</u>
Net assets		<u>32,431,254</u>	<u>31,466,204</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		12,759,402	12,759,402
Other reserves		577,222	542,555
Retained earnings			
- Proposed dividends	10	347,237	198,421
- Others		<u>16,943,070</u>	<u>16,117,798</u>
		30,626,931	29,618,176
Non-controlling interests		<u>1,804,323</u>	<u>1,848,028</u>
Total equity		<u>32,431,254</u>	<u>31,466,204</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Unaudited	
	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities		
Net cash generated from operations	7,648,281	1,585,741
Interest received	37,922	31,016
Interest paid	(1,090,924)	(868,618)
Hong Kong profits tax paid	(4,312)	(1,738)
China taxation paid	<u>(1,748,883)</u>	<u>(920,227)</u>
Net cash generated from/(used in) operating activities	<u>4,842,084</u>	<u>(173,826)</u>
Investing activities		
Acquisition of a subsidiary, net of cash acquired	—	(492,338)
Increase in prepayments for land use rights	—	(1,779,600)
Additions of property, plant and equipment	(97,598)	(123,597)
Proceeds from sale of property, plant and equipment	14,789	3,172
Additions of investment properties	(110,304)	(997,469)
Proceeds from sale of investment properties	43,764	216,088
Dividends received from joint ventures and associated entities	137,074	124,767
Capital injection into associated entities	(215,000)	—
Net proceeds from disposal of a subsidiary	3,686,024	—
Receipts from joint ventures and associated entities	169,747	99,989
Decrease in charged bank deposits	<u>159,967</u>	<u>545,042</u>
Net cash generated from/(used in) investing activities	<u>3,788,463</u>	<u>(2,403,946)</u>

	Unaudited	
	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Financing activities		
Dividends paid to a non-controlling interest	(68,539)	—
Capital injection by a non-controlling interest	9	—
Loan from intermediate holding company	1,767,238	—
Increase/(decrease) in amount due to an intermediate holding company	1	(526)
(Decrease)/increase in amounts due to joint ventures and associated entities	(1,049,075)	2,905,204
Increase/(decrease) in amounts due to related companies and fellow subsidiaries	15,288	(14,268)
New bank borrowings	9,047,150	4,469,673
Repayment of bank borrowings	(15,768,397)	(5,920,241)
Additions of finance lease	<u>—</u>	<u>96</u>
Net cash (used in)/generated from financing activities	<u>(6,056,325)</u>	<u>1,439,938</u>
Increase/(decrease) in cash and cash equivalents	2,574,222	(1,137,834)
Cash and cash equivalents at the beginning of period	9,545,485	7,882,576
Exchange gain on cash and cash equivalents	<u>5,709</u>	<u>278</u>
Cash and cash equivalents at the end of period	<u>12,125,416</u>	<u>6,745,020</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	12,125,484	6,745,078
Bank overdrafts	<u>(68)</u>	<u>(58)</u>
	<u>12,125,416</u>	<u>6,745,020</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New standard, amendments to existing standards and improvements adopted by the Group:

The following new standard, amendments to existing standards and improvements relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2016 for the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Annual improvements 2012-2014 cycle	Improvements to HKFRSs	1 January 2016

The Group has assessed the impact of the adoption of these new standards, amendments to existing standards and improvements that are effective for the first time for this interim period and considered that there was no material impact on the Group.

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

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

3 SEGMENT INFORMATION

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

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

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

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

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, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

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

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2016 and 2015 respectively.

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Six months ended 30 June 2016					
Revenue	4,474,331	261,914	234,386	717,622	5,688,253
Inter-segment revenue	<u>—</u>	<u>(38,983)</u>	<u>(1,364)</u>	<u>(568,805)</u>	<u>(609,152)</u>
Revenue from external customers	<u>4,474,331</u>	<u>222,931</u>	<u>233,022</u>	<u>148,817</u>	<u>5,079,101</u>
Segment results	<u>567,910</u>	<u>10,084</u>	<u>405,223</u>	<u>12,555</u>	<u>995,772</u>
Depreciation and amortisation	<u>(29,679)</u>	<u>(100)</u>	<u>—</u>	<u>(86)</u>	<u>(29,865)</u>
Fair value gains on revaluation of investment properties	<u>—</u>	<u>—</u>	<u>227,052</u>	<u>—</u>	<u>227,052</u>
Share of profit of					
- joint ventures	12,587	—	—	—	12,587
- associated entities	<u>(4,487)</u>	<u>—</u>	<u>153,089</u>	<u>6,009</u>	<u>154,611</u>
Six months ended 30 June 2015					
Revenue	6,155,839	238,041	172,225	527,975	7,094,080
Inter-segment revenue	<u>—</u>	<u>(30,293)</u>	<u>(2,571)</u>	<u>(436,555)</u>	<u>(469,419)</u>
Revenue from external customers	<u>6,155,839</u>	<u>207,748</u>	<u>169,654</u>	<u>91,420</u>	<u>6,624,661</u>
Segment results	<u>1,153,563</u>	<u>9,890</u>	<u>847,020</u>	<u>2,000</u>	<u>2,012,473</u>
Depreciation and amortisation	<u>(20,312)</u>	<u>(308)</u>	<u>—</u>	<u>(6,473)</u>	<u>(27,093)</u>
Fair value gains on revaluation of investment properties	<u>—</u>	<u>—</u>	<u>679,285</u>	<u>—</u>	<u>679,285</u>
Share of profit of					
- joint ventures	338	—	—	—	338
- associated entities	<u>(4,466)</u>	<u>—</u>	<u>200,053</u>	<u>6,289</u>	<u>201,876</u>

	Property development	Property management	Property investment	Others	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 30 June 2016					
Segment assets	78,145,350	590,840	14,490,565	475,074	93,701,829
Interests in joint ventures	5,072,637	—	—	—	5,072,637
Interests in associated entities	<u>3,156,912</u>	<u>—</u>	<u>6,268,294</u>	<u>183,727</u>	<u>9,608,933</u>
Total reportable segments' assets	<u>86,374,899</u>	<u>590,840</u>	<u>20,758,859</u>	<u>658,801</u>	<u>108,383,399</u>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<u>97,281</u>	<u>273</u>	<u>110,304</u>	<u>44</u>	<u>207,902</u>
As at 31 December 2015					
Segment assets	83,153,011	542,040	14,168,595	422,808	98,286,454
Interests in joint ventures	5,134,642	—	—	—	5,134,642
Interests in associated entities	<u>714,605</u>	<u>—</u>	<u>6,191,003</u>	<u>177,712</u>	<u>7,083,320</u>
Total reportable segments' assets	<u>89,002,258</u>	<u>542,040</u>	<u>20,359,598</u>	<u>600,520</u>	<u>110,504,416</u>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<u>163,887</u>	<u>3,018</u>	<u>1,337,935</u>	<u>460</u>	<u>1,505,300</u>

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

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	995,772	2,012,473
Unallocated operating costs (note)	(22,200)	(28,808)
Other gains, net	<u>782,490</u>	<u>39,518</u>
Operating profit	1,756,062	2,023,183
Finance income	56,018	57,001
Finance costs	(412,184)	(169,844)
Share of profit of		
- joint ventures	12,587	338
- associated entities	<u>154,611</u>	<u>201,876</u>
Profit before taxation	<u><u>1,567,094</u></u>	<u><u>2,112,554</u></u>

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

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

	As at	
	30 June	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segments' assets	108,383,399	110,504,416
Deferred tax assets (Note 18)	198,982	208,302
Taxation recoverable	1,608,777	783,447
Corporate assets	<u>3,756,410</u>	<u>528,489</u>
Total assets	<u><u>113,947,568</u></u>	<u><u>112,024,654</u></u>

For the six months ended 30 June 2015 and 2016, no geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in China.

For the six months ended 30 June 2015 and 2016, the Group does not have any single customer with the transaction value over 10% of the total external revenue.

4 Expenses by nature

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Amortisation of land use rights (note 13)	5,703	5,429
Business tax and other levies	346,926	398,509
Depreciation (note 11)		
- Owned property, plant and equipment	24,123	21,628
- Leased property, plant and equipment	39	36
Reversal of provision for impairment of property, plant and equipment (note 11)	<u>(3,731)</u>	<u>(2,237)</u>

5 Other gains, net

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Excess of the fair value of net assets of a subsidiary acquired over acquisition cost	—	6,059
Gain on deemed disposal of an associated entity	—	17,743
Gain on disposal of a subsidiary (note 19)	371,791	—
Gain on disposal of property, plant and equipment	332	—
Gain on deemed acquisition of an associated entity (note 19)	358,422	—
Fair value gain on derivative financial instruments	28,039	—
Fair value losses on derivative financial instruments	(27)	(3,553)
Government subsidy	—	19,269
Others	<u>23,933</u>	—
	<u>782,490</u>	<u>39,518</u>

6 Finance income

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income from bank deposits	37,922	31,016
Fair value gain on top-up payment liability	<u>18,096</u>	<u>6,363</u>
Net foreign exchange gain on financing activities	—	19,622
	<u>56,018</u>	<u>57,001</u>

7 Finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest on borrowings and bank overdrafts	691,281	651,980
Interest on loan from associated entities	10,039	16,338
Interest on loan from an intermediate holding company	59,307	1,851
Interest on other borrowings	213,843	194,745
Interest on other payable (note)	116,454	—
Interest expense from top-up payment liability	—	3,704
Net foreign exchange loss on financing activities	<u>180,813</u>	<u>—</u>
Total borrowing costs incurred	1,271,737	868,618
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	<u>(955,588)</u>	<u>(698,774)</u>
	316,149	169,844
Loss on extinguishment of financial liabilities	<u>96,035</u>	<u>—</u>
	<u>412,184</u>	<u>169,844</u>

Note: Interest on other payable represents interest on the current amount of a subsidiary of the Group due to a minority interest. The balance is approximately RMB2,200,000,000 as at 30 June 2016 and 31 December 2015. The balance which is included in other payables and accrued charges is repayable on demand and denominated in RMB.

8 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2015: 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 (2015: 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 (2015: 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 income statement comprises:

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation		
- Hong Kong profits tax	94	48
- China enterprise income tax	255,115	255,333
- China land appreciation tax	50,918	206,111
Deferred taxation		
- Origination and reversal of temporary differences	189,218	313,867
- Corporate withholding income tax on undistributed profits	<u>74,491</u>	<u>103,659</u>
	<u>569,836</u>	<u>879,018</u>

9 Earnings per share

Basic

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

	Six months ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	<u>974,088</u>	<u>1,197,623</u>
Weighted average number of ordinary shares in issue ('000)	<u>12,401,307</u>	<u>12,401,307</u>
Basic earnings per share (RMB)	<u>0.0785</u>	<u>0.0966</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares during the six months ended 30 June 2016 and 30 June 2015, diluted earnings per share is equal to basic earnings per share.

10 Dividends

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
2015 final, declared and unpaid, of HK\$0.019 equivalent to RMB0.016 (2014: HK\$0.027 equivalent to RMB0.022) per ordinary share	<u>198,421</u>	<u>267,508</u>
2016 interim, proposed, of HK\$0.033 equivalent to RMB0.028 (2015: HK\$0.029 equivalent to RMB0.024) per ordinary share	<u>347,237</u>	<u>297,631</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. It will be recognised in shareholders' equity in the year ending 31 December 2016.

11 Property, plant and equipment

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	1,462,807	1,286,323
Exchange differences	5,983	(99)
Additions	97,598	123,597
Disposals	(2,261)	(3,172)
Depreciation	(24,162)	(21,664)
Transfer to non-current assets held-for-sale	—	(36,587)
Reversal of provision for impairment	<u>3,731</u>	<u>2,237</u>
At 30 June	<u>1,543,696</u>	<u>1,350,635</u>

12 Investment properties

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	14,168,595	12,614,339
Exchange differences	13,757	(207)
Additions	110,304	997,469
Disposals	(29,143)	(135,577)
Fair value gains	<u>227,052</u>	<u>679,285</u>
At 30 June	<u>14,490,565</u>	<u>14,155,309</u>

13 Land use rights

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	244,458	255,043
Amortisation	<u>(5,703)</u>	<u>(5,429)</u>
At 30 June	<u>238,755</u>	<u>249,614</u>

14 Trade receivables

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

	As at	
	30 June	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	15,212	16,703
31 - 90 days	11,007	3,279
91 - 180 days	1,536	—
181 - 365 days	1,867	1,375
Over 1 year	<u>9,728</u>	<u>11,108</u>
	<u>39,350</u>	<u>32,465</u>

15 Non-current assets held-for-sale

In June 2015, the Group signed a sales and purchase agreement to dispose of a hotel in Guangzhou. The transaction is expected to be completed in 2016.

16 Trade and note payables

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

	As at	
	30 June 2016	31 December 2015
	RMB'000	RMB'000
0 - 30 days	23,283	54,655
31 - 90 days	28,986	60,510
91 - 180 days	12,193	2,265
181 - 365 days	11,589	3,979
1 - 2 years	3,859	231
Over 2 years	3,547	3,465
	<u>83,457</u>	<u>125,105</u>

17 Borrowings

	As at	
	30 June 2016	31 December 2015
	RMB'000	RMB'000
Non-current		
Long-term bank borrowings		
- Secured	9,896,504	11,772,953
- Unsecured	7,933,575	13,002,332
Other borrowings, unsecured	8,034,438	7,877,747
Obligations under finance leases	92	114
	<u>25,864,609</u>	<u>32,653,146</u>
Current		
Bank overdrafts	68	63
Short-term bank borrowings		
- Unsecured	1,649,521	736,446
Current portion of long-term bank borrowings		
- Secured	2,974,810	1,338,550
- Unsecured	1,103,869	3,436,667
Other borrowings, unsecured	1,764,738	—
Obligations under finance leases	56	69
	<u>7,493,062</u>	<u>5,511,795</u>
Total borrowings	<u>33,357,671</u>	<u>38,164,941</u>

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other borrowings	
	As at		As at	
	30 June	31 December	30 June	31 December
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	5,728,268	5,511,726	1,764,794	69
In the second year	8,286,830	14,189,406	2,803,966	500,052
In the third to fifth year	7,918,249	8,820,879	46	2,258,212
Over five years	<u>1,625,000</u>	<u>1,765,000</u>	<u>5,230,518</u>	<u>5,119,597</u>
	<u>23,558,347</u>	<u>30,287,011</u>	<u>9,799,324</u>	<u>7,877,930</u>

On 24 January 2013, the Company issued and sold United States Dollar (“USD”) 350 million principal 3.25% notes due in 2018 and USD500 million principal 4.50% notes due in 2023 (together, the “USD Bonds”) to investors under a USD2,000 million medium term note programme established on 11 January 2013 (the “programme”). On 24 November 2014, the Company further issued and sold Hong Kong Dollar (“HKD”) 2,300 million principal 6.10% notes due in 2029 (the “HKD Bond”) under the programme. All of the USD Bonds and HKD Bond remained outstanding at 30 June 2016.

18 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 2016 and 31 December 2015 represents:

	As at	
	30 June	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets		
- China enterprise income tax	<u>198,982</u>	<u>208,302</u>
Deferred tax liabilities		
- Hong Kong profits tax	37,006	36,337
- China enterprise income tax	3,449,883	3,378,947
- China land appreciation tax	<u>1,916,897</u>	<u>1,860,238</u>
	<u>5,403,786</u>	<u>5,275,522</u>

19 Business combination

On 13 April 2016, the Group, Guangzhou Lianheng Real Estate Co., Ltd. (“Lianheng Company”) and Guangzhou Hongsheng Property Development Co., Ltd. (“Hongsheng Company”) entered into an equity transfer agreement which the Group disposed of 49% interest of Hongsheng Company for a consideration of RMB2,327 million to Lianheng Company. On 28 May 2016, the Group and Lianheng Company have entered another equity transfer agreement with Guangzhou Yunxiu Property Investment Co., Ltd. (“Yunxiu Company”) to dispose another 2% for a consideration of RMB95 million to Yunxiu Company. The transactions have been completed on 28 June 2016, thereafter, Hongsheng Company became an associated entity of the Group.

Details of the net assets disposed and the gain on disposal are as follows:

	2016 <i>RMB'000</i>
Assets and liabilities disposed of:	
Properties under development	7,226,843
Other receivables, prepayments and deposits	299
Cash and cash equivalents	4,066
Other payables and accrued charges	(3,073,322)
Deferred tax liabilities	<u>(139,440)</u>
	<u><u>4,018,446</u></u>
Consideration received (comprises consideration for equity transfer and shareholder's loan transfer)	3,690,090
Consideration receivable	350,000
Investment in an associated entity	2,327,460
Direct costs attributable to the disposal	(1,260)
Less: net assets disposed of	(4,018,446)
Less: shareholder's loan	<u>(1,617,631)</u>
Gain on disposal of a subsidiary and gain on deemed acquisition of an associated entity	<u><u>730,213</u></u>

20 Guarantees

	As at	
	30 June 2016	31 December 2015
	RMB'000	RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	12,266,386	11,407,798
Guarantees for banking and loan facilities granted to associated entities (note (b))	<u>2,670,513</u>	<u>2,360,000</u>
	<u>14,936,899</u>	<u>13,767,798</u>

Notes:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) Certain subsidiaries of the Group provided guarantees to loans borrowed by certain associated entities, including a syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after full repayment of the syndicated loan.

21 Commitments under operating leases

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

	As at	
	30 June 2016	31 December 2015
	RMB'000	RMB'000
Not later than one year	33,779	33,508
Later than one year and not later than five years	<u>44,162</u>	<u>48,136</u>
	<u>77,941</u>	<u>81,644</u>

22 Capital commitments

	As at	
	30 June 2016	31 December 2015
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	782,411	659,873
Authorised but not contracted for	<u>1,206,490</u>	<u>1,358,728</u>
	<u>1,988,901</u>	<u>2,018,601</u>

23 Securities for banking facilities

At 30 June 2016, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties and property, plant and equipment with an aggregate carrying value of approximately RMB22,431 million (31 December 2015: RMB29,775 million), RMB393 million (31 December 2015: RMB338 million), RMB7,623 million (31 December 2015: RMB5,538 million) and RMB637 million (31 December 2015: RMB627 million) respectively;
- (b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB7 million (31 December 2015: RMB7 million).

24 Significant related party transactions

(a) Related parties

The Company's ultimate holding company is Guangzhou Yuexiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 30 June 2016:

<u>Significant related parties</u>	<u>Relationship with the Company</u>
Guangzhou Yuexiu Holdings Limited ("GYHL")	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Kiu Fung Limited ("Kiu Fung")	A fellow subsidiary
Yue Xiu International Development Limited ("YXIDL")	A fellow subsidiary
Yue Xiu Cold Storage and Warehousing Limited ("YXCSSL")	A fellow subsidiary

Significant related parties**Relationship with the Company**

Yuexiu Real Estate Investment Trust (“Yuexiu REIT”)	An associated entity
Chong Hing Bank Limited (“CHB”)	A fellow subsidiary
Guangzhou Yuexiu Nuocheng Business Investment Enterprise (Limited Partnership) (“GYNBIE”)	A non-controlling interest

(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	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
(I) Transactions with YXE		
Rental expenses and property management fees paid to YXE	(1,821)	(1,395)
Interest expenses paid to YXE	(59,307)	(1,851)
(II) Transactions with YXIDL		
Rental income received from YXIDL	356	90
Management fee paid to YXIDL	(1,250)	(988)
(III) Transaction with YXCSWL		
Rental income received from YXCSWL	1,422	1,680
(IV) Transaction with Kiu Fung		
Administrative service fees received from Kiu Fung	550	510
(V) Transactions with Yuexiu REIT		
Tenancy service fees received from Yuexiu REIT	11,288	11,021
Rental expenses paid to Yuexiu REIT	(34,520)	(36,637)
Interest paid to Yuexiu REIT	(9,618)	(16,338)
Top up payment paid to Yuexiu REIT	(35,442)	(38,093)
(VI) Transaction with CHB		
Borrowing interest paid to CHB	(6,120)	(8,097)
(VII) Transaction with GYNBIE		
Consideration paid to GYNBIE	<u>—</u>	<u>(544,912)</u>

(c) **Balances with related parties**

		As at	
		30 June	31 December
		2016	2015
	Note	RMB'000	RMB'000
Amount due to an intermediate holding company	(ii)	(9)	(8)
Amounts due from associated entities	(i), (iv)	1,967,652	464,134
Amounts due to associated entities	(ii), (vi),(vii)	(4,603,130)	(5,954,246)
Amounts due from joint ventures	(i), (iii), (v)	3,482,908	3,531,691
Amounts due to joint ventures	(i), (ii)	(1,189,778)	(768,727)
Amounts due from related companies	(i), (ii)	38,283	21,239
Amounts due to related companies	(i), (ii)	(35,582)	(50,870)
Amount due from a fellow subsidiary	(viii)	5,000	—
Amounts due to fellow subsidiaries	(i)	(142,921)	(142,921)
Amounts due to non-controlling interests	(i)	(563,885)	(498,395)
Cash at bank from a fellow subsidiary	(i)	56,727	220,036
Bank borrowings from a fellow subsidiary	(ix)	—	(251,334)
Other borrowings from an intermediate holding company	(x)	(1,767,238)	—
Other borrowings from a fellow subsidiary	(xi)	(197,907)	(192,498)
Other borrowings from a fellow subsidiary	(xii)	<u>(492,500)</u>	<u>(500,000)</u>

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

Notes:

- (i) These balances are unsecured, interest free and repayable on demand.
- (ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iii) The balance is included in interests in joint ventures except for an amount of RMB63,810,000 (31 December 2015: RMB38,000,000) which is included in other receivables, prepayments and deposits.
- (iv) The balance is included in interests in associated entities except for an amount of RMB1,611,703,000 (31 December 2015: RMB12,422,000) 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 2015: RMB999,000) which is made for an amount due from a joint venture.

- (vi) The balance excludes top-up payment liability with an amount of approximately RMB67,704,000 (31 December 2015: RMB118,234,000) which is included in other payables and accrued expenses.
- (vii) Except for an amount of approximately RMB175,218,000 (31 December 2015: RMB292,900,000) which is unsecured and interest bearing at 9.0 percent per annum, the remaining balances are unsecured, interest free and repayable on demand.
- (viii) The balance is unsecured and interest bearing at 4.35% (31 December 2015: nil) per annum due 2019.
- (ix) These balances are unsecured and interest bearing at HIBOR +2.5 percent per annum.
- (x) These balances are unsecured and interest bearing at 4.35%, repayable within twelve months and are denominated in RMB.
- (xi) These balances are the medium term notes with coupon rate of 3.25% per annum due 2018.
- (xii) The balance is unsecured and interest bearing at 5.88% (31 December 2015: 6.19%) per annum due 2017.

(d) Key management compensation

Key management compensation amounted to RMB2,772,000 for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB2,814,000).

25 Events after the period end date

On 27 July 2016, China Securities Regulatory Commission approved the application of a 95%-owned subsidiary of the Company (the “Issuer”) for the public issuance of guaranteed interest-bearing corporate bonds with an aggregate principal amount of up to RMB8,000,000,000 to qualified investors in China.

On 3 August 2016, the Issuer completed the public issuance of the first tranche of corporate bonds of RMB3,000,000,000, among which RMB1,000,000,000 was issued with a fixed term of 3 years at a coupon rate of 2.95% per annum and RMB2,000,000,000 was issued with a fixed term of 5 years at a coupon rate of 3.00% per annum with the Issuer’s option to adjust the coupon rate at the end of the third year.

In August 2016, in relation to the outstanding medium term notes with a coupon rate of 3.25% per annum due 2018 of the principal amount of US\$350,000,000 (“2018 Notes”), the Company repurchased the 2018 Notes of the principal amount of US\$260,559,000 at the repurchase price and repurchase yield of US\$1,012.98 for each US\$1,000 and 2.334% respectively. The Company also early redeemed the remaining 2018 Notes of the principal amount of US\$89,441,000 at an early redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to (but excluding) 15 August 2016.

CHAIRMAN’S STATEMENT

I. BUSINESS REVIEW

Economic and Market Environment

During the first half of 2016, global economic recovery was slow with a number of factors leading to instability and uncertainties in economic growth. The United Kingdom’s “Exit from EU” brought new risks to global economy. Economy recovery of the United States was strong but still unstable. Economic growth in emerging markets and developing economies had declined. Economy recovery in Euro zone countries and Japan remained difficult despite implementation of further quantitative easing measures. Under the new economic normality and with the support resulting from the policy stabilising the growth of China economy, industrial and consumption growth remained stable and the year-on-year GDP growth remained at a relatively reasonable level of 6.7%. However, growth momentum in private investments and external demand remained weak and signs of slowing down also appeared in real estate investments, with an increasing downward pressure on macroeconomic growth. Facing an unfavorable environment of relatively weak external economies, the central government kept on increasing support from the policy stabilising growth, promoting urbanization and deepening reforms to generate dividends, which were conducive to strengthen the fundamental trend of a stable economy in China.

During the first half of the year, under the support of multiple favorable policies including cutting down payment, tax reduction and credit easing, China real estate market experienced increases in both transaction volumes and prices. The GFA of commodity housing sales was approximately 640 million sq.m., representing a year-on-year increase of 27.9% while revenue from commodity housing sales was approximately RMB4.9 trillion, representing a year-on-year increase of 44.4%. “Inventory reduction” in the housing sector achieved remarkable results which was a key driving force in stabilizing macroeconomic growth during the first half of the year. On the other hand, differentiation in housing markets became more obvious. Transaction volumes and prices of first tier and heated second tier cities increased at the same time while supply was in shortage. “Land Kings” frequently emerged and historical new high level was recorded in overall premium rate. Market risk was also accumulating and increasing gradually. Market concentration in the industry kept on rising with intensified competition. Third and fourth tier cities still encountered oversupply, “inventory reduction” and pressure of fall in price.

Key Operating Results

During the first half of the year, by adhering to the key economy work guidelines of the central government to “eliminate inventory, stabilize growth”, conforming to the themes of “upgrading management to increase capabilities and achieving breakthrough in reforms to promote development” and the objectives of “revitalizing resources, enhancing abilities and strengthening businesses”, the Group achieved continuous stable growth in business operation.

During the first half of the year, the revenue of the Group was approximately RMB5.08 billion, representing a year-on-year decrease of 23.3%. Profit attributable to equity holders was approximately RMB0.97 billion, decreased by 18.7% on a year-on-year basis. Core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and net foreign exchange gain/loss recognized in consolidated income statement) was approximately RMB0.86 billion, increased by 17.2% on a year-on-year basis.

The Board proposed to declare an interim dividend for 2016 of HK\$0.033 per share, which is equivalent to approximately RMB0.028 per share, and accounts for 40% of the profit attributable to equity holders per share (excluding fair value gains on revaluation of investment properties and the related tax effect and foreign exchange gain/loss recognized in consolidated income statement).

Record High Contracted Sales

In the first half year, by capturing the opportunity of a strong market rebound brought by favourable policies, stepping up its efforts in launching properties sale in a timely manner and accelerating sales to seize the opportunities resulting from the release of the rigid and upgrading demand, the Group achieved good sales results. The overall sales price was also raised. The Group recorded aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB16.03 billion and the aggregate contracted sales GFA was approximately 1,422,000 sq.m., increased by 39.5% and 30.5% respectively on a year-on-year basis.

Enhancement of Financial Position

In the first half year, the Group fully utilised its advantages of onshore and offshore diversified financing channels to rationalize resources allocation and continued to optimize the debt structure. Based on the expectation of fluctuations in the exchange rate of Renminbi, the Group adopted various measures to effectively mitigate exchange risks, with a net decrease in foreign currency loans equivalent to approximately RMB12.52 billion. The pro rata amount corresponding to foreign currency loans decreased significantly from 53% at the beginning of the year to 24%. A match in essence between the remaining foreign currency debts and the existing foreign assets has been achieved and thus foreign exchange exposure has been effectively managed and controlled. The Group adopted effective measures to continue to reduce the borrowing interest rate. The average borrowing interest rate for the first half of 2016 decreased to 4.94% from 5.02% for the first half of 2015.

In the first half year, the Group achieved net inflow of operating cash flow of approximately RMB4.84 billion and held total cash of approximately RMB17.59 billion, representing an increase of 16.0% from the beginning of the year. As of 30 June 2016, the net gearing ratio of the Group decreased substantially from 73.1% at the beginning of the year to 55.7%, which was attributed to net cash inflows from operating activities and cash received from the disposal of equity interests in Guangzhou Starry Sky City and the repayment of substantial debts in the first half of the year. Moody's, Fitch and Standard & Poor all maintained the investment grade ratings granted to the Group.

Continued Optimization of the Regional Layout

In accordance with the development strategy of the "13th Five-year Plan", in terms of regional expansion layout, the Group made the Pearl River Delta, the Yangtze River Delta and the Central China region, where Guangzhou, Hangzhou and Wuhan are located, the three major growth regions and allocated resources in priority. As at the date of this announcement, the Group acquired land parcels located in Guangzhou and Hangzhou, with a total GFA of approximately 260,000 sq.m. In terms of the attributable interest, the land premium were approximately RMB1.20 billion.

As of 30 June 2016, the total landbank of the Group was approximately 13.25 million sq.m.. In terms of the attributable interest, the landbank was approximately 10.35 million sq.m.. The Group's landbank is located in 12 cities in the Pearl River Delta, the Yangtze River Delta, pan-Bohai Rim and Central region, with more than 80% located in Tier 1 and Tier 2 cities.

Continued Enhancement of Commercial Operation Capability

Commercial operation capability is the Group's core competitive strength. To rapidly enhance the operating capability of the commercial projects of the Group and optimize the commercial platform operation model, the Group established a new commercial property management company to comprehensively deepen the vertical business management of the projects, promote the "dual platform" interaction with Yuexiu REIT and enhance the operating capability of commercial projects.

Progress achieved in Refined Management

The Group will comprehensively promote the implementation of activity-based costing and control system to enhance its cost control capability. The Group optimized the organizational structure with the objective of establishing an organizational management and control system of "strategic headquarters, coordinating and operating regions and managing projects" to exert an effective regional management and control and improve the regional resources integration efficiency. The Group newly established four major platforms of commercial property operations, product centre, financial centre and property management to fully strengthen the core capability to compete in professional areas.

In the first half year, the Group continued to improve the market-oriented employment mechanism and strengthened the building of talent echelons. The plan of co-investment by project management teams and win-win profit-sharing plan was fully promoted within the Group with an aim to share risks and profits to stimulate organizational vitality, enhance human capital efficiency and operational efficiency, strengthen inner growth momentum and effectively generate the motivation of project management teams to create value for shareholders.

II. BUSINESS OUTLOOK

Looking forward to the second half of 2016, the global economy will continue to show a trend of weak recovery. Factors such as Britain's exit from the EU and interest rate hike by the US Federal Reserve are bound to exacerbate the volatility in the global economy. The global economy will face with greater challenges and uncertainties. Under the new economic normality, China economy is in a critical period of restructuring and upgrading. The real economy is still facing with difficulties and it is difficult to see any substantive improvement in the external demand. The risk of a downturn in the macro economy remains high. It is anticipated that with economic challenges, the central government will accelerate the "supply side reform", step up efforts in positive fiscal policies and continue to implement prudent monetary policies. In the second half of the year, the macro economy will remain stable.

Real estate industry will still play a key role in stabilizing the economy and promoting growth and the policy environment for this sector will still be relatively lenient. The medium and high rate growth of the economy, an increase in the per capita disposable income and the continued development of urbanization will create new room for growth for the real estate industry. In the second half of the year, it is expected that the overall property market will remain stable. However, the differentiation in market trends is obvious. The de-stocking pressure of Tier 1 and Tier 2 cities basically falls, but the pressure for Tier 3 and Tier 4 cities remains high. Market competition becomes more intense. The degree of industry concentration continues to surge. The pace of mergers and acquisitions in the market will accelerate.

In the second half of 2016, the Group, with the aim to accomplish sales and operating targets for the full year, will continue to implement the business development plan for the year and actively promote the implementation of various development strategies under the "13th Five-year Plan". The Group will focus on three core regions, namely Greater Guangzhou, Central China Region and Yangtze River Delta and strengthen and optimize the business of development and operation of residential and commercial properties so as to develop the Group into an outstanding enterprise in the industry and constantly create value for shareholders.

Operation Strategies

The Group will implement a development model driven by resources acquisition and operation enhancement. The Group pursues sustainable and stable growth in principal operations of residential and commercial property and insists on the parallel development of residential and commercial properties. For the development of residential properties, the Group will capitalize on the market cycle, speed up turnover and endeavor to increase the investment return of projects. For the development of commercial properties, the Group will use the dual platforms interaction model consisting of the commercial management company and the “Property — REIT” to effectively consolidate and coordinate resources and enhance the core competitiveness of commercial business development and operation. The Group has established a customer resources management and coordination department to, with the assistance of data analysis and other technical means, promote the integration and coordination of customer resources and constantly enhance product competitiveness to better satisfy market and customer needs. The Group continues to optimize the design and positioning of products and enhance the brand recognition and premium capacity of products.

Investment Strategies

The Group seeks to obtain quality land resources via various means, including consolidating and integrating the quality resources within Yuexiu Group, deepening strategic cooperation with local state-owned enterprises, enhancing mergers and acquisitions in the secondary market and getting actively involved in the urban renewal plan. Efforts will be stepped up in resources allocation in key cities such as Guangzhou, Wuhan and Hangzhou and regions where they are located. The land reserve mix will be optimized and projects turnover will be accelerated to increase the return on net assets of the projects.

Financial Strategies

The Group will enhance the prudence of its financial performance indicators through maintaining its investment grade ratings. The Group will continue to optimize the assets and liabilities structure, reduce financing costs and reinforce its capability in foreign exchange management. The Group will continue to improve the operating cash flow, and ensure the adequacy of financial liquidity to support capturing market opportunities.

Management Strategies

The Group will continue to optimize the regional management and control structure of its operations, aiming to boost the operational benefits and efficiency. The core staff incentive scheme for project development will be comprehensively promoted within the Group, the staff share incentive scheme is being considered and the appraisal system and the remuneration incentive system will be optimized. The Group will enhance refined management, and continuously advance, implement and improve activity-based costing and the management and control system, to effectively control the costs, comprehensively establish a refined management system with management accounting as the core, and comprehensively strengthen management over financial, financing, investment and operational risks.

ACKNOWLEDGMENT

The Group is implementing the annual business plan and the “13th Five-year” development plan in an all-round manner and constantly reform and optimize the organizational structure and the management mechanism. With respect to the development of various businesses of the Group achieved over the years, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers and business partners for their full confidence and dedicated support.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Gross Profit

In the first half of 2016, the Group realized revenue of approximately RMB5.08 billion (the same period of 2015: RMB6.62 billion), a decrease of 23.3% comparing with the corresponding period of last year. The decrease was primarily due to a year-on-year decrease of 29.1% in the recognized sales value. Most of the Group's projects are expected to be delivered in the second half of this year. The total revenue (including proceeds from sales of investment properties) was approximately RMB5.12 billion (the same period of 2015: RMB6.84 billion), a decrease of 25.1% comparing with the corresponding period of last year. The gross profit was approximately RMB1.28 billion (the same period of 2015: RMB1.74 billion), a decrease of 26.4% comparing with the corresponding period of last year, and the gross profit margin reached approximately 25.2%, a decrease of 1 percentage point with the corresponding period of last year.

Profit Attributable to Equity Holders

In the first half of 2016, profit attributable to equity holders of the Group was approximately RMB0.97 billion (the same period of 2015: RMB1.20 billion), a decrease of 18.7% comparing with the corresponding period of last year. Excluding fair value gains on revaluation of investment properties and the related tax impact and foreign exchange gain/loss, the core net profit was approximately RMB0.86 billion (the same period of 2015: RMB0.73 billion), an increase of 17.2% comparing with the corresponding period of last year, core net profit margin was 16.9%.

Contracted Sales

In the first half of 2016, the Group recorded an aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB16.03 billion, an increase of 39.5% comparing with the corresponding period of last year, which achieved approximately 62.1% of the full-year sales targets of RMB25.8 billion. The aggregate contracted sales GFA (including contracted sales by joint venture projects) of approximately 1,422,000 sq.m., an increase of 30.5% comparing with the corresponding period of last year, which the average selling price was approximately RMB11,300 per sq.m., an increase of 7.6% comparing with the corresponding period of last year.

In terms of regional composition, Guangzhou accounted for approximately 37.5% of the aggregated contracted sales value of the first half of 2016, Pearl River Delta (excluding Guangzhou) accounted for approximately 24.4%, Yangtze River Delta accounted for approximately 16.9%, Central China Region accounted for approximately 15.4%, and Bohai Rim Economic Zone accounted for approximately 5.8%. In terms of type, residential properties accounted for approximately 90.3%, commercial properties, parking and others accounted for approximately 9.7%.

Contracted sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/ sq.m.)
1	Guangzhou Starry Cullinan	Residential	700	33	47,100
2	Guangzhou Starry Golden Sands	Residential	7,500	212	28,300
3	Guangzhou Starry Wenhua	Residential	3,900	108	27,700
4	Guangzhou Starry Wenyu	Residential	1,400	20	14,300
5	Guangzhou Paradiso Riverside	Residential	32,200	444	13,800
6	Guangzhou Starry Winking	Commercial	6,400	108	16,900
7	Guangzhou Starry Sky City	Residential	5,600	158	28,200
8	Nansha Southern Le Sand	Residential, Commercial	181,000	2,190	12,100
9	Guangzhou Lingnan Villas	Residential	59,700	793	13,300
10	Guangzhou Lingnan Wood	Residential	83,400	1,246	14,900
11	Guangzhou Yuexiu Poly Aite City	Residential	39,300	530	13,500
12	Conghua Glade Grassland	Residential	1,900	15	7,900
	Other projects	N/A	6,300	147	23,300
	Subtotal (Guangzhou)		429,300	6,004	14,000
13	Jiangmen Starry Regal Court	Residential	15,700	106	6,800
14	Jiangmen Xijiang Mansion	Residential	65,700	471	7,200
15	Zhongshan Starry Winking	Residential	105,900	649	6,100
16	Zhongshan Starry Junting	Residential	48,800	352	7,200
17	Zhongshan Starry Peakfield	Residential	29,400	185	6,300
18	Zhongshan Paradiso Jadin	Residential	149,100	681	4,600
19	Nanhai Starry Winking	Residential	14,200	233	16,400
20	Foshan Lingnan Junting	Residential	37,300	495	13,300
21	Foshan Paradiso Power	Residential	61,200	733	12,000
	Subtotal (Pearl River Delta ex. Guangzhou)		527,300	3,905	7,400
22	Hangzhou Starry City	Residential	37,200	221	5,900
23	Hangzhou Starry Joy City	Residential	29,200	360	12,300
24	Hangzhou Starry Upper City	Residential	36,200	535	14,800
25	Suzhou Paradiso Pavilion	Residential	40,900	357	8,700
26	Suzhou Starry Pavilion	Residential	85,800	1,243	14,500
	Subtotal (Yangtze River Delta)		229,300	2,716	11,800

No. Project	Type	GFA <i>(sq.m.)</i>	Value <i>(RMB mil)</i>	ASP <i>(RMB/sq.m.)</i>	
27	Wuhan Starry Winking	Residential	24,100	497	20,600
28	Wuhan Starry Emperor	Residential	57,700	721	12,500
29	Wuhan International Financial City	Residential, Commercial	44,700	1,249	27,900
	Subtotal (Central China Region)		126,500	2,467	19,500
30	Shenyang Starry Winking	Residential	4,800	53	11,000
31	Shenyang Starry Blue Sea	Residential	12,900	112	8,700
32	Yantai Starry Golden Sands	Residential	18,900	104	5,500
33	Qingdao Starry Blue Bay	Residential	73,400	666	9,100
	Subtotal (Bohai Rim)		110,000	935	8,500
	Total		1,422,400	16,027	11,300

Recognized Sales

In the first half of 2016, the recognized sales value and recognized sales GFA were approximately RMB4.52 billion (including the sale of investment properties of RMB0.04 billion) and approximately 477,000 sq.m. (including the sale of investment properties of approximately 1,000 sq.m.), decreases of 29.1% and 15.3% respectively comparing with the corresponding period of last year, and the average selling price was approximately RMB9,500 per sq.m., a decrease of 15.9% comparing with the corresponding period of last year.

Recognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/ sq.m.)
1	Guangzhou Starry Cullium	Residential	1,600	99	61,900
2	Guangzhou Starry Winking	Parking	300	11	36,700
3	Guangzhou Starry Golden Sands	Residential	10,400	240	23,100
4	Guangzhou Starry Wenhua	Residential	3,600	93	25,800
5	Guangzhou Starry Wenyu	Residential	2,700	42	15,600
6	Guangzhou Paradiso Riverside	Residential	38,400	557	14,500
7	Guangzhou Lingnan Hillside	Residential	2,100	36	17,100
8	Nansha Southern Le Sand	Residential, Commercial	28,000	266	9,500
9	Guangzhou Lingnan Villas	Residential	39,600	487	12,300
10	Conghua Glade Greenland	Residential	4,400	37	8,400
	Other projects	N/A	6,100	98	16,100
	Investment Properties	N/A	1,300	44	33,800
	Subtotal (Guangzhou)		138,500	2,010	14,500
11	Jiangmen Starry Regal Court	Residential	114,100	881	7,700
12	Zhongshan Starry Winking	Residential	24,900	95	3,800
13	Zhongshan Starry Junting	Residential	46,000	350	7,600
14	Zhongshan Starry Peakfield	Residential	5,000	38	7,600
15	Zhongshan Paradiso Jadin	Residential	41,100	226	5,500
	Subtotal (Pearl River Delta ex. Guangzhou)		231,100	1,590	6,900
16	Hangzhou Starry City	Residential	38,700	234	6,000
17	Suzhou Paradiso Pavilion	Residential	1,200	11	9,200
	Subtotal (Yangtze River Delta)		39,900	245	6,100
18	Wuhan Starry Winking	Residential	17,800	289	16,200
19	Wuhan Starry Emperor	Residential	10,500	117	11,100
	Subtotal (Central China Region)		28,300	406	14,300
20	Shenyang Starry Blue Sea	Residential	14,000	72	5,100
21	Yantai Starry Golden Sands	Residential	6,800	41	6,000
22	Qingdao Starry Blue Bay	Residential	18,100	154	8,500
	Subtotal (Bohai Rim)		38,900	267	6,900
	Total		476,700	4,518	9,500

Unrecognized Sales

As of 30 June 2016, the unrecognized sales value amounted to approximately RMB33.87 billion, with unrecognized sales GFA of approximately 2,982,000 sq.m., and the average selling price was approximately RMB11,400 per sq.m.

Unrecognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB /sq.m.)
1	Guangzhou Starry Cullium	Residential	1,000	58	58,000
2	Guangzhou Starry Golden Sands	Residential	20,000	514	25,700
3	Guangzhou Starry Wenhua	Residential	14,100	334	23,700
4	Guangzhou Paradiso Riverside	Residential	57,200	838	14,700
5	Guangzhou Starry Winking	Commercial	6,800	111	16,300
6	Guangzhou Starry Sky City	Residential	5,600	158	28,200
7	Nansha Southern Le Sand	Residential, Commercial	379,700	4,596	12,100
8	Guangzhou Lingnan Villas	Residential	60,000	803	13,400
9	Guangzhou Lingnan Wood	Residential	282,600	3,734	13,200
10	Guangzhou Yuexiu Poly Aite City	Residential	67,300	873	13,000
11	Conghua Glade Greenland	Residential	2,400	20	8,300
	Other projects	N/A	29,000	717	24,700
	Subtotal (Guangzhou)		925,700	12,756	13,800
12	Jiangmen Starry Regal Court	Residential	13,400	105	7,800
13	Jiangmen Xijiang Mansion	Residential	65,700	471	7,200
14	Zhongshan Starry Winking	Residential	118,100	717	6,100
15	Zhongshan Starry Junting	Residential	17,700	71	4,000
16	Zhongshan Starry Peakfield	Residential	168,100	1,138	6,800
17	Zhongshan Paradiso Jadin	Residential	128,500	580	4,500
18	Nanhai Starry Winking	Residential	48,300	760	15,700
19	Foshan Lingnan Junting	Residential	151,300	1,569	10,400
20	Foshan Paradiso Power	Residential	115,300	1,104	9,600
	Subtotal (Pearl River Delta ex. Guangzhou)		826,400	6,515	7,900
21	Hangzhou Starry City	Residential	69,900	414	5,900
22	Hangzhou Starry Joy City	Residential	90,900	1,087	12,000
23	Hangzhou Starry Upper City	Residential	57,800	818	14,200
24	Suzhou Paradiso Pavilion	Residential	238,500	1,922	8,100

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB /sq.m.)
25	Suzhou Starry Pavilion	Residential	138,900	1,821	13,100
	Subtotal (Yangtze River Delta)		596,000	6,062	10,200
26	Wuhan Starry Winking	Residential	95,400	1,913	20,100
27	Wuhan Starry Emperor	Residential	179,100	2,096	11,700
28	Wuhan International Financial City	Residential, Commercial	113,600	2,595	22,800
	Subtotal (Central China Region)		388,100	6,604	17,000
29	Shenyang Starry Winking	Residential	7,900	92	11,600
30	Shenyang Starry Blue Sea	Residential	8,100	107	13,200
31	Yantai Starry Golden Sands	Residential	87,500	477	5,500
32	Qingdao Starry Blue Bay	Residential	142,700	1,256	8,800
	Subtotal (Bohai Rim)		246,200	1,932	7,800
	Total		2,982,400	33,869	11,400

Landbank

As at the date of this announcement, the Group acquired new land parcels located in Guangzhou and Hangzhou, with the total GFA of approximately 256,000 sq.m. and the land value of approximately RMB2.08 billion. In terms of the attributable interest to the Group, the land premium was approximately RMB1.20 billion.

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

No.	Project	Equity holding	Site Area (sq.m.)	Total GFA (sq.m.)	Land value (RMB mil)	Land Value based on Proportionate Interest (RMB mil)
1	Guangzhou Baiyun Tangcha Road Land II	15.95%	9,100	54,200	409	65
2	Hangzhou Crystal City	28.64%	34,200	125,300	688	197
3	Hangzhou Jiangnan Niutian Land	95%	23,500	76,800	986	937
	Total		66,800	256,300	2,083	1,199

As of 30 June 2016, the landbank of the Group reached approximately 13.25 million sq.m. with a total of 36 projects in 12 cities in the PRC with an improved balance between the regions. In terms of the attributable interest, the Group's landbank was approximately 10.35 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 39.6% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 15.9%, Yangtze River Delta accounted for approximately 18.9%, the Central China Region accounted for approximately 13.2%, Bohai Rim Economic Zone accounted for approximately 11.1%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.6%. In terms of product mix, residential properties accounted for approximately 77% and commercial properties and others accounted for approximately 23%.

Landbank is summarized as follows:

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Asia Pacific Century Plaza	232,000	232,000	—
2	Guangzhou Starry Golden Sands	3,000	3,000	—
3	Guangzhou Starry Sky City	680,300	275,800	404,500
4	Guangzhou Greenland Yuexiu Haiyue (formerly known as Guangzhi Land Parcel I)	229,600	229,600	—
5	Guangzhou Yuexiu Starry Haizhu Bay	773,300	397,500	375,800
6	Guangzhou Haizhu Nanzhou Road Land	152,600	—	152,600
7	Nansha Southern Le Sand	1,928,700	1,100,800	827,900
8	Guangzhou Lingnan Wood	213,400	213,400	—
9	Guangzhou Yuexiu Poly Aite City	674,600	309,000	365,600
10	Guangzhou Baiyun Tangcha Road Land	293,500	—	293,500
	Other projects	63,600	63,400	200
	Subtotal (Guangzhou)	5,244,600	2,824,500	2,420,100
11	Jiangmen Starry Regal Court	59,300	2,500	56,800
12	Jiangmen Xijiang Mansion	469,400	469,400	—
13	Zhongshan Starry Winking	145,700	145,700	—
14	Zhongshan Starry Peakfield	368,400	194,100	174,300
15	Zhongshan Paradiso Jadin	237,900	237,900	—
16	Nanhai Starry Winking	290,700	290,700	—
17	Foshan Paradiso Power	226,700	226,700	—
18	Foshan Lingnan Junting	314,500	298,300	16,200
	Subtotal (Pearl River Delta ex. Guangzhou)	2,112,600	1,865,300	247,300
19	Hangzhou Starry City	1,452,600	182,000	1,270,600

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
20	Hangzhou Starry Upper City	221,800	221,800	—
21	Hangzhou Victory Center	71,900	71,900	—
22	Hangzhou Starry Joy City	183,400	183,400	—
23	Hangzhou Crystal City	127,700	127,700	—
24	Suzhou Paradiso Pavilion	270,600	270,600	—
25	Suzhou Starry Pavilion	180,900	180,900	—
	Subtotal (Yangtze River Delta)	2,508,900	1,238,300	1,270,600
26	Wuhan Starry Winking	365,800	365,800	—
27	Wuhan Starry Emperor	448,600	448,600	—
28	Wuhan International Financial City	932,500	614,800	317,700
	Subtotal (Central China Region)	1,746,900	1,429,200	317,700
29	Shenyang Yuexiu Hill Lake	270,200	—	270,200
30	Shenyang Starry Winking	529,100	175,600	353,500
31	Shenyang Starry Blue Sea	9,900	9,900	—
32	Yantai Starry Golden Sands	407,400	192,400	215,000
33	Qingdao Starry Blue Bay	248,200	248,200	—
	Subtotal (Bohai Rim)	1,464,800	626,100	838,700
34	Hainan Simapo Island Project	100,400	6,000	94,400
	Subtotal (China)	13,178,200	7,989,400	5,188,800
35	Hong Kong Prince Edward Road Project	4,000	4,000	—
36	Hong Kong Yau Tong Project	70,500	—	70,500
	Subtotal (Hong Kong)	74,500	4,000	70,500
	Total	13,252,700	7,993,400	5,259,300

Construction Progress

In the development of residential properties, the Group follows market cycle and speeds up turnover to enhance the development efficiency. Project development was progressing as scheduled. In order to accelerate de-stocking and satisfy the new strong demand of the market, new commencement of construction, completion and delivery were in line with the Group's schedule.

New construction starts, completions and deliveries are summarized as follows:

Construction progress	Actual GFA In 2016 1H (sq.m.)	Planned GFA For 2016 (sq.m.)
New commencement of constructions	843,800	1,960,000
Completion	570,200	3,190,000
Delivery	484,000	1,900,000

Investment Properties

As of 30 June 2016, the Group owned investment properties under lease of approximately 787,000 sq.m. in total, of which offices, commercial properties and parking and others accounted for approximately 33.2%, 45.2% and 21.6%, respectively. The investment properties under construction were approximately 112,000 sq.m., most of which were the commercial portions of Nanhai Starry Winking. The Group recorded the rental revenue of approximately RMB233 million in the first half of 2016, a year-on-year increase of 37.1%.

In the first half of 2016, the Group recorded the fair value gains on revaluation of investment properties of RMB227 million, which was mainly attributable to fair value gains on revaluation of Yuexiu Financial Tower (of approximately RMB285 million) recorded during the year.

Net Other Gains

In the first half of 2016, the Group's net other gains amounted to approximately RMB782 million, representing a year-on-year increase of 1,880%. The Group disposed of 51% equity of its indirect wholly-owned subsidiary and recorded profits before tax of approximately RMB372 million from such disposal. The remaining 49% equity held by the Group was revalued pursuant to relevant accounting standards and recorded fair value gains before tax of approximately RMB358 million. The gains after tax from above mentioned disposal and revaluation amounted to approximately RMB615 million.

Selling and Marketing Costs

In the first half of 2016, the Group's selling and marketing costs was approximately RMB260 million, representing a year-on-year increase of 31.3%. The increase in selling and marketing costs resulted from increase in sales of projects outside Guangdong province and a year-on-year increase in the corresponding agency and marketing costs. The Group has all along endeavored to execute effective sales plans and kept control on its selling and marketing costs to an appropriate level. The selling and marketing costs accounted for 1.6% of the contracted sales in the current period, slightly reduced by 0.1 percentage point as compared to 1.7% for the same period of the previous year.

Administrative Expenses

In the first half of 2016, administrative expenses of the Group amounted to approximately RMB283 million, decreased by 7.5% as compared to the same period of the previous year. The Group continued to strengthen controls over expenses and strictly follow the annual expenses budget. Administrative expenses accounted for 1.8% of the contracted sales in the current period, reduced by 0.9 percentage point as compared to 2.7% for the same period of the previous year.

Finance Costs

In the first half of 2016, the interest expenses of the Group's borrowings in aggregate amounted to approximately RMB1,091 million, representing an increase of 26% from RMB869 million for the same period of last year. The interest expenses of bank borrowings and bonds amounted to RMB905 million. The interest expenses of bank borrowings and bonds increased by RMB58 million as compared to the same period of last year, due to a year-on-year increase of 13% in the weighted average borrowing balance. In addition, the interest expenses of amount due to an intermediate holding company and a minority shareholder of a subsidiary amounted to approximately RMB176 million in total, representing an increase of RMB174 million as compared to the same period of last year. The average effective borrowing interest rate for the period decreased to 4.94% per annum from 5.02% per annum for the same period of 2015.

RMB depreciated from the second half of 2015 and such depreciation trend continued during the first half of 2016. The exchange rate of RMB against USD dropped by 2.12% as compared to that at the beginning of 2016. The Group's revenue is mainly denominated in RMB, and net foreign exchange losses with respect to part of the Group's USD and HKD borrowings during this period amounted to approximately RMB181 million.

The interest expenses and net foreign exchange loss during the period amounted to approximately RMB1,272 million in total. According to the relevant requirements of the Hong Kong Accounting Standards, the capitalized interest expenses for the year amounted to approximately RMB801 million and the capitalized foreign exchange loss amounted to approximately RMB155 million, totaling approximately RMB956 million. Net interest expenses and net exchange loss included in income statement were approximately RMB316 million.

Moreover, the Group actively narrowed down the foreign exchange exposure and reduced the percentage of foreign currency borrowings. The amortized expenses on such early redemption of part of borrowings denominated in HKD and USD extinguishment of borrowings amounted to RMB96 million during the period.

The finance costs during the period were approximately RMB412 million in total, representing a year-on-year increase of 143%, among which, the net foreign exchange loss was RMB26 million.

Share of Profit from Associated Entities

In the first half of 2016, the overall net contribution from associated entities attributable to the Group decreased by 23.4% to approximately RMB155 million as compared to the same period of the previous year. This mainly resulted from an decrease in the contribution from the Yuexiu Real Estate Investment Trust (“Yuexiu REIT”), in which the Group held an equity interest of 37.45%.

The total amount of distribution by Yuexiu REIT during the first half of 2016 increased by 12.6% to approximately RMB385 million as compared to the same period of the previous year. As such, the Group’s corresponding share of cash distribution amounted to approximately RMB144 million.

Basic Earnings Per Share

In the first half of 2016, basic earnings per share (calculated by the weighted average number of ordinary shares in issue) attributable to equity holders of the Company were RMB0.0785 (first half of 2015: RMB0.0966).

Interim Dividend

The Board has resolved to declare an interim dividend for 2016 of HK\$0.033 per share which is equivalent to RMB0.028 per share (2015 interim: HK\$0.029 per share which was equivalent to RMB0.024 per share) to shareholders whose names appear on the Register of Members of the Company on 19 October 2016. The interim dividend will be distributed to shareholders on or around 16 November 2016.

Dividends payable to shareholders will be paid in Hong Kong dollars (“HK\$”). The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HK\$ to 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 main liquidity sources to the Group. The Group has always adhered to prudent financial management principles, emphasized on funding management and risk control, established an ongoing monitoring system to tackle the rapid market changes, ensured healthy adequate liquidity and secured the business development. While the Group continues to maintain a good relationship with commercial banks in Mainland China and Hong Kong, it also adheres to explore more funding channel, optimizes the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its risk resistance capabilities.

In the first half of 2016, the Group completed bank financing of approximately RMB9,047 million, of which onshore bank financing amounted to approximately RMB1,538 million and offshore bank financing of approximately RMB7,509 million. As at 30 June 2016, the total borrowings amounted to approximately RMB33,358 million (31 December 2015: RMB38,165 million), cash and charged bank deposits amounted to approximately RMB17,588 million, and the net gearing ratio was 55.7%. Borrowings with maturity within one year accounted for approximately 22% of the total borrowings (31 December 2015: 14%), fixed notes accounted for approximately 23% of the total borrowings (31 December 2015: 19%). Due to the decrease of the interest rate of onshore borrowing, the Group’s effective borrowing interest rate for the period was decreased to 4.94% per annum from 5.02% per annum for the first half of 2015.

As at 30 June 2016, among the Group’s total borrowings, approximately 71% was RMB denominated bank borrowings, 1% was Hong Kong and US dollar denominated bank borrowings, 5% was RMB denominated loan from shareholder, 23% was Hong Kong and US dollar denominated medium to long term notes.

Working Capital

As of 30 June 2016, the Group’s working capital (current assets less current liabilities) amounted to approximately RMB31,576 million (31 December 2015: approximately RMB40,200 million). The Group’s current ratio (current assets over current liabilities) was 1.6 times (31 December 2015: 1.9 times). Cash and cash

equivalents amounted to approximately RMB12,125 million (31 December 2015: RMB9,546 million). Charged bank deposits amounted to approximately RMB5,463 million (31 December 2015: RMB5,623 million). Undrawn committed bank facilities amounted to approximately RMB7,251 million.

Capital and Financial Structure Analysis

The Group's debts are summarized as follows:

	As at	
	30 June 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings and notes		
Denominated in RMB	23,716,670	17,775,292
Denominated in Hong Kong dollars	2,275,676	13,324,241
Denominated in United States dollars	<u>5,597,871</u>	<u>7,065,162</u>
Total bank borrowings and notes	31,590,217	38,164,695
Borrowings from Shareholders	1,767,238	—
Finance lease obligations	148	183
Overdrafts	<u>68</u>	<u>63</u>
Total debts	<u>33,357,671</u>	<u>38,164,941</u>
Ageing analysis:		
Within one year	7,493,062	5,511,795
In the second year	11,090,796	14,689,458
In the third to fifth year	7,918,295	11,079,091
Beyond five years	<u>6,855,518</u>	<u>6,884,597</u>
Total borrowings	33,357,671	38,164,941
Less: Cash and cash equivalents	<u>(12,125,484)</u>	<u>(9,545,548)</u>
Net borrowings	21,232,187	28,619,393
Total equity	<u>32,431,254</u>	<u>31,466,204</u>
Total capitalization	<u>53,663,441</u>	<u>60,085,597</u>
Gearing ratio	<u>39.6%</u>	<u>47.6%</u>

INTEREST RATE EXPOSURE

The Group's major interest rate exposure is derived from loans and deposits denominated in Renminbi, Hong Kong dollars and United States dollars. As of 30 June 2016, among the total borrowings of the Group, approximately 36% was floating rate bank loans denominated in Renminbi, approximately 1% was floating rate bank loans denominated in Hong Kong dollars, approximately 35% was fixed rate bank loans denominated in Renminbi, and approximately 23% was medium to long term fixed rate notes denominated in United States dollars/Hong Kong dollars, and approximately 5% was fixed rate shareholder loans denominated in Renminbi. Having considered the currencies and the structural composition of our portfolio, the Group did not enter into any interest rate hedging arrangements during the reporting period. The average borrowing interest rate for the first half of 2016 decreased to 4.94% from 5.02% for the first half of 2015. On 27 July 2016, China Securities Regulatory Commission approved Guangzhou City Construction & Development Co. Ltd., a 95%-owned subsidiary of the Group, to publicly issue corporate bonds denominated in Renminbi of not exceeding RMB8 billion to qualified investors in China. The corporate bonds will be issued in tranches. The issue of the first tranche of corporate bonds has been completed on 3 August 2016 and the proceeds has been received on 4 August 2016. The aggregate principal amount of the issuance was RMB3 billion, of which three-year bonds of RMB1 billion were issued at a coupon rate of 2.95% and five-year bonds of RMB2 billion were issued at a coupon rate of 3%. It is expected that the issuance of corporate bonds will provide the Group with fixed rate financing at relatively low costs, which will help further reduce the overall financing cost of the Group.

With respect to the Renminbi loan interest rates, since November 2014, the People's Bank of China ("PBOC") has continued to cut the interest rates and reduced the reserve requirement ratios (RRR). The 1-year benchmark rate went down from 5.6% to 4.35% at present. It is generally expected in the market that the PBOC will continue to cut interest rates and reduce the RRR in the second half of 2016.

With respect to the loan interest rates of United States dollars and Hong Kong dollars, in December 2015, the US Federal Reserve raised interest rates for the first time after the global financial tsunami. As the Hong Kong Dollar is pegged against the United States Dollar, it was estimated that the loan interest rates of Hong Kong dollars would change in line with the interest rates of United States dollars. It was originally expected that the US Federal Reserve would raise the interest rates gradually in 2016. However, since Britain recently voted to leave the European Union, the risks in the financial market increased and Japan and the European Union might implement quantitative easing again. It is expected that the United States will slow down the pace of raising the interest rates in 2016.

At present, the global economy and the financial environment are unstable and the economy growth of China has slowed down. The Group anticipates that Renminbi loan interest rates may continue to go down in 2016. On the other hand, it is estimated that the loan interest of United States dollars may rise after the United States employment and consumption as well as the achievement of its inflation reached a given level, but the range and the schedule are uncertain. It is generally estimated that the interest rates spread between onshore and offshore borrowings would further narrow down.

Currently, the proportion of financing denominated in RMB and foreign currencies of the Group is 76:24. It is estimated that the decline of Renminbi interest rates and the increase of interest rates of United States dollars will not have any material effect on the overall financial position of the Group. As a result, the Group has made no hedging against exposure to interest rate risk. Notwithstanding that, the Group will continue to closely monitor the changes of onshore and offshore interest rates and adopt appropriate hedging to effectively manage its interest rate risk exposure in a timely manner.

FOREIGN EXCHANGE EXPOSURE

During the reporting period, the global economy was unstable. The economy of China slowed down. The United Kingdom has voted to leave the European Union. The financial market became more turbulent with increasing global economic risks. During the period, the exchange rate of RMB against United States dollars showed a downward trend. It was generally expected in the market that continuous depreciation pressure on Renminbi against United States dollars still existed in the short and medium term.

Since the main business operations of the Group are conducted in Mainland China, its income is primarily in Renminbi but the Company has foreign currency denominated financing. Therefore, the devaluation of Renminbi against United States dollars will affect the financing costs. Since August 2015, the Group has actively adopted various measures to narrow down the foreign exchange exposure and reduce the risks. Up to 30 June 2016, approximately 24% (53% at the beginning of the year) of the total borrowings of the Group were borrowings denominated in foreign currencies, approximately 1% (equivalent to approximately RMB0.3 billion) were bank borrowings denominated in Hong Kong dollars, and approximately 23% (equivalent to approximately RMB7.5 billion) were medium to long term notes denominated in Hong Kong dollars and United States dollars. As of 30 June 2016, the middle rate of onshore Renminbi against Hong Kong dollars dropped by 2% as compared to the exchange rate as at 31 December 2015 and a net exchange loss of RMB181 million was recorded for this period, out of which approximately RMB155 million was capitalized and RMB26 million was treated as the net exchange loss in the consolidated income statement.

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

Since the beginning of 2016, the Group has arranged for approximately RMB14.5 billion (representing 70% of the total foreign currency denominated financing as of the end of 2015) to refinance foreign currency denominated loans and the foreign exchange exposure has been significantly narrowed down.

Commitments for Property, Plant and Equipment

As of 30 June 2016, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB1,989 million (31 December 2015: RMB2,019 million).

Contingent Liabilities

The Group arranged bank loans for certain purchasers of the Group's properties in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest in performing its liabilities under the guarantee, but the Group owns the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 30 June 2016, total contingent liabilities relating to these guarantees amounted to approximately RMB12,266 million (31 December 2015: RMB11,408 million).

As at 30 June 2016, certain subsidiaries of the Group provided guarantee of approximately RMB2,671 million (31 December 2015: RMB2,360 million) in respect of loans borrowed by certain associated entities, of which the guarantee provided in respect of the syndicated loan borrowed by Yuexiu REIT expires at the end of two years after full repayment of the syndicated loan.

Employees and Remuneration Policy

As of 30 June 2016, the Group had approximately 6,755 employees (31 December 2015: 7,080 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2016.

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 2016 have been reviewed by the Audit Committee and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of its shares during the six months ended 30 June 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 October 2016 to Wednesday, 19 October 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 14 October 2016.

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

Hong Kong, 19 August 2016

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

Executive Directors: ZHANG Zhaoxing (Chairman), ZHU Chunxiu, LIN Zhaoyuan,
LI Feng, OU Junming and OU Shao

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