



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

WHERE GOOD  
LIVING STARTS



**2017  
INTERIM RESULTS**

18 August 2017

# CONTENTS

- 1 Financial Highlights**
- 2 Business Updates
- 3 Outlook



# FINANCIAL HIGHLIGHTS



## Significant Growth in Revenue and Gross Profit

- Revenue was approx. RMB11.94 bn, +135.0% y-o-y
- Gross profit was approx. RMB2.98 bn, +132.9% y-o-y



## Steady Increase in Profitability

- Profit attributable to equity holders was approx. RMB1.10 bn, +13.2% y-o-y
- Core net profit was approx. RMB1.04 bn, +21.8% y-o-y
- Interim dividend of HKD0.040 per share was declared, +21.2% y-o-y, accounted for 40% of core net profit



## Sustained Rise in Contracted Sales

- Contracted sales value reached approx. RMB20.05 bn, + 25.1% y-o-y, ASP was RMB16,100/sq.m., + 42.5% y-o-y
- Achieved 60.8% of the original full-year contracted sales target of RMB33.0 bn
- The Group decided to adjust the full-year contracted sales target upward from RMB33.0 bn to RMB36.0 bn



## Continuously Acquisition of Premium Landbank

- As of the announcement date, the Group acquired 12 land parcels mainly located in Guangzhou, Hangzhou, Wuhan, etc. with a total GFA approx. 3.09 mm sq.m., the attributable GFA was approx. 1.47 mm sq.m.
- As of the announcement date, total landbank was approx. 15.03 mm sq.m., of which approx. 7.82 mm sq.m. located in Guangdong-Hong Kong-Macau Greater Bay Area, accounted for 52.1% of the Group's total landbank



## Further Improvement in Financial Position

- The Group's cash on hand increased to RMB23.80 bn from RMB22.02 bn of 31 Dec 2016, +8.1%
- Net gearing ratio fell to 52.0% from 53.1% of 31 Dec 2016
- Average borrowing interest rate decreased to 4.54% of 1H 2017 from 4.64% of 2016

# INCOME STATEMENT

RMB bn	1H 2017	1H 2016	Change
Revenue	<b>11.94</b>	5.08	+135.0%
Gross Profit	<b>2.98</b>	1.28	+132.9%
Gross Profit Margin	<b>24.9%</b>	25.2%	-0.3 p.p.t.
Fair Value (Loss)/Gain	<b>0.08</b>	0.23	-66.9%
Net Other Gains	<b>0.06</b>	0.78	-92.5%
SG&A Expenses	<b>0.63</b>	0.54	+15.3%
Profit Attributable to Equity Holders	<b>1.10</b>	0.97	+13.2%
Core Net Profit <sup>(1)</sup>	<b>1.04</b>	0.86	+21.8%
EPS	<b>RMB0.0889</b>	RMB0.0785	+13.2%
Interim Dividend Per Share <sup>(2)</sup>	<b>HKD0.040</b>	HKD0.033	+21.2%
Dividend Payout Ratio <sup>(3)</sup>	<b>40%</b>	40%	-

Note : (1) Excluding the net fair value (loss)/gain of investment properties and the net foreign exchange (loss)/gain

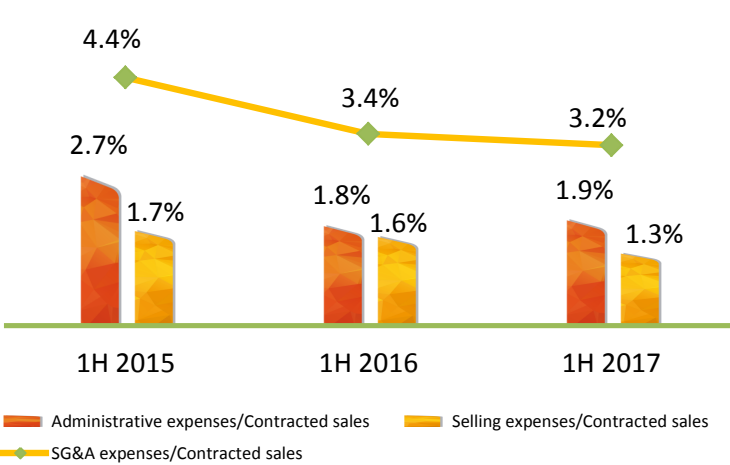
(2) Weighted average number of ordinary shares in issue for 1H 2017: 12,401,306,631

(3) Percentage of core net profit

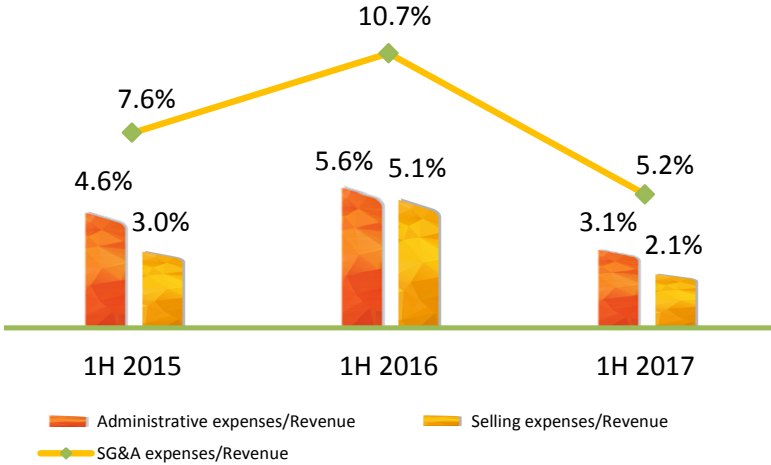
# OPERATING RATIOS ANALYSIS

Ratios	1H 2017	1H 2016	1H 2015
Administrative expenses/Contracted sales	1.9%	1.8%	2.7%
Selling expenses/Contracted sales	1.3%	1.6%	1.7%
SG&A expenses/Contracted sales	3.2%	3.4%	4.4%
Administrative expenses/Revenue	3.1%	5.6%	4.6%
Selling expenses/Revenue	2.1%	5.1%	3.0%
SG&A expenses/Revenue	5.2%	10.7%	7.6%

SG&A RATIOS (TO CONTRACTED SALES)



SG&A RATIOS (TO REVENUE)



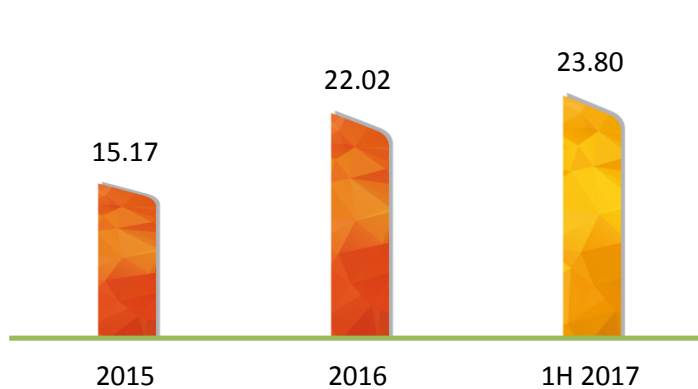
# BALANCE SHEET

RMB bn	30 Jun 2017	31 Dec 2016	Change
Cash	23.80	22.02	+8.1%
Total Debt	42.20	40.29	+4.7%
Gearing Ratio <sup>(1)</sup>	38.9%	39.7%	-0.8 p.p.t.
Net Gearing Ratio <sup>(2)</sup>	52.0%	53.1%	-1.1 p.p.t.
Total Assets	132.32	125.36	+5.6%
Shareholders' Equity	31.46	30.62	+2.7%
Net Asset per Share	RMB2.54	RMB2.47	+2.8%

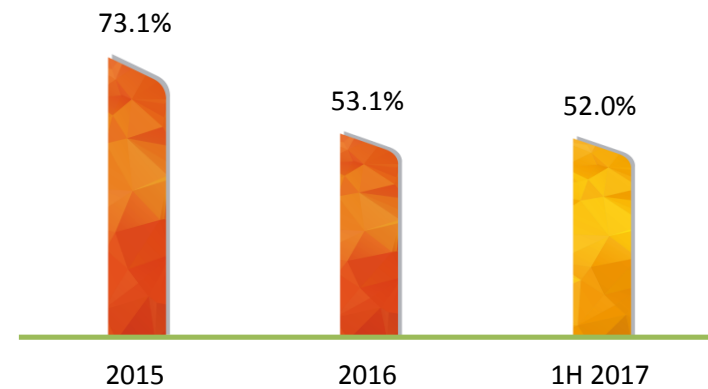
Note: (1) Gearing Ratio = (Total Borrowings - Cash)/Total Capitalization

(2) Net Gearing Ratio = (Total Borrowings - Cash)/Net Asset

## CASH (RMB bn)



## NET GEARING RATIO

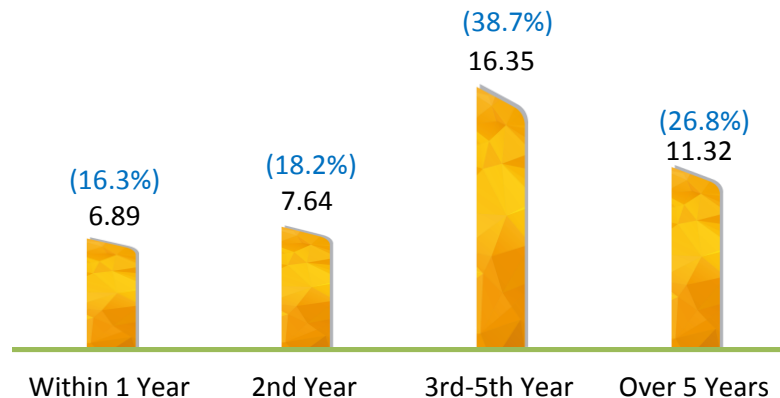


# DEBT STRUCTURE ANALYSIS

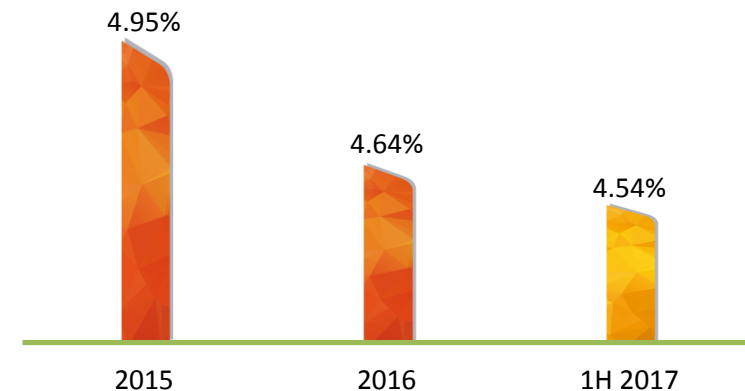
- The debt structure was reasonable , borrowings due within one year accounted for 16.3% and borrowings due more than one year accounted for 83.7%
- Average borrowing interest rate decreased to 4.54% of 1H 2017 from 4.64% of 2016

RMB bn	30 Jun 2017	Proportion	31 Dec 2016	Proportion
USD Bonds	3.37	8.0%	3.44	8.5%
HKD Bonds	1.97	4.7%	2.03	5.0%
RMB Bonds	7.97	18.9%	7.97	19.8%
RMB Borrowings	26.17	62.0%	26.47	65.7%
USD/HKD Bank Borrowings	2.72	6.4%	0.38	1.0%
<b>Total</b>	<b>42.20</b>	<b>100.0%</b>	<b>40.29</b>	<b>100%</b>

**MATURITY PROFILE (RMB bn)**



**AVERAGE BORROWING INTEREST RATE**



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# CONTRACTED AND RECOGNIZED SALES

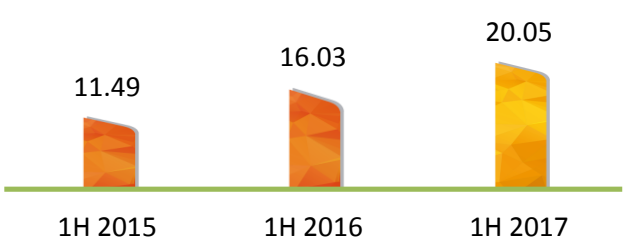
## Contracted Sales

- In 1H 2017, contracted sales value (including the contracted sales from joint venture projects) was RMB20.05 bn, +25.1% y-o-y, and the corresponding contracted sales GFA was 1.25 mm sq.m., -12.4% y-o-y, ASP was RMB16,100/sq.m., +42.5% y-o-y
- Achieved 60.8% of the full year sales target of RMB33.0 bn

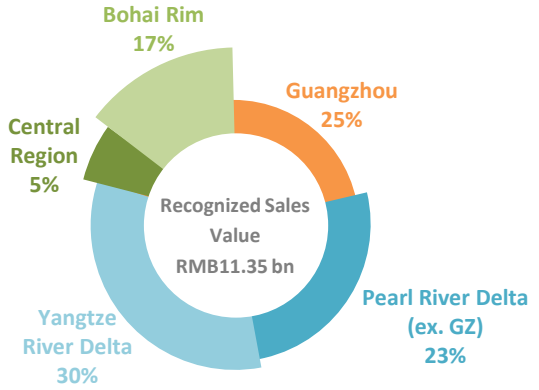
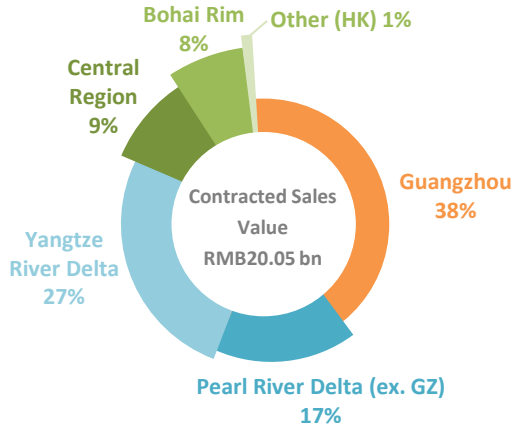
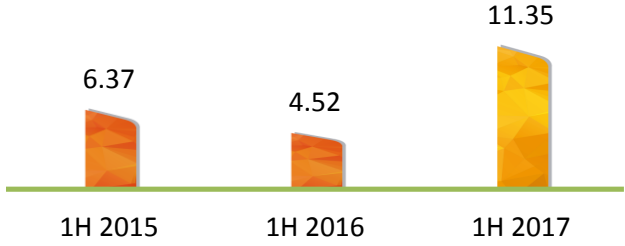
## Recognized Sales

- In 1H 2017, recognized sales value (including the sales income from investment property) was RMB11.35 bn, +151.1% y-o-y, and the corresponding recognized sales GFA was 1.08 mm sq.m., +126.9% y-o-y, ASP was RMB10,500/sq.m., +10.5% y-o-y

CONTRACTED SALES VALUE (RMB bn)



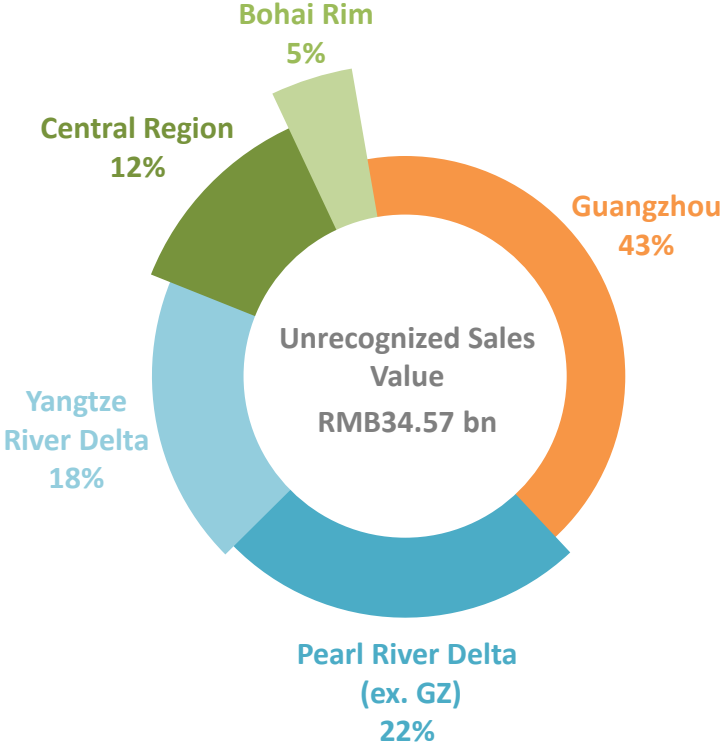
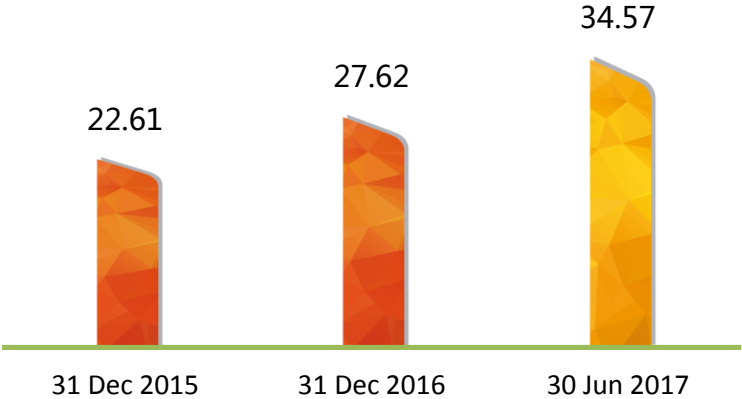
RECOGNIZED SALES VALUE (RMB bn)



# UNRECOGNIZED SALES

- As of 30 June 2017, unrecognized sales value (including sales from joint venture projects) was RMB34.57 bn , +25.2% from the beginning of the year, and the corresponding GFA was 2.22 mm sq.m., +2.5% from the beginning of the year, ASP was RMB15,600/sq.m., +21.9% from the beginning of the year

UNRECOGNIZED SALES VALUE (RMB bn)



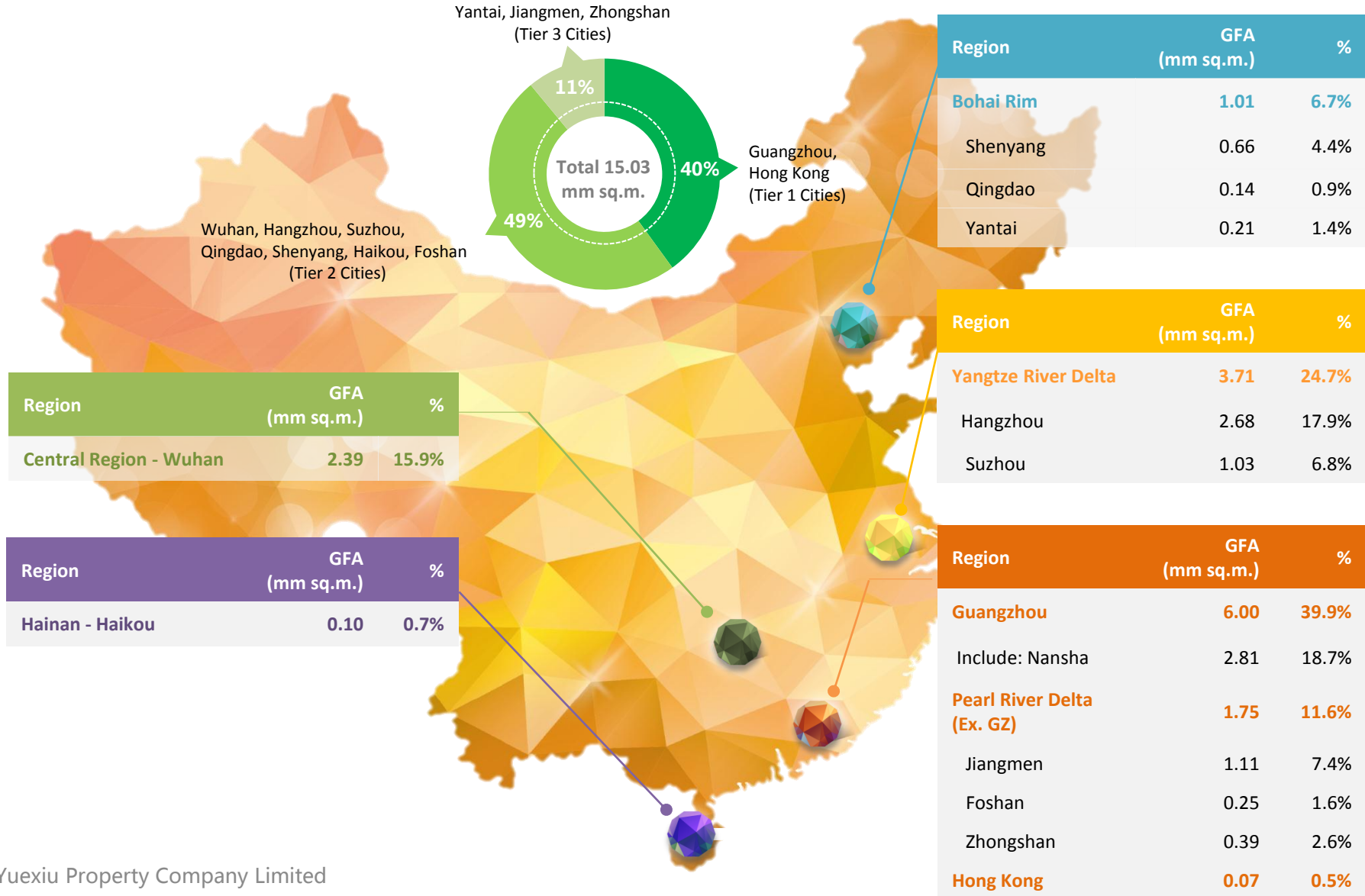
# NEW LAND ACQUISITIONS

(as of the announcement date)

No.	New Land Acquisitions	Type	Total GFA (sq.m.)	Equity Holding	Attributable GFA (sq.m.)
1	Guangzhou Guanggang Phase 4 Land	R	263,200	16.7%	43,900
2	Nansha Jinling North Land	R	122,000	15.0%	18,300
3	Nansha Lingshan Island Land	C	175,800	100%	175,800
4	Jiangmen Heshan Yayao Land I	R/C	223,000	95.0%	211,900
5	Jiangmen Heshan Yayao Land II	R/C	190,400	95.0%	180,900
6	Hangzhou Genbei New Town West Land	R/C	337,900	48.5%	163,700
7	Hangzhou Lin'an Binghu New District Land	R	225,100	95.0%	213,900
8	Hangzhou Yuhang Xingguo Road Land	R/C	227,300	51.0%	115,900
9	Wuhan Yangsi Port Land	R/C	1,107,800	12.3%	135,700
10	Wuhan Guobo New Town Land	C	90,600	95.0%	86,100
11	Wuhan Aoyuan East Land	R/C	44,300	95.5%	42,300
12	Wuhan Caidian Land	R	83,100	95.0%	78,900
	<b>Total</b>		<b>3,090,500</b>	<b>-</b>	<b>1,467,300</b>

# TOTAL LANDBANK

(as of the announcement date)



# UNIQUE BUSINESS MODEL OF COMMERCIALS



**1H 2017**

**Rental Income: RMB0.29 bn**

- In 1H 2017 the rental income of Yuexiu Property was RMB0.29 bn, +24.6% y-o-y
- The Group intends to replicate the Guangzhou IFC model of developing and operating an ultra high-rise, landmark commercial complex in major cities, so as to build its own product line for developing and operating landmark commercial properties
- Optimize commercial operation platforms, enhance the capability of developing and operating commercial projects, thus increasing the rental income

No.	Commercial Projects	GFA (sq.m.)
1	Yuexiu Financial Tower	208,300
2	Guangzhou Fortune World Plaza	180,000
3	Wuhan Starry Victory Bay	42,100
4	Wuhan Fortune Center	136,500
5	Nanhai Starry Winking	112,100
6	Xiangkang Commercial Plaza	33,100
<b>Total</b>		<b>712,100</b>





**1H 2017**

**Revenue: RMB0.91 bn**

- In 1H 2017, Yuexiu REIT generated revenue of RMB0.91 bn
- Yuexiu Property holding 35.04% stake in Yuexiu REIT, is the only Hong Kong-listed China property developer which owns a listed REIT and commits to make the REIT as the Group's important commercial business platform
- Interact with Yuexiu REIT to operate "Investing – Financing – Operating - Exiting" integrated commercial business model

No.	Commercial Properties	GFA (sq.m.)
1	GZ IFC	457,400
2	White Horse Building	50,200
3	Fortune Plaza	41,400
4	City Development Plaza	42,400
5	Victory Plaza	27,700
6	Neo Metropolis	62,000
7	Shanghai Yuexiu Tower	62,100
<b>Total</b>		<b>743,200</b>

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# OUR VIEWS ON PRC MARKET IN 2H 2017

The main theme of the policy is exerting city-specific and categorized control measures. The government will maintain a stable control policy on the property market throughout the year

The liquidity is tightened while the funding cost rises. As land supply increases, the land market is cooling down moderately

The long-term mechanisms including land supply, rental market and finance & tax reforms will be implemented and further improved



The property market will further differentiate, tier 1 and tier 2 cities will face market rectification of falling volume but stable price; tier 3 and tier 4 cities are still destocking with increases in both volume and price

The sector will accelerate to consolidate, resulting in the rising of concentration, where M&A will become one of the major growth drivers

# COMPETITIVE ADVANTAGES



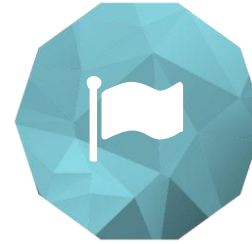
## State-owned Enterprise (SOE) Background

With the support of the parent-initiated “Guangzhou Urban Renewal Fund” with a target size of RMB200 bn, the Group-led “Guangzhou SOE Development Alliance” will utilize the advantage of each alliance enterprise to create an innovative urban renewal model combining fund, land and operation resources



## Comprehensive Channels to Acquire Resources

Have comprehensive advantages on land acquisition through various channels including “incubation by parent – acquisition by Yuexiu property”, cooperation with SOEs, M&As, actively participation in urban renewal projects and auctions in the open land markets



## Unique Business Model of Commercials

Successfully run “Yuexiu Property - REIT” dual platforms to build and operate “Investing – Financing – Operating - Exiting” integrated business model of commercials. Yuexiu Property possesses Guangzhou IFC developing and operating model for commercial landmark skyscrapers



## Abundant Financial Strength

Have healthy financial position, sufficient liquidity, effective management in financial and foreign exchange risks. Diverse financing channels and low financing cost enabling the Group to achieve sustained business development

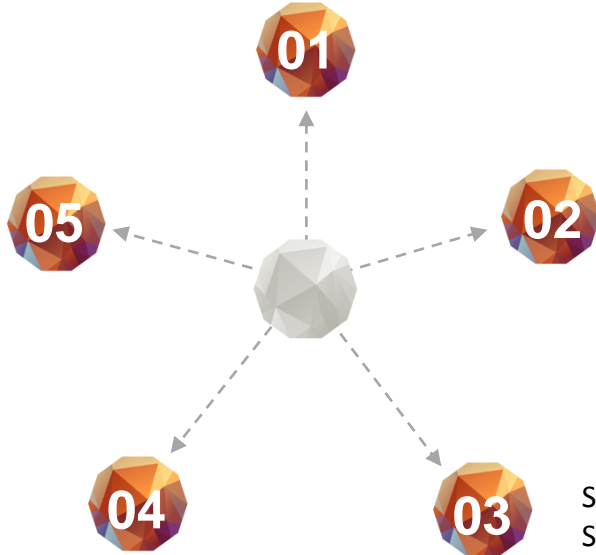


# STRATEGIES - INVESTMENT

Normalize the asset injection approach of “incubation by parent – acquisition by Yuexiu Property” to add quality landbank by leveraging the parent’s resources platform

Implement the strategies of “active auctions, cautious on premiums and seeking collaboration” to seize land acquisition opportunities in the open market

Reinforce partnership with excellent enterprises to complement resources and advantages for mutual benefits, actively seek M&A opportunities in the secondary markets



Established Urban Renewal Projects Company, with the support of the Group-led “Guangzhou SOE Development Alliance” and the parent-initiated “Guangzhou Urban Renewal Fund” to mainly carry out such businesses as “metro + property”, old plants, old towns and old villages redevelopments to increase premium land resources

Strengthen strategic collaboration with various SOEs to explore more premium land resources by utilizing opportunities of SOEs reform

# STRATEGIES - OPERATION

Leverage opportunities brought by national strategy of Guangdong-Hong Kong-Macau Greater Bay Area, to further penetrate existing cities, expand into new cities, explore new types of business to accelerate the Group's growth

01

02

03

04

05

Expand market shares in the Pearl River Delta, Yangtze River Delta and Central Region, comprehensively enhance the professionalism and competitiveness of the value chain to increase profitability and accelerate the project turnover to elevate the ROE

Implement effective marketing strategies in line with market changes, expand the sales channels, speed up sales focusing on cash collection

Improve the operational and management capabilities of the commercial projects, operate "Investing – Financing – Operating - Exiting" integrated commercial business model to elevate the core competitiveness of commercial operations

Entered into elderly housing business, mainly explore and develop long-term rental apartments and new business model of "Property+" such as "+Education", "+Small Town" and "+Industry" to foster new business growth opportunities

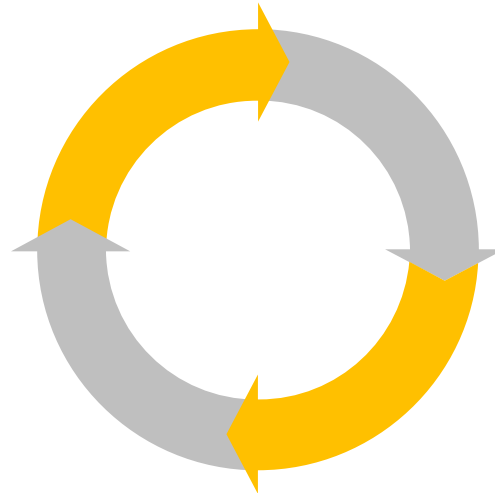
# STRATEGIES - MANAGEMENT



Continuously optimize the regional management and control model for national expansion, with the aim of enhancing investment returns, operating efficiency and operating scale



Implement the systematic talent development scheme, keep improving the key staff training system and strengthen professional management team building



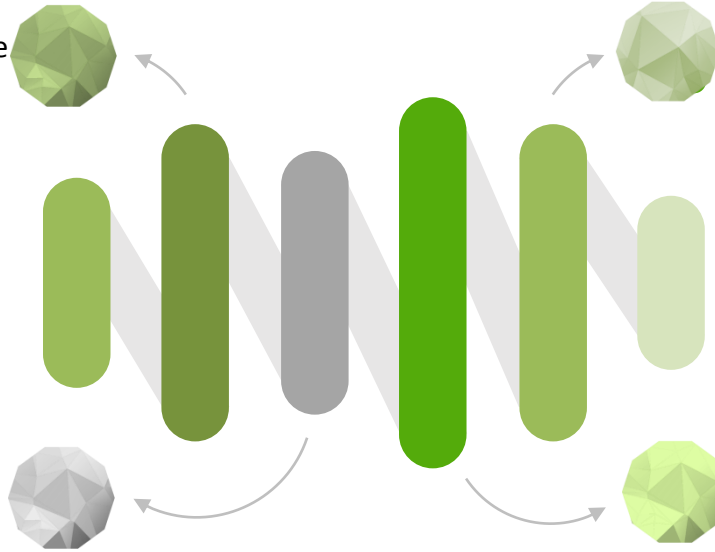
Build a market-based remuneration system, keep optimizing project co-investment scheme and profit-sharing plan and upgrade the long-term incentive system



Comprehensively optimize the appraisal system to promote the performance of teams and individuals in line with "performance improvement, ability enhancement"

# STRATEGIES - FINANCE

Watch closely on the changes in the macroeconomic policy and undertake effective measures accordingly, reinforce risk management to ensure financial safety



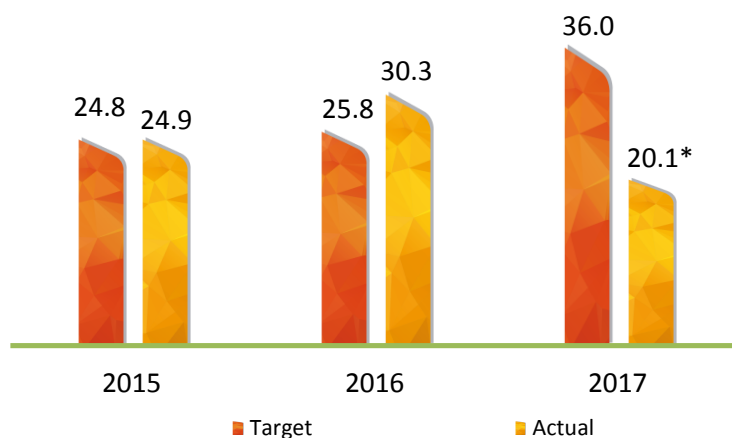
Focus on the sales cash collection, explore diversified financing channels, manage the cash flow to ensure adequate liquidity

Keep improving the balance sheet, optimize both onshore and offshore funds allocation, reduce financing cost and effectively manage foreign exchange risk

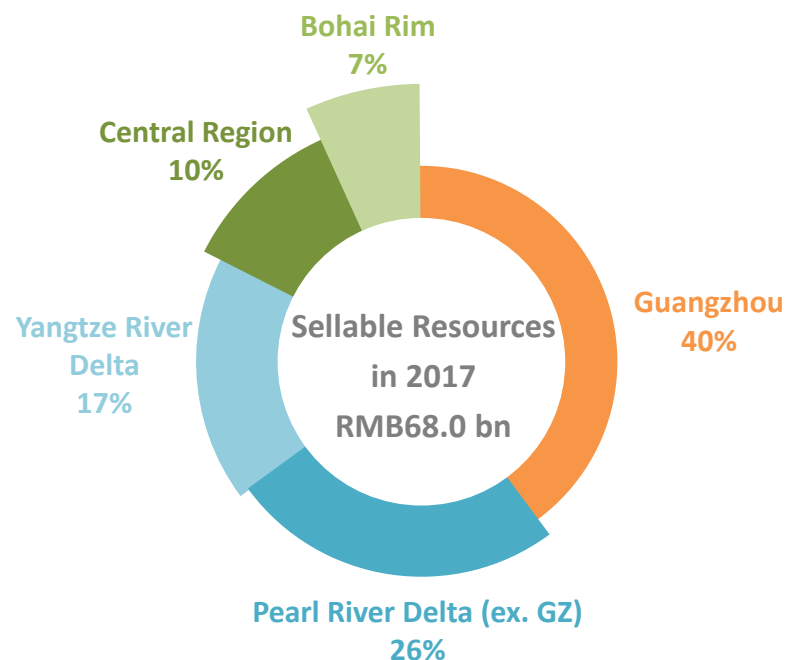
Comprehensively implement and optimize the management accounting system, with the aim to increase the utilization efficiency of financial resources. Optimize the KPI system to strengthen the support role of financial management in business development

# 2017 SALES TARGET & OPERATIONAL PLAN

CONTRACTED SALES VALUE (RMB bn)



\*1H 2017 Contacted Sales Value



## OPERATIONAL PLAN

GFA (mm sq.m.)	2017 Plan	1H 2017 Actual
PUD	7.35	6.49
New Construction Starts	2.42	0.75
Completion	2.37	1.57



Thank You!



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