禹洲地產股份有限公司
YUZHOU PROPERTIES COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01628)

INTERIM RESULTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

1. Turnover surged by 2.8 times to RMB3,924.00 million as compared with the corresponding period of previous year.

2. Gross profit surged by 3.3 times to RMB1,415.51 million. Gross profit margin was 36.1%.

3. Profit attributable to owners of the parent soared by 2.7 times from RMB150.45 million in the first half of 2013 to RMB559.30 million in the first half of 2014. Basic earnings per share was RMB16.18 cents.

4. Core profit attributable to owners of the parent surged by 4.1 times to RMB486.05 million. Core profit margin was 12.4%. Core profit per share was RMB14.06 cents.

5. Leveraging on the property market condition during the period, the Group acquired two new parcels of land and increased plot ratio of one existing parcel of land, adding approximately 0.41 million sq.m. gross floor area ("GFA") to its attributable land reserve with the average land cost of approximately RMB2,808 per sq.m.. At the end of the period, the Group had an aggregate saleable land reserve of approximately 8.58 million sq.m. GFA.

6. Cash and bank balances (including restricted cash) as at 30 June 2014 surged by 97.4% from RMB3,883.63 million as at the end of 2013 to RMB7,667.13 million.

7. Gearing ratio was 66.6%, representing a decrease of 11.4 percentage points, as compared with the end of 2013.

8. Weighted average funding cost decreased from 8.69% in the end of December 2013 to 8.50% by the end of June 2014.

The board of directors (the "**Board**") of Yuzhou Properties Company Limited (the "**Company**") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six-month period ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2014

	Notes	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE	2	**3,924,004**	1,032,203
Cost of sales		**(2,508,492)**	(701,644)
Gross profit		**1,415,512**	330,559
Other income and gains	2	**365,229**	48,287
Selling and distribution costs		**(83,425)**	(57,046)
Administrative expenses		**(98,972)**	(97,015)
Other expenses		**(288,161)**	(666)
Fair value gains on investment properties, net		**57,573**	43,272
Finance costs	5	**(78,395)**	(101,261)
Share of losses of joint ventures		**(16,374)**	(2,695)
PROFIT BEFORE TAX	4	**1,272,987**	163,435
Income tax	6	**(624,200)**	(7,025)
PROFIT FOR THE PERIOD		**648,787**	156,410
Attributable to:			
Owners of the parent		**559,297**	150,453
Non-controlling interests		**89,490**	5,957
		648,787	156,410
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted *(RMB per share)*	8	**16.18 cents**	4.35 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**457,164**	454,365
Investment properties		**5,240,330**	4,851,480
Investment in joint ventures		**715,603**	–
Deferred tax assets		**195,905**	209,209
Total non-current assets		**6,609,002**	5,515,054
CURRENT ASSETS			
Land held for property development for sale		**2,048,939**	2,196,544
Properties under development		**8,618,672**	7,874,364
Properties held for sale		**3,993,659**	3,979,137
Prepayments for acquisition of land		**2,207,715**	2,131,494
Prepayments, deposits and other receivables		**1,673,873**	1,629,924
Prepaid corporate income tax		**20,658**	32,645
Prepaid land appreciation tax		**38,824**	42,857
Derivative financial instruments		**534,756**	76,676
Restricted cash		**360,531**	375,686
Cash and cash equivalents		**7,306,596**	3,507,940
Total current assets		**26,804,223**	21,847,267
CURRENT LIABILITIES			
Receipts in advance		**4,403,840**	4,003,233
Trade payables	*9*	**2,761,065**	2,503,502
Other payables and accruals		**2,904,961**	1,358,113
Interest-bearing bank and other borrowings		**2,382,653**	1,984,444
Corporate income tax payables		**761,108**	788,058
Provision for land appreciation tax		**785,254**	845,823
Total current liabilities		**13,998,881**	11,483,173
NET CURRENT ASSETS		**12,805,342**	10,364,094
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,414,344**	15,879,148

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**5,340,539**	4,456,885
Senior notes	**5,311,326**	3,268,953
Deferred tax liabilities	**697,454**	681,405
Total non-current liabilities	**11,349,319**	8,407,243
Net assets	**8,065,025**	7,471,905
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**296,439**	296,439
Reserves	**7,180,224**	6,660,414
Proposed dividend	**–**	404,779
	7,476,663	7,361,632
Non-controlling interests	**588,362**	110,273
Total equity	**8,065,025**	7,471,905

2. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds from the sale of properties, gross rental income from investment properties, property management fee income, net invoiced value from trading of construction materials and gross revenue from hotel operation, all net of business tax, value-added tax and surcharges, during the period.

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties	**3,833,688**	974,533
Rental income	**28,282**	24,960
Property management fee income	**26,892**	27,667
Sales of construction materials	**27,871**	5,043
Hotel operation income	**7,271**	–
	3,924,004	1,032,203

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	**24,243**	13,101
Rental income from properties held for sale	**2,577**	2,162
Gain on disposal of investment properties	**–**	1,282
Fair value gains on derivative financial instruments	**326,921**	23,012
Others	**11,488**	8,730
	365,229	48,287

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation;

(c) the property management segment engages in the provision of property management services;

(d) the hotel operation segment engages in the operation of hotels; and

(e) the others segment comprises corporate income and expense items.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and finance costs are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six-month period ended 30 June 2014

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
(Unaudited)						
Segment revenue:						
Sales to external customers	3,833,688	28,282	26,892	7,271	27,871	3,924,004
Other revenue	6,445	33	1,642	–	5,945	14,065
Total	3,840,133	28,315	28,534	7,271	33,816	3,938,069
Segment results	967,244	72,190	(10,804)	(1,204)	299,713	1,327,139
Reconciliation:						
Interest income						24,243
Finance costs						(78,395)
Profit before tax						1,272,987
Income tax						(624,200)
Profit for the period						648,787

For the six-month period ended 30 June 2013

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
(Unaudited)						
Segment revenue:						
Sales to external customers	974,533	24,960	27,667	–	5,043	1,032,203
Other revenue	6,341	2,417	1,731	–	403	10,892
Total	980,874	27,377	29,398	–	5,446	1,043,095
Segment results	184,137	63,042	(1,104)	(160)	5,680	251,595
Reconciliation:						
Interest income						13,101
Finance costs						(101,261)
Profit before tax						163,435
Income tax						(7,025)
Profit for the period						156,410

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of this interim financial information.

Information about major customers

During the six-month period ended 30 June 2014 and 2013, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**25,185**	4,965
Cost of properties sold	**2,455,463**	671,248
Depreciation	**10,670**	5,887
Loss/(gain) on disposal of investment properties	**3,233**	(1,282)
Loss on disposal of items of property, plant and equipment, net	**38**	118
Loss on deemed disposal of a subsidiary upon loss of control	**283,012**	–

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**227,868**	141,076
Interest on bank loans wholly repayable beyond five years	**10,405**	17,287
Interest on other loans wholly repayable within five years	**59,803**	52,802
Interest on senior notes wholly repayable within five years	**238,474**	184,133
Total interest expense	**536,550**	395,298
Less: Interest capitalised	**(458,155)**	(294,037)
	78,395	101,261

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during each of the six-month periods ended 30 June 2014 and 2013. The corporate income tax and land appreciation tax ("LAT") for the subsidiaries operating in the People's Republic of China (the "PRC") are calculated at the applicable tax rates on the taxable profits and appreciation amount of sales of properties respectively for each of the six-month periods ended 30 June 2014 and 2013.

During the six-month period ended 30 June 2013, the Group filed and agreed with the local tax bureaus in the PRC the computation for the LAT of certain property development projects that had been completed and sold in previous years. As a result of the local tax bureau's assessments, the Group reversed and recognised an overprovision of RMB157,583,000 for LAT on the relevant property development projects in profit or loss for the prior period.

An analysis of the income tax charges for the period is as follows:

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current:		
PRC corporate income tax	**319,717**	41,386
PRC LAT		
Charge for the period	**277,212**	65,320
Overprovision in prior years	**–**	(157,583)
	596,929	(50,877)
Deferred:		
Current period	**27,271**	18,506
Reversal of deferred tax assets in respect of LAT overprovided in prior years	**–**	39,396
	27,271	57,902
Total tax charge for the period	**624,200**	7,025

7. INTERIM DIVIDEND

The board of directors of the Company resolved not to recommend the payment of an interim dividend for the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts for the six-month period ended 30 June 2014 is based on the consolidated profit attributable to owners of the parent of RMB559,297,000 (six-month period ended 30 June 2013: RMB150,453,000) and the weighted average number of ordinary shares of 3,455,999,999 (six-month period ended 30 June 2013: 3,455,999,999) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six-month period ended 30 June 2014 and 30 June 2013 in respect of a dilution as the impact of the share options outstanding during the current and prior periods had an anti-dilutive effect on the basic earnings per share amounts presented in both periods.

9. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within 1 year or on demand	**2,345,705**	2,345,824
Due within 1 to 2 years	**415,360**	157,678
	2,761,065	2,503,502

The trade payables are non-interest-bearing and unsecured.

10. EVENT AFTER THE REPORTING PERIOD

In August 2014, the Company entered into an equity transfer agreement with an independent third party for the acquisition of the entire equity interest of a company (the "Target Company") at an aggregate cash consideration of approximately HK$373.8 million (equivalent to RMB299.2 million). Upon completion of the transaction, the Target Company will become a wholly-owned subsidiary of the Group. The Target Company owns certain residential properties in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back into the market performance of the overall property sector in the first half of 2014, according to the National Bureau of Statistics of China, in the first half of 2014, total investment in property development in China was RMB4,201.9 billion, representing a nominal increase of 14.1%. The floor area of property construction of real estate developers was 6,114.06 million sq.m., representing an increase of 11.3% as compared to that of last year. The floor area of new housing construction was 801.26 million sq.m., representing a decrease of 16.4%, with the drop narrowing down by 2.2 percentage points. The floor area of housings completed was 382.15 million sq.m., representing an increase of 8.1%, an increase of 1.3 percentage points in growth. The area of land acquired by property developers was 148.07 million sq.m., representing a year-on-year decrease of 5.8%. The trading price of land was RMB403.1 billion, representing a growth of 9.0%. The sales area of commodity housing was 483.65 million sq.m., representing a year-on-year decrease of 6.0%, down by 1.8 percentage points when compared with that from January to May. The sales of commodity housing was RMB3,113.3 billion, representing a decrease of 6.7% with the drop narrowing down by 1.8 percentage points when compared with that from January to May. As at the end of June, the area of commodity housing available for sale was 544.28 million sq.m., representing an increase of 10.26 million sq.m. when compared with that as at the end of May. According to the National Bureau of Statistics of China, as at June 2014, for the property prices of new commodity housing (excluding affordable housing) in 70 middle and big cities, there were 69 cities with a year-on-year increase, but 55 cities with a month-on-month decrease and 7 cities remained par.

On the other hand, as the important strategy affecting the future China economic and social development process, the government always pays full attention to the ideas and layout of new urbanization construction. In mid-March, the "New National Urbanization Plan (2014-2020)", printed and issued by the State Council, has proposed that, for enhancing the radiating and stimulating functionalities of central cities, it is needed to propel and spread the functionalities of central urban area to within a One-Hour Traffic Circle Area, and develop it to form a metropolitan area with efficiency commuting and integrated development. The rundown urban areas are also continuing to speed up, so as to solve the problem of rundown urban areas for 300 million people. This year, it will plan to newly commence over 7 million nationwide affordable housing projects in cities and towns, of which over 4.7 million are various types of rundown urban areas, and it is expected to invest over RMB1,000 billion for the completion. The rapid development of new urbanization will bring a huge rural population whose rigid demand for housings will continue to support the steady development of the real estate market. The central government will improve the quality of urbanization by promoting reforms on household registration, land, fiscal, taxation and financial systems, social security, etc.

As for the regional macro-economy, despite the China real estate industry was at an adjustment stage in the first half of 2014, however, the market conditions in the key regional cities of the Group's business were relative sound. The GDP of Fujian Province was RMB973.361 billion in the first half of 2014, representing a nominal increase of 9.7%; the GDP of Quanzhou was RMB241.976 billion, representing a nominal increase of 9.9%; the GDP of Fuzhou was RMB200.143 billion, representing a nominal increase of 9.7%; the GDP of Xiamen was RMB136.5 billion, representing a nominal increase of 8.8%; the GDP of Hefei was RMB215.42 billion, representing a nominal increase of 9.9%. According to the information issued by National Bureau of Statistics of China, the price change situation of new commodity housings in 70 large and medium-sized cities in June had depicted that the housing price of Xiamen represents a year-on-year increase of 9.2%, a month-on-month increase of 0.1%, and the housing price of Hefei represents a year-on-year increase of 5.7%. The inventory absorption cycle in Hefei is only 5 months.

During the period, under the context of year-on-year sales drop in the overall PRC real estate market, the Group adhered to its active marketing strategy by leveraging on its own competitive advantages, accurate market positioning and development strategies. We actively coped with market changes and recorded remarkable results by broadening sources of income and reducing expenditure.

In the first half of the year, the Group adopted flexible strategies for project development and marketing and launched a number of projects meeting solid demand including Yuzhou Central Coast, Yuzhou Skyline and Yuzhou Central Plaza.

In addition, we believe execution, sell-through rate and profit ratio are very important for investment decisions. During the period, leveraging on the depression of the property market, we acquired two parcels of land and increased plot ratio of one existing parcel of land with the average land cost of RMB2,808 per sq.m. and the aggregate GFA of approximately 0.41 million sq.m. which average cost is far below the market level. We expect this investment will provide satisfactory returns to the Group in the future.

The Group also received a number of widely recognized honours and awards during the period. For instance, the Group was awarded "The 2014 China Mainland Real Estate Company Top 10 Listed in Hong Kong in terms of Investment Value Ranking" from China Real Estate Top 10 Research Team, consisting of Enterprise Research Institute of Development Research Center of the State Council of P.R.China, Institute of Real Estate studies of Tsinghua University and China Index Academy. The Group was also awarded "2014 Top 50 China Real Estate Listed Companies with Strongest Comprehensive Strengths" from China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal. Our brand image is getting stronger and stronger.

Overall Performance

During the period, turnover of the Group was RMB3,924.00 million, representing a huge increase of 2.8 times as compared with the corresponding period of the previous year. Gross profit surged by 3.3 times to RMB1,415.51 million and gross profit margin was 36.1%. Profit attributable to owners of the parent recorded an increase of 2.7 times to RMB559.30 million. Basic earnings per share was RMB16.18 cents. Core profit attributable to owners of the parent surged by 4.1 times to RMB486.05 million and the core profit margin was 12.4%. Core earnings per share was RMB14.06 cent. The Board resolved not to recommend the payment of an interim dividend for the six-month period ended 30 June 2014.

Attributable Land Reserves

The Group possesses quality land reserves with low land cost. As at 30 June 2014, the aggregate GFA of the Group's saleable land reserves was 8.58 million sq.m. with an average land cost of approximately RMB1,858 per sq.m. and are located in nine first and second tier cities in the West Strait Economic Zone, the Yangtze River Delta Region and Bohai Rim Region. The Group believes that its land reserves currently held and managed are sufficient for the next five to six years future development.

GFA of Attributable Land Reserves (sq.m.)
30 June 2014

Region	**GFA** *(sq.m.)*
West Strait Economic Zone	
Xiamen	2,046,911
Fuzhou	472,011
Quanzhou	1,312,206
Longyan	312,330
Zhangzhou	255,000
Sub-total	4,398,458
Yangtze River Delta Region	
Shanghai	639,763
Hefei	2,424,778
Bengbu	668,333
Sub-total	3,732,874
Bohai Rim Region	
Tianjin	450,656
Sub total	450,656
Total	8,581,988

During the period, the Group acquired two new parcels of high quality land and increased plot ratio of one existing parcel of land with an aggregate GFA of 413,580 sq.m. and an average land cost of approximately RMB2,808 per sq.m., the average land cost is far below the market level. The three parcels of land are expected to provide satisfactory returns to the Group in the next three to four years.

Particulars of these parcels of land are set out in the following table:

Name of Project	City	Acquisition Cost *(RMB'000)*	GFA *(sq.m.)*	Land Cost *(RMB/sq.m.)*
West Strait Economic Zone				
Yuzhou Oriental Venice (Expansion Part)	Fuzhou	650,378	193,754	3,357
Yuzhou City Plaza Phase III	Quanzhou	85,150	110,666	769
Yangtze River Delta Region				
Yuzhou Shushan Project	Hefei	425,720	109,160	3,900
Total		1,161,248	413,580	2,808

Sale of Properties

The recognized sales and area sold of each project in the first half of 2014 are set out in the following table:

Name of Project	City	Amount *(RMB'000)*	Saleable GFA *(sq.m.)*	Average Selling Price (after tax) *(RMB/sq.m.)*
West Strait Economic Zone				
Yuzhou University City	Xiamen	56,249	16,824	3,343
Yuzhou Golden Seacoast	Xiamen	15,980	5,270	3,032
Yuzhou Castle above City	Xiamen	84,029	11,742	7,156
Yuzhou Golf	Xiamen	94,094	8,153	11,541
Yuzhou Shoreline	Xiamen	577,023	40,461	14,261
Yuzhou Central Coast Phase I	Xiamen	209,543	19,619	10,681
Yuzhou Central Coast Phase II	Xiamen	1,971,891	153,540	12,843
Yuzhou Riverside City Town	Xiamen	247,716	24,469	10,124
Yuzhou Gushan No.One	Fuzhou	122,097	7,412	16,473
Yuzhou Oriental Venice	Fuzhou	12,993	658	19,746
Yuzhou City Plaza Phase I	Quanzhou	132,999	27,179	4,893
Others	Xiamen	3,181	706	4,506
Sub-total		3,527,795	316,033	11,163
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	21,055	1,244	16,925
Yuzhou Skyline Phase I	Hefei	30,558	3,054	10,006
Yuzhou Skyline Phase II	Hefei	33,698	3,384	9,958
Yuzhou Skyline Phase III	Hefei	220,582	38,681	5,703
Sub-total		305,893	46,363	6,598
Total		3,833,688	362,396	10,579

The recognized sales and area sold of each project in the first half of 2013 are set out in the following table:

Name of Project	**City**	**Amount**	**Saleable GFA**	**Average Selling Price (after tax)**
		(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
West Strait Economic Zone				
Yuzhou Golf	Xiamen	446,742	47,316	9,442
Yuzhou Gushan No.One	Fuzhou	134,823	8,314	16,216
Yuzhou Castle above City	Xiamen	125,703	7,051	17,828
Yuzhou University City Phase II	Xiamen	32,995	4,646	7,102
Yuzhou Oriental Venice	Fuzhou	31,423	1,904	16,504
Others	Xiamen	7,429	2,136	3,478
Sub-total		779,115	71,367	10,917
Yangtze River Delta Region				
Yuzhou Skyline Phase II	Hefei	105,243	20,285	5,188
Yuzhou Jinqiao International	Shanghai	51,201	3,198	16,010
Yuzhou Skyline Phase I	Hefei	38,974	7,965	4,893
Sub-total		195,418	31,448	6,214
Total		974,533	102,815	9,478

The contracted sales and area sold of each project in the first half of 2014 are set out in the following table:

Name of Project	City	Amount *(RMB'000)*	Saleable GFA *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
West Strait Economic Zone				
Yuzhou Golf	Xiamen	185,699	11,753	15,800
Yuzhou Shoreline	Xiamen	1,015,198	52,427	19,364
Yuzhou Central Coast Phase I	Xiamen	184,638	20,162	9,158
Yuzhou Central Coast Phase II	Xiamen	46,651	3,033	15,381
Yuzhou Central Coast Phase III	Xiamen	272,416	13,925	19,563
Yuzhou Riverside City Town	Xiamen	200,097	18,071	11,073
Yuzhou Cloud Top International	Xiamen	475,424	13,322	35,687
Haicang Dream Town	Xiamen	587,290	45,094	13,024
Yuzhou Gushan No.One	Fuzhou	24,290	1,368	17,756
Yuzhou Oriental Venice Phase II	Fuzhou	135,718	6,370	21,306
Yuzhou City Plaza Phase I	Quanzhou	318,078	43,408	7,328
Yuzhou Castle above City	Longyan	15,901	2,126	7,479
Others	Xiamen	68,325	14,254	4,793
Sub-total		3,529,725	245,313	14,389
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	40,773	2,273	17,938
Yuzhou Skyline Phase I	Hefei	34,960	3,153	11,088
Yuzhou Skyline Phase II	Hefei	20,271	1,456	13,922
Yuzhou Skyline Phase III	Hefei	587,935	79,519	7,394
Yuzhou Jade Lakeshire	Hefei	318,376	42,465	7,497
Yuzhou Central Plaza	Hefei	500,088	82,794	6,040
Yuzhou Prince Lakeshire	Bengbu	133,690	26,303	5,083
Sub-total		1,636,093	237,963	6,875
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	144,507	20,275	7,127
Sub-total		144,507	20,275	7,127
Total		5,310,325	503,551	10,546

The contracted sales and area sold of each project in the first half of 2013 are set out in the following table:

Name of Project	City	Amount *(RMB'000)*	Saleable GFA *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
West Strait Economic Zone				
Yuzhou University City Phase II	Xiamen	6,734	542	12,424
Yuzhou Castle above City	Xiamen	13,496	1,708	7,902
Yuzhou Golf	Xiamen	205,854	15,665	13,141
Yuzhou Shoreline	Xiamen	1,308,711	77,471	16,893
Yuzhou Central Coast Phase I	Xiamen	378,743	28,895	13,108
Yuzhou Central Coast Phase II	Xiamen	1,356,981	100,528	13,499
Yuzhou Riverside City Town	Xiamen	261,176	30,422	8,585
Haicang Dream Town	Xiamen	691,693	73,446	9,418
Yuzhou Gushan No.One	Fuzhou	198,050	12,578	15,746
Yuzhou Oriental Venice	Fuzhou	74,660	4,602	16,223
Yuzhou City Plaza Phase I	Quanzhou	275,565	58,208	4,734
Others	Xiamen	35,862	11,276	3,180
Sub-total		4,807,525	415,341	11,575
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	67,195	3,726	18,034
Yuzhou Skyline Phase I	Hefei	31,221	3,246	9,618
Yuzhou Skyline Phase II	Hefei	21,127	2,190	9,647
Yuzhou Skyline Phase III	Hefei	682,087	115,188	5,922
Sub-total		801,630	124,350	6,447
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	89,951	13,054	6,891
Sub-total		89,951	13,054	6,891
Total		5,699,106	552,745	10,311

Investment Properties

World Trade Center (Xiamen)

The Rental income (before tax) of World Trade Center during the period was derived from the mall and amounted to RMB21.13 million. During the period, the mall at Phase I of World Trade Center still maintained high occupancy rate of approximately 97% (30 June 2013: 96%). The occupancy rate of Phase II of World Trade Center was 100% (30 June 2013: 91%). The mall not only managed to retain the existing tenants but also has attracted new high profile tenants of such renowned brands as PCD Stores, Walmart, Starbucks, Sony and Hai Di Lao Hot Pot.

Yuzhou World Trade Plaza (Xiamen)

The project, Yuzhou World Trade Plaza（禹洲•世貿生活廣場）, has an area of approximately 44,000 sq.m. which comprises Phase I and Phase II. The rental income (before tax) of Yuzhou World Trade Plaza during the period was RMB3.53 million and the occupancy rate increased to 99%. With the steady economic growth of Hai Cang District, we expect the revenue of Yuzhou World Trade Plaza will increase steadily. The plaza will be our commercial flagship in Hai Cang District in Xiamen with restaurants, supermarkets and retail stores.

Yuzhou Jinqiao International (Shanghai)

Yuzhou Jinqiao International is designed as a one-stop commercial complex with approximately 8,000 sq.m. and features famous brands. The rental income (before tax) was RMB4.36 million.

Hotel Operation

We see a huge potential for hotel business in China. We believe that the expansion into the hotel industry would widen the source and stability of revenue, and reduce the risks of over reliance on any particular real estate segment. Hotel business can also help to strengthen the Group's brand image. Most hotels of the Group are still under development and construction. The Yuzhou Camelon Hotel Apartment（禹洲•嘉美倫酒店公寓）in Xiamen contributed a hotel operation income (before tax) of RMB7.7 million (30 June 2013: Nil) during the period. Going forward, the Group will continue to expand its hotel business in a sound and prudent manner so as to achieve a diversified property portfolio.

Property Management

The Group strives to create a warm and harmonious community for our residences whilst delivering quality property management services. The Group is committed to continuously improving the living environment and enhancing service quality in its property projects in order to maintain high level of customer satisfaction.

During the first half of 2014, the property management service companies of the Group recorded property management fee income of RMB26.89 million (30 June 2013: RMB27.67 million). The reason of the deduct on property management service fee income was due to the Company adopted the measure of reducing or remitting property management service fee for sales promotion. As at 30 June 2014, the aggregate GFA managed by the property management service companies of the Group in the PRC was nearly 2.50 million sq.m., and these companies serviced nearly 2.30 million property owners.

Gross Profit

The gross profit of the Group during the period increased by 328.2% from RMB330.56 million in the corresponding period of 2013 to RMB1,415.51 million. The gross profit margin increased from 32.0% in the corresponding period of 2013 to 36.1%, which was at an high level in industry. The increase in gross profit margin resulted from increase of the selling price of the recognized projects. The ratio of land cost to average selling price was maintained at a low level of 17.6% and such ratio is expected to remain at a low level in the coming years.

Other Income and Gains

Other income and gains soared by 6.6 times from approximately RMB48.29 million in the first half of 2013 to RMB365.23 million in the first half of 2014. It was because the Group recorded an amount of RMB326.92 million of fair value gains on derivative component of the Group's senior notes in the first half of 2014. The change in fair value was mainly due to the decrease in the market credit spread of relevant derivative financial instruments during the period.

Expenses on Selling and Distribution Costs

Selling and distribution expenses of the Group increased by 46.2% from approximately RMB57.05 million in the first half of 2013 to approximately RMB83.43 million in the first half of 2014. It was mainly due to the Group increase the selling expenses input for sales promotion.

Administrative Expenses

Administrative expenses of the Group increase by 2.0% from approximately RMB97.02 million in the first half of 2013 to approximately RMB98.97 million in the first half of 2014. Even though the Group had imposed strict cost control system to curtail other administrative expenses, but the Group had recruited a number of experienced personnel. As a result, total administrative expenses had increased.

Other expenses

Other expenses of the Group for the current period mainly included a loss on deemed disposal of a subsidiary upon loss of control and loss on disposal of investment properties. Other expenses for the six-month period ended 30 June 2014 was approximately RMB288.16 million, representing an increase of RMB287.50 million from the corresponding period in last year. It was mainly due to a loss on deemed disposal of a subsidiary upon loss of control of RMB283.01 million. During the current period, a subsidiary of the Group entered into capital increase agreements with certain independent third party investors (the "Investors"), pursuant to which, the Investors injected RMB610.00 million to a wholly-owned subsidiary of the Group. Upon completion of the capital increase, the Group's shareholding in that subsidiary was diluted to 45% and the Group lost control over it, accordingly, it ceased to be a subsidiary of the Group. The net asset value attributable to the Group was decreased by approximately RMB283.01 million after the completion of the capital increase, resulting in a loss on deemed disposal of a subsidiary upon loss of control of approximately RMB283.01 million.

Share of losses of joint ventures

Share of losses of joint ventures came from the Group's 45% interest in Fujian Big World Huaxia Real Estate Development Company Limited. The share of loss of RMB16.37 million was as a result of operating at loss during the period.

Profit attributable to owners of the parent

Profit attributable to owners of the parent soared by 2.7 times from approximately RMB150.45 million for the six-month period ended 30 June 2013 to approximately RMB559.30 million for the six-month period ended 30 June 2014. Core profit attributable to owners of the parent surged by 4.1 times from approximately RMB94.99 million for the period ended 30 June 2013 to approximately RMB486.05 million for the period ended 30 June 2014.

Borrowings

As at 30 June 2014, the Group had bank loans, senior notes and bonds balance of RMB13,034.52 million with maturities as follows:

Maturity	**30 June 2014** ***(RMB'000)***	31 December 2013 *(RMB'000)*
Bank and other borrowings		
Within 1 year or on demand	**2,382,653**	1,984,444
In the second year	**1,442,785**	1,516,132
In the third to fifth years, inclusive	**2,421,098**	1,507,514
Beyond 5 years	**1,476,656**	1,433,239
	7,723,192	6,441,329
Senior Notes		
In the third to fifth years, inclusive	**5,311,326**	3,268,953
	13,034,518	9,710,282

As at 30 June 2014, the bank and other borrowings of the Group in the amount of RMB7,723.19 million were secured by the investment properties and properties under development with an aggregate carrying value of RMB10,544.17 million, and an aggregate of 829,094,400 shares in the Company held by certain directors of the Company.

Gearing Ratio

As at 30 June 2014, the net debt to equity ratio (total debt less cash on hand (including restricted cash) and divided by total equity) of the Group decreased from 78.0% as at 31 December 2013 to 66.6%. The improvement on gearing ratio resulted from the excellent performance of contracted sales and significant increase of cash and bank balances.

Finance Expenses

During the period, the total cost of debt of the Group was RMB536.55 million, an increase by RMB141.25 million as compared with the corresponding period in 2013, of which RMB458.16 million were capitalised to cost of projects, an increase of RMB164.12 million as compared with the corresponding period in 2013. The increase in finance expenses was mainly due to the increase in the Group's total indebtedness from RMB8,226.33 million in the first half of 2013 to RMB13,034.52 million in the first half of 2014.

Currency Risk

The proportions of bank borrowings, senior notes and bonds balance and cash balance of the Group in terms of the following currencies:

	Bank Borrowings, Senior Notes and Bonds Balance *(RMB'000)*	**Cash Balance*** *(RMB'000)*
HK$	1,665,716	197,250
RMB	5,580,597	7,299,068
US$	5,788,205	168,610
SG$	–	1,450
Others	–	749
Total	13,034,518	7,667,127

* *Including restricted cash*

Operations of the Group are almost wholly conducted in RMB. Apart from the cash at bank, senior notes and bonds balance denominated in foreign currencies, the Group is not directly exposed to any other material risk from foreign exchange fluctuations.

Contingent Liabilities

The Group provides buy-back guarantees to banks, which offered mortgages to domestic properties buyers in the PRC of the Group. As at 30 June 2014, outstanding buy-back guarantees amounted to RMB6,340.61 million (31 December 2013: RMB6,171.79 million).

Return on Equity

For the six-month period ended 30 June 2014, return on equity represented annualised profit attributable to owners of the parent divided by the average of equity attributable to owners of the parent at the beginning and end of the period. Annualised return on equity in the first half of 2014 was 15.1%.

Earnings Per Share

The core profit attributable to owners of the parent is the profit attributable to owners of the parent excluding fair value changes on investment properties and derivative financial instruments net of deferred tax, loss on deemed disposal of a subsidiary upon loss of control, realised fair value gains on investment properties disposed net of deferred tax and equity-settled share option expenses.

Core earnings per share is calculated by dividing the core profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. The calculation of basic and core earnings per share are based on the following data:

	Six-month period ended	
	30 June 2014	30 June 2013
Profit attributable owners of the parent *(RMB'000)*	**559,297**	150,453
Less: Fair value gains of investment properties, net of deferred tax *(RMB'000)*	**43,180**	32,454
Less: Fair value gains on derivative financial instruments *(RMB'000)*	**326,921**	23,012
Plus: Loss on deemed disposal of a subsidiary upon loss of control *(RMB'000)*	**283,012**	–
Plus: Realised fair value gains on investment properties disposed, net of deferred tax *(RMB'000)*	**12,381**	–
Plus: Equity-settled share option expenses *(RMB'000)*	**1,464**	–
Core profit attributable to owners of the parent *(RMB'000)*	**486,053**	94,987
Weighted average number of ordinary shares in issue *('000)*	**3,456,000**	3,456,000
Basic earnings per share *(RMB cents per share)*	**16.18**	4.35
Core earnings per share *(RMB cents per share)*	**14.06**	2.75

No adjustment has been made to the basic and core earnings per share amount presented for the period ended 30 June 2014 and 30 June 2013 in respect of a dilution as the impact of the share options outstanding during the current and prior periods had an anti-dilutive effect on the basic and core earnings per share amount presented.

Commitment

As at 30 June 2014, the Group had commitment in respect of development expenditure on real estate of approximately RMB7,902.15 million (approximately RMB3,181.98 million as at 31 December 2013). The Group is also committed to the payment of land premium in respect of land acquisition of approximately RMB2,363.83 million (approximately RMB3,001.97 million as at 31 December 2013) and in respect of acquisition of a project company of approximately RMB234.06 million (approximately RMB237.06 million as at 31 December 2013).

Human Resources

The Group is led by an experienced and professional management team. Since the establishment of the Group in 1994, the Group has been undergoing rapid development and expansion under the leadership of the Board. Senior management has on average 20 years experience in properties development industry and over 12 years experience for most of the senior executives. The Group has also recruited overseas talents with professional qualifications to join our management team. With the strong leadership and international insight of the management as well as effective execution, together with our strict implementation of the international best practice according to the actual situation of the Company, the Group has within a short period of time become one of the strongest real estate developers in the PRC.

We believed that the competence of the Group's human resources, particularly the senior executives and professional project management team, is of critical importance to maintaining the strong competitive strengths of the Group. The Group aims to achieve and exceed the international standard of outstanding performance through compliance with the international best practice in respect of strict management system and corporate governance. As at 30 June 2014, the Group had a total staff of 2,399.

PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "Securities Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listing Issuers contained in Appendix 10 of the Listing Rules. The directors have confirmed that they have complied with the requirements set out in the Securities Code throughout the six-month period ended 30 June 2014.

CORPORATE GOVERNANCE

The Board of Directors ("Board") and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Group emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

During the period, the Company had adopted, applied and complied with the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange except the following deviation:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Lam Lung On has been assuming the roles of both the Chairman and the Chief Executive Officer since 1 January 2012. Although these two roles are performed by the same individual, certain responsibilities are shared with executive directors to balance the power and authority. In addition, all major decisions are made in consultation with members of the board as well as senior management. The Board has three independent non-executive directors who offer different independent perspectives. Therefore, the Board is of the view that there are adequate balances of power and safeguards in place. The Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Group.

REVIEW OF ACCOUNTS

The Company's Audit Committee has reviewed the suitability of the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2014.

OUTLOOK AND DEVELOPMENT STRATEGIES

In the first half year, China's property market entered into an adjustment stage. The Chinese government conducted micro-stimulation to the economy through the measures such as structural tax reduction, increase fiscal expenditures and targeted RRR cuts. Of which, specific stimulating measures on stabilizing growth were expected to facilitate the continuous improvement of overall liquidity of financial markets and effectively enhance economic growth momentum. It is expected that the yearly about 7.5% economic growth target is still achievable. As at August 2014, among the total 46 cities implementing home-purchase restriction policies, 37 of them have loosened their home-purchase restrictions at various levels.

Looking into the second half year, China may implement more loosened monetary policies, including reduction in interest rate or deposit reserve ratio. However, it is expected that the government will not comprehensively loosen the real estate market regulating measures in the short run, therefore the real estate industry will continue to face major challenges. But in the long run, China's urbanisation still has a long way to go. The future real estate market will end its "Golden Era" and enter into the "Silver Era" with obvious regional and structural differentiation. The real estate in resources agglomeration cities such as first tier cities and regional core cities will be supported by rigid demand while other cities will be benefited from the high speed railway era, become regional transportation hub due to favourable geographical positions, and small cities and towns surrounding big cities will be benefited from the concept of urban agglomeration and urban railroad transportation will assimilate them into the economic circles of big cities rapidly. Therefore, the prospects for Silver Era are still promising. Refining, platformization and financialization will become the market development logics.

As driven by the urbanization policy, real estate, as an integral part of fixed asset investment, still possesses tremendous potential in meeting the increasing basic needs for housings of the residents in the urbanization, and in particular a great potential for development in its rigid demand. According to the New Urbanization Plan of Fujian Province (2014-2020) issued by Fujian Provincial Party Committee and Provincial Government on 18 June 2014, by 2020, the urbanization level and quality will be steadily improved with urbanization rate of permanent population reaching 67%. Hence, attention will be focused on the following six aspects: improving the citizenization of agricultural transfer of population; optimizing the urbanization layout and accelerating the construction and urban integration of metropolitan areas such as Fuzhou and Xiamen-Zhangzhou-Quanzhou region; enhancing the industry support for urbanization development, and in particular accelerating the development of modern services industry and increasing its proportion in central cities such as Fuzhou, Xiamen and Quanzhou; improving the comprehensive carrying capacity of cities; promoting the integration of urban and rural development; and innovating the urbanization development system and mechanism. Other than Fuzhou, Xiamen and Pingtan, restrictions on household registration will be fully liberalised in the whole province. A Lin'gang New Town will be constructed with high standards outside Xiamen.

The Department of Housing and Urban-Rural Development of Fujian Province and Hefei City issued a policy announcement respectively on 29 July 2014 to ease up the purchase restrictions in the cities of Fujian Province and in Hefei City. This policy expressly pointed out that, the purchase restriction measures could be adjusted in Fuzhou and Xiamen; housing purchases in the whole province do not need to provide tax certificates and social security payments certificates covering a certain length of time. The number of purchased properties should only be counted on a new-dwelling basis, and family's first-time property upgrading should be identified as first housing; and a second housing purchase that requires a loan will be treated as first housing if the loan of the previous housing is paid off. This policy is expected to have a positive impact on the Group's contracted sales in Fujian and Heifei in the coming several months.

The Group is prudently optimistic about the prospects of the property market in China. The Group has geared up for the sales campaign for all our projects in a bid to seize opportunities brought by market changes. With Yuzhou City Plaza（城市廣場）in Shanghai, Yuzhou Royal Seal（天璽）in Hefei and Yuzhou Royal Lakeshire（御湖郡）in Tianjin, which are expected to be launched in the second half of 2014, along with existing projects including Yuzhou Central Coast Phase III（中央海岸三期）, Yuzhou Riverside City Town（溪堤尚城）, Yuzhou Skyline Phase III（天境三期）and Yuzhou Central Plaza（中央廣場）, the Group are confident of meeting the target for this year's contracted sales.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our heartfelt thanks to all shareholders, investors, partners and customers for their trust and support. For Yuzhou, the year 2014 is the end of the first two decades, yet it also means the starting point of the next two decades. We will continue to draw on better corporate governance and management structure as well as the prudent financial strategies and adhere to our spirit of "Building Cities with Heart, Building Homes with Love" and dedicate to maximize the value for our shareholders and investors in creating the best returns.

By order of the Board
Yuzhou Properties Company Limited
Lam Lung On
Chairman

Hong Kong, 28 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Lam Lung On (Chairman), Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui; and the independent non-executive directors of the Company are Mr. Gu Jiande, Mr. Lam Kwong Siu and Mr. Wee Henny Soon Chiang.