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 2016

FINANCIAL HIGHLIGHTS

1. Contracted sales achieved approximately RMB12,872.08 million in the first half year, representing an increase of 124.4% period-on-period and accounted for 80% of full year's target.

2. Revenue was RMB4,143.32 million, increased by 18.32%. Gross profit margin was 32.47%.

3. Profit attributable to owners of the parent was up by 7.92% from RMB642.43 million in the first half of 2015 to RMB693.31 million in the first half of 2016.

4. Core profit attributable to owners of the parent rose by 19.04% to RMB657.15 million. Core profit margin was 15.86%. Core profit per share was RMB17.22 cents, up by 10.31%.

5. Basic earnings per share was RMB18.17 cents, up by 0.06% from RMB18.16 cents in the corresponding period of 2015.

6. At the end of the reporting period, the Group had an aggregate saleable land reserve of approximately 9.04 million sq.m. Gross floor area ("GFA") with the average land cost of approximately RMB4,035 per sq.m..

7. The net gearing ratio was 75.37%, decreased by 4.06 percentage points compared to 31 December 2015. Weighted average funding cost decreased from 7.00% in the end of December 2015 to 6.32% by the end of June 2016.

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 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2016

	Notes	**For the six-month period ended 30 June** **2016** ***RMB'000*** **(Unaudited)**	2015 *RMB'000* (Unaudited)
REVENUE	*3*	**4,143,316**	3,501,771
Cost of sales		**(2,798,087)**	(2,313,601)
Gross profit		**1,345,229**	1,188,170
Fair value gain on investment properties, net		**192,878**	53,241
Fair value gain/(loss) on derivative financial instruments, net		**30,346**	(30,633)
Other income and gains	*3*	**117,609**	179,115
Selling and distribution expenses		**(106,819)**	(86,166)
Administrative expenses		**(154,880)**	(103,932)
Other expenses		**(1,841)**	(2,435)
Finance costs	*6*	**(156,002)**	(66,353)
Share of profits and losses of joint ventures, net		**(2,785)**	(49,601)
Share of profits and losses of an associate		**(1,835)**	–
PROFIT BEFORE TAX	*5*	**1,261,900**	1,081,406
Income tax	*7*	**(579,042)**	(416,709)
PROFIT FOR THE PERIOD		**682,858**	664,697
Attributable to:			
Owners of the parent		**693,314**	642,427
Non-controlling interests		**(10,456)**	22,270
		682,858	664,697
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic *(RMB cents per share)*	*9*	**18.17**	18.16
– Diluted *(RMB cents per share)*	*9*	**18.16**	18.16

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2016

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**682,858**	664,697
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(26,038)**	(8,153)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**656,820**	656,544
Attributable to:		
Owners of the parent	**667,276**	634,274
Non-controlling interests	**(10,456)**	22,270
	656,820	656,544

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**968,874**	870,632
Investment properties		**7,046,781**	6,470,630
Goodwill		**264,666**	264,666
Investment in joint ventures		**2,258,234**	88,736
Investment in an associate		**200,191**	–
Deferred tax assets		**433,165**	412,674
Total non-current assets		**11,171,911**	8,107,338
CURRENT ASSETS			
Land held for property development for sale		**1,065,673**	645,673
Properties under development		**22,904,812**	20,849,382
Properties held for sale		**6,402,667**	7,417,797
Prepayments for acquisition of land		**3,926,526**	1,459,619
Prepayments, deposits and other receivables		**2,656,267**	2,162,582
Prepaid corporate income tax		**180,208**	57,149
Prepaid land appreciation tax		**340,277**	151,430
Derivative financial instruments		**30,897**	46,095
Restricted cash		**1,558,838**	975,525
Cash and cash equivalents		**14,111,271**	10,973,268
Total current assets		**53,177,436**	44,738,520
CURRENT LIABILITIES			
Receipts in advance		**14,759,195**	7,221,316
Trade payables	*10*	**5,543,688**	6,296,764
Other payables and accruals		**7,038,932**	5,854,748
Interest-bearing bank and other borrowings		**5,745,133**	3,987,373
Corporate income tax payables		**1,041,371**	1,102,815
Provision for land appreciation tax		**1,145,173**	1,162,886
Total current liabilities		**35,273,492**	25,625,902
NET CURRENT ASSETS		**17,903,944**	19,112,618
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,075,855**	27,219,956

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**12,156,456**	10,628,867
Senior notes		**5,605,051**	5,466,883
Deferred tax liabilities		**917,005**	882,851
Total non-current liabilities		**18,678,512**	16,978,601
Net assets		**10,397,343**	10,241,355
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**324,472**	324,472
Reserves		**9,390,274**	9,297,330
		9,714,746	9,621,802
Non-controlling interests		**682,597**	619,553
Total equity		**10,397,343**	10,241,355

1. BASIS OF PREPARATION

The condensed consolidated interim financial information (the "interim financial information") for the six-month period ended 30 June 2016 is prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial information has been prepared on the historical cost convention, except the investment properties and certain financial instruments, which are measured at fair value. Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current period, the Group has applied for the first time, the following new and revised interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operation
Amendments to HFKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plant
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The application of the above new and revised HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that have been issued but are not yet effective, in the interim financial information.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, 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.

An analysis of the Group's revenue, other income and gains is as follows:

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties	**4,018,658**	3,418,051
Rental income from investment properties	**51,115**	31,347
Property management fee income	**61,351**	42,068
Sales of construction materials	**2,480**	2,850
Hotel operation income	**9,712**	7,455
	4,143,316	3,501,771
Other income and gains		
Bank interest income	**30,363**	36,128
Rental income from properties held for sale	**576**	2,864
Gain on bargain purchase of a subsidiary, net of loss on remeasurement of a pre-existing interest in a joint venture	**–**	128,356
Gain on disposal of investment properties, net	**78,463**	–
Foreign exchange differences, net	**30**	1,197
Others	**8,177**	10,570
	117,609	179,115

4. 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 a hotel; 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 2016

	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	4,018,658	51,115	61,351	9,712	2,480	4,143,316
Other revenue	4,995	22	3,705	25	36	8,783
Total	4,023,653	51,137	65,056	9,737	2,516	4,152,099
Segment results	1,123,707	280,740	(14,597)	5,482	(7,793)	1,387,539
Reconciliation:						
Interest income						30,363
Finance costs						(156,002)
Profit before tax						1,261,900
Income tax						(579,042)
Profit for the period						682,858

For the six-month period ended 30 June 2015

	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	3,418,051	31,347	42,068	7,455	2,850	3,501,771
Other revenue	138,733	23	1,798	–	2,433	142,987
Total	3,556,784	31,370	43,866	7,455	5,283	3,644,758
Segment results	1,116,833	60,735	(9,449)	3,069	(59,557)	1,111,631
Reconciliation:						
Interest income						36,128
Finance costs						(66,353)
Profit before tax						1,081,406
Income tax						(416,709)
Profit for the period						664,697

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 periods ended 30 June 2016 and 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. PROFIT BEFORE TAX

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

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,622**	2,646
Cost of properties sold	**2,722,373**	2,256,641
Cost of services provided	**74,092**	54,314
Depreciation	**28,458**	22,494
Gain on disposal of investment properties, net	**(78,463)**	–
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**8,881**	7,266

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans, other loans and senior notes	**717,280**	615,821
Less: Interest capitalised	**(656,593)**	(549,468)
	60,687	66,353
Loss on early redemption of China Life Bonds	**95,315**	–
	156,002	66,353

7. 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 2016 and 2015. The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for each of the six-month periods ended 30 June 2016 and 2015.

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

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current:		
PRC corporate income tax	**274,821**	253,583
PRC land appreciation tax ("LAT")		
– Charge for the period	**290,558**	222,967
– Overprovision in prior years*	**–**	(110,120)
	565,379	366,430
Deferred:		
Current period	**27,729**	22,749
Reversal of deferred tax assets in respect of LAT overprovided in prior years	**–**	27,530
Release of deferred tax liabilities as respect of disposal of investment properties	**(14,066)**	–
	13,663	50,279
Total tax charge for the period	**579,042**	416,709

* During the six-month period ended 30 June 2015, based on the local tax bureau's final LAT liability assessments, the Group has reversed and recognised an overprovision for LAT of RMB110,120,000 on certain property development projects, which had been completed and sold in previous years, in profit or loss for the prior period.

8. 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 2016 (six-month period ended 30 June 2015: Nil).

9. 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 2016 is based on the consolidated profit attributable to owners of the parent of RMB693,314,000 (six-month period ended 30 June 2015: RMB642,427,000) and the weighted average number of ordinary shares of 3,815,999,999 (six-month period ended 30 June 2015: 3,537,546,960) in issue during the period.

The calculation of the diluted earnings per share amounts for the six-month period ended 30 June 2016 is based on the consolidated profit attributable to owners of the parent of RMB693,314,000 (six-month period ended 30 June 2015: RMB642,427,000) and the weighted average number of ordinary shares used in the calculation is the total of (i) the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares (see below).

	Number of shares	
	30 June 2016	30 June 2015
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**3,815,999,999**	3,537,546,960
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,264,354**	431,938
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	**3,817,264,353**	3,537,978,898

10. TRADE PAYABLES

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year or on demand	**3,050,417**	5,050,971
One to two years	**2,493,271**	1,245,793
	5,543,688	6,296,764

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

11. EVENT AFTER THE REPORTING PERIOD

In July 2016, the Group entered into an equity transfer agreement with independent third parties for the acquisition of the entire interest in Zhongwei Property Zhejiang Co., Ltd. ("Zhongwei Property") at an aggregate consideration of approximately RMB4,104 million. Up to the date of acquisition, Zhongwei Property has not carried out any significant business transactions except for holding three parcels of land located at the southwest side of Hangzhou, Zheijiang Province, the PRC, near the north end of the Zhijiang Bridge（之江大橋北岸引橋）and close to the West Lake（西湖）and Qiantang River（錢塘江）in Hangzhou, the PRC. The acquisition was completed in 10 August 2016 and Zhongwei Property then become a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2016, China's domestic economy maintained steady development and its monetary policy remained loose in general. Under the environment of low interest rate, the credit granted to the real estate industry recorded a further increase, which has driven the rapid release of pent-up demand in the real estate market across the country, especially that in tier 1 and tier 2 cities. According to the National Bureau of Statistics of China, gross floor area ("GFA") of commodity housing sold in China increased by 27.9% year-on-year to 640 million sq.m., of which GFA of commodity residential housing sold in China increased by 28.6% year-on-year to 570 million sq.m. in the first half of 2016. The sales value of commodity housing was RMB4,900 billion, representing a year-on-year growth of 42.1%, while the sales value of commodity residential housing was RMB4,100 billion, representing a year-on-year growth of 44.4%. As of the end of June 2016, the saleable area of commodity housing was 710 million sq.m., decreased by 7.53 million sq.m. as compared with the end of May 2016. In particular, the saleable area of residential housing was down by 7.70 million sq.m.. The investment in property development amounted to RMB4,700 billion, which represented a 6.1% increase in nominal terms or a 8.0% increase in real terms (excluding inflation) year-on-year. The contribution of real estate industry to GDP rose to 8.3% from 3.3% in the corresponding period of last year.

Given the multiple stimulation brought by the easing policies, the Group adapted itself to deploy flexible marketing strategies, and achieved remarkable sales performance during the first half of year. 80% of the Group's 2016 contracted sales target was achieved with the contracted sales for the first half of 2016 amounting to a record high of RMB12,872.08 million, representing an increase of 124.4% period-on-period. During the period, the Group's sales performance in Xiamen was also outstanding and the Group has been one of the top market players for consecutive eleven years in Xiamen. After years of establishing strong foundation, the Group became one of the top 3 developers in Hefei since last year, and achieved another success in sales performance in the first half of this year. In the first half of 2016, the Group proactively expanded and consolidated its deployment of Yangtze River Delta Region, and maintained its leading position in West Strait Region. In light of the changes of macro policies and market trends, the Group has strictly implemented the operational guideline of steady development in replenishing strategically its land reserves. The Group has been optimizing and improving the strategic deployment of the Company since the beginning of this year. Apart from consolidating its leading position in Xiamen and Hefei, the Group maintained its intensive development in Shanghai, Nanjing and Fuzhou. Moreover, the Group has stepped into the Hangzhou market in July 2016 with the successful acquisition of a quality commercial and residential project in Xihu District, Hangzhou, which accelerated and improved its deployment of Yangtze River Delta and thus laid a solid foundation for the sustainable and rapid development of the Group. Currently, the land reserve amounted to 9.04 million sq.m., of which approximately 1.04 million sq.m. was newly acquired during the period.

2016 was the 22th anniversary since the establishment and the 7th anniversary since the listing of the Group. During the past 22 years, the Group has experienced challenges and opportunities; meanwhile developed in a steady and rapid manner along the path of regional scale development and, with the support of all communities and every employee, the Group had achieved its current success. This year, the Group ranked 36th in the list of "2016 Comprehensive Strength of Chinese Real Estate Listed Companies" and 3rd in the list of "2016 Chinese Real Estate Listed Companies with Operation Efficiency" respectively granted by China Real Estate Association and was awarded several other awards as an outstanding Chinese real estate developer. The Group was also honored by various organisations in terms of corporate governance, annual report design and production, as well as brand image promotion. On the other hand, by giving a "buy" or "outperform" rating to our Company and continuously issuing research reports on our Company's shares and debentures, the capital market had paid more and more attention to the Company and some international renowned security companies had also included the Group in their research coverage.

Going forward, 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.

Overall Performance

In the six-month period ended 30 June 2016, revenue of the Group was RMB4,143.32 million, representing an increase of 18.32% as compared with the corresponding period of the previous year, mainly due to the increase in GFA of property delivered during the period. Gross profit increased by 13.22% as compared with the corresponding period of the previous year to RMB1,345.23 million. Gross profit margin decreased by 1.46 percentage points to 32.47%. Profit attributable to owners of the parent recorded an increase of 7.92% to RMB693.31 million. Basic earnings per share was RMB18.17 cents, up by 0.06%. Core profit attributable to owners of the parent rose by 19.04% to RMB657.15 million. Core earnings per share was RMB17.22 cent, up by 10.31% and core profit margin was 15.86%. The Board resolved not to recommend the payment of an interim dividend for the six-month period ended 30 June 2016.

Sale of Properties

For the six months ended 30 June 2016, our Group's revenue of property sales increased by 17.57% to RMB4,018.66 million as compared with the corresponding period of the previous year, accounting for 96.99% of the total revenue. During the six months ended 30 June 2016, Group delivered an aggregate GFA of approximately 529,395 sq.m., which increased by 68.27% as compared with the corresponding period of 2015. The increase of revenue from property sale was mainly attributed to growth of delivered areas in this period. The average selling price of the properties delivered and recognized as property sales in the first half of 2016 was RMB7,591 per sq.m., representing a decrease of 30.13% as compared with the corresponding period of 2015. The decrease is caused by the delivery of several new projects in Hefei, Longyan and Bengbu during the period, the average selling price of which were relatively lower than properties delivered in Xiamen which is the major contributor of property sales in prior years.

As for geographic distribution, West Strait Economic Zone, Yangtze River Delta Region and Bohai Rim Region contributed 49.33%, 46.45% and 4.22% to recognised sales respectively. The Group has a solid leading position in West Strait Economic Zone, and its business in Yangtze River Delta Region where the Group has kept on cultivating also forms scale gradually. The Group believes that the business in these two regions will develop simultaneously in the future, as two major engines of the business development. With revenue derived from more diversified cities, it can help to relieve the impacts of industrial regulatory policies as well as achieve a sustainable and balanced development of the enterprise.

The recognized sales and area sold of each project in the first half of 2016 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 Shoreline	Xiamen	86,377	3,514	24,581
Yuzhou Central Coast	Xiamen	505,847	30,207	16,746
Yuzhou Riverside City Town	Xiamen	525,835	50,553	10,402
Yuzhou Cloud Top International	Xiamen	56,157	1,484	37,842
Yuzhou Gushan No. One	Fuzhou	41,680	1,906	21,868
Yuzhou Oriental Venice	Fuzhou	111,228	9,867	11,273
Yuzhou City Plaza	Quanzhou	168,741	31,405	5,373
Yuzhou Castle above City	Longyan	474,345	88,638	5,351
Others	Xiamen	12,076	1,218	9,915
Sub-total		1,982,286	218,792	9,060
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	13,414	411	32,637
Yuzhou City Plaza	Shanghai	4,984	340	14,659
Yuzhou Skyline	Hefei	585,977	79,093	7,409
Yuzhou Jade Lakeshire	Hefei	611,475	79,104	7,730
Yuzhou Central Plaza	Hefei	289,160	43,305	6,677
Yuzhou Prince Lakeshire	Bengbu	361,525	82,580	4,378
Sub-total		1,866,535	284,833	6,553
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	169,837	25,770	6,590
Sub-total		169,837	25,770	6,590
Total		4,018,658	529,395	7,591

The recognized sales and area sold of each project in the first half of 2015 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	87,559	4,974	17,603
Yuzhou Shoreline	Xiamen	553,316	22,755	24,316
Yuzhou Central Coast Phase I	Xiamen	77,501	7,727	10,030
Yuzhou Central Coast Phase II	Xiamen	167,648	13,818	12,133
Yuzhou Riverside City Town	Xiamen	45,084	3,675	12,268
Yuzhou Cloud Top International	Xiamen	534,127	15,454	34,562
Yuzhou Gushan No.One	Fuzhou	186,167	10,484	17,757
Yuzhou Oriental Venice Phase II	Fuzhou	30,912	1,898	16,287
Yuzhou Oriental Venice Phase III	Fuzhou	619,918	65,807	9,420
Yuzhou City Plaza	Quanzhou	377,052	60,668	6,215
Others	Xiamen	4,633	456	10,160
Sub-total		2,683,917	207,716	12,921
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	22,617	1,375	16,449
Yuzhou Skyline	Hefei	199,633	26,365	7,572
Sub-total		222,250	27,740	8,012
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	511,884	79,157	6,467
Sub-total		511,884	79,157	6,467
Total		3,418,051	314,613	10,864

Contracted Sales

At the beginning of this year, the Group has set its full year target for contracted sales in 2016 to RMB16 billion. For the six months ended 30 June 2016, the Group's contracted sales amounted to RMB12,872.08 million, representing an increase of 124.39% period-on-period and completing 80.45% of our full-year contracted sales target. During the first six months of this year, the contracted sales area amounted to 1,010,557 sq.m. and the average contracted selling price was approximately RMB12,738 per sq.m.. In addition, the sales of properties subscribed for but not contracted was approximately RMB846.83 million.

Yuzhou Properties has maintained a leading position in Xiamen for 11 consecutive years. According to National Bureau of Statistics of China, the sales price of newly constructed commercial residential buildings in Xiamen in June 2016 recorded an month-on-month increase of 4.7% and year-on-year increase of 34.0% . In the first half of 2016, the Group has recorded a satisfying sales result with RMB4,364.67 million in contracted sales and 225,089 sq.m in contracted gross floor area in Xiamen, mainly due to the upward prices adjustment of our properties benefiting from the general rising of housing prices in Xiamen and our well brand recognition.

Having established a presence in Hefei for years, Yuzhou Properties ranked among the city's top three property developers from last year and has maintained a strong sales record in the first half of 2016. Being a city supported by solid economic fundamentals and favorable national policies, Hefei shows tremendous potential for future development. In the first half of 2016, Hefei is one of the cities with the fastest growing housing prices in the PRC while its inventory level hit a historical low level. In the first half of 2016, the Group has sold 409,218 sq.m. contracted gross floor area and recorded contracted sales amounted to RMB3,324.69 million.

The Group has boosted its expansion over the Yangtze River Delta region. Being the first residential project of the Group in Shanghai, Yuzhou Bustling Center (老城里) located in Jiading District continued its strong sales record last year with certain units rolled out in 2016 being promptly sold out, recording contracted sales of RMB1,288.87 million in the first half of 2016. In addition, in line with the dramatic increase of house price in Shanghai, the average residential property price of Yuzhou Bustling Center has reached RMB29,138 per sq.m. in June 2016, as compared to RMB22,837 per sq.m. last year when it was launched. On the other hand, the Group launched its first project in Nanjing, Yuzhou The Jiqing (禹洲•吉慶里), in January 2016. With "Boutique Building 3.5" as its design concept, Yuzhou The Jiqing has engaged artists to carry on a specific layout design which integrates our project features with the history of Nanjing, with a view to create family warmth for our home buyers by adapting to their living habits. In the first half of 2016, Yuzhou The Jiqing has achieved contracted sales of RMB1,485.20 million, which is due to our excellent marketing efforts that attracted tons of attention. In the second half of 2016, a number of new projects in Shanghai and Nanjing will be rolled out, which will further enhance the Group's contracted sales performance.

The contracted sales and GFA sold of each project in the first half of 2016 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 Central Coast	Xiamen	160,237	10,801	14,836
Yuzhou Riverside City Town	Xiamen	371,330	29,782	12,468
Yuzhou Cloud Top International	Xiamen	59,515	1,408	42,260
Haicang Dream Town	Xiamen	999,907	49,675	20,129
Yuzhou Lucca Town	Xiamen	954,477	48,660	19,615
Chunjiang Central	Xiamen	1,759,947	81,678	21,547
Yuzhou Gushan No.One	Fuzhou	35,500	1,298	27,350
Yuzhou Oriental Venice	Fuzhou	633,256	55,481	11,414
Yuzhou Cambridge Town	Fuzhou	413,500	44,057	9,386
Yuzhou City Plaza	Quanzhou	169,891	30,347	5,598
Yuzhou Castle above City	Longyan	336,030	57,855	5,808
Others	Xiamen	59,256	3,085	19,205
Sub-total		5,952,846	414,127	14,374
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	11,023	356	30,983
Yuzhou City Plaza	Shanghai	4,096	220	18,596
Yuzhou Commercial Plaza	Shanghai	306,509	27,360	11,203
Yuzhou Bustling Center	Shanghai	1,288,867	44,234	29,138
Yuzhou Skyline	Hefei	571,294	67,181	8,504
Yuzhou Jade Lakeshire	Hefei	408,088	44,230	9,227
Yuzhou Central Plaza	Hefei	896,992	127,632	7,028
Yuzhou Town	Hefei	50,115	3,876	12,931
Yuzhou Royal Seal	Hefei	764,433	99,598	7,675
Yuzhou Central Town	Hefei	633,769	66,701	9,502
Yuzhou The Jiqing	Nanjing	1,485,204	44,089	33,687
Yuzhou Prince Lakeshire	Bengbu	65,158	14,480	4,500
Sub-total		6,485,548	539,957	12,011

Name of Project	City	Amount *(RMB'000)*	Saleable GFA *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	252,332	34,263	7,365
Yuzhou Royal Lakeshire	Tianjin	181,356	22,210	8,166
Sub-total		433,688	56,473	7,680
Total		12,872,082	1,010,557	12,738

The contracted sales and GFA sold of each project in the first half of 2015 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	6,212	396	15,687
Yuzhou Shoreline	Xiamen	75,311	2,696	27,934
Yuzhou Central Coast	Xiamen	972,491	55,735	17,448
Yuzhou Riverside City Town	Xiamen	537,140	53,058	10,124
Yuzhou Cloud Top International	Xiamen	349,035	9,296	37,547
Haicang Dream Town	Xiamen	285,310	18,742	15,223
Yuzhou Gushan No.One	Fuzhou	16,950	1,818	9,323
Yuzhou Oriental Venice Phase I&II	Fuzhou	5,860	303	19,340
Yuzhou Oriental Venice Phase III	Fuzhou	455,571	44,704	10,191
Yuzhou City Plaza	Quanzhou	264,288	42,609	6,203
Yuzhou Castle above City	Longyan	298,125	54,814	5,439
Others	Xiamen	10,294	1,441	7,144
Sub-total		3,276,587	285,612	11,472

Name of Project	City	Amount *(RMB'000)*	Saleable GFA *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	6,221	594	10,473
Yuzhou City Plaza	Shanghai	49,774	6,080	8,187
Yuzhou Commercial Plaza	Shanghai	39,132	1,870	20,926
Yuzhou Skyline	Hefei	540,712	80,427	6,723
Yuzhou Jade Lakeshire	Hefei	377,021	51,907	7,263
Yuzhou Central Plaza	Hefei	544,698	84,715	6,430
Yuzhou Town	Hefei	361,557	37,633	9,607
Yuzhou Royal Seal	Hefei	220,150	32,763	6,719
Yuzhou Prince Lakeshire	Bengbu	90,451	21,349	4,237
Sub-total		2,229,716	317,338	7,026
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	160,493	24,792	6,474
Yuzhou Royal Lakeshire	Tianjin	69,657	9,339	7,459
Sub-total		230,150	34,131	6,743
Total		5,736,453	637,081	9,004

Investment Properties

For the six months ended 30 June 2016, the income from investment properties of the Group was approximately RMB51.12 million, representing a growth of approximately 63.06% as compared with the corresponding period of 2015. Our Group's flagship office projects Xiamen Yuzhou Plaza and Shanghai Yuzhou Plaza, are well located. Since these projects were put into operation in the December 2014, they recorded satisfactory performance in occupancy rate, which amounted to 75% and 99% respectively as of 30 June 2016.

Our project, Xiamen Yuzhou World Trade Center, locates at the Xiamen train station business circle, has completed the optimization of its tenant structure. The Center has introduced many well-known brands such as H&M, MUJI, Watsons, Weiyou and China film Digital Cinema, which cooperatively provide the customers one-stop entertainment experience, and reached an occupancy rate of 95%; besides, the project Yuzhou Commercial Plaza, a large-scale complex commercial shopping mall located in Pudong Area, Shanghai, has commenced its business in the July 2016; and our Xinglin project in Xiamen as well as the Central Plaza Shopping Mall in Hefei will launch for leasing in succession. The scale of investment properties portfolio of our Group will continue to grow in the future.

Hotel Operation

During the six months ended 30 June 2016, The Yuzhou Camelon Hotel Apartment in Xiamen brought the Group RMB9.71 million in income, representing an increase of 30.27% from the corresponding period in 2015. The Hotel's occupancy rate has reached 77%, and grade in OTA websites is up to 4.6 points (the full mark is 5 points). The majority of the hotels in our Group are still under development and construction, and the Group considers that these hotels will broaden our revenue streams.

Property Management

During the period, the property management companies of the Group recorded a property management fee income of RMB61.35 million, up 45.84% as compared with the corresponding period of 2015. With the succession in the area of delivered properties, the property management companies managed an aggregate GFA of approximately 7.03 million sq.m. in China as of 30 June 2016.

Adhering consistently to the philosophy of "Customer First and Customer-Oriented", Yuzhou has been striving to create safe and comfortable living conditions or efficient business environment for its residents and commercial tenants. In the first half of this year, the Group further invested in the training for all customer service specialists of both real estate companies and property management companies, as well as the market managers and sales managers who take the responsibility of customer services. In addition, the Group also conducted unannounced visits to check the sales and service performance of the sales office of those projects for sale, in which the employees of the Group carried out detailed inspection of delivered area of the projects in compliance with strict standards. All of such efforts were made in the interests of our customers, and with an aim to create the most satisfied and comfortable homes for owners.

Land Reserves

The Group focuses to develop its business in Yangtze River Delta, West Strait Economic Zone and Bohai Rim Region and adhered to its strategic guideline of "Based in Yangtze River Delta, Lead West Strait and Expand Nationwide Coverage in China". On the basis of strengthening its leading position in West Strait Economic Zone, the Group has sped up its progress of developing its deployment in Yangtze River Delta since 2015. With its keen insight and judgment, the Group wisely place emphasis on the development of Shanghai, Hefei and Nanjing, the top three core cities that possess the potential of development in Yangtze River Delta, and successfully gain several additional development projects with high potential. During the practice of development, the Group adhered consistently to its development principle of "Establishing strong foundation in every city entered". Besides, our Group took the execution, sell-through rate and profitability as its indications of performance and strictly manages its risk, so as to ensure the sustainable development of the Group.

As of 30 June 2016, the aggregate salable GFA of land reserves of the Group was 9.04 million sq.m., with a total of 61 projects located in eleven cities in West Strait Economic Zone, Yangtze River Delta, Bohai Rim region and Hong Kong; the average land cost was approximately RMB4,035 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for its development over the next four or five years.

Saleable GFA of Land Reserves (sq.m.)
(As at 30 June 2016)

Region	**Number of Projects**	**Area** *(sq.m.)*
West Strait Economic Zone		
Xiamen	24	1,769,352
Fuzhou	4	643,627
Quanzhou	1	1,072,806
Longyan	1	207,408
Zhangzhou	1	255,000
Sub-total	31	3,948,193
Yangtze River Delta Region		
Shanghai	9	926,233
Nanjing	6	517,196
Hefei	11	2,734,674
Bengbu	1	585,753
Sub-total	27	4,763,856
Bohai Rim Region		
Tianjin	2	325,677
Sub-total	2	325,677
Offshore		
Hong Kong	1	2,214
Sub-total	1	2,214
Total	61	9,039,940

During the first half of 2016, the Group acquired seven new parcels of high quality land, which are located in Fuzhou, Shanghai, Nanjing and Hefei respectively, providing an aggregate saleable GFA of 1,041,539 sq.m., at an average land cost of approximately RMB10,674 per sq.m., with a total attributable land premium of approximately RMB8,968.64 million.

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

Name of Project	City	The Group's equity interest	GFA *(sq.m.)*	Total Consolidation *(RMB'000)*	Attributable Consideration *(RMB'000)*	Land Cost *(RMB/sq.m.)*
West Strait Economic Zone						
Yuzhou Cangshan Project	Fuzhou	67%	137,409	1,730,000	1,159,100	12,590
Yangtze River Economic Zone						
Minhang Project	Shanghai	40%	90,776	2,630,000	1,052,000	28,972
Yuzhou Yuhuatai Project G71	Nanjing	100%	61,152	710,000	710,000	11,610
Yuzhou Yaohai Project E1601	Hefei	100%	234,889	2,388,764	2,388,764	10,170
Yuzhou Yaohai Project E1602	Hefei	100%	59,263	718,312	718,312	12,121
Yuzhou Xinzhan Project XZQTD175	Hefei	100%	357,069	1,821,006	1,821,006	5,100
Yuzhou Shushan Project	Hefei	100%	100,981	1,119,460	1,119,460	11,086
Total			1,041,539	11,117,542	8,968,642	10,674

Revenue

The revenue of the Group mainly came from four business categories, including property sales, rental of investment properties, property management, and hotel operation. For the six-month period ended 30 June 2016, the revenue of the Group was RMB4,143.32 million, representing an increase of 18.32% period-on-period, mainly because of an increase in property sales income recognized due to the increase in GFA of property delivered during the period. Specifically, the income from sale of properties was approximately RMB4,018.66 million, up by 17.57% compared to the corresponding period of last year; the rental income from investment properties was around RMB51.12 million, up by 63.06% compared to the corresponding period of last year; the property management fee income was about RMB61.35 million, up by 45.84% compared to the corresponding period of last year; the hotel operation income was about RMB9.71 million, up by 30.27% compared to the corresponding period of last year.

Cost of Sales

The cost of sales of the Group mainly encompassed land cost, construction cost and capitalized interest. For the six-month period ended 30 June 2016, the cost of sales of the Group was RMB2,798.09 million, up by 20.94% from RMB2,313.60 million in the corresponding period of 2015. The increase in the cost of sales was compatible with the increase in GFA of property delivered during the period.

Gross Profit and Gross Profit Margin

The gross profit of the Group was RMB1,345.23 million in the first half of 2016, up by 13.22% period-on-period. Gross profit margin was 32.47%, down by 1.46 percentage points from the corresponding period of 2015. The decrease was primarily attributed to the rising proportion of mid-priced delivered properties.

Fair Value Gain on Investment Properties

During the first half of 2016, the Group recorded a fair value gain on investment properties of RMB192.88 million, which mainly attributed to the increase in fair value of new investment properties located in Fujian province.

Other Income and Gains

Other income and gains decreased by 34.34% from approximately RMB179.12 million in the first half of 2015 to RMB117.61 million in the first half of 2016. A gain of RMB128.36 million generated from bargain purchase of a joint venture ("Fujian Big World Huaxia") was recorded in the first half of 2015, while no such gain was recorded in the first half of 2016.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by 23.97% from approximately RMB86.17 million in the first half of 2015 to approximately RMB106.82 million in the first half of 2016. With an effective cost control measure, the Group continued to invest in the Internet marketing and expanded more diversified marketing channels in the first half of 2016. On top of that, Yuzhou Properties have introduced the product concept of "Boutique Building 3.5" since 2015, which added more elements like arts, humanities, experiences and services to property development. The selling and distribution expenses of the first half of 2016 accounted for 0.83% (The first half of 2015: 1.50%) of total contracted sales, representing a decrease over the previous period.

Administrative Expenses

Administrative expenses of the Group increased by 49.02% from approximately RMB103.93 million in the first half of 2015 to approximately RMB154.88 million in the first half of 2016 mainly due to the business expansion of the Group and the increase in number of staff, especially for Yangtze River Delta region headquarter launched in Shanghai, while the proportion of administrative expenses to total contracted sales decreased to 1.20% (first half of 2015: 1.81%).

Finance Costs

Finance costs of the Group increased by 135.11% from approximately RMB66.35 million in the first half of 2015 to approximately RMB156.00 million in the first half of 2016, of which RMB656.59 million was capitalised to cost of projects in the first half 2016 (first half of 2015: RMB549.47 million). The increase was mainly because the Group has early redeemed a bond of HKD1.5 billion with a coupon rate of 10% during the period. The redemption has generated a loss of RMB95.32 million.

Share of Profits and Losses of Joint Ventures

Share of losses of joint ventures decreased by 94.39% from approximately RMB49.60 million in the first half of 2015 to approximately RMB2.79 million in the first half of 2016. In the first half of 2015, the amount included RMB45.45 million of fair value loss arising from the acquisition of remaining interest of a joint venture, Fujian Big World Huaxia, while no such loss was incurred in the first half of 2016.

Income Tax

Income tax of the Group increased by 38.96% from approximately RMB416.71 million in the first half of 2015 to approximately RMB579.04 million in the first half of 2016. In the first half of 2015, RMB110.12 million of previous year over provided LAT and RMB27.53 million deferred tax asset related to over provided LAT were reversed. Due to the increase in profit before tax and above mentioned tax reversal, income tax increased as compared to the first half of 2015.

Profit attributable to owners of the parent

Profit attributable to owners of the parent increased by 7.92% from approximately RMB642.43 million for the six-month period ended 30 June 2015 to approximately RMB693.31 million for the six-month period ended 30 June 2016 mainly due to the above mentioned factors. Core profit attributable to owners of the parent increased by 19.04% from approximately RMB552.04 million for the first half of 2015 to approximately RMB657.15 million for the first half of 2016, with core profit margin at 15.86%.

Basic Earnings Per Share and Core Earnings Per Share

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 2016	30 June 2015
Profit attributable ordinary equity holder of the parent *(RMB'000)*	**693,314**	642,427
Less: Fair value gain of investment properties, net of deferred tax *(RMB'000)*	**144,659**	39,931
Less: Fair value gain/(loss) on derivative financial instruments *(RMB'000)*	**30,346**	(30,633)
Less: Gain on bargain purchase of a subsidiary net of loss on remeasurement of a pre-existing interest in a joint venture *(RMB'000)*	**–**	128,356
Add: Realised fair value gain on investment properties disposed, net of deferred tax *(RMB'000)*	**42,198**	–
Add: Equity-settled share option expenses *(RMB'000)*	**1,330**	1,814
Add: Share of loss on acquisition of remaining interest in a jointly controlled entity *(RMB'000)*	**–**	45,451
Add: Loss on early redemption of China Life bonds *(RMB'000)*	**95,315**	–
Core profit attributable to ordinary equity holder of the parent *(RMB'000)*	**657,152**	552,038
Weighted average number of ordinary shares in issue *('000)*	**3,816,000**	3,537,547
Basic earnings per share *(RMB cents per share)*	**18.17**	18.16
Core earnings per share *(RMB cents per share)*	**17.22**	15.61

Liquidity and Financial Resources

In an effort to balance the financial risk and reduce the financing costs, the Group adopted a prudent financial policy. During the period, the Group, through its wholly owned subsidiary Xiamen Yuzhou Grand Future Real Estate Development Company Limited（廈門禹洲鴻圖地產開發有限公司）, issued the domestic corporate bonds through provide placement in an aggregate amount of RMB2.0 billion with a term of three years carrying the issuer's option to raise the coupon rate and the investors' entitlement to sell back the domestic corporate bonds at the end of the second year. The interest rate upon issuance was 6.28%, it shows the positive outlook of the Group has been widely recognised by the domestic capital markets. In addition, the Group early redeemed in full the HK$1.5 billion 10% guaranteed bonds due 2019 in February 2016. Successful financing measures further decreased the average funding costs and reduced the foreign exchange exposure arising from the foreign currency debt.

Borrowings

As at 30 June 2016, the Group had bank and other borrowings and senior notes balance of RMB23,506.64 million.

Maturity	**30 June 2016** ***(RMB'000)***	31 December 2015 *(RMB'000)*
Bank and other borrowings		
Within one year or on demand	**5,745,133**	3,987,373
In the second year	**2,922,078**	1,665,505
In the third to fifth years, inclusive	**9,098,628**	8,845,312
Beyond five years	**135,750**	118,050
	17,901,589	14,616,240
Senior Notes		
In the third to fifth years, inclusive	**5,605,051**	5,466,883
Total	**23,506,640**	20,083,123

As at 30 June 2016, the Group recorded a weighted average financing cost of 6.32%, down by 68 basic points when compared to 7.00% as at 31 December 2015.

Cash Position

As of 30 June 2016, the Group had RMB15,670.11 million of cash and cash equivalents and restricted cash, up by 31.14% from RMB11,948.79 million as at 31 December 2015.

Gearing Ratio

As at 30 June 2016, the net interest-bearing bank and other borrowings and senior notes less cash and cash equivalents and restricted cash and divided by total equity of the Group decreased by 4.06 percentage points from 79.43% as at 31 December 2015 to 75.37%.

Currency Risk

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

	Bank and other borrowings and senior notes balance *(RMB'000)*	**Cash balance*** *(RMB'000)*
HK$	846,444	70,772
RMB	16,040,425	15,287,208
US$	6,619,771	310,778
Others	–	1,351
Total	23,506,640	15,670,109

* *Including restricted cash*

Commitment

As at 30 June 2016, the Group had commitment in respect of development expenditure on real estate of approximately RMB4,709.67 million (approximately RMB5,351.10 million as at 31 December 2015). The Group is also committed to the payment of land cost in respect of land acquisition of approximately RMB4,854.94 million (approximately RMB2,098.79 million as at 31 December 2015) and in respect of acquisition of a project company of approximately RMB177.56 million (approximately RMB179.46 million as at 31 December 2015).

Contingent Liabilities

The Group provides buy-back guarantees to banks, which offered mortgages to domestic properties buyers in the Mainland China of the Group. As at 30 June 2016, outstanding buy-back guarantees amounted to RMB7,496.76 million (31 December 2015: RMB9,239.47 million). The Group provides guarantees to bank and other lenders in connection with facilities granted to joint ventures amounted to RMB1,522.93 million (31 December 2015: Nil).

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 is very experienced in properties development industry with over 11 years' experience for most of the senior executives. 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 become one of the strongest real estate developers in the PRC.

We believed that the competence of 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 best international practice in respect of strict management system and corporate governance. As at 30 June 2016, the Group had 3,189 staff in total.

PURCHASE, SALE OR 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 2016.

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.

SHARE OPTION SCHEME

The board of directors of the Company announces that on 27 January 2016, the Company has granted share options under its share option scheme adopted on 24 May 2010 to certain directors and employees of the Group which, subject to the acceptance of the Grantees, entitles the Grantees to subscribe for an aggregate of 19,790,000 new shares of HK$0.10 each in the share capital of the Company at the exercise price per share of HK$1.812.

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 2016.

DEVELOPMENT STRATEGIES AND PROSPECT

As China's economic growth slows down, it is expected that in the second half of 2016, the central government will continue to adopt loose monetary policies and sector favourable polices to foster housing consumption (save for the possibility of adjusting the policies in the first-tier cities due to the soaring property prices), and promote destocking in the property industry especially in the second, third or lower-tier cities to ensure stable domestic economic development.

Under the current macro-economic environment, as the property market will return to rationality gradually with the tightening control policies in several popular cities in the second half of the year, we expect that overall transaction volume in China's property market will grow steadily in 2016 compared to 2015, while city differentiation and uneven market situation will continue. It is expected that transaction volume and prices in most first and second-tier cities will grow steadily; whereas recovery in third-tier cities remains most uncertain. In core popular first and second-tier cities, self-use housing demand will see sustainable growth; while better housing demand, driven by favourable policies, will see even higher growth, the latter of which may be a major trend of the property market in future with the implementation of the two-child policy. In the long run, housing demand in China's core popular first and second-tier cities remains robust. The property industry is still a pillar industry in China, and the fluctuation in government policies becomes normal. Accordingly, the property market in China will follow the features of short-cycle fluctuation from time to time.

Yuzhou has been pursuing the strategy of "to achieve sustainable, balanced and high-quality growth" by avoiding radical expansion with highly-costed land bank, high debts and low profit margin. On top of scale expansion, we have stressed more on profitability. We believe that only by maintaining a strong profitability and a large-scale growth create value for the Shareholders.

Adhering to its overall strategy of "Based in Yangtze River Delta, Lead West Strait and Expand Nationwide Coverage in China", the Group will accelerate and improve its development in the Yangtze River Delta, meanwhile to maintain its leading position in West Strait market. With the strong growth of contracted sales and the significant decrease of financial costs, the Group has consolidated its operation pattern by adopting appropriate turnover models based on the needs of different cities and projects to achieve optimal investment returns and most balanced cash flow, so as to control our gearing level, reduce our inventories and increase our scale and profits at the same pace. In addition, we will continue to upgrade our products and services for our customers' demands in order to further develop our business.

The Group will enhance its cash management and maintain a healthy financial policy, as well as seek to build up sound and long term relationships with different institutions among overseas and domestic capital markets through effective communications. In addition, the Group will also be committed to financing innovations such as asset securitization etc., with a view to integrate its financial resources and improve its investment efficiency, and facilitate its business reform.

The Group will control its investment risks on a strict basis, maintaining a policy of developing projects in cities with established functions and infrastructures and sufficient populations whilst taking major cities as its priority to support its further businesses. Based on its professional expertise and brand recognition, the Group will also actively explore strategic cooperation opportunities to improve its innovation capabilities. Further, the Group will continuously focus on product innovation and exploring other products, aiming to achieve an industry-leading and diversified product offer. We are confident that such operation strategies will enable the Group to maintain its competitiveness and mitigate its risks, and accordingly achieve its sustainable development despite the ever changing market conditions.

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. 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, 23 August 2016

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.