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 2017

## FINANCIAL HIGHLIGHTS

1. Contracted sales achieved RMB21,487.43 million for the six-month period ended 30 June 2017, representing an increase of 66.93% period-on-period.

2. Revenue was RMB7,246.75 million, increased by 74.90%. Gross profit margin was 32.95%.

3. Profit attributable to owners of the parent was up by 13.31% from RMB693.31 million in the first half of 2016 to RMB785.57 million in the first half of 2017.

4. Core profit attributable to owners of the parent rose by 39.97% from RMB657.15 million in the first half of 2016 to RMB919.83 million in the first half of 2017.

5. Interim dividend of HK8.5 cents per share for the six-month period ended 30 June 2017, approximately 30.40% of core profit for the period.

6. As at 30 June 2017, net gearing ratio was 72.61%, and weighted average funding cost was 5.99%.

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 2017.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*For the six-month period ended 30 June 2017*

| | | For the six-month period ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| REVENUE | *3* | **7,246,747** | 4,143,316 |
| Cost of sales | | **(4,858,772)** | (2,798,087) |
| Gross profit | | **2,387,975** | 1,345,229 |
| Fair value gain on investment properties, net | | **39,364** | 192,878 |
| Other income and gains | *3* | **102,714** | 147,955 |
| Selling and distribution expenses | | **(175,643)** | (106,819) |
| Administrative expenses | | **(202,941)** | (154,880) |
| Other expenses | | **(70,152)** | (1,841) |
| Finance costs | *6* | **(224,116)** | (156,002) |
| Share of profits and losses of joint ventures, net | | **(29,262)** | (2,785) |
| Share of profits and losses of associates, net | | **(4,563)** | (1,835) |
| PROFIT BEFORE TAX | *5* | **1,823,376** | 1,261,900 |
| Income tax | *7* | **(1,065,323)** | (579,042) |
| PROFIT FOR THE PERIOD | | **758,053** | 682,858 |
| Attributable to: | | | |
| Owners of the parent | | **785,570** | 693,314 |
| Non-controlling interests | | **(27,517)** | (10,456) |
| | | **758,053** | 682,858 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| — Basic *(RMB cents per share)* | *9* | **20.57** | 18.17 |
| — Diluted *(RMB cents per share)* | *9* | **20.38** | 18.16 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six-month period ended 30 June 2017*

| | For the six-month period ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| PROFIT FOR THE PERIOD | **758,053** | 682,858 |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **78,302** | (26,038) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | **836,355** | 656,820 |
| Attributable to: | | |
| Owners of the parent | **863,872** | 667,276 |
| Non-controlling interests | **(27,517)** | (10,456) |
| | **836,355** | 656,820 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2017*

| | Note | **30 June 2017 *RMB'000* (Unaudited)** | 31 December 2016 *RMB'000* (Audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **1,150,639** | 1,061,735 |
| Investment properties | | **7,653,257** | 7,518,177 |
| Land held for property development for sale | | **215,224** | 215,224 |
| Prepayments, deposits and other receivables | | **47,002** | 208,903 |
| Goodwill | | **100,401** | 100,401 |
| Investment in joint ventures | | **7,431,572** | 7,268,781 |
| Investment in associates | | **1,108,646** | 123,580 |
| Deferred tax assets | | **338,648** | 371,456 |
| Total non-current assets | | **18,045,389** | 16,868,257 |
| CURRENT ASSETS | | | |
| Land held for property development for sale | | **2,839,016** | 883,250 |
| Properties under development | | **15,813,247** | 21,156,179 |
| Properties held for sale | | **8,563,595** | 7,369,071 |
| Prepayments for acquisition of land | | **4,611,925** | 1,658,529 |
| Prepayments, deposits and other receivables | | **6,881,944** | 2,876,651 |
| Prepaid corporate income tax | | **318,988** | 267,317 |
| Prepaid land appreciation tax | | **335,065** | 276,268 |
| Derivative financial instruments | | **48,889** | 87,456 |
| Restricted cash | | **1,073,086** | 1,818,946 |
| Cash and cash equivalents | | **18,530,626** | 15,598,588 |
| Total current assets | | **59,016,381** | 51,992,255 |
| CURRENT LIABILITIES | | | |
| Receipts in advance | | **16,254,947** | 13,857,844 |
| Trade payables | *10* | **4,888,977** | 5,979,034 |
| Other payables and accruals | | **13,379,471** | 7,657,059 |
| Derivative financial instruments | | **15,115** | — |
| Interest-bearing bank and other borrowings | | **5,387,036** | 4,807,778 |
| Corporate income tax payables | | **1,120,209** | 1,576,914 |
| Provision for land appreciation tax | | **1,369,919** | 1,448,040 |
| Total current liabilities | | **42,415,674** | 35,326,669 |
| NET CURRENT ASSETS | | **16,600,707** | 16,665,586 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **34,646,096** | 33,533,843 |

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Audited) |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank and other borrowings | **16,740,646** | 15,473,629 |
| Senior notes | **5,698,464** | 5,505,386 |
| Deferred tax liabilities | **882,764** | 882,092 |
| Total non-current liabilities | **23,321,874** | 21,861,107 |
| Net assets | **11,324,222** | 11,672,736 |
| EQUITY | | |
| **Equity attributable to owners of the parent** | | |
| Issued capital | **326,085** | 324,472 |
| Reserves | **10,485,048** | 10,341,639 |
| | **10,811,133** | 10,666,111 |
| **Non-controlling interests** | **513,089** | 1,006,625 |
| Total equity | **11,324,222** | 11,672,736 |

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial information (the "interim financial information") for the six-month period ended 30 June 2017 is prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2016, except for the following new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") that have been adopted by the Group for the first time in 2017 for the current period's interim financial information:

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| *Annual improvements 2014–2016 cycle* | Amendments to a number of HKFRSs |

The above new and revised standards have had no significant financial effect on the interim financial information.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the interim financial information.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| Amendments to HKAS 40 | *Transfer of Investment Property*[1] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for early adoption

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's 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 | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Sales of properties | **7,047,384** | 4,018,658 |
| Rental income from investment properties | **71,672** | 51,115 |
| Property management fee income | **117,111** | 61,351 |
| Sales of construction materials | **1,710** | 2,480 |
| Hotel operation income | **8,870** | 9,712 |
| | **7,246,747** | 4,143,316 |
| **Other income and gains** | | |
| Bank interest income | **77,311** | 30,363 |
| Rental income from properties held for sale | **5,334** | 576 |
| Gain on disposal of investment properties, net | **—** | 78,463 |
| Foreign exchange differences, net | **210** | 30 |
| Fair value gain on derivative financial instruments, net | **—** | 30,346 |
| Others | **19,859** | 8,177 |
| | **102,714** | 147,955 |

## 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 the Group's 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 2017**

| | 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 | **7,047,384** | **71,672** | **117,111** | **8,870** | **1,710** | **7,246,747** |
| Other revenue | **12,446** | **4,016** | **335** | **—** | **4,385** | **21,182** |
| Total | **7,059,830** | **75,688** | **117,446** | **8,870** | **6,095** | **7,267,929** |
| **Segment results** | **1,858,682** | **100,372** | **1,529** | **6,560** | **3,038** | **1,970,181** |
| *Reconciliation:* | | | | | | |
| Interest income | | | | | | **77,311** |
| Finance costs | | | | | | **(224,116)** |
| Profit before tax | | | | | | **1,823,376** |
| Income tax | | | | | | **(1,065,323)** |
| Profit for the period | | | | | | **758,053** |

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 |

**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 a major customer**

During the six-month periods ended 30 June 2017 and 2016, 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 | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **1,648** | 1,622 |
| Cost of properties sold | **4,738,587** | 2,722,373 |
| Cost of services provided | **118,537** | 74,092 |
| Depreciation | **21,532** | 28,458 |
| Gain on disposal of investment properties, net | **—** | (78,463) |
| Fair value loss/(gain) on derivative financial investments, net | **47,705** | (30,346) |
| Equity-settled share option expense | **3,316** | 1,330 |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties | **17,373** | 8,881 |

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the six-month period ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank loans, other loans and senior notes | **725,860** | 717,280 |
| *Less:* Interest capitalised | **(606,115)** | (656,593) |
| | **119,745** | 60,687 |
| Loss on early redemption of China Life Bonds | **—** | 95,315 |
| Loss on early redemption of Senior Notes | **104,371** | — |
| | **224,116** | 156,002 |

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made for the period as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period. No provision for Hong Kong profits tax has been made for the prior period as the Group did not generate any assessable profits arising in Hong Kong. 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 2017 and 2016.

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

| | For the six-month period ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current: | | |
| PRC corporate income tax | **523,945** | 274,821 |
| PRC land appreciation tax | | |
| — Charge for the period | **503,552** | 290,558 |
| | **1,027,497** | 565,379 |
| Deferred: | | |
| Current period | **37,826** | 27,729 |
| Disposal of investment properties | **—** | (14,066) |
| | **37,826** | 13,663 |
| Total tax charge for the period | **1,065,323** | 579,042 |

## 8. INTERIM DIVIDEND

| | For the six-month period ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interim dividend declared | **280,829** | — |

The board of directors of the Company declared an interim dividend of HK8.5 cents per share for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil).

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

The calculation of the basic earnings per share amount for the six-month period ended 30 June 2017 is based on the consolidated profit attributable to owners of the parent of RMB785,570,000 (six-month period ended 30 June 2016: RMB693,314,000) and the weighted average number of ordinary shares of 3,819,007,184 (six-month period ended 30 June 2016: 3,815,999,999) in issue during the period.

The calculation of the diluted earnings per share amount for the six-month period ended 30 June 2017 is based on the consolidated profit attributable to owners of the parent of RMB785,570,000 (six-month period ended 30 June 2016: RMB693,314,000) 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 For the six-month period ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation | **3,819,007,184** | 3,815,999,999 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options | **35,519,402** | 1,264,354 |
| Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation | **3,854,526,586** | 3,817,264,353 |

## 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 2017** | 31 December 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Due within 1 year or on demand | **2,222,698** | 3,026,199 |
| Due within 1 to 2 years | **2,666,279** | 2,952,835 |
| | **4,888,977** | 5,979,034 |

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

## 11. EVENT AFTER THE REPORTING PERIOD

In July 2017, the Company granted 2,500,000 share options with an exercise price of HK$4.55 to certain directors of the Company under the share option scheme.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Region-specific regulatory policies continued as a keynote

In the middle of December 2016, the Central Economic Work Conference put forward "houses are for living instead of speculation" and required to replay the residential role of properties. In the first half of 2017, the region-specific regulatory policies continued as a keynote in real estate sector. On the one hand, more policies were launched for best-welcomed cities and regulation was also heightened in the surrounding third- and fourth-tier cities. The continued upgrade of traditional tightening policies on home purchase eligibility and mortgage and innovative sales restriction policy dampened investment and speculation demands and resulted in gradual credit tightening both at the real estate supply and demand sides; on the other hand, destocking continued in most third- and fourth-tier cities and market stabilisation measures were promptly launched in certain cities with obvious decrease in inventory.

### Gross floor area ("GFA") sold and sales value of commodity housing hit record highs

In the first half of 2017, both the GFA sold and sales of commodity housing benefited from the carryover effects. The GFA sold in June saw a period-on-period increase of 21% and a month-on-month increase of 51%, respectively, and the absolute volume was only second to the peak in December last year. The "rise in both transaction volume and price" in certain cities pushed the sales of commodity housing to a new high. According to the National Bureau of Statistics of China, from January to June, GFA of commodity housing sold increased to 746.62 million sq.m. by 16.1% period-on-period which was 1.8 percentage points faster than that from January to May, and the GFA of commodity residential housing sold increased by 13.5%. The sales value of commodity housing was RMB5,915.2 billion, representing a growth of 21.5% which became 2.9 percentage points faster, while the sales value of commodity residential housing went up by 17.9%. As of the end of June 2017, the saleable area of commodity housing was 645.77 million sq.m., decreasing by 14.41 million sq.m. as compared with the end of May 2017, while the saleable area of residential housing was down by 13.05 million sq.m.. In addition, the investment in property development in China amounted to RMB5,061 billion, representing an 8.5% increase in nominal terms year-on-year, of which the investment in residential property amounted to RMB3,431.8 billion, representing an increase of 10.2% which became 0.2 percentage point faster, and accounted for 67.8% of the investment in property development.

### Strong desire of real estate enterprises for restocking, led to fierce competition in the land market

According to the National Bureau of Statistics, real estate developers acquired a total of 103.41 million sq.m. of land in the first half of 2017, representing an increase of 8.8% year-on year which was 3.5 percentage points faster than that in January to May; the land transaction amounted to RMB437.6 billion, representing an increase of 38.5% year-on-year which became 6.2 percentage points faster. During the same period, the area of new housing developments was 857.2 million sq.m., representing an increase of 10.6% year-on-year which became 1.1 percentage points faster, among which, the area of new residential housing developments was 613.99 million sq.m., representing an increase of 14.9% year-on-year. Notwithstanding the stringent land regulation policies in many cities, the area and price of land acquisition as well as the area of new housing developments maintained a fairly high growth rate, with the "land price/housing price" ratio generally higher than 60% in key cities, making "Expensive Flour" commonly seen in those cities. However, due to the sales boom in

2016, the real estate developers were eager to replenish their land reserves. As a result, in addition to the first and second-tier cities where land resources have always been well sought after, some third and fourth-tier cities came under the spotlight in the land market.

**Industry consolidation accelerated**

In a resource integrated industry, the number of real estate enterprises once rapidly increased with the expansion of market size. As the rapid growth of industry size came to an end and the surging in housing price triggered tightening policy, short-term fluctuation and moderately narrowed overall gross profit margin were seen in the industry and the competitive pressure over real estate enterprises spiked up. Meanwhile, the population gathering led to regional differentiation of industries around urban functions and city circles. The land price in key cities increased at faster paces than housing price, quickly elevating the barrier to the industry which focused on size and capital strength. In this context, in 2009–2016, the market share of top 5 real estate enterprises continuously increased from 4.5% to 12.9%, the market share of top 6–10 real estate enterprises rose from 3.3% to 5.7%, and the market share of top 11–20 real estate enterprises rose from 2.1% to 5.7%. In 2010–2016, the market share of top 21–50 increased from 3.4% to 7.7%.

**Overall Performance**

During the period under review, revenue of the Group was RMB7,246.75 million, representing an increase of 74.90% as compared to the corresponding period last year of RMB4,143.32 million. Gross profit was RMB2,387.98 million, representing an increase of 77.51% as compared to the corresponding period in 2016. Gross profit margin was 32.95%, remaining at a relatively high level in the industry. Profit attributable to the owners of the parent increased by 13.31% from RMB693.31 million in the first half of 2016 to RMB785.57 million in the first half of 2017. Core profit attributable to the owners of the parent increased by 39.97% to RMB919.83 million. Core earnings per share was RMB24.09 cents, up by 39.90%. Basic earnings per share was RMB20.57 cents, representing an increase of 13.21% as compared to RMB18.17 cents for the corresponding period in 2016.

**Sale of Properties**

For the six-month period ended 30 June 2017, the Group's revenue of property sales increased by 75.37% to RMB7,047.38 million as compared with the corresponding period of the previous year, accounting for 97.25% of the total revenue of the Group. During the six-month period ended 30 June 2017, the Group delivered an aggregate GFA of approximately 629,007 sq.m., which increased by 18.82% as compared with the corresponding period in 2016. The increase of revenue from property sales was mainly attributable to growth of delivered areas and higher average selling price in this period. The average selling price of the properties delivered and recognized as property sales in the first half of 2017 was RMB11,204 per sq.m., representing an increase of 47.60% as compared with the corresponding period in 2016. The increase is caused by the increase in delivery of GFA of projects in Yangtze River Delta Region, especially in Shanghai during the period, which has higher average selling price than other cities.

As for geographic distribution, West Strait Economic Zone, Yangtze River Delta Region and Bohai Rim Region contributed 33.20%, 66.68% and 0.12% 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 is also taking shape. The Group believes that its business in these two regions and other regions including Bohai Rim Region, Central Region and Guangdong-Hong Kong-Macau Big Bay Area will develop simultaneously in the future. The revenue derived from more diversified cities, can help to alleviate 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 2017 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 Riverside City Town | Xiamen | 146,614 | 12,684 | 11,559 |
| Chunjiang Central | Xiamen | 40,545 | 2,124 | 19,089 |
| Yuzhou Lucca Town | Xiamen | 94,258 | 2,870 | 32,843 |
| Yuzhou Gushan No. One | Fuzhou | 23,774 | 1,407 | 16,897 |
| Yuzhou Oriental Venice | Fuzhou | 650,017 | 45,121 | 14,406 |
| Yuzhou City Plaza | Quanzhou | 242,773 | 42,337 | 5,734 |
| Yuzhou Castle above City | Longyan | 1,110,404 | 193,018 | 5,753 |
| Others | Xiamen | 31,099 | 2,759 | 11,272 |
| Sub-total | | 2,339,484 | 302,320 | 7,738 |
| **Yangtze River Delta Region** | | | | |
| Yuzhou Bustling Center | Shanghai | 2,986,874 | 108,464 | 27,538 |
| Yuzhou City Plaza | Shanghai | 306,846 | 22,983 | 13,351 |
| Yuzhou Skyline | Hefei | 15,393 | 3,448 | 4,464 |
| Yuzhou Royal Seal | Hefei | 909,468 | 130,753 | 6,956 |
| Yuzhou Central Plaza | Hefei | 358,098 | 36,271 | 9,873 |
| Yuzhou Prince Lakeshire | Bengbu | 122,742 | 23,815 | 5,154 |
| Sub-total | | 4,699,421 | 325,734 | 14,427 |
| **Bohai Rim Region** | | | | |
| Yuzhou Palace Country | Tianjin | 8,479 | 953 | 8,897 |
| Sub-total | | 8,479 | 953 | 8,897 |
| Total | | 7,047,384 | 629,007 | 11,204 |

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 |

**Building Homes of Originality with a Passion for Improvement**

In light of its operation philosophy of "Building Communities with Heart, Building Homes with Love" and the core value of "Responsibility, Prudence and Innovation", the Group secured steady improvement in project progress, quality and development volume, and at the same time further strengthened the implementation of relevant rules to promote safe and good construction practices.

Yuzhou has always been committed to building good houses for customers. While improving the quality of residences, it actively fulfills its responsibility as a corporate citizen. Shanghai Yuzhou Beautiful Garden Life Project is the first to use PC (prefabricated components) system. PC system comprises walls, stairs, balconies and other concrete components that are prefabricated in the factory. Meanwhile, a series of structural assurance measures including autoclaved aerated concrete blocks, special binders, exclusive interface agents, gypsum slurry, whole house insulation system including external wall insulation and indoor floor insulation, and full guide wall are adopted to solve the problem of easy peel-off of external insulation layer of traditional external wall and improve residences' insulation, noise reduction, anti-permeability and crack-resistance performance, thus improving the quality of residences and reducing waste of resources and pollution. The residences are fabricated on the construction site in a safer and more reliable way. As the major enclosure components are manufactured in factory, it reduces the quality problems caused by the workflow connection and human factors in traditional buildings, substantially reduces the quality problems of hollow, leakage, crack, etc. and improves the noise resistance of structures. It is also more energy saving and environment friendly.

**Contracted Sales**

At the beginning of this year, the Group has set its full year target for contracted sales in 2017 at RMB30 billion. For the six-month period ended 30 June 2017, the Group's contracted sales amounted to RMB21,487.43 million, representing an increase of 66.93% year-on-year and completing 71.62% of our full-year contracted sales target. During the first six months of this year, the contracted sales area amounted to 1,283,291 sq.m. and the average contracted selling price was approximately RMB16,744 per sq.m.. In addition, the sales of properties subscribed for but not contracted was approximately RMB928.06 million.

Since its establishment, Xiamen has been the cradle for the Group's development. Yuzhou Properties has maintained a leading position in Xiamen for 12 consecutive years, once again becoming a "Double Winner" in terms of sales area and contracted sales. Benefiting from the rising of housing prices in Xiamen and our well-recognized brand, the Group has retained the championship of market share with RMB5,936.11 million in contracted sales and 249,318 sq.m. in contracted sales area in Xiamen.

With a well-established presence in Hefei for years, Yuzhou Properties has ranked among top 3 developers in the city since 2015, as witnessed by its strong sales record including the contracted sales of RMB3,294.10 million and contracted sales area of 295,361 sq.m. in the first half of 2017. Yuzhou Royal Seal was named as the best-received residential development in Hefei with fast sell-through speed of the units launched this year, contributing a total of RMB1,822.47 million to the contracted sales and further consolidating the Group's leading market share in Hefei.

The Group continued to boost its expansion in the Yangtze River Delta region. Since entering the Shanghai market in 2004, Yuzhou Properties has successfully developed a number of well-known projects, establishing a nationwide brand reputation. As one of the key projects in the first half of 2017, Yuzhou Noble Mansion created a strong contracted sales record of RMB1,162.51 million. Coupled with another masterpiece, Yuzhou Mansion, the total contracted sales valued at RMB2,903.32 million were achieved in Shanghai.

On another business front Nanjing, which became a new urban market of the Group in 2014, Yuzhou Properties recorded a new high and ranked among top 5 in terms of contracted sales by its 4 projects on sale in the first half of 2017, following its first project debuting in 2016. The contracted sales in Nanjing reached RMB4,665.53 million, accounting for approximately 22% of the total contracted sales of the Group in the first half of 2017. Among those projects, Yuzhou The Jiqing, Yuzhou Lakeside and Yuzhou Jinling Masterpiece each contributed contracted sales over RMB1,000 million and established a prestigious brand among Nanjing residents with our ingenious products.

The contracted sales and GFA sold of each project in the first half of 2017 are set out in the following table:

| **Name of Project** | **City** | **Amount of Contracted Sales** *(RMB'000)* | **GFA of Contracted Sales** *(sq.m.)* | **Average Contracted Selling Price** *(RMB/sq.m.)* |
|---|---|---|---|---|
| **West Strait Economic Zone** | | | | |
| Yuzhou Central Coast | Xiamen | 96,659 | 5,191 | 18,620 |
| Yuzhou Riverside City Town | Xiamen | 2,001,882 | 103,134 | 19,410 |
| Haicang Dream Town | Xiamen | 849,404 | 38,446 | 22,093 |
| Yuzhou Lucca Town | Xiamen | 1,234,523 | 40,713 | 30,323 |
| Chunjiang Central | Xiamen | 1,506,620 | 51,080 | 29,495 |
| Yuzhou Gushan No.1 | Fuzhou | 74,330 | 3,189 | 23,308 |
| Yuzhou Oriental Venice | Fuzhou | 978,453 | 55,300 | 17,694 |
| Yuzhou Cambridge Town | Fuzhou | 69,734 | 6,718 | 10,380 |
| Yuzhou Radiance Central Mansion | Fuzhou | 352,982 | 12,513 | 28,209 |
| Yuzhou City Plaza | Quanzhou | 697,405 | 114,245 | 6,104 |
| Yuzhou Castle above City | Longyan | 78,586 | 9,003 | 8,729 |
| Others | Xiamen | 247,022 | 10,754 | 22,970 |
| Sub-total | | 8,187,600 | 450,286 | 18,183 |

| Name of Project | City | Amount of Contracted Sales (RMB'000) | GFA of Contracted Sales (sq.m.) | Average Contracted Selling Price (RMB/sq.m.) |
|---|---|---|---|---|
| **Yangtze River Delta Region** | | | | |
| Yuzhou City Plaza | Shanghai | 337,568 | 20,161 | 16,744 |
| Yuzhou Commercial Plaza | Shanghai | 93,950 | 6,035 | 15,568 |
| Yuzhou Bustling Center | Shanghai | 109,960 | 2,766 | 39,754 |
| Yuzhou Beautiful Garden Life | Shanghai | 886,277 | 28,147 | 31,487 |
| Yuzhou Noble Mansion | Shanghai | 1,162,511 | 35,000 | 33,215 |
| Yuzhou Mansion | Shanghai | 313,056 | 6,822 | 45,889 |
| Yuzhou Central Plaza | Hefei | 552,436 | 56,338 | 9,806 |
| Yuzhou Town | Hefei | 46,309 | 4,196 | 11,036 |
| Yuzhou Royal Seal | Hefei | 1,822,465 | 175,151 | 10,405 |
| Yuzhou Central Town | Hefei | 872,894 | 59,676 | 14,627 |
| Yuzhou The Jiqing | Nanjing | 1,005,778 | 28,305 | 35,534 |
| Yuzhou Lakeside | Nanjing | 1,137,944 | 94,594 | 12,030 |
| Yuzhou Moon Riverside | Nanjing | 660,631 | 25,681 | 25,725 |
| Yuzhou King's Garden | Nanjing | 1,861,176 | 61,454 | 30,286 |
| Yuzhou Riverside Sapphire | Hangzhou | 635,660 | 22,645 | 28,071 |
| Yuzhou Prince Lakeshire | Bengbu | 667,497 | 119,576 | 5,582 |
| Sub-total | | 12,166,112 | 746,547 | 16,297 |
| **Bohai Rim Region** | | | | |
| Yuzhou Palace Country | Tianjin | 291,992 | 31,283 | 9,334 |
| Yuzhou Royal Lakeshire | Tianjin | 280,770 | 28,565 | 9,829 |
| Yuzhou Lianfa Red Shire | Tianjin | 560,960 | 26,610 | 21,081 |
| Sub-total | | 1,133,722 | 86,458 | 13,113 |
| Total | | 21,487,434 | 1,283,291 | 16,744 |

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 of Contracted Sales** *(RMB'000)* | **GFA of Contracted Sales** *(sq.m.)* | **Average Contracted 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 |
| **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 |

**Investment Properties**

At present, the Group's development strategy of "self-holding properties in prime locations in core cities" has gradually showed effects. As the investment property segment evolved into the harvest period in the first half of 2017, the revenue from investment properties of the Group reached approximately RMB71.67 million, representing a growth of 40.22% as compared with the corresponding period of last year.

As of 30 June 2017, Yuzhou held 3 shopping malls in operation, 4 commercial streets (golden street) projects and 3 office buildings with the aggregate operating area of 0.56 million sq.m.. It is expected that, by 2018, the Group will hold more than 13 investment properties in operation and the total area in operation will increase to 1 million sq.m.. The Group will further enhance the development and operational efficiency of investment properties to ensure the steady growth of rental income, and strengthen its unique competitive advantage of dual growth drivers to constantly improve profitability and returns.

***Regional Shopping Malls***

As one of the most well-developed metropolitan malls in Xiamen, Yuzhou World Trade Center, the local landmark, is located at the intersection of downtown railway station, BRT line and rail transit line (under construction) and has attracted a number of famous brands including Wal-Mart, China Film Digital Cinema, MUJI, King of the Children, Weiyou, HaiDiLao Hot Pot, H&M, Yourtime Books, Brain Maps, Watsons, McDonald's, KFC and Pizza Hut. Through strategic cooperation with Alipay and ffan.com App to guide online customers towards the offline direction and in collaboration with various industry players such as Didi Dache (滴滴打車) and Riyuegu HotSprings Resort (日月谷溫泉度假村) to enrich the activities in the shopping malls, it achieved an occupancy rate of up to 95.36% and average daily customer traffic of 60,000 visits.

Yuzhou Commercial Plaza, the first complex combining shopping mall, recreation venues and offices developed by the Group in Shanghai, features the theme of "fast-paced city, slow-paced life" by introducing smart and interactive services provided by ffan.com and rongyi.com, creating a one-stop shopping mall with supermarket, cinema, KTV, gym and plenty of options for shopping, dining, child entertainment and education. It has a gross floor area of over 140,000 sq.m.. Within one year since its commencement of operation, it has introduced 82 brands, over 78% of which set their feet in Huinan Area for the first time. During the period, the occupancy rate reached 96.62%. This project has become the landmark commercial building in Huinan area of Shanghai.

The Yuzhou Commercial Plaza in Hui'an, Quanzhou with a gross floor area of 88,000 sq.m. and is a local leading one-stop fashion and life attraction for households. It consists of five segments, i.e. "convenient life, audio-visual feast, gourmet cuisine, children's growth and shopping" and has introduced a number of famous brands including Wanda Cinemas, Yonghui Superstores (green label), W Kids' World, Sanjianke Fitness, McDonald's and Watsons. During the period, the occupancy rate reached 90% and the average daily customer traffic was 35,000 visits. It has become the largest commercial centre in Hui'an and a business card of southern Quanzhou.

***Commercial Street (Golden Street)***

Community commerce has been a mature pattern in the United States, the United Kingdom and other developed countries and has long been a carrier of residents' comprehensive consumption. In our country, community commerce has significant headroom despite its late start in development. Community commerce is superior to traditional shopping malls in terms of consumption cost, target customers, degree of convenience, etc. and can effectively solve the problem of tremendous cost for the "last one kilometer" distance in e-commerce logistics.

Xiamen Haicang Golden Street (Haicang World Trade Plaza) with a gross floor area of about 60,000 sq.m. for its commercial space is the local largest and uniquely positioned life plaza. It has attracted Yonghui, Suning, The Sound of Music and a variety of large-scale specialty catering services, exotic cuisines, professional shops and other business formats, and is a comprehensive commercial project integrating leisure and entertainment with a three-dimensional business portfolio targeting customers at all levels. During the period, the occupancy rate of the project reached 95% and the average daily customer traffic was 25,000 visits.

The community commerce of Yuzhou Central Coast with a gross floor area of approximately 20,000 sq.m. is located on the north side of Xingbing Road and Xingdong Road, Jimei District. Minlan Fresh Food Supermarket, Kailedi KTV, Zhenpin Restaurant, etc. have settled in the project. During the period, the occupancy rate of the project reached 98.55% and the average daily customer traffic was 20,000 visits.

***Office Buildings***

During the period, office building projects represented by Xiamen Yuzhou Plaza and Shanghai Yuzhou Plaza continued to record remarkable operating performance, of which Xiamen Yuzhou Plaza maintained its leading position in the office building market of Xiamen in terms of occupancy rate and unit rental and was known as "the most expensive 5A-grade office building in Xiamen". With the current occupancy rate of 84.72%, it attracts Fortune 500 companies, large state-owned enterprises and financial institutions including PetroChina, ICBC, Coca Cola, Minsheng Bank and Ping An Group. Shanghai Yuzhou Plaza with a gross floor area of approximately 35,000 sq.m. is the sole 5A-grade office building in Jinqiao Economic Development Zone, Pudong, Shanghai and neighbours sound administrative, business and leisure facilities and convenient transportation with metro lines 9 and 14 running cross the city. During the period, the occupancy rate of the project was 97.72%. The state-owned enterprises and Fortune 500 companies including Galaxy Securities, Federal-Mogul and Visteon Asia Pacific Inc. have their offices in the building.

Adhering to the strategic guideline of "tapping on regional markets, leading in the country", Yuzhou Commercial focuses on regional shopping malls in Nanjing, Hefei, Hangzhou, Shanghai and Wuhan to spearhead its landmark commercial projects throughout the country. Leveraging its advantages in residential property development, Yuzhou commercial strategically combines commercial and residential housing to form "Yuzhou's 4+1 Service System", driven by two engines with "residential development at the center and supported by commercial development". Under the "4+1" Service System of Yuzhou, "4" represent 4 segments namely intelligent operation and management, brand marketing and promotion, analysis and adjustment of tenants mix and quality property service, and 1 stands for intelligent shopping mall. With a focus on intelligent shopping mall, the four segments pool their core services to provide strong support for enhancing customer experience, creating tenant value and refining commercial operation, thereby achieving meticulous and intelligent management of shopping malls. Meanwhile, by relying on the existing community management advantage and a diversified range of resources, Yuzhou Commercial has built an intelligent community service platform "Your Life" closely connected with professional platforms, especially ffan.com and rongyi.com to tailor the intelligent shopping navigation for consumers. By providing one-stop operation management services to merchants and providing consumers with more quality and convenient shopping experience, it aims to establish a business ecosystem consisting of "consumers, merchants and operators" so as to form cohesion stronger than a simple combination of merchants and shopping mall (the "1+1>2 effect"). In commercial sector, just like the central role of commodities for supermarkets and brands for department stores, business portfolio plays a key role for shopping malls, namely, differentiated positioning stands is the start point for the portfolio of various business formats. Therefore, how to combine and mix different business formats is the key to the realization of the "1+1>2 effect".

**Hotel Operation**

Hotel operation, as one of the Group's business arms, helps broaden the Group's revenue streams. During the period, Yuzhou Camelon Hotel Apartment posted an occupancy rate of 70% and recorded, as revenue of RMB8.87 million, representing a slight decrease of 8.67% as compared to the same period of the previous year, but still ranking ahead among the four-star and five-star hotels in Xiamen in terms of customer satisfaction on tourism websites. Most hotels of the Group are still under development and construction, including Wyndham Grand Plaza Royale Hotel and Howard Johnson Residence in Wuyuan Bay of Xiamen as well as hotels in Tong'an District of Xiamen and Hui'an District of Quanzhou.

**Property Management**

During the period, the property management companies of the Group recorded a property management fee income of RMB117.11 million, representing an increase of 90.89% as compared to the same period of the previous year. As of June 30, 2017, property management companies of the Group managed a total GFA of approximately 8.93 million sq.m. and has served approximately 70,000 households of owners and residents in total across the country.

The property management service of the Group has achieved high rankings in customer satisfaction surveys for consecutive years, which reflects that our unrelenting pursuit of high quality of product and service has been widely recognised and acknowledged on the market. Through our efforts, we hope to gradually transform our customers satisfaction with products into the loyalty to our "Yuzhou" brand. During the period, Yuzhou's national "400 customer hotline" was officially launched, adding one more communication channel between the property owners and the property managers, and thus enhanced customer satisfaction. In addition, the "House Keeper Yu" model featuring grid management, which assigns a 24-hour housekeeper to every 500 property owners, provides the property owners the access to considerate services from a housekeeper at any time through the house-keepers' WeChat account.

**Land Reserves**

Under its strategic policy of "tapping regional markets, leading in the country", the Group made prudent plans for the land market, acquired lands in a rapid and accurate manner and followed an elaborate and orderly blueprint to further consolidate its layout in the Yangtze River delta region. It exerted great efforts for development in Bohai Rim Region and placed the focus on West Strait. Considering "profitability, sell-through rate and execution power", the Group insisted on the its investment criteria of "giving consideration to rate of return in acquisition of lands and tapping on regional markets". It means that, in city with presence or its surrounding areas, the same team shall develop a fleet of moderately-sized projects in potential markets within its coverage to speed up the turnover rate, thus reaching cost efficiency and creating brand premium.

As of June 30, 2017, the aggregate saleable GFA based on the Group's land reserves was 9.94 million sq.m., with over 79 projects located in 14 cities in Yangtze River Delta Region, Central Region, Bohai Rim Region, Guangdong-Hong Kong-Macau Big Bay Area and West Strait Economic Zone; the average land cost was approximately RMB5,921 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 2017)*

| **Region** | **Number of Projects** | **Area** *(sq.m.)* |
|---|---|---|
| **West Strait Economic Zone** | | |
| Xiamen | 26 | 1,467,412 |
| Fuzhou | 4 | 504,540 |
| Quanzhou | 1 | 989,128 |
| Longyan | 1 | 23,165 |
| Zhangzhou | 3 | 465,859 |
| Sub-total | 35 | 3,450,104 |
| **Yangtze River Delta Region** | | |
| Shanghai | 9 | 773,490 |
| Nanjing | 9 | 871,452 |
| Hangzhou | 2 | 448,502 |
| Suzhou | 4 | 577,771 |
| Hefei | 11 | 2,159,089 |
| Bengbu | 1 | 494,123 |
| Sub-total | 36 | 5,324,427 |
| **Bohai Rim Region** | | |
| Tianjin | 6 | 565,278 |
| Sub-total | 6 | 565,278 |
| **Central China** | | |
| Wuhan | 1 | 598,179 |
| Sub-total | 1 | 598,179 |
| **Guangdong-Hong Kong-Macau Big Bay Area** | | |
| Hong Kong | 1 | 2,214 |
| Sub-total | 1 | 2,214 |
| Total | 79 | 9,940,202 |

During the period, the Group successfully acquired 10 new parcels of quality commercial and residential lands at an aggregate attributable reserve land premium of approximately RMB8,700.61 million by ways of open tender, auction and listing for sale as well as acquisition and merger, providing an aggregate attributable GFA of over 643,561 sq.m. at an average land cost of RMB12,024 per sq.m.. With its forward-looking vision, Yuzhou made advance deployment at undervalued locations to acquire quality land resources at relatively inexpensive land costs, to underpin the Group's performance in major markets through the next few years.

Particulars of the parcels of land as at 30 June 2017 are set out in the following table:

| Name of Project | City | The Group's interest | GFA | Total Consideration | Attributable Consideration | Land Cost |
|---|---|---|---|---|---|---|
| | | | *(sq.m.)* | *(RMB'000)* | *(RMB'000)* | *(RMB/sq.m.)* |
| **Bohai Rim Region** | | | | | | |
| Yuzhou Jingnan Project 07 | Tianjin | 60% | 54,524 | 758,000 | 454,800 | 13,902 |
| Yuzhou Jingnan Project 08 | Tianjin | 100% | 95,215 | 1,325,000 | 1,325,000 | 13,916 |
| **West Strait Economic Zone** | | | | | | |
| Yuzhou Longwen Project | Zhangzhou | 51% | 94,434 | 1,020,000 | 520,200 | 10,801 |
| Yuzhou LaoCheng XiaBei Project | Zhangzhou | 51% | 116,425 | 1,257,000 | 641,070 | 10,797 |
| Yuzhou Tongan Project | Xiamen | 100% | 42,800 | 1,349,000 | 1,349,000 | 31,519 |
| **Yangtze River Economic Zone** | | | | | | |
| Yuzhou Wujiang Project | Suzhou | 51% | 66,679 | 862,981 | 440,120 | 12,942 |
| Yuzhou Xiaoshan Project | Hangzhou | 100% | 149,769 | 3,004,370 | 3,004,370 | 20,060 |
| Yuzhou Junrong Guozhang Project | Nanjing | 60% | 182,307 | 706,000 | 423,600 | 3,873 |
| Yuzhou Lishui Project | Nanjing | 51% | 83,157 | 585,000 | 298,350 | 7,035 |
| Yuzhou Xiangcheng Project | Suzhou | 51% | 58,282 | 478,617 | 244,095 | 8,212 |
| Total | | | 943,592 | 11,345,968 | 8,700,605 | 12,024 |

## Revenue

The revenue of the Group mainly derived from four business categories, including property sales, rental of investment properties, property management, and hotel operation. For the six-month period ended 30 June 2017, the revenue of the Group was RMB7,246.75 million, representing an increase of 74.90% period-on-period, mainly attributable to an increase in property sales income recognized due to the increases both in GFA of properties delivered and average selling price during the period. Specifically, the property sales income was approximately RMB7,047.38 million, up by 75.37% compared to the corresponding period last year; the rental income from investment properties was around RMB71.67 million, up by 40.22% compared to the corresponding period last year; the property management fee income was about RMB117.11 million, up by 90.89% compared to the corresponding period last year; and the hotel operation income was about RMB8.87 million, slightly down by 8.67% compared to the corresponding period last year.

**Cost of Sales**

The cost of sale of the Group encompassed land cost, construction cost and capitalized interest. For the six-month period ended 30 June 2017, the cost of sales of the Group was RMB4,858.77 million, up by 73.65% from RMB2,798.09 million in the corresponding period in 2016. The increase in the cost of sales was mainly due to the increase in GFA of properties delivered during the period.

**Gross Profit and Gross Profit Margin**

The gross profit of the Group was RMB2,387.98 million in the first half of 2017, up by 77.51% period-on-period, which was compatible with the increase in revenue. Gross profit margin was 32.95%, substantially in line with the corresponding period in 2016.

**Fair Value Gain on Investment Properties**

During the first half of 2017, the Group recorded a fair value gain on investment properties of RMB39.36 million, which was mainly attributable to the increase in fair value gain on investment properties located in Fujian province.

**Other Income and Gains**

Other income and gains decreased by about 30.58% from approximately RMB147.96 million in the first half of 2016 to RMB102.71 million in the first half of 2017. A net gain of RMB78.46 million on disposal of investment properties was recorded in the first half of 2016, while no such gain was recorded in the first half of 2017.

**Selling and Distribution Expenses**

Selling and distribution expenses of the Group increased by 64.43% from approximately RMB106.82 million in the first half of 2016 to approximately RMB175.64 million in the first half of 2017. With an effective cost control measures, the Group continued to invest in internet marketing and expanded more diversified marketing channels in the first half of 2017. The selling and distribution expenses of the first half of 2017 accounted for 0.82% (first half of 2016: 0.83%) of total contracted sales, representing a slight decrease from the previous period.

**Administrative Expenses**

Administrative expenses of the Group increased by 31.03% from approximately RMB154.88 million in the first half of 2016 to approximately RMB202.94 million in the first half of 2017 due to the business expansion of the Group in new regions and cities and the increase in number of staff, while the proportion of administrative expenses to total contracted sales in the first half of 2017 decreased to 0.94% (first half of 2016: 1.20%).

**Finance Costs**

Finance costs of the Group increased by 43.66% from approximately RMB156.00 million in the first half of 2016 to approximately RMB224.12 million in the first half of 2017, of which RMB606.12 million (first half of 2016: RMB656.59 million) was capitalised to cost of projects in the first half of 2017. The increase was mainly due to increases in the amount of total borrowings, and changes in interest capitalised during the period.

**Share of Profits and Losses of Joint Ventures, net**

Share of losses of joint ventures increased from approximately RMB2.79 million in the first half of 2016 to approximately RMB29.26 million in the first half of 2017. The increase was primarily attributable to the rising number of projects under development in joint ventures, which are in their early stage of development before contributing profits to the Group in the coming years.

**Income Tax**

Income tax of the Group increased by 83.98% from approximately RMB579.04 million in the first half of 2016 to approximately RMB1,065.32 million in the first half of 2017. The increase was mainly due to the increase in revenue and profit made by the Group in the first half of 2017 compared with corresponding period last year.

**Profit Attributable to Owners of the Parent**

Profit attributable to owners of the parent increased by 13.31% from approximately RMB693.31 million for the six months ended 30 June 2016 to approximately RMB785.57 million for the six months ended 30 June 2017 mainly due to the above mentioned factors. Core profit attributable to owners of the parent increased by 39.97% from approximately RMB657.15 million for the first half of 2016 to approximately RMB919.83 million for the first half of 2017, with core profit margin at 12.69%.

**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 2017** | 30 June 2016 |
| Profit attributable to ordinary equity holder of the parent *(RMB'000)* | **785,570** | 693,314 |
| *Less:* Fair value gain of investment properties, net of deferred tax *(RMB'000)* | **29,523** | 144,659 |
| *Add:* Realised fair value gain on investment properties disposed, net of deferred tax *(RMB'000)* | — | 42,198 |
| *Add:* Fair value loss/(gain) on derivative financial instruments *(RMB'000)* | **47,705** | (30,346) |
| *Add:* Loss on deemed disposal of a subsidiary upon loss of control *(RMB'000)* | **8,392** | — |
| *Add:* Equity-settled share option expense *(RMB'000)* | **3,316** | 1,330 |
| *Add:* Loss on redemption of financial liabilities *(RMB'000)* | **104,371** | 95,315 |
| Core profit attributable to ordinary equity holder of the parent *(RMB'000)* | **919,831** | 657,152 |
| Weighted average number of ordinary shares in issue *('000)* | **3,819,007** | 3,816,000 |
| Basic earnings per share *(RMB cents per share)* | **20.57** | 18.17 |
| Core earnings per share *(RMB cents per share)* | **24.09** | 17.22 |

**Liquidity and Financial Resources**

The Group adopts a prudent financial policy in an effort to balance the financial risk and reduce the financing costs. During the period, the Group successfully issued the five-year senior notes in an aggregate amount of US$350 million with a coupon rate of 6.00%, a record low coupon rate of senior notes with the same maturity issued by the Group. In addition, the Group early redeemed in full the US$300 million 8.625% senior notes due 2019. Successful refinancing measures further decreased the Group's average funding costs. As at 30 June 2017, the Group recorded a weighted average financing cost of 5.99%, down by 9 basis points when compared to 6.08% as at 31 December 2016.

**Borrowings**

As at 30 June 2017, the Group had bank and other borrowings and senior notes balance of RMB27,826.15 million.

| Maturity | **30 June 2017** *(RMB'000)* | 31 December 2016 *(RMB'000)* |
|---|---|---|
| **Bank and other borrowings** | | |
| Within one year or on demand | **5,387,036** | 4,807,778 |
| In the second year | **6,508,183** | 6,894,017 |
| In the third to fifth years, inclusive | **9,493,263** | 8,539,162 |
| Beyond five years | **739,200** | 40,450 |
| | **22,127,682** | 20,281,407 |
| **Senior Notes** | | |
| In the third to fifth years, inclusive | **4,025,451** | 3,793,277 |
| Beyond five years | **1,673,013** | 1,712,109 |
| | **5,698,464** | 5,505,386 |
| Total | **27,826,146** | 25,786,793 |

**Cash Position**

As at 30 June 2017, the Group had RMB19,603.71 million of cash and cash equivalents and restricted cash, up by 12.55% from RMB17,417.53 million as at 31 December 2016.

**Gearing Ratio**

As at 30 June 2017, the Group's net gearing ratio (calculated as the interest-bearing bank and other borrowings and senior notes less cash and cash equivalents and restricted cash and divided by total equity) increased by 0.91 percentage points from 71.70% as at 31 December 2016 to 72.61%.

**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$ | 888,898 | 1,536,334 |
| RMB | 17,999,789 | 14,907,511 |
| US$ | 8,937,459 | 3,155,868 |
| Others | — | 3,999 |
| Total | 27,826,146 | 19,603,712 |

* Including restricted cash

**Commitments**

As at 30 June 2017, the Group had commitment in respect of development expenditure on real estate of approximately RMB3,344.82 million (31 December 2016: RMB4,479.38 million). The Group is also committed to the payment of land premium in respect of land acquisition of approximately RMB5,760.23 million (31 December 2016: RMB2,992.49 million) and in respect of acquisition of project companies of approximately RMB3,438.71 million (31 December 2016: RMB3,547.22 million).

**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 2017, outstanding buy-back guarantees amounted to RMB14,629.39 million (31 December 2016: RMB15,228.70 million). Guarantees provided by the Group to bank and other lenders in connection with facilities granted to joint ventures amounted to RMB4,156.70 million (31 December 2016: RMB4,032.01 million).

**Human Resources**

The Group is led by 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 12 years' experience in average 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 2017, the Group had 3,805 staff members in total.

## INTERIM DIVIDEND

The Board declared an interim dividend of HK8.5 cents per share for the six-month period ended 30 June 2017.

The interim dividend will be paid on or about 17 October 2017 to the shareholders of the Company whose names appear on the register of members of the Company on 29 September 2017.

## CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 September 2017 to 29 September 2017 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch register of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 pm on 26 September 2017.

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

During the period, the Company redeemed in full the 8.625% senior notes due 2019, which were listed on The Stock Exchange of Hong Kong Limited, at a redemption amount of US$312,938,000, representing 104.3125% of its principal amount plus accrued and unpaid interest.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## 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 2017.

## CORPORATE GOVERNANCE

The Board of Directors 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 of the Company.

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 of the Group 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 announces that on 26 January 2017, the Company 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 22,690,000 new shares of HK$0.10 each in the share capital of the Company at the exercise price per share of HK$2.62.

In July 2017, the Company granted 2,500,000 share options with an exercise price of HK$4.55 under its share option scheme to certain directors of the Company.

**REVIEW OF ACCOUNTS**

The Audit Committee of the Company consists of three independent non-executive directors, namely Mr. Lam Kwong Siu, Mr. Wee Henry Soon Chiang and Dr. Zhai Pu.

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017.

**PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Company (http://www.yuzhou-group.com/) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2017 interim report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

**DEVELOPMENT STRATEGIES AND PROSPECTS**

Looking into the second half of the year, from an international perspective, the global economic sluggish rebound will be characterised by international trade and investment remaining in the doldrums, less coordinated macroeconomic policies of the world's major economies, and the emerging trade and investment protectionism. From a domestic perspective, amid the economic downshift, arduous structural adjustment and the old and new growth momentum emerging and fading, China's structural reform on the supply side remains as a challenging task, and the increasing pressure of economic downturn might also trigger more dilemmas for macroeconomic policies. Driven by interest rate hike of the Federal Reserve of the US, the monetary policies of the Chinese central bank turning neutral and the Chinese governmental policies to deleverage and prick the bubbles in the market, the market interest rates in China are expected to rise, resulting in higher financing costs in capital market and a credit tightening for real estate developers.

According to some incomplete statistics, since the regulation policy package was launched on 30 September 2016, over 60 cities/counties in China have issued over 160 regulatory policies for the real estate market. On 6 April 2017, the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources of PRC jointly issued the "Notice on Strengthening the Work of Administration and Regulation of Housing and Land Supply in the Near Future" (《關於加強近期住房及用地供應管理和調控有關工作的通知》), requiring reasonable arrangements for residential land supply, i.e. reasonably increasing the land supply for residential housing, especially ordinary commodity housing, in those cities with outstanding supply and demand imbalance and huge pressure of surging housing prices while reducing or suspending supply of residential land in those cities with excessive inventory. The land auction market in China has gradually evolved from the most common circuit breaker mechanism to competition in self-financing capacity and construction of ancillary facilities and affordable housing, aiming to rein in the unrealistically fast growing land prices and prevent irrational land consumption from the origin. On 18 July 2017, the Ministry of Housing and Urban-Rural Development and the other eight government departments of PRC jointly issued the "Notice on Accelerating the Development of Residential Leasing Market in Large and Medium-sized Cities with Net Population Inflow" (《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》), requiring those large and medium-sized cities with net population inflow to support the transformation of state-owned enterprises into property lessors and promote the development of institutionalized and sizeable private real estate leasing companies, with the 12 cities, namely Guangzhou, Shenzhen, Nanjing, Hangzhou, Xiamen, Wuhan, Chengdu, Shenyang, Hefei, Zhengzhou, Foshan and Zhaoqing, as the first batch of pilot cities. "Equality between Purchasing and Leasing" represents an important step in establishing China's long-term mechanism for real estate market regulation, which is helpful in improving the fundamental system and long-term mechanism in the real estate market, and of great significance in accomplishing the target of "Housing for Everyone". In addition, China's 13th Five-Year Plan proposed to accelerate the pace of modern urbanization, achieve a higher level of building a new socialist countryside, narrow the gap between urban and rural development, promote the integration of urban and rural development, accelerate the development of small and medium-sized cities and characteristic towns and "develop small, charming towns with distinctive characteristics and integration of industries and city functions according to local conditions".

Industrial upgrading, regional structural changes, demographic dynamics and changes in individual needs in the first-tier cities all require ongoing urban upgrades, which will bring on investment opportunities in the renovation of properties in such areas. In addition, attracted by diverse employment opportunities and high income level, waves of young people have been swarming into those cities, resulting in a younger age mix and soaring property prices and hence the huge demand in property leasing market. As such, the long-term property leasing market has emerged as a new underpenetrated sector. With the increasing perfection of urban rail transportation, the commuting time between suburbs and surrounding counties and the first-tier and quasi-first-tier core urban areas will be greatly shortened, which will help spread the demand for real estate to the surrounding areas. This represents a new round of investment opportunities for us, as the surrounding areas of the first-tier and quasi-first-tier cities will become the value strongholds for our market penetration efforts.

Under the effects of region-specific regulatory policies, the rotation cycle of regional real estate markets was prolonged and the differentiation of market popularity aggravated. In the near term, despite the significant impact of "purchase and loan restriction" regulatory policies on tier-1 and tier-2 cities and hotspot cities surrounding tier-1 cities, the real estate market heat is to continue as fuelled by "shantytowns transformation and destocking" in tier-3 and tier-4 cities. In the medium and long term, given regional population mobility and industrial agglomeration effects, the regional differentiation of real estate market will be a long-term trend.

As the Group proposed a sales goal of RMB100 billion, in the future, it will uphold the grand strategy of "tapping on regional markets, leading in the country" and stress the five core regions, i.e. Yangtze River Delta, Pearl River Delta, Bohai Rim Region, Central Region and West Strait. With the sound growth in contracted sales and financing costs continuing to fall, we will continuously strengthen our business model, and seek optimal investment returns and the most balanced cash flows through appropriate turnover modes for different projects in various cities to stabilize debts, inventory management and product releases, thus achieving the balanced growth in profits and business scale. The Group will continue to be customer-oriented and promote the upgrading of its products and services with an aim to expand its strategic presence.

Looking into the second half of the year, the Group will keep a close eye on the liquidity environment, strengthen cash flow control to improve capital utilization efficiency, and flexibly seize opportunities to optimize its debt structure. By strictly controlling investment risks, the Group will adhere to the strategy of developing projects in regions with mature city functions, ancillary facilities and strong demographic profile. By deploying in key cities in advance, the Group will lay a good foundation for future businesses, and through continuous cooperation and innovation, the Group will give full play to its expertise and brand reputation and actively look for strategic cooperation opportunities. Through product innovation, the Group will explore all kinds of products and develop well-diversified industry-leading products. We believe that these operational strategies can help the Group stay competitive in the ever-changing market and reduce risks to ensure its sustainable development.

**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, 22 August 2017

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