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 2019

FINANCIAL HIGHLIGHTS

1. Contracted sales achieved RMB28,473.76 million for the six-month period ended 30 June 2019, increased by 32.47% year on year, achieved 42.50% of the full year target.

2. Revenue was RMB11,637.43 million, increased by 25.91% year on year.

3. Profit attributable to owners of the parent was up by 23.22% from RMB1,330.23 million in the first half of 2018 to RMB1,639.12 million in the first half of 2019.

4. Core profit attributable to owners of the parent rose by 20.63% from RMB1,158.06 million in the first half of 2018 to RMB1,397.00 million in the first half of 2019.

5. Interim dividend of HK12 cents per share and special interim dividend of HK3 cents per share (for the 10th anniversary of listing of the Company) for the six-month period ended 30 June 2019, accounting for approximately 46.81% of core profit for the period.

6. As at 30 June 2019, net gearing ratio was 72.70%, and weighted average funding cost was 7.47%.

The board of directors (the "Board") of Yuzhou Properties Company Limited (the "Company" or "Yuzhou Properties") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 2019 (the "Period").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2019

		For the six-month period ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**11,637,425**	9,242,624
Cost of sales		**(8,497,003)**	(6,328,532)
Gross profit		**3,140,422**	2,914,092
Fair value gain on investment properties, net		**582,189**	86,286
Other income and gains	*3*	**187,490**	82,214
Selling and distribution expenses		**(180,535)**	(194,213)
Administrative expenses		**(316,209)**	(296,662)
Other expenses		**(267,944)**	(49,701)
Finance costs	*6*	**(89,963)**	(280,530)
Share of profits and losses of joint ventures		**133,427**	403,139
Share of profits and losses of associates		**106,126**	(6,629)
PROFIT BEFORE TAX	*5*	**3,295,003**	2,657,996
Income tax expense	*7*	**(1,387,877)**	(1,267,346)
PROFIT FOR THE PERIOD		**1,907,126**	1,390,650
Attributable to:			
Owners of the parent		**1,639,117**	1,330,229
Non-controlling interests		**268,009**	60,421
		1,907,126	1,390,650
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic *(RMB cents per share)*	*9*	**33.02**	30.55
– Diluted *(RMB cents per share)*	*9*	**32.80**	30.20

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2019

	For the six-month period ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,907,126**	1,390,650
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(238,454)**	(5,574)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,668,672**	1,385,076
Attributable to:		
Owners of the parent	**1,400,663**	1,324,655
Non-controlling interests	**268,009**	60,421
	1,668,672	1,385,076

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,319,198**	934,017
Investment properties		**12,497,716**	10,525,825
Land held for property development for sale		**215,224**	215,224
Prepayments, other receivables and other assets		**–**	1,029,512
Goodwill		**945,749**	1,133,070
Investment in joint ventures		**5,805,218**	6,204,784
Investment in associates		**5,516,659**	3,807,748
Deferred tax assets		**915,311**	742,157
Total non-current assets		**28,215,075**	24,592,337
CURRENT ASSETS			
Land held for property development for sale		**10,314,350**	5,680,204
Properties under development		**34,002,240**	26,614,206
Properties held for sale		**14,337,257**	13,051,659
Prepayments for acquisition of land		**1,880,092**	–
Prepayments, other receivables and other assets		**14,271,332**	14,683,118
Prepaid corporate income tax		**502,705**	505,730
Prepaid land appreciation tax		**742,787**	656,400
Derivative financial instruments		**15,033**	–
Restricted cash		**3,204,603**	2,117,120
Cash and cash equivalents		**35,721,585**	27,162,230
Total current assets		**114,991,984**	90,470,667
CURRENT LIABILITIES			
Contract liabilities		**12,688,959**	13,752,438
Trade payables	*10*	**6,708,385**	6,857,073
Other payables and accruals		**39,094,395**	22,960,107
Interest-bearing bank and other borrowings		**7,907,920**	8,679,618
Corporate bonds	*11*	**5,200,000**	7,200,000
Senior notes		**549,385**	550,074
Corporate income tax payables		**2,304,870**	2,552,345
Provision for land appreciation tax		**1,802,338**	1,962,590
Derivative financial instruments		**–**	5,884
Total current liabilities		**76,256,252**	64,520,129
NET CURRENT ASSETS		**38,735,732**	25,950,538
TOTAL ASSETS LESS CURRENT LIABILITIES		**66,950,807**	50,542,875

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**13,437,239**	12,468,045
Corporate bonds	*11*	**7,300,000**	3,800,000
Senior notes		**21,121,053**	10,934,118
Deferred tax liabilities		**2,273,625**	1,910,360
Total non-current liabilities		**44,131,917**	29,112,523
Net assets		**22,818,890**	21,430,352
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**411,249**	410,035
Senior perpetual securities		**1,911,986**	1,911,986
Reserves		**17,580,757**	17,164,569
		19,903,992	19,486,590
Non-controlling interests		**2,914,898**	1,943,762
Total equity		**22,818,890**	21,430,352

1. BASIS OF PREPARATION

The condensed consolidated interim financial information (the "interim financial information") for the six-month period ended 30 June 2019 is prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial information does not include all the information and disclosures in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the following new and revised Hong Kong Financial Reporting Standards (the "HKFRSs", which include all HKFRSs, HKASs and Interpretations issued by the HKICPA) that have been adopted by the Group for the first time in 2019 for the current period's interim financial information:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements *2015-2017 Cycle*	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS *16 Leases*, Amendments to HKAS *28 Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impact on transition

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application

The adoption of HKFRS 16 did not have any significant impact on the Group's interim financial information.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "land held for development for sale", "properties under development" and "properties held for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any significant impact on the Group's interim financial information.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The amendments did not have any significant impact on the Group's interim financial information.

3. REVENUE, OTHER INCOME AND GAINS

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

	For the six-month period ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties	**11,302,843**	8,972,987
Rental income from investment properties	**147,513**	102,187
Property management fee income	**177,128**	158,307
Hotel operation income	**8,551**	8,637
Others	**1,390**	506
	11,637,425	9,242,624
Other income and gains		
Bank interest income	**140,494**	69,940
Others	**46,996**	12,274
	187,490	82,214

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 hotels; 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. Segment assets and liabilities are not reported to the Group's chief operating decision maker in the interim financial information.

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 2019

	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	**11,302,843**	**147,513**	**177,128**	**8,551**	**1,390**	**11,637,425**
Other revenue	**45,522**	**52**	**718**	**–**	**704**	**46,996**
Total	**11,348,365**	**147,565**	**177,846**	**8,551**	**2,094**	**11,684,421**
Segment results	**2,683,393**	**587,248**	**(6,477)**	**7,088**	**(26,780)**	**3,244,472**
Reconciliation:						
Interest income						**140,494**
Finance costs						**(89,963)**
Profit before tax						**3,295,003**
Income tax expense						**(1,387,877)**
Profit for the period						**1,907,126**

For the six-month period ended 30 June 2018

	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	8,972,987	102,187	158,307	8,637	506	9,242,624
Other revenue	10,493	263	1,316	–	202	12,274
Total	8,983,480	102,450	159,623	8,637	708	9,254,898
Segment results	2,788,141	105,533	(2,133)	(6,085)	(16,870)	2,868,586
Reconciliation:						
Interest income						69,940
Finance costs						(280,530)
Profit before tax						2,657,996
Income tax expense						(1,267,346)
Profit for the period						1,390,650

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 2019 and 2018, 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**8,315,204**	6,169,678
Cost of services provided	**181,799**	158,456
Cost of inventories sold	**–**	398
Depreciation	**19,261**	20,873
Fair value (gain)/loss on derivative financial instruments, net	**(20,590)**	16,307
Realized loss on derivative financial instruments	**–**	6,964
Impairment of goodwill	**187,321**	–
Equity-settled share option expense	**6,298**	6,019
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**31,546**	20,587

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six-month period ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans, other loans, corporate bonds and senior notes	**1,638,737**	1,175,368
Less: Interest capitalised	**(1,548,774)**	(894,838)
	89,963	280,530

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 (six-month period ended 30 June 2018: Nil). 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 2019 and 2018.

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

	For the six-month period ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current:		
PRC corporate income tax		
Charge for the period	**778,901**	700,700
Overprovision in prior years	**(141,009)**	–
PRC land appreciation tax		
Charge for the period	**856,408**	627,615
Overprovision in prior years	**(31,510)**	–
	1,462,790	1,328,315
Deferred:		
Current period	**(74,913)**	(60,969)
Total tax charge for the period	**1,387,877**	1,267,346

8. INTERIM DIVIDEND

	For the six-month period ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interim dividend declared	**523,159**	403,551
Special interim dividend declared	**130,790**	–
	653,949	403,551

The board of directors of the Company declared an interim dividend of HK12 cents per share (six-month period ended 30 June 2018: HK11 cents per share) and a special interim dividend of HK3 cents per share (six-month period ended 30 June 2018: Nil) for the six-month period ended 30 June 2019. The interim dividend will be either payable in cash or, at the scrip option of the shareholders, in form of new fully paid scrip shares of the Company in lieu of cash, or partly in cash and partly in scrip shares.

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 2019 is based on the consolidated profit for the period attributable to owners of the parent, adjusted for the distribution related to senior perpetual securities, and the weighted average number of ordinary shares of 4,802,899,947 (six-month period ended 30 June 2018: 4,185,450,329) in issue during the period.

The calculation of the diluted earnings per share amount for the six-month period ended 30 June 2019 is based on the consolidated profit for the period attributable to owners of the parent, adjusted for the distribution related to senior perpetual securities, 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).

The calculations of the basic and diluted earnings per share are based on:

	For the six-month period ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent	**1,639,117**	1,330,229
Distribution related to senior perpetual securities	**(53,273)**	(51,366)
Profit used in the basic and diluted earnings per share calculations	**1,585,844**	1,278,863

	Number of shares For the six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**4,802,899,947**	4,185,450,329
Effect of dilution – weighted average number of ordinary shares:		
Share options	**31,947,568**	49,261,029
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	**4,834,847,515**	4,234,711,358

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Due within 1 year or on demand	**3,795,672**	3,978,243
Due within 1 to 2 years	**2,912,713**	2,878,830
	6,708,385	6,857,073

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

11. CORPORATE BONDS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Corporate bonds due in 2019	**3,000,000**	5,000,000
Corporate bonds due in 2020	**3,000,000**	3,000,000
Corporate bonds due in 2021	**3,000,000**	3,000,000
Corporate bonds due in 2024	**3,500,000**	–
	12,500,000	11,000,000
Portion classified as current liabilities	**(5,200,000)**	(7,200,000)
Non-current portion	**7,300,000**	3,800,000

Included in the above are bonds in an aggregate principal amount of:

(i) RMB3,000,000,000 corporate bonds due in 2020 issued by a subsidiary of the Company in December 2015 (the "5.1% Corporate Bonds"). The 5.1% Corporate Bonds have a term of five years and bear interest at a rate of 5.1% per annum. The 5.1% Corporate Bonds are unsecured. In December 2018, the coupon rate is adjusted to 7.5% per annum. The 5.1% Corporate Bonds are classified as a non-current liability as at 30 June 2019 and 31 December 2018.

(ii) RMB2,000,000,000 corporate bonds due in 2019 issued by a subsidiary of the Company in June 2016 (the "6.28% Corporate Bonds"). The 6.28% Corporate Bonds have a term of three years and bear interest at a rate of 6.28% per annum. The 6.28% Corporate Bonds are unsecured. In June 2018, the coupon rate is adjusted to 6.99% per annum. The 6.28% Corporate Bonds are classified as a current liability as at 31 December 2018. During the reporting period, the 6.28% Corporate Bonds were fully repaid.

(iii) RMB3,000,000,000 corporate bonds due in 2019 issued by the Company in September 2016 (the "5.3% Corporate Bonds"). The 5.3% Corporate Bonds have a term of three years and bear interest at a rate of 5.3% per annum. The 5.3% Corporate Bonds are unsecured. In September 2018, the coupon rate is adjusted to 7.7% per annum. The 5.3% Corporate Bonds are classified as a current liability as at 30 June 2019 and 31 December 2018.

(iv) RMB1,000,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in August 2018 (the "7.85% Corporate Bonds I"). The 7.85% Corporate Bonds I have a term of three years and bear interest at a rate of 7.85% per annum. The 7.85% Corporate Bonds I are unsecured. At the end of the first year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 7.85% Corporate Bonds I are classified as a current liability as at 30 June 2019 and 31 December 2018.

(v) RMB1,200,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in September 2018 (the "7.8% Corporate Bonds"). The 7.8% Corporate Bonds have a term of three years and bear interest at a rate of 7.8% per annum. The 7.8% Corporate Bonds are unsecured. At the end of the first year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 7.8% Corporate Bonds are classified as a current liability as at 30 June 2019 and 31 December 2018.

(vi) RMB800,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in September 2018 (the "7.85% Corporate Bonds II"). The 7.85% Corporate Bonds II have a term of three years and bear interest at a rate of 7.85% per annum. The 7.85% Corporate Bonds II are unsecured. At the end of the second year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 7.85% Corporate Bonds II are classified as a non-current liability as at 30 June 2019 and 31 December 2018.

(vii) RMB2,000,000,000 corporate bonds due in 2024 issued by a subsidiary of the Company in April 2019 (the "6.5% Corporate Bonds"). The 6.5% Corporate Bonds have a term of five years and bear interest at a rate of 6.5% per annum. The 6.5% Corporate Bonds are unsecured. At the end of the second and fourth year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 6.5% Corporate Bonds are classified as a non-current liability as at 30 June 2019.

(viii) RMB1,500,000,000 corporate bonds due in 2024 issued by a subsidiary of the Company in April 2019 (the "7.5% Corporate Bonds"). The 7.5% Corporate Bonds have a term of five years and bear interest at a rate of 7.5% per annum. The 7.5% Corporate Bonds are unsecured. At the end of the third year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 7.5% Corporate Bond are classified as a non-current liability as at 30 June 2019.

12. EVENTS AFTER THE REPORTING PERIOD

(a) In July 2019, the Company issued senior notes with an aggregate principal amount of US$200,000,000 (approximately RMB1,374,940,000) bearing interest at 5.5% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US$197,300,000 (approximately RMB1,356,378,000). The senior notes will mature on 30 June 2020.

(b) In July 2019, the Company issued senior notes with an aggregate principal amount of US$400,000,000 (approximately RMB2,748,738,000) bearing interest at 6.0% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US$375,000,000 (approximately RMB2,576,942,000). The senior notes will mature on 25 October 2023.

(c) On 6 August 2019, 217,160,063 ordinary shares of HK$0.10 each in the Company were issued at HK$3.658 per share as scrip dividend for the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

In the first half of 2019, the gross domestic product ("GDP") of China grew by 6.3% year-on-year. China's national economy maintained its development momentum of improvement while ensuring stability, with the supply-side structural reform carrying forward further and the economic structure constantly improved. China's real estate regulatory policies continued to put "stability" as its first priority while the Central Government adhered to the principle that "houses are for living instead of speculation", continued to build a system featuring a combination of long- and short-term regulations and implemented a long-term mechanism adhering to "one city one policy" and city's primary responsibility. Meanwhile, certain cities have implemented some preferential measures including house purchase subsidies, living subsidies and personal income tax relief and gradually unleashed housing demand through attracting talent inflow.

In respect of land market, in the first half of 2019, there was a significant rebound as compared with the second half of last year. Land supply in the tier-1 and tier-2 cities has significantly increased as compared with the corresponding period of last year. However, land supply in the tier-3 and tier-4 cities was significantly affected by the market downturn, and the transaction volume both experienced a decrease year-on-year/quarter-on-quarter. The overall premium rate was also lower than that of last year.

In respect of industry performance, in the first half of 2019, total investment in real estate development across the country amounted to RMB6,160.9 billion, representing a nominal increase of 10.9% year-on-year, of which the investment in residential property amounted to RMB4,516.7 billion, representing an increase of 15.8% year-on-year and accounting for 73.3% of the total investment in real estate development. The newly-started property covered an area of 1,055.09 million sq.m., up by 10.1% year-on-year, of which the newly-started residential property occupied an area of 779.98 million sq.m., up by 10.5% year-on-year. The area of completed property was 324.26 million sq.m., down by 12.7% year-on-year, of which the area of completed residential property was 229.29 million sq.m., down by 11.7% year-on-year. The area of commodity housing sold was 757.86 million sq.m., down by 1.8% year-on-year, of which the area of residential property sold decreased by 1.0% year-on-year. The residential property sales revenue increased by 8.4% year-on-year.

During the Period, the Company has been proactively responding to the adjustment and the calling of national policy, keeping in step with the policy trend, keeping abreast of the market sentiment, capturing the window of opportunity and securing land at attractive value, thereby continuously achieving remarkable results throughout the cycle in such a dynamic market.

Overall Performance

During the Period, revenue of the Group was RMB11,637.43 million, representing an increase of 25.91% as compared to RMB9,242.62 million for the corresponding period in 2018. Gross profit was RMB3,140.42 million, representing an increase of 7.77% compared to the corresponding period in 2018. Gross profit margin was 27.00%. Profit attributable to the owners of the parent increased by 23.22% year-on-year from RMB1,330.23 million in the first half of 2018 to RMB1,639.12 million in the first half of 2019. Core profit attributable to the owners of the parent increased by 20.63% year-on-year to RMB1,397.00 million. Core earnings per share were RMB27.98 cents, up by 5.82% year-on-year. Basic earnings per share were RMB33.02 cents, representing an increase of 8.09% as compared to RMB30.55 cents for the corresponding period in 2018.

Sale of Properties

During the Period, the Group's revenue from property sales increased by 25.97% year-on-year to RMB11,302.84 million, accounting for 97.12% of the total revenue of the Group. The Group delivered an aggregate gross floor area ("GFA") of approximately 875,053 sq.m., an increase of 26.51% year-on-year. The increase of revenue from property sales was mainly attributable to the growth of delivered areas and higher average selling price in the Period. The average selling price of the properties delivered and recognized as property sales in the first half of 2019 was RMB12,662 per sq.m., an increase of 0.70% year-on-year. The increase was mainly attributable to an increase in delivered GFA in the Yangtze River Delta Region and West Strait Economic Zone, especially in Fuzhou and Nanjing with higher average selling price during the Period.

As for geographic distribution, Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region, the Guangdong-Hong Kong-Macau Greater Bay Area (the "Greater Bay Area") and Central China Region contributed 64.07%, 34.72%, 0.52%, 0.35% and 0.34% of the recognized revenue respectively. The Group believes that it will further implement the strategy of nationwide cultivation in the future and facilitate simultaneous development of various regions. The diverse streams of revenue can cushion the impacts brought about by industrial regulatory policies, leading to a sustainable and balanced development of the Group.

The recognized sales and GFA sold of each region in the first half of 2019 are set out in the following table:

Name of regions	Amount	Saleable GFA	Average Selling Price (after tax)
	(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
West Strait Economic Zone	3,847,128	384,487	10,006
Yangtze River Delta Region	7,098,577	474,166	14,971
Bohai Rim Region	57,915	10,261	5,644
Central China Region	37,519	2,154	17,418
Greater Bay Area	38,569	3,985	9,679
Total sales recognized at a point of time	11,079,708	875,053	12,662
Total sales recognized over time	223,135		
Total sales of properties recognized	11,302,843		

The recognized sales and GFA sold of each region in the first half of 2018 are set out in the following table:

Name of regions	Amount	Saleable GFA	Average Selling Price (after tax)
	(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
West Strait Economic Zone	2,096,282	187,057	11,207
Yangtze River Delta Region	5,518,971	374,113	14,752
Bohai Rim Region	1,010,571	123,361	8,192
Greater Bay Area	71,493	7,136	10,019
Total sales recognized at a point of time	8,697,317	691,667	12,574
Total sales recognized over time	275,670		
Total sales of properties recognized	8,972,987		

CONTRACTED SALES

During the Period, the Group's accumulated contracted sales amounted to RMB28,473.76 million. The contracted sales GFA amounted to 1,853,013 sq.m. and the contracted average selling price was approximately RMB15,366 per sq.m..

The Yangtze River Delta Region remained a main force of contracted sales of Yuzhou in the first half of 2019. During the Period, the aggregate contracted sales achieved in 11 cities, including Shanghai, Nanjing, Hefei, Suzhou and Hangzhou, amounted to RMB19,659.50 million, accounting for 69.04% of total contracted sales.

The year 2019 marks the 15th year that Yuzhou entering Shanghai market. Headquartered in Shanghai, the Group has benefited from the city in terms of funds, talents, management and cost control, to support its strategic development plans across the country. Besides, Shanghai is the base to implement the "Leading with locality development" strategy for the Company. During the Period, contracted sales of RMB3,392.34 million were achieved in Shanghai, accounting for 11.91% of the total contracted sales.

Since first entering Nanjing in 2014, the Company has launched 14 projects in the metropolitan areas, creating the story of "In-depth cultivation" in this Jinling ancient capital. In the first half of 2019, Yuzhou Cofco Metropolitan 09 in Nanjing has gotten overwhelming market response after launching, and reached an impressive record in Lishui with more than 100 units sold within 30 minutes and 4 buildings sold within 28 days. In the first half of the year, contracted sales of RMB3,528.32 million were achieved in Nanjing, accounting for 12.39% of the total contracted sales. The remarkable performance of 14 projects in the past five years has fully reflected the recognition of the benchmark human dwellings of the Company in Jinling.

With more than a decade's in-depth development in Hefei, the Group continued to rank ahead among the peers in Hefei market in the first half of 2019, with contracted sales of RMB4,050.17 million, accounting for 14.22% of the total contracted sales. Various property projects with significant combined effect were launched in Hefei, namely Yuzhou Central Plaza, Yuzhou Moon Lake Mansion, Yuzhou Royal Seal, Yuzhou Sky Aqua Mall and Yuzhou Central Town. The Group has further strengthened its brand awareness and underpinned its leading market position in Hefei.

Since first entering Suzhou in late 2016, the Group has launched nine projects along Suzhou's "one horizontal and one vertical" development path. In the first half of 2019, the Company continued to rank high in the "Suzhou Real Estate Enterprises Sales Ranking" published by CRIC, capturing the sixth place in sales amount, the fifth place in GFA of contracted sales and units of Contracted Sales, respectively for the first half of the year. The Company was also among the top 10 in the "List of Suzhou Real Estate Enterprises in Attributable Sales Amount/Area/Unit". As the only developer with less than three years of presence in Suzhou among the top 10 developers, the Company has delivered sales of over RMB5 billion within a six-month period by leveraging its reputable property projects such as Yuzhou Honor Hill, Yuzhou Blue Seasons and Yuzhou Honor Galaxy. Such success aggregated the Group's brand influence and helped the Company to maintain its leadership in Suzhou real estate market.

Apart from that, Yangzhou Honor Promenade, as the most customer-favored project in Yangzhou in 2019, secured the transaction of over 600 units for the first half of the year, which propelled it to rank top 4 "Yangzhou Housing Transaction in 1H2019" with market share of nearly 5%. As the Company's first ingeniously crafted work in Yangzhou, the project boasted six successful sales sessions since November 2018, which manifested the exquisite workmanship and solid marketing, service and execution capability of the Company.

As a national property developer originating from the West Strait Economic Zone, the Company has remained progressive in consolidating its market leadership in the West Strait Economic Zone. In the first half of 2019, the Company recorded positive performance in Xiamen, Fuzhou, Quanzhou, Zhangzhou and Longyan. In particular, Langham Bay, a project located in "West Strait Silicon Valley" of Fuzhou, stood as our most prominent project that spread its name across the city for completing its sales within merely half an hour after launching, which was attributable to the premier quality of its new Chinese-style design along Wulong River as well as convenient transportation and ancillary facilities. In the first half of the year, the contracted sales in the West Strait Economic Zone amounted to RMB4,322.03 million, accounting for 15.18% of the total contracted sales.

During the Period, the Group continued to engage itself intensively in the Metropolitan Area of Bohai Rim Region. While making continuous efforts in its regional benchmark projects such as Yuzhou Joy Mansion and Yuzhou Blissed Mansion in Tianjin, the Group proactively enhanced its presence in Jimo District of Qingdao, Tongzhou District of Beijing and Tangshan City of Hebei Province, further bolstering its edge and influence across the Bohai Rim Region. The Metropolitan Area of Bohai Rim Region contributed an aggregate of RMB1,373.83 million in contracted sales, which accounted for 4.82% of the total contracted sales during the Period.

During the Period, Wuhan and Zhengzhou, the core cities of Central China Region, continued their positive trend of steady development and recorded aggregate contracted sales of approximately RMB2,383.27 million, representing 8.37% of the total contracted sales. Since its presence in Central China Region, the Company was well received for its co-prosperity with cities in Central China Region through its superior product designs and marketing strategies, which served as a good commencement for rooting in Central China Region.

The contracted sales and GFA sold of each city in the first half of 2019 are set out in the following table:

	City	**Total Amount of Contracted Sales** *(RMB'000)*	**GFA of Contracted Sales** *(sq.m.)*	**Average Contracted Selling Price** *(RMB/sq.m.)*
West Strait Economic Zone	Xiamen	721,514	44,055	16,378
	Fuzhou	2,430,961	121,749	19,967
	Quanzhou	690,691	86,648	7,971
	Longyan	3,540	730	4,849
	Zhangzhou	475,326	31,008	15,329
Sub-total		4,322,032	284,190	15,208

	City	Total Amount of Contracted Sales *(RMB'000)*	GFA of Contracted Sales *(sq.m.)*	Average Contracted Selling Price *(RMB/sq.m.)*
Yangtze River Delta Region	Shanghai	3,392,340	85,569	39,644
	Hefei	4,050,173	333,904	12,130
	Bozhou	227,953	31,083	7,334
	Nanjing	3,528,321	204,333	17,268
	Xuzhou	54,743	3,949	13,862
	Hangzhou	663,767	25,603	25,925
	Zhoushan	543,254	33,155	16,385
	Jinhua	501,938	26,107	19,226
	Suzhou	5,937,324	316,834	18,740
	Bengbu	283,852	42,359	6,701
	Yangzhou	475,836	51,987	9,153
Sub-total		19,659,501	1,154,883	17,023
Central China Region	Wuhan	1,580,950	91,451	17,287
	Zhengzhou	802,323	96,588	8,307
Sub-total		2,383,273	188,039	12,674
Greater Bay Area	Foshan	120,063	13,886	8,646
	Huizhou	10,020	900	11,133
Sub-total		130,083	14,786	8,798
Southwest Region	Chongqing	605,046	72,214	8,379
Sub-total		605,046	72,214	8,379
Bohai Rim Region	Tianjin	373,282	29,884	12,491
	Qingdao	663,221	91,478	7,250
	Shenyang	303,362	12,830	23,645
	Tangshan	33,960	4,709	7,212
Sub-total		1,373,825	138,901	9,891
Total		28,473,760	1,853,013	15,366

The contracted sales and GFA sold of each city in the first half of 2018 are set out in the following table:

	City	Total Amount of Contracted Sales *(RMB'000)*	GFA of Contracted Sales *(sq.m.)*	Average Contracted Selling Price *(RMB/sq.m.)*
West Strait Economic Zone	Xiamen	828,753	36,165	22,916
	Fuzhou	1,513,064	63,497	23,829
	Quanzhou	1,960,691	236,591	8,287
	Longyan	666,364	103,347	6,448
	Zhangzhou	63,821	1,821	35,047
Sub-total		5,032,693	441,421	11,401
Yangtze River Delta Region	Shanghai	1,842,888	50,513	36,483
	Hefei	1,576,875	134,487	11,725
	Nanjing	2,446,385	108,590	22,529
	Hangzhou	1,661,839	54,946	30,245
	Zhoushan	207,762	11,873	17,499
	Suzhou	810,505	56,561	14,330
	Bengbu	1,959,052	259,133	7,560
Sub-total		10,505,306	676,103	15,538
Central China Region	Wuhan	2,381,950	150,184	15,860
Sub-total		2,381,950	150,184	15,860
Greater Bay Area	Huizhou	63,974	5,805	11,020
Sub-total		63,974	5,805	11,020
Bohai Rim Region	Tianjin	1,140,940	74,865	15,240
	Tangshan	1,500,921	154,586	9,709
	Shenyang	868,442	74,791	11,612
Sub-total		3,510,303	304,242	11,538
Total		21,494,226	1,577,755	13,623

Investment Properties

During the Reporting Period, total income from investment properties of the Group was approximately RMB147.51 million, representing an increase of approximately 44.36% year-on-year, mainly due to the rise in rental area and rental rate of the properties.

At present, Yuzhou Commercial has 27 projects in preparation for operation in Shanghai, Xiamen, Hefei, Quanzhou, Nanjing, Wuhan, Hangzhou, etc., with a total commercial area of more than 2 million sq.m.. Supported by a professional management team with 582 talents, it has a variety of commercial offerings covering shopping malls, office buildings and street malls. Operational projects covered over 1,000 cooperative brands across the country and approximately 1,600 strategic alliance brands. Since its official establishment in 2007, Yuzhou Commercial has continued to carry out original and enriched corporate activities to drive the sales of the entire shopping mall while ensuring comfortable and premium shopping experience for its consumers with an improved shopping environment and more reasonable and complete product offerings, in a bid to omni-directionally meet the needs of cities with exquisite dishes, fashion shopping, leisure and entertainment, family area and modern living.

Furthermore, Yuzhou Commercial will make bold forays into shared-offices and other sectors, and combine with the features of specific projects for rational deployment, to generate greater commercial effects; and aim at innovating in diversified business management models through provision of external commercial management services and conducting of light-asset management for some projects.

HOTEL OPERATION

Hotel operation, as one of the Group's businesses, helps us diversify sources of income and enrich business portfolios and brand image. During the Period, Yuzhou Wyndham Grand Plaza Royale Hotel has begun its operation in January. Locating in core area of in Wuyuan Bay of Xiamen, the hotel enjoys convenient transportation and is only 3 kilometers away from Xiamen Gaoqi Airport. The hotel is positioned as an international five-star hotel and provides 407 spacious and comfortable guest rooms, of which over 90% enjoys spectacular sea or bay views. Since its opening, the hotel has been widely recognized by its guests as its scoring on a famous domestic website during the Period up to 4.8 points (the full mark is 5 points). During the Period, Yuzhou Camelon Hotel Apartment located at core area of Huli District, Xiamen recorded a revenue of RMB8.55 million. The satisfaction score of the hotel on tourism website continued to stand at the forefront among 4/5-star hotels in Xiamen. Camelon Hotel in Tong'an District of Xiamen and hotels in Hui'an of Quanzhou, Taizi Lake of Wuhan and Feidong of Hefei were still under construction.

Property Management

During the Period, the Group recorded RMB177.13 million from property management fees, representing an increase of 11.89% as compared with the same period of last year. Driven by an increase in the delivered property area, as of 30 June 2019, property management companies of the Group managed a total GFA of over 13 million sq.m. in Mainland China and served over 100,000 home owners across the country.

Since 2019, Yuzhou Property Management has formally initiated the "We Are in Action" program across the country, which aims to carry out comprehensive rectification and renovation by improving entrance appearance, residential greening and corridor environment of housing estates under management. During the Period, the Xiamen branch of Yuzhou Property Management and the Xiamen branch of Yuzhou Properties have jointly launched "Visiting Program of Yuzhou in Xiamen", which requires the workforce from general manager to front-line property staffs to jointly participate the visiting to over 26,000 home owners involved in our 18 projects across the Xiamen area. As a result, we have collected 1,730 suggestions, covering various areas such as project quality, planning and design, customer service, maintenance, and marketing.

Adhering to the concept of "Refinement, Professionalism, Integrity and Harmony" and the philosophy of "Customer First, Service Oriented" for a long time, Yuzhou Property Management has been improving and enhancing its service and management systems, and received unanimous recognition in the industry. Yuzhou Property Management was once again selected as a council unit of the China Property Management Association, and ranked 36th among "2019 Top 100 Chinese Property Service Enterprises". It was officially admitted to the Golden Keys International Alliance, which marked its enhanced brand awareness in domestic and international markets. Yuzhou Property Management was accredited as "Chinese Blue-chip Property Management Company".

PRODUCT LINES AND DESIGN

With the concept of low-carbon, environmental protection and green development being paid more and more attention by the industry, the green construction plan of residential projects covers both indoor and outdoor environments in an all-round way at the level of specific project design practice, and attaches great importance to creating integration of landscape and environment and overall greening. Many of the projects in Tianjin, Beijing, Shanghai actively practiced Sponge City, to maximize the purification and reuse of water resources. At the same time, in the construction level of the project, from the standardization of design to the informatization of management, together with the digital management of the factory, the product quality of the Group have been further improved in an economic and green way.

Land Reserves

Adhering to its strategic deployment of "Leading with locality development", the Group follows the market dynamics and extensively develops, with reasonable and attractive land costs, the six metropolitan of cities in the Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region, Greater Bay Area, Central China Region and Southwest Region. In the meantime, fully leveraging on its strengths in merger and acquisition, the Group keeps up with industry trends and actively acquires and looks for cooperation opportunities under the increasing industrial concentration to ensure the Group's healthy, sustainable and quality development.

In the first half of 2019, according to the situation of the land auction market, the Group accurately grasped the opportunities of land acquisition by thorough study and analyze the population, GDP and future development trend of the core tier-1 and tier-2 cities, and obtained 14 high-quality parcels at attractive prices in Beijing, Shanghai, Qingdao, Zhengzhou, Foshan and other cities. Among which, 9 parcels were acquired with no or low premium rate, which guaranteed the sustainable, healthy and high-quality development of the Group. The Group has always maintained a prudent and rigorous attitude towards the increase of land reserves. It seized the investment opportunities, made timely and reasonable adjustment to investment pace, and actively but not aggressively supplemented high-quality land, according to the Company's development needs.

As at 30 June 2019, the Group had land reserves amounting to approximately 19.18 million sq.m. of aggregate salable GFA, with 138 projects located in 30 cities in the six metropolitan areas; the average land cost was approximately RMB5,580 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for its development over the next three to four years.

Saleable GFA of Land Reserves (sq.m.)
(As at 30 June 2019)

Region	Number of Projects	Area *(sq.m.)*
West Strait Economic Zone		
Xiamen	27	1,189,152
Fuzhou	7	407,030
Quanzhou	3	992,587
Longyan	1	21,013
Zhangzhou	4	1,029,740
Sub-total	42	3,639,522
Yangtze River Delta Region		
Shanghai	14	922,485
Nanjing	13	1,114,087
Hangzhou	4	671,486
Suzhou	9	1,303,928
Hefei	14	2,137,010
Bengbu	2	681,903
Bozhou	1	113,400
Yangzhou	1	174,100
Zhoushan	1	230,471
Jinshan	2	177,920
Xuzhou	1	203,588
Sub-total	62	7,730,378
Bohai Rim Region		
Tianjin	8	1,415,554
Beijing	2	117,434
Qingdao	2	229,496
Tangshan	2	767,800
Shenyang	2	2,007,346
Sub-total	16	4,537,630

Region	Number of Projects	Area
		(sq.m.)
Central China Region		
Wuhan	3	847,901
Xinxiang	1	258,370
Kaifeng	1	222,844
Zhengzhou	1	121,029
Sub-total	6	1,450,144
Greater Bay Area		
Hong Kong	1	2,214
Huizhou	4	437,478
Foshan	3	421,982
Zhongshan	1	271,502
Sub-total	9	1,133,176
Southwest Region		
Chongqing	3	692,463
Sub-total	3	692,463
Total	138	19,183,313

During the Period, the Group successfully acquired 14 new quality parcels at an aggregate attributable reserve land premium of approximately RMB14,130.01 million by ways of bidding and auction for sale as well as merger and acquisition, providing an aggregate attributable GFA of over 1,534,405 sq.m. at an average land cost of RMB11,106 per sq.m..

Particulars of these 14 new parcels of land as at 30 June 2019 are set out in the following table:

Name of Project	City	The Group's interest %	GFA (sq.m.)	Total Consideration (RMB'000)	Attributable Consideration (RMB'000)	Land Cost (RMB/sq.m.)
Yangtze River Delta Region						
Shanghai Fengxian District Jinhui Town 43-01 Project	Shanghai	100%	123,306	1,850,000	1,850,000	15,003
Hefei Baohe District S1901 Project	Hefei	34%	224,188	2,730,194	928,266	12,178
Shanghai Fengxian District Nanqiao Town 29-02 Project	Shanghai	100%	80,560	1,350,000	1,350,000	16,758
Hefei Binhu New District BH2019-05 Project	Hefei	50%	222,463	3,490,610	1,745,305	15,691
Hangzhou Gongshu District Xiangfu 2019-36 Project	Hangzhou	50%	187,670	4,657,000	2,328,500	24,815
Yuzhou Shanghai Qingpu 26-01 Project	Shanghai	49%	63,682	1,338,000	655,620	21,011
Yuzhou Shanghai Qingpu 44-02 Project	Shanghai	51%	81,437	1,723,000	878,730	21,157
Bohai Rim Region						
Qingdao Jimo JY18061 Project	Qingdao	100%	156,724	730,647	730,647	4,662
Beijing Tongzhou 068 Project	Beijing	20%	78,434	1,830,000	366,000	23,332
Tangshan Lubei District Fenghuang New City A-01 Project	Tangshan	51%	162,720	1,085,341	553,524	6,670
Central China Region						
Kaifeng Bianxi New District Project	Kaifeng	90%	222,844	668,533	601,679	3,000
Zhengzhou Xingyang 16-3 Project	Zhengzhou	100%	121,029	323,000	323,000	2,669
Greater Bay Area						
Foshan Shunde Leliu Project	Foshan	100%	306,217	1,368,740	1,368,740	4,470
Foshan Sanshui Distrct Leping Project	Foshan	100%	93,308	450,000	450,000	4,823
Total			2,124,582	23,595,065	14,130,011	11,106

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 2019, the total revenue of the Group was a record high RMB11,637.43 million, up by 25.91% year-on-year. This was mainly due to an increase in recognized property sales revenue, driven by an increase in aggregate GFA of the properties delivered as well as an increase in the average selling price during the Period. Specifically, property sales revenue was approximately RMB11,302.84 million, up by 25.97% compared to the corresponding period last year, accounting for 97.12% of the total revenue; rental income from investment properties was approximately RMB147.51 million, up by 44.35% compared to the corresponding period last year; property management fee income was approximately RMB177.13 million, up by 11.89% compared to the corresponding period last year; and hotel operation income was approximately RMB8.55 million, down by 1.04% year-on-year.

Cost of Sales

The cost of sales mainly encompassed land cost, construction cost and capitalized interest of the Group. For the six-month period ended 30 June 2019, the cost of sales of the Group was RMB8,497.00 million, up by 34.26% from RMB6,328.53 million in the corresponding period in 2018. 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 RMB3,140.42 million in the first half of 2019, a 7.77% year-on-year increase from RMB2,914.09 million in the corresponding period last year. Gross profit margin was 27.00%, a decrease of 4.53 percentage points compared to the corresponding period last year. The decrease in gross profit margin was mainly due to changes in product mix delivered during the Period.

Fair Value Gain on Investment Properties

During the first half of 2019, the Group recorded a fair value gain on investment properties of RMB582.19 million (first half of 2018: RMB86.29 million), representing an increase of approximately 66.90% as compare to the corresponding period last year, the increase was mainly attributable to the increase in fair value gain on investment properties located in Hong Kong.

Other Income and Gains

Other income and gains increased by about 128.06% from approximately RMB82.21 million in the first half of 2018 to RMB187.49 million in the first half of 2019. The increase in other income and gains was mainly due to an increase in bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses of the Group decreased by 7.04% from approximately RMB194.21 million in the first half of 2018 to approximately RMB180.54 million in the first half of 2019, accounting for 0.63% (first half of 2018: 0.90%) of total contracted sales for the Period. The decrease was mainly attributable to effective cost control measures which the Group continued to invest in online marketing and expanded into more diversified marketing channels in the first half of 2019.

Administrative Expenses

Administrative expenses of the Group grew by 6.59% from approximately RMB296.66 million in the first half of 2018 to approximately RMB316.21 million in the first half of 2019, mainly due to the business expansion of the Group and the increase in number of staff, especially for several new cities the Group entered into during the Period. In the first half of 2019, the proportion of administrative expenses to total contracted sales for the Period was 1.11% (first half of 2018: 1.38%).

Other Expenses

Other expenses increased by 439.11% from approximately RMB49.70 million in the first half of 2018 to approximately RMB267.94 million in the first half of 2019, which was mainly due to an impairment on goodwill of RMB187.32 million incurred (first half of 2018: Nil) during the Period.

Finance Costs

Finance costs of the Group decreased by 67.93% from approximately RMB280.53 million in the first half of 2018 to approximately RMB89.96 million in the first half of 2019. The decrease was mainly due to the increase in the amount of capitalized interest during the Period.

Share of Profits and Losses of Joint Ventures

Share of profits of joint ventures was approximately RMB133.43 million in the first half of 2019, decreased by approximately 66.90% from a share of profits of approximately RMB403.14 million in the first half of 2018.

Share of Profits and Losses of Associates

Share of profits of associates was approximately RMB106.13 million in the first half of 2019, compared with a share of losses of approximately RMB6.63 million in the first half of 2018.

Income Tax

Income tax of the Group increased by 9.51% from approximately RMB1,267.35 million in the first half of 2018 to approximately RMB1,387.88 million in the first half of 2019. The increase in income tax was mainly due to the increase in revenue and profit during the Period.

Profit Attributable to Non-controlling Interests

For the six-month period ended 30 June 2019, the profit attributable to non-controlling interests increased by approximately RMB207.59 million to RMB268.01 million. The increase was mainly due to the share of profit arising from non-wholly-owned projects in Fuzhou and Nanjing, which delivered a portion of presold properties during the Period.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased by 23.22% from approximately RMB1,330.23 million for the six-month period ended 30 June 2018 to approximately RMB1,639.12 million for the six-month period ended 30 June 2019, mainly due to the above mentioned factors. Core profit attributable to owners of the parent (excluding non-recurring profit and loss items and their related tax expenses, comprising fair value gain on investment properties, net exchange difference, etc.) increased by 20.63% from approximately RMB1,158.06 million for the first half of 2018 to approximately RMB1,397.00 million for the first half of 2019.

Basic Earnings per Share and Core Earnings per Share

For the six-month period ended 30 June 2019, basic earnings per share increased by 8.09% to RMB33.02 cents from RMB30.55 cents for the six-month period ended 30 June 2018.

Core earnings per share is calculated by dividing the core profit attributable to owners of the parent, adjusted for the distribution related to senior perpetual securities, by the weighted average number of ordinary shares in issue during the Period. For the six-month period ended 30 June 2019, core earnings per share increased by 5.82% to RMB27.98 cents from RMB26.44 cents for the six-month period ended 30 June 2018.

Liquidity and Financial Resources

The Group adopts a prudent financial policy in an effort to balance the financial risk and reduce the finance costs. During the Period, the Group successfully issued three-year senior notes in an aggregate amount of US$500 million with a coupon rate of 8.625% and four-year senior notes in an aggregate amount of US$500 million with a coupon rate of 8.5% in January 2019. In February 2019, the Group successfully issued the five-year senior notes in an aggregate amount of US$500 million with a coupon rate of 8.5%. In January 2019, the Group successfully issued the one-year property management asset-backed securities ("property management ABS") in an aggregate amount of RMB136 million with a coupon rate of 7.4%, and the nine-year property management ABS in an aggregate amount of RMB576 million with a coupon rate of 7.9%. The Group has explored new financing channels through the issues. In April 2019, the Group successfully issued the five-year corporate bond in an aggregate amount of RMB2,000 million with a coupon rate of 6.5% and the five-year corporate bond in an aggregate amount of RMB1,500 million with a coupon rate of 7.5%. As at 30 June 2019, the Group recorded a weighted average finance cost of 7.47%.

Details of new indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Yuzhou Properties Company Limited	Offshore senior notes	Public	US$500 million	Three years	8.625%	B1/BB-/ BB
Yuzhou Properties Company Limited	Offshore senior notes	Public	US$500 million	Four years	8.5%	B1/BB-/ BB
Yuzhou Properties Company Limited	Offshore senior notes	Public	US$500 million	Five years	8.5%	B1/BB-/ BB
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore property management ABS	Private	RMB136 million	One year	7.4%	AAA

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore property management ABS	Private	RMB576 million	Nine years	7.9%	AAA
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate bond	Public	RMB2,000 million	Five years	6.5%	AA+
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate bond	Public	RMB1,500 million	Five years	7.5%	AA+

Details of redemption of indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate bond	Private	RMB2,000 million	Three years	6.99%	AA+

Borrowings

As at 30 June 2019, the Group had total bank and other borrowings, corporate bonds and senior notes of RMB55,515.60 million, in aggregate, of which certain bank loans were secured by certain investment properties, properties held for sale, properties under development, other receivables, property, plant and equipment, bank deposits and equity interests in subsidiaries of the Group.

Cash Position

As at 30 June 2019, the Group had RMB38,926.19 million of cash and cash equivalents and restricted cash, up by 32.95% from RMB29,279.35 million as at 31 December 2018.

Net Gearing Ratio

As at 30 June 2019, the Group's net gearing ratio (calculated as the interest-bearing bank and other borrowings, corporate bonds and senior notes less cash and cash equivalents and restricted cash and divided by total equity) was 72.70%.

Currency Risk

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

	Bank and other borrowings, corporate bonds, and senior notes balance (*RMB'000*)	Cash balance* (*RMB'000*)
HK$	1,454,227	1,505,665
RMB	28,371,667	33,946,846
US$	25,689,703	3,469,140
Others	–	4,537
Total	55,515,597	38,926,188

* *Including restricted cash*

COMMITMENT

As of 30 June 2019, the Group had contracted commitments in respect of development expenditure on real estate of approximately RMB4,371.39 million (31 December 2018: RMB5,555.28 million). The Group is also committed to the payment of land premium in respect of land acquisition of approximately RMB3,951.00 million (31 December 2018: Nil) and in respect of acquisition of project companies of approximately RMB63.99 million (31 December 2018: RMB106.31 million).

CONTINGENT LIABILITIES

The Group provides buy-back guarantees to banks that offer mortgages to properties buyers in Mainland China of the Group. As at 30 June 2019, outstanding buy-back guarantees amounted to RMB14,968.82 million (31 December 2018: RMB9,778.09 million). As at 30 June 2019, the Group also provides guarantees to bank and other lenders in connection with facilities granted to joint ventures and associates, which amounted to RMB7,150.48 million (31 December 2018: RMB6,126.80 million) and RMB6,124.33 million (31 December 2018: RMB2,664.52 million), respectively.

HUMAN RESOURCES

The Group is led by an experienced and professional management team. Since its establishment in 1994, the Group has been undergoing rapid development under the leadership of the Board. The senior management team has extensive experiences in the property development industry with most of the senior executives having over 15 years' experience on average. This strong leadership, global insight and outstanding execution capabilities of the management team, coupled with strict implementation of best international practices according to prevailing circumstances, have enabled the Group to become one of the well-established real estate developers in China.

To provide more solid human resources support to achieving the Group's contracted sales goal of RMB100 billion and implementing the strategy of "leading with locality development", the Group optimized its organization and structure, incentive mechanism and career development path for talents in the first half of 2019.

In respect of management structure, the Group has established a three-level management system designated for coordination among the Group, regional branches and city branches, which functions in conjunction with the two-level management system designated for coordination between the Group and city branches. Meanwhile, the Group has made further adjustments to the organizational standards and divisions of duties and powers according to its strategic needs of each organization line. With the establishment of standardized systems of job positions and staff's titles to form four types of position ranking (i.e. MPES), the management systems of clear authority and accountability and sound talent promotion ladders, the Group has further safeguarded our future business development with higher efficiency.

In terms of retaining and motivating talents, the Group has standardized the general welfare package and increased the benefits for employees of the Group's real estate and professional enterprises such as commercial, property and hotel businesses. In addition, a multiple incentive mechanism comprising bonuses, options and investments is fully implemented for our employees. By setting up incentive systems such as performance-based salary, short-term incentives as well as medium- and long-term incentives covering various businesses and by building comprehensive value chains and diversified incentive mechanism, we have greatly enhanced the enthusiasm of operation units and employees.

In the first half of 2019, the Group built up a talent quality model and optimized its training systems that offer multi-channels for talent development. In the process of building talent training system, the Group has launched the "Yu Yue Program（禹躍計劃）", the "Yu Yi Training Program（禹翼計劃）", the "Yu Miao Program（禹苗計劃）", the "Yu Xiu Program（禹袖計劃）" and the "Yu Jiang Program（禹將計劃）", all strengthened the talents reserve of the Group. At the beginning of 2019, the Group carried out its team building program and has conducted talent assessments to all employees, providing a solid talent foundation to support strategic development. Moreover, Yuzhou Business School, the Group's learning and developing platform, by upholding the philosophy of "developing itself a growth platform for employees", continued to formulate systematic annual learning and development program and to provide comprehensive, systematic and multi-level training for employees, thereby helping them to improve their knowledge and skills.

In terms of corporate culture, as this year marks the 25th anniversary of the founding of the Group, the Group organized cultural activities, such as traditional holiday activities and team building activities for all staff, as well as established and designed the Company's communication system, such as communication meeting of all staff and communication meeting of excellent staff and seminar of new staff, which strengthened internal communication, empowered organizations and forged communication culture of the Company through arranging communication activities on a systematic basis. Through arranging various unique team building activities, vitality was injected into our team at different levels, stirring up staff's enthusiasm for work, while implementing the Company's vision and carrying out corporate values of responsibilities, accountability, achievements and sharing, so as to promote the sustained and rapid development of the Company to advance the development of "A Journey to 100 Billion".

As at 30 June 2019, the Group had 6,575 staff in total.

INTERIM DIVIDEND

The Board declared an interim dividend of HK12 cents per share of the Company and a special interim dividend of HK3 cents per share (for the 10th anniversary of listing of the Company) for the six-month period ended 30 June 2019 to eligible shareholders of the Company (the "Eligible Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 27 September 2019 (the "Record Date"). The interim dividend will be payable in cash but Eligible Shareholders will have an option to receive the interim dividend in form of new fully paid shares of the Company (the "Scrip Shares") in lien of cash, or partly in cash and partly in Scrip Shares (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the Scrip Shares to be issued pursuant thereto.

A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or around 23 October 2019. It is expected that the interim dividend warrants or share certificates for the Scrip Shares will be despatched to the Eligible Shareholders on or around 28 November 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 September 2019 to 27 September 2019 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 24 September 2019.

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

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 2019.

CORPORATE GOVERNANCE

The 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 of the Company.

During the Period, the Group 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 24 January 2019, the Company granted share options under its share option scheme adopted on 24 May 2010 to certain directors and employees of the Group which entitles the grantees to subscribe for an aggregate of 45,270,000 new shares of HK$0.10 each in the share capital of the Company at the exercise price per share of HK$3.65.

REVIEW OF ACCOUNTS

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

The 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-month period ended 30 June 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (http://www.yuzhou-group.com/) and the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2019 interim report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

DEVELOPMENT STRATEGIES AND PROSPECTS

Looking ahead to the second half of 2019, the international economic and political environment will be more complicated, the downside risks exposed to world economic growth will keep increasing, economic and trade frictions around the world have suddenly increased and local financial risks will also increase. Against the backdrop of the uncertainties from the Sino-US trade war and an increasing trend of trade protectionism across Europe and the USA, the international economic environment is exposed to systemic risk, which will further aggravate volatility in emerging markets. As for China, the external uncertainties in future economic development are required to be focused.

As for real estate policy, the keynote of regulatory policies are expected to continue to put "stability" as its first priority in the future. Under the policy of "houses are for living instead of speculation and city-specific policies", the Company will unwaveringly respond to the calling of national policy and go with the flow to make adjustments according to the city-specific policies, and it will formulate targeted strategies for land purchasing and property marketing activities based on the local policy and situation to manage the turnover of projects and cash recovery. Under the environment of tighter credit and further differentiated industry, the advantages of the Group in scale, channel and good reputation on the sound and steady development of its "three carriages of profits, liabilities and risk control" in the long term will bring about a bigger advantage for the future development, escorting the Group's "A Journey to 100 Billion".

As for the land market, in the second half of 2019, the whole industry is expected to become more rational in respect of land acquisition investments. Therefore, it has become a consensus of the industry that the industrial concentration will improve and there will be more resources flowing towards leading real estate enterprises. The Company will continue to leverage on its traditional strengths in balancing profits, liabilities and risk control and maintaining stable development to closely monitor changes in the window of opportunity, establish presence in areas with strong growth potential in advance, enhance cooperation with other players to realize complementation of advantages and allocate more resources to land acquisition through mergers and acquisitions, striving to diversify our land acquisition channels to contribute to the sustainable development of the Company.

A saying has it that the greatest efforts shall be made to explore talents so as to recruit every valuable personnels. In the past 25 years since its establishment, Yuzhou Properties has been placing significant emphasis on talent introduction and training, providing the employees with high-quality platform for mutual development, and regarding them as inexhaustible driving forces for the long-term development of the Group. With the continuous implementation of the Group's various special talent plans and the improvement and perfection of our internal management and training systems together with our abundant incentives, positive influence of our corporate culture and promising professional prospects, the Group will be able to retain and give full scope to talents.

King Yu tamed the flood by dredging rivers to connect four seas and nine states, turning deserts into oases. This year marks the 25th anniversary of the establishment of and the 10th anniversary of the listing of the Group. As a company that was established based on the spirit of King Yu, amid the complex and challenging market condition, Yuzhou Properties will continue to keep the pioneering attitude to forge ahead and stay pragmatic, and make contributions to the development of cities and better life quality of the people with its aggressive ambition and unremitting efforts.

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

Hong Kong, 26 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Lam Lung On (Chairman, J.P.), Ms. Kwok Ying Lan, Mr. Lin Conghui and Ms. Lam Yu Fong, the non-executive director of the Company is Ms. Xie Mei, and the independent non-executive directors of the Company are Mr. Lam Kwong Siu, Mr. Wee Henny Soon Chiang and Dr. Zhai Pu.