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 2018

FINANCIAL HIGHLIGHTS

1. Contracted sales achieved RMB21,494.23 million for the six-month period ended 30 June 2018.

2. Revenue was RMB9,242.62 million, increased by 27.54%. Gross profit margin was 31.53%.

3. Profit attributable to owners of parent was up by 69.33% from RMB785.57 million in the first half of 2017 to RMB1,330.23 million in the first half of 2018.

4. Core profit attributable to owners of the parent rose by 25.90% from RMB919.83 million in the first half of 2017 to RMB1,158.06 million in the first half of 2018.

5. Interim dividend of HK11 cents per share for the six-month period ended 30 June 2018, approximately 34.85% of core profit for the period.

6. As at 30 June 2018, net gearing ratio was 62.96%, and weighted average funding cost was 6.52%.

The board of directors (the "Board") of Yuzhou Properties Company Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2018

		For the six-month period ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**9,242,624**	7,246,747
Cost of sales		**(6,328,532)**	(4,858,772)
Gross profit		**2,914,092**	2,387,975
Fair value gain on investment properties, net		**86,286**	39,364
Other income and gains	*3*	**82,214**	102,714
Selling and distribution expenses		**(194,213)**	(175,643)
Administrative expenses		**(296,662)**	(202,941)
Other expenses		**(49,701)**	(70,152)
Finance costs	*6*	**(280,530)**	(224,116)
Share of profits and losses of joint ventures		**403,139**	(29,262)
Share of profits and losses of associates		**(6,629)**	(4,563)
PROFIT BEFORE TAX	*5*	**2,657,996**	1,823,376
Income tax expense	*7*	**(1,267,346)**	(1,065,323)
PROFIT FOR THE PERIOD		**1,390,650**	758,053
Attributable to:			
Owners of the parent		**1,330,229**	785,570
Non-controlling interests		**60,421**	(27,517)
		1,390,650	758,053
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic *(RMB cents per share)*	*9*	**30.55**	20.57
– Diluted *(RMB cents per share)*	*9*	**30.20**	20.38

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2018

	For the six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,390,650**	758,053
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(5,574)**	78,302
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,385,076**	836,355
Attributable to:		
Owners of the parent	**1,324,655**	863,872
Non-controlling interests	**60,421**	(27,517)
	1,385,076	836,355

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**863,836**	874,715
Investment properties		**9,735,687**	8,140,210
Land held for property development for sale		**215,224**	215,224
Investment in joint ventures		**6,114,831**	6,387,378
Investment in associates		**650,336**	602,365
Deferred tax assets		**576,189**	526,074
Total non-current assets		**18,156,103**	16,745,966
CURRENT ASSETS			
Land held for property development for sale		**4,839,459**	9,173,473
Properties under development		**21,200,282**	10,263,940
Properties held for sale		**9,831,251**	8,121,694
Prepayments for acquisition of land		**1,659,464**	2,109,667
Prepayments, deposits and other receivables		**22,045,474**	15,630,318
Prepaid corporate income tax		**334,116**	127,813
Prepaid land appreciation tax		**516,040**	216,020
Contract assets		**31,918**	–
Derivative financial instruments		**1,411**	17,718
Financial assets at fair value through profit or loss		**25,330**	–
Restricted cash		**1,500,433**	1,901,969
Cash and cash equivalents		**23,586,861**	15,596,239
Total current assets		**85,572,039**	63,158,851
CURRENT LIABILITIES			
Contract liabilities		**11,157,005**	–
Receipts in advance		**–**	10,268,840
Trade payables	*10*	**6,464,506**	5,153,520
Other payables and accruals		**26,650,109**	12,468,016
Derivative financial instruments		**–**	19,229
Interest-bearing bank and other borrowings		**7,406,104**	6,704,340
Corporate bonds	*11*	**10,000,000**	10,000,000
Corporate income tax payables		**1,353,652**	1,893,370
Provision for land appreciation tax		**1,527,454**	1,505,218
Total current liabilities		**64,558,830**	48,012,533
NET CURRENT ASSETS		**21,013,209**	15,146,318
TOTAL ASSETS LESS CURRENT LIABILITIES		**39,169,312**	31,892,284

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Other payables	**472,531**	2,560,449
Interest-bearing bank and other borrowings	**11,438,061**	7,007,525
Senior notes	**7,703,370**	3,855,621
Deferred tax liabilities	**1,353,046**	1,025,453
Total non-current liabilities	**20,967,008**	14,449,048
Net assets	**18,202,304**	17,443,236
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**356,351**	355,982
Senior perpetual securities	**1,911,986**	1,911,986
Reserves	**14,510,705**	14,113,513
	16,779,042	16,381,481
Non-controlling interests	**1,423,262**	1,061,755
Total equity	**18,202,304**	17,443,236

1. BASIS OF PREPARATION

The condensed consolidated interim financial information (the "interim financial information") for the six-month period ended 30 June 2018 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 2017.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2017, 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 Yuzhou Properties Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the first time in 2018 for the current period's interim financial information:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the interim financial information.

The nature and the impact of the changes are described below:

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group did not restate comparative information and recognized any material transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss and amortized cost. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are as follows:

– *Debt instruments at amortized cost* that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

– *Financial assets at fair value through profit or loss* include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.

(ii) *Impairment*

HKFRS 9 requires an impairment on contract assets, other receivables and amounts due from joint ventures and associates that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its contract assets. The Group applied general approach and recorded twelve-month expected losses on its other receivables and amounts due from joint venture and associates. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognize the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained profits at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

Revenue recognition

Revenue is recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

(i) Accounting for revenue from sales of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership have been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognizes revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognized in profit or loss over the cumulative billings to purchasers of properties is recognized as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognized in profit or loss is recognized as contract liabilities.

The Group has assessed that there is an enforceable right to payment from the customers for performance completed to date for few properties. Thus, majority of revenue from sale of properties will continue to be recognized at a point in time, when the purchasers obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018.

(ii) Accounting for significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognized contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognize the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from receipts in advance to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018. Receipts in advance of RMB10,268,840,000 that were previously classified receipts in advance has been reclassified to contract liabilities as at 1 January 2018.

(iii) Accounting for sales commission

Prior to the adoption of HKFRS 15, the Group capitalized the sales commission associated with obtaining agreement for sale and purchase with property buyer and charged to profit or loss when the revenue from the related property sale is recognized. Upon adoption of HKFRS 15, sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalized and recorded in contract assets. Capitalized sales commissions are charged to profit or loss when the revenue from the related property sale is recognized and are included as selling and marketing expenses at that time. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018. Prepaid sales commission of RMB91,213,000 that was previously classified as prepayments, deposits and other receivables has been reclassified to contract assets as at 1 January 2018.

The impact of adoption of HKFRS 15 is shown below:

Summary of impact of HKFRS 15 on the interim financial information for the six-month ended 30 June 2018:

	Amounts without the adoption of HKFRS 15 *RMB'000*	Effects of the adoption of HKFRS 15 *RMB'000*	Amounts as reported *RMB'000*
Consolidated statement of financial position (extract)			
Properties under development	21,403,471	(203,189)	21,200,282
Prepayments, deposits and other receivables	22,077,392	(31,918)	22,045,474
Contract assets	–	31,918	31,918
Contract liabilities	–	11,157,005	11,157,005
Receipts in advance	11,432,675	(11,432,675)	–
Corporate income tax payables	1,335,532	18,120	1,353,652
Provision for land appreciation tax	1,509,696	17,758	1,527,454
Consolidated statement of profit or loss (extract)			
Revenue	8,966,954	275,670	9,242,624
Cost of sales	6,125,343	203,189	6,328,532
Income tax expense	1,231,468	35,878	1,267,346

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11,HKAS 12 and HKAS 23*[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[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 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties	**8,972,987**	7,047,384
Rental income from investment properties	**102,187**	71,672
Property management fee income	**158,307**	117,111
Hotel operation income	**8,637**	8,870
Others	**506**	1,710
	9,242,624	7,246,747
Other income and gains		
Bank interest income	**69,940**	77,311
Rental income from properties held for sale	**–**	5,334
Foreign exchange differences, net	**–**	210
Others	**12,274**	19,859
	82,214	102,714

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.

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 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

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 expense						(1,065,323)
Profit for the period						758,053

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 2018 and 2017, 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:

	For the six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**6,169,678**	4,738,587
Cost of services provided	**158,456**	118,537
Cost of inventories sold	**398**	1,648
Depreciation	**20,873**	21,532
Fair value loss on derivative financial instruments, net	**16,307**	47,705
Realized loss on derivative financial instruments	**6,964**	–
Equity-settled share option expense	**6,019**	3,316
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**20,587**	17,373

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans, other loans, corporate bonds and senior notes	**1,175,368**	725,860
Less: Interest capitalised	**(894,838)**	(606,115)
	280,530	119,745
Loss on early redemption of senior notes	**–**	104,371
	280,530	224,116

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 2017: 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 2018 and 2017.

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

	For the six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current:		
PRC corporate income tax	**700,700**	523,945
PRC land appreciation tax	**627,615**	503,552
	1,328,315	1,027,497
Deferred:		
Current period	**(60,969)**	37,826
Total tax charge for the period	**1,267,346**	1,065,323

8. INTERIM DIVIDEND

	For the six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interim dividend declared	**403,551**	280,829

The board of directors of the Company declared an interim dividend of HK11 cents per share for the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: HK8.5 cents per share) with the shareholders being given an option to elect to receive such interim dividend all in new shares or all in cash.

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 2018 is based on the consolidated profit attributable to owners of the parent, adjusted for the distribution related to senior perpetual securities, and the weighted average number of ordinary shares of 4,185,450,329 (six-month period ended 30 June 2017: 3,819,007,184) in issue during the period.

The calculation of the diluted earnings per share amount for the six-month period ended 30 June 2018 is based on the consolidated profit 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent	1,330,229	785,570
Distribution related to senior perpetual securities	(51,366)	–
Profit used in the basic and diluted earnings per share calculation	1,278,863	785,570

	Number of shares For the six-month period ended 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	4,185,450,329	3,819,007,184
Effect of dilution – weighted average number of ordinary shares: Share options	49,261,029	35,519,402
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	4,234,711,358	3,854,526,586

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 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within 1 year or on demand	**5,107,606**	3,004,832
Due within 1 to 2 years	**1,356,900**	2,148,688
	6,464,506	5,153,520

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

11. CORPORATE BONDS

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Corporate bonds due in 2018	**2,000,000**	2,000,000
Corporate bonds due in 2019	**5,000,000**	5,000,000
Corporate bonds due in 2020	**3,000,000**	3,000,000
	10,000,000	10,000,000

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

(i) RMB2,000,000,000 corporate bonds due in 2018 issued by a subsidiary of the Group in October 2015 (the "6.99% Corporate Bonds"). The 6.99% Corporate Bonds have a term of three years and bear interest at a rate of 6.99% per annum. The 6.99% Corporate Bonds are unsecured.

(ii) RMB3,000,000,000 corporate bonds due in 2020 issued by a subsidiary of the Group 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. 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.

(iii) RMB2,000,000,000 corporate bonds due in 2019 issued by a subsidiary of the Group 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 the June 2018, the coupon rate is adjusted to 6.99% per annum.

(iv) 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. 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.

12. EVENTS AFTER THE REPORTING PERIOD

(a) In July 2018, 720,000 and 812,000 share options under the share option scheme were exercised at HK$1.875 and HK$1.892 per share, respectively.

(b) In July 2018, the Company issued senior notes with an aggregate principal amount of US$425,000,000 (approximately RMB2,815,582,000) bearing interest at 7.9% per annum. The net proceeds, after deducting the issuance cost, amounted to approximately US$423,000,000 (approximately RMB2,802,333,000). The senior notes will mature on 11 May 2021.

(c) In August 2018, the Group completed the acquisition of entire equity interest in Century East Group Limited, which holds certain project companies carrying on the operations of property development and property investment in the PRC. The overall consideration for the acquisition was RMB3,800,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

In the first half of 2018, the Gross Domestic Product ("GDP") of China grew by 6.8% year-on-year. China's national economy maintained its development momentum of improvement while ensuring stability overall, with significant results achieved in its transformation and upgrade, and accelerated growth of new driving forces. China continued to build a system featuring a combination of long- and short-term regulations after entering a new phase of "overall and differentiated regulation" in respect of real estate regulatory policies. The Central Government has made it clear that regulation should be reinforced by, on one hand, continuously suppressing irrational demands, and on the other hand, focusing on the adjustment to mid- and long-term supply structures. In March, it was further emphasized in the government report of the National People's Congress and the Chinese People's Political Consultative Conference that "Houses are for living instead of speculation", and differentiated regulation was continuously implemented. In May, the Ministry of Housing and Urban-Rural Development issued a notice restating that real estate regulation should be reinforced in respect of development plan for houses, housing and land supply, funds management, etc. Local real estate regulatory policies were extensively introduced with equal stresses on enhancement and coverage expansion. Meanwhile, the "talents quest" has been growing more intense. In fact, house purchase restriction has been eased with many fiscal subsidies on rental, house purchase, etc.

In respect of land market, in the first half of 2018, the first-tier cities and popular second-tier cities continued to see tight supply. Nevertheless, with continuous effort to increase the land supply in the third- and fourth-tier cities, the overall transaction scale in the market saw a significant increase year-on-year.

In respect of monetary policy, the keynote remained stable and neutral. The Central Government has reiterated that more emphasis should be placed on preventing and resolving financial risks. Given the increasingly stringent supervision of shadow banking coupled with the introduction of new regulations on asset management since the beginning of the year, it would be more difficult for companies to seek refinancing. It is expected that an increasing number of small-sized real estate enterprises will encounter financing difficulties under such an environment, while the medium- and large-sized ones will enjoy incomparable advantages due to their diversified financing channels and sound credit ratings. This will further increase the industry concentration.

In respect of industry performance, total investment in real estate development across the country amounted to RMB5,553.1 billion, representing an increase of 9.7% in nominal terms year-on-year, of which the investment in residential property amounted to RMB3,899.0 billion, representing an increase of 13.6% year-on-year and accounting for 70.2% of the total investment in real estate development. The newly-started property covered an area of 958.17 million sq.m., up by 11.8% year-on-year, of which the newly-started residential property occupied an area of 706.11 million sq.m., up by 15.0% year-on-year. The total area of completed housing was 371.31 million sq.m., down by 10.6% year-on-year, of which the area of completed residential property was 259.62 million sq.m., down by 12.8% year-on-year. The total area of commodity housing sold was 771.43 million sq.m., up by 3.3% year-on-year, of which the area of residential property sold increased by 3.2% year-on-year. The residential sales revenue increased by 14.8% year-on-year.

During the Period, Yuzhou Properties has been keeping in step with the policy trend, keeping abreast of the market sentiment, securing land at attractive value and capturing the window period for financing, thereby achieving remarkable results throughout the cycle.

Overall Performance

During the Period, revenue of the Group was RMB9,242.62 million, representing an increase of 27.54% as compared to the corresponding period last year of RMB7,246.75 million. Gross profit was RMB2,914.09 million, representing an increase of 22.03% year-on-year. Gross profit margin was 31.53%, remaining at a relatively high level in the industry. Profit attributable to the owners of the parent increased by 69.33% year-on-year from RMB785.57 million in the first half of 2017 to RMB1,330.23 million in the first half of 2018. Core profit attributable to the owners of the parent increased by 25.90% year-on-year to RMB1,158.06 million. Core earnings per share were RMB27.67 cents, up by 14.86% year-on-year. Basic earnings per share were RMB30.55 cents, representing an increase of 48.52% as compared to RMB20.57 cents for the corresponding period in 2017.

Sale of Properties

During the Period, the Group's revenue of property sales increased by 27.32% year-on-year to RMB8,972.99 million, accounting for 97.08% of the total revenue of the Group. The Group delivered an aggregate gross floor area ("GFA") of approximately 691,667 sq.m., an increase of 9.96% 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 2018 was RMB12,574 per sq.m., an increase of 12.23% year-on-year. The increase is mainly attributable to an increase in delivery of GFA of projects in the Yangtze River Delta Region, especially in Shanghai and Nanjing during the Period, which has a higher average selling price than other cities.

As for geographic distribution, metropolitan areas including the Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region and the Guangdong-Hong Kong-Macao Big Bay Area (the "Bay Area") contributed 63.46%, 24.10%, 11.62% and 0.82% to 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 area sold of each project in the first half of 2018 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	425,457	34,440	12,354
Yuzhou Golf	Xiamen	293,939	10,544	27,877
Chunjiang Central	Xiamen	97,472	8,140	11,974
Yuzhou Lucca Town	Xiamen	175,526	7,889	22,249
Yuzhou Gushan No.One	Fuzhou	96,052	5,628	17,067
Yuzhou Oriental Venice	Fuzhou	526,348	27,707	18,997
Yuzhou Cambridge Town	Fuzhou	50,017	5,937	8,425
Yuzhou City Plaza	Quanzhou	298,767	52,676	5,672
Yuzhou Castle above City	Longyan	81,195	25,928	3,132
Others	Xiamen	51,509	8,168	6,306
Sub-total		2,096,282	187,057	11,207
Yangtze River Delta Region				
Yuzhou Bustling Center	Shanghai	165,631	5,248	31,561
Yuzhou City Plaza	Shanghai	80,146	6,695	11,971
Yuzhou Beautiful Garden Life	Shanghai	1,372,434	48,667	28,201
Yuzhou Skyline	Hefei	2,796	317	8,820
Yuzhou Jade Lakeshire	Hefei	3,742	249	15,058
Yuzhou Royal Seal	Hefei	1,119,519	106,165	10,545
Yuzhou Central Plaza	Hefei	43,614	3,494	12,483
Yuzhou Central Town	Hefei	1,973,056	162,844	12,116
Yuzhou The Jiqing	Nanjing	10,824	437	24,769
Yuzhou Moon Riverside	Nanjing	730,504	32,540	22,449
Yuzhou Prince Lakeshire	Bengbu	16,705	7,457	2,240
Sub-total		5,518,971	374,113	14,752
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	882,889	109,556	8,059
Yuzhou Royal Lakeshire	Tianjin	127,682	13,805	9,249
Sub-total		1,010,571	123,361	8,192
Guangdong-Hong Kong-Macao Big Bay Area				
Yuzhou Wujing The Scenery	Huizhou	71,493	7,136	10,019
Sub-total		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		

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

Contracted Sales

During the Period, the Group's accumulated contracted sales amounted to RMB21,494.23 million. The contracted sales area amounted to 1,577,755 sq.m. and the contracted average selling price was approximately RMB13,623 per sq.m.. In addition, the accumulated sales of properties subscribed for but not contracted was approximately RMB290.23 million.

The Yangtze River Delta Region remained an important source of contracted sales of the Company in the first half of 2018. During the Period, the aggregate contracted sales achieved in Shanghai, Nanjing, Hefei, Suzhou, Hangzhou, Bengbu and Zhoushan amounted to RMB10,505.31 million, accounting for 48.88% of the Group's total contracted sales.

In 2018, the Company marked its 14th year of entering the 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. During the Period, contracted sales of RMB1,842.89 million were achieved in Shanghai, accounting for 8.57% of the Group's total contracted sales. In 2018, Yuzhou Noble Mansion, a prime residential project in Fengxian District, Shanghai, hit a record of contracted sales of RMB1,222.92 million.

Since entering Nanjing for less than four years, Yuzhou has launched nine projects, creating the story of "in-depth cultivation" in this ancient capital city. In the first half of 2018, four projects were launched in Nanjing together, which contributed aggregate contracted sales of RMB2,446.38 million, accounting for 11.38% of the Group's total contracted sales.

With more than a decade's in-depth cultivation in Hefei, the Group continued to rank ahead among the peers in the Hefei market in the first half of 2018, with contracted sales of RMB1,576.88 million, accounting for 7.34% of the Group's total contracted sales. Six residential projects were launched in Hefei, namely Yuzhou Central Plaza, Yuzhou Moon Lake Mansion, Yuzhou Royal Seal, Yuzhou Fragrance & Elegance Mansion (禹洲•香緹雅居), Yuzhou Central Town and Yuzhou Town. In the second half of 2018, the Company will launch several new residential projects in the Hefei market in an effort to further strengthen its brand awareness and underpin its leading market position.

Since entering Suzhou at the end of 2016, the Group has rolled out eight projects along the "one horizontal and one vertical" development path for Suzhou in 14 months, with a land bank of over 1 million sq.m.. In the second half of 2018, Yuzhou will launch eight projects in Suzhou, which certainly will generate new growth for the Group's performance in 2018.

In addition, Yuzhou Riverside Sapphire in Hangzhou recorded contracted sales of RMB1,661.84 million, accounting for 7.73% of the Group's total contracted sales; the aggregate contracted sales of Yuzhou New Inner City and Yuzhou Prince Lakeshire in Bengbu amounted to RMB1,959.05 million, accounting for 9.11% of the Group's total contracted sales.

The Group will continue forging ahead with determination to consolidate its leading position in the West Strait Economic Zone, the cradle of the Group. It achieved remarkable results in Xiamen, Fuzhou, Quanzhou, Zhangzhou and Longyan. The contracted sales amounted to RMB5,032.69 million in the West Strait Economic Zone, accounting for 23.41% of the Group's total contracted sales.

Leveraging on our strong industry experience and outstanding quality, the Group has rapidly developed the markets in the metropolitan areas covering the Bohai Rim Region, with eight projects in eight years in Tianjin. We have constructed regional benchmarks, such as Yuzhou Palace Country and Yuzhou Royal Lakeshire, and tapped into Tanggu Bay New City, the most potential market in Binhai New District. Following the acquisition of the asset package from Coastal Greenland, we first entered Beijing and Shenyang, and further acquired quality land parcels in Beichen District, Tianjin. During the Period, Tianjin, Tangshan and Shenyang contributed aggregate contracted sales of over RMB3,510.30 million, accounting for 16.33% of the Group's total contracted sales.

During the Period, Wuhan, the core city of Central China Region, has made its first contribution to the Group's total contract sales. By acquisition of Silo City and Lingjiao Hu Project in the early of 2018, Wuhan recorded a contracted sales of RMB2,381.95 million, representing 11.08% of the Group's total contracted sales. In the second half of 2018, Wuhan Taizi Lake Project, with favorable location and extensive types of property, including residential, commercial, apartment, conceptual hotel and eco-office, will be launched grandly.

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

Project	**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				
Yuzhou Central Coast	Xiamen	46,065	3,042	15,143
Yuzhou Riverside City Town	Xiamen	270,324	14,242	18,981
Haicang Dream Town	Xiamen	84,740	3,274	25,883
Yuzhou Lucca Town	Xiamen	48,684	1,808	26,927
Chunjiang Central	Xiamen	81,060	3,690	21,967
Yuzhou Gushan No.One	Fuzhou	187,550	7,545	24,858
Yuzhou Oriental Venice	Fuzhou	480,112	27,419	17,510
Yuzhou Cambridge Town	Fuzhou	23,518	1,441	16,321
Yuzhou Radiance Central Mansion	Fuzhou	786,884	25,679	30,643
Yuzhou Royale Riverside Mansion	Fuzhou	35,000	1,413	24,770
Yuzhou City Plaza	Quanzhou	1,960,691	236,591	8,287
Yuzhou Castle above City	Longyan	666,364	103,347	6,448
Yuzhou Royale The Bay	Zhangzhou	63,821	1,821	35,047
Others	Xiamen	297,880	10,109	29,467
Sub-total		5,032,693	441,421	11,401

Project	City	Total Amount of Contracted Sales *(RMB'000)*	GFA of Contracted Sales *(sq.m.)*	Average Contracted Selling Price *(RMB/sq.m.)*
Yangtze River Region				
Yuzhou City Plaza	Shanghai	7,500	621	12,077
Yuzhou Beautiful Garden Life	Shanghai	118,977	3,804	31,277
Yuzhou Noble Mansion	Shanghai	1,222,920	31,864	38,379
Yuzhou Mansion	Shanghai	90,000	1,983	45,386
Yuzhou Dongtan Grace Mansion	Shanghai	132,467	3,669	36,104
Yuzhou The Bustling Center	Shanghai	271,024	8,572	31,617
Yuzhou Central Plaza	Hefei	590,333	56,549	10,439
Yuzhou Central Town	Hefei	558,096	47,321	11,794
Yuzhou Fragrance & Elegance Mansion	Hefei	91,645	7,059	12,983
Yuzhou Moon Lake Mansion	Hefei	270,061	16,140	16,732
Yuzhou Royal Seal	Hefei	30,393	3,443	8,827
Languang Yuzhou Town	Hefei	36,347	3,975	9,144
Yuzhou The Jiqing	Nanjing	99,212	2,845	34,872
Redsun Yuzhou The Times	Nanjing	93,300	7,051	13,232
Redsun Yuzhou The Spring	Nanjing	647,393	27,990	23,129
Yuzhou Hechang Golden East	Nanjing	1,606,480	70,704	22,721
Yuzhou Riverside Sapphire	Hangzhou	1,661,839	54,946	30,245
Yuzhou Majestic Mansion	Zhoushan	207,762	11,873	17,499
Yuzhou Zhaoshang The Absolute	Suzhou	810,505	56,561	14,330
Yuzhou Prince Lakeshire	Bengbu	601,693	75,756	7,943
Yuzhou New Inner City	Bengbu	1,357,359	183,377	7,402
Subtotal		10,505,306	676,103	15,538
Central China Region				
Coastal Silo City	Wuhan	1,310,200	106,614	12,289
Coastal Lingjiao River No. 1	Wuhan	1,071,750	43,570	24,598
Subtotal		2,381,950	150,184	15,860
Guangdong-Hong Kong-Macao Big Bay Area				
Yuzhou Wujing The Scenery	Huizhou	63,974	5,805	11,020
Subtotal		63,974	5,805	11,020
Bohai Rim Region				
Yuzhou Lianfa Red Shire	Tianjin	539,344	25,898	20,826
Yuzhou Joy Mansion	Tianjin	601,596	48,967	12,286
Yuzhou Fengnan New Town	Tangshan	1,500,921	154,586	9,709
Shenyang International Center	Shenyang	868,442	74,791	11,612
Subtotal		3,510,303	304,242	11,538
Total		21,494,226	1,577,755	13,623

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.One	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
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

Investment Properties

During the Period, total income from investment properties of the Group was approximately RMB102.19 million, representing an increase of approximately 42.58% year-on-year, mainly due to the rise in rental area and rental rate of the properties.

At present, Yuzhou Commercial Company has 27 projects in preparation or 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 534 talents, it has a variety of commercial offerings covering shopping malls, office buildings and street malls.

Adhering to the operating philosophy of "refined system, regulated management, procedural operation and friendly service", Yuzhou Commercial Company continues carrying out original and enriched corporate activities to drive the sales of the entire shopping mall while ensuring comfortable and premium experience for its consumers with an improved shopping environment and more reasonable and complete product offerings.

Furthermore, Yuzhou Commercial Company will make bold forays into long-term rental apartments, shared-offices and other sectors, and combine with the features of specific project 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 business arms, helps broaden the Group's revenue streams, enrich its commercial offerings and shape a sound brand image. During the Period, Yuzhou Camelon Hotel Apartment located at core area of Huli District, Xiamen posted an occupancy rate of 79.44% and recorded a revenue of RMB8.64 million, representing a decrease of 2.63% year-on-year. It is still ranking ahead among the four-star and five-star hotels in Xiamen in terms of customer satisfaction on tourism websites. Yuzhou Wyndham Grand Plaza Royale Hotel and Howard Johnson Jinghope Serviced Residence in Wuyuan Bay of Xiamen as well as hotels in Tong'an District of Xiamen and Hui'an District of Quanzhou are still in construction.

Property Management

During the Period, the Group's property management companies received RMB158.31 million from property management fees, representing an increase of 35.18% year-on-year. Driven by an increase in the delivered property area, we managed a total GFA of approximately 12 million sq.m. in the Mainland of China as at 30 June 2018, and served approximately 100,000 owners across the country.

At the beginning of 2018, Yuzhou Property Management launched the "Royal Service" luxury service system, which was themed with "Relax your mind by comfortable experience, enjoy the moment with our consistent service", at all high-end project sites across the country. Such customer-oriented system aimed at offering memorable, comfortable, enjoyable and consistent on-site experience to privileged customers. Featured displays were made to enable customers experience the premium services of Yuzhou Property Management in advance. Royal Service was categorized into two major serials, namely Royal-Comfortable Service and Royal-Privileged Service, and was delivered in three forms including house keeper service, layer service and refined service. Yuzhou Property Management continued its services including 5-meter parking guidance, 1.5-meter smiles and salutes, reception once entering, drink offering in five minutes, responses within 60 seconds, etc. to deliver royal experience to its privileged customers.

Upholding the management concept of "Refinement, Professionalism, Integrity and Harmony" and the philosophy of "Customer First, Service Oriented", Yuzhou Property Management proactively made continual improvements to its service and management systems by referring to leading industry standards, with a view to catering for, to the largest extent, the varied needs of owners. It constantly delivered mindful services, which won customers' appreciation through our actions.

Product Lines and Design

The real estate industry has shifted to a product-oriented stage. Regulations of the real estate market and the rational consumption of consumers all pose certain requirements on real estate developers. In the first half of 2018, on the basis of its three-layer product line, namely Royale, Langham and Honor, the Group sorted out the competitive advantages of its product lines in four aspects including construction planning, landscape, fine decoration and smart mechanical and electrical products, with regard to four dimensions including comfort, health, intelligence and safety, which aimed at analyzing the needs of four customer groups, i.e. the single, the married with no kid, the married with kids, and the elites. It has completed the preliminary sorting of the value points of its three-layer product line, and developed the standardized modules for landscape, buildings and mechanical & electrical products with a simultaneous resource bank. Yuzhou will demonstrate its brand concept of "Building Cities with Heart, Building Homes with Love" by virtue of its sound strengths in products.

Land Reserves

Adhering to its strategic deployment of "achievement of RMB100 billion contracted sales target and nationwide cultivation", the Group follows up the market dynamics and extensively develops, with reasonable and attractive land costs, the six clusters of cities in the Yangtze River Delta, West Strait Economic Zone, Bohai Rim Region, the Bay Area, Central China Region and Southwest Region. In the meantime, fully leveraging on its strengths in merger and acquisition and by virtue of its outstanding brand reputation and industry-leading profitability, the Group captures the boom of industry consolidation by looking for acquisition projects and seeking cooperation, so as to ensure a sufficient land bank for the Group.

On 15 January 2018, the Group and Coastal Greenland Limited entered into a sale and purchase agreement in relation to the proposed purchase of 7 projects, including 4 projects available for sale and 3 quality land parcels, from Coastal Group. The projects available for sale included Wuhan Lingjiao Hu Project, Wuhan Silo City Project, Shenyang Coastal International Center Project and Foshan Coastal Garden Project, while the quality land parcels included Tianjin Beichen Project, Shenyang Sujiatun Project and Beijing Beishi Project. The total consideration was approximately RMB3.8 billion, with an attributable saleable GFA of over 3.13 million sq.m. and attributable saleable resources of over RMB40 billion. Through this acquisition, Yuzhou Properties first entered Beijing, Foshan and Shenyang, and secured quality land parcels and projects in Tianjin, Wuhan and Shenyang, which further consolidated its position in the metropolitan areas covering Beijing-Tianjin-Hebei Region, Guangdong-Hong Kong-Macao Big Bay Area and Central China Region, and meanwhile Yuzhou Properties also extended its footprint into the core area of Northeast China, speeding up its pace of profound national deployment, which facilitated the cross-regional development of Yuzhou. Furthermore, through this acquisition, the Company also secured rare investment properties, such as office buildings and shopping malls, in several core areas, among which there were three shopping centers at the prime locations of Beijing, Wuhan and Shenyang respectively, which could provide ongoing source of capital to the Group, increase its diversified revenue streams, and further enrich its product mix.

On 8 May 2018, the Group and China Aerospace Construction Group duly entered into a cooperation agreement on Aerospace Smart Hi-Tech City in Chengde, pursuant to which both parties would conduct in-depth cooperation in respect of the research and development and application of the new aerospace technology leveraging the natural resources and geographical advantages of Shuangqiao District, Chengde, with an aim to jointly develop an "Aerospace Smart Hi-Tech City" integrating agriculture, industry, tourism and residence, with a site area of over 2.7 million sq.m..

As at 30 June 2018, the Group had land reserves amounting to approximately 17.25 million sq.m. of aggregate salable GFA, with 118 projects located in 25 cities in the six metropolitan areas; the average land cost was approximately RMB4,995 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 2018)

Region	Number of Projects	Area *(sq.m.)*
West Strait Economic Zone		
Xiamen	27	1,222,263
Fuzhou	5	373,088
Quanzhou	3	1,077,276
Longyan	1	21,226
Zhangzhou	4	1,029,740
Sub-total	40	3,723,593
Yangtze River Delta Region		
Shanghai	10	763,270
Nanjing	13	1,428,403
Hangzhou	4	626,422
Suzhou	9	1,365,417
Hefei	11	1,692,335
Bengbu	2	813,141
Bozhou	1	113,400
Yangzhou	1	174,100
Zhoushan	1	230,471
Sub-total	52	7,206,959
Bohai Rim Region		
Tianjin	8	1,470,044
Beijing	1	39,000
Qingdao	1	72,772
Tangshan	1	608,789
Shenyang	2	1,970,000
Sub-total	13	4,160,605
Central China Region		
Wuhan	3	746,179
Zhengzhou	1	258,370
Sub-total	4	1,004,549
Guangdong-Hong Kong-Macao Big Bay Area		
Hong Kong	1	2,214
Huizhou	4	449,297
Foshan	1	8,500
Sub-total	6	460,011
Southwest Region		
Chongqing	3	692,463
Sub-total	3	692,463
Total	118	17,248,180

During the Period, the Group successfully acquired 16 new quality parcels at an aggregate attributable reserve land premium of approximately RMB5,523.79 million by ways of bidding and auction for sale as well as merger and acquisition, providing an aggregate attributable GFA of over 1,216,690 sq.m. at an average land cost of RMB5,297 per sq.m..

Particulars of these 16 new parcels of land as at 30 June 2018 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.)*
West Strait Economic Zone						
Quanzhou Nan'an Xiamei 2017P18	Quanzhou	100%	52,419	161,000	161,000	3,071
Anxi Guanqiaozhen 2013-21 Project	Quanzhou	100%	140,365	225,000	225,000	1,603
Fuzhou Gaoxin 2018-01 Project	Fuzhou	100%	58,491	559,080	559,080	9,558
Yangtze River Delta Region						
Suzhou WG58 Project	Suzhou	20%	76,466	1,032,290	206,458	13,500
Suzhou WG59 Project	Suzhou	19%	201,774	2,753,940	523,249	13,649
Jinhua Puguo 2018-6 Project	Hangzhou	34%	122,060	922,163	313,535	7,555
Nanjing Gaochun 2018G02-03 Project	Nanjing	20%	143,901	577,000	115,400	4,010
Nanjing Gaochun 2018G04-06 Project	Nanjing	49%	266,923	972,000	476,280	3,641
Jinhua Shuanglongnan Street Project	Hangzhou	49%	55,860	857,445	420,148	15,350
Guoyang GY2017-92 Project	Bozhou	50%	113,400	284,220	142,110	2,506
Southwest Economic Zone						
Chongqing Beibei Project	Chongqing	100%	250,970	1,290,000	1,290,000	5,140
Chongqing Bishan Project	Chongqing	51%	53,816	72,500	36,975	1,347
Chongqing Liangjiang 18040 Project	Chongqing	49%	387,677	1,589,480	778,845	4,100
Central China						
Xinxiang 2018-2 Project	Zhengzhou	51%	258,370	326,000	166,260	1,262
GHM Bay Area						
Huizhou GZK2018-1Project	Huizhou	51%	15,775	37,590	19,171	2,383
Huizhou GZK2018-3 Project	Huizhou	51%	36,173	177,020	90,280	4,894
Total			2,234,440	11,836,728	5,523,791	5,297

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 2018, the total revenue of the Group was a record high RMB9,242.62 million, up by 27.54% 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 RMB8,972.99 million, up by 27.32% compared to the corresponding period last year, accounting for 97.08% of the total revenue; rental income from investment properties was approximately RMB102.19 million, up by 42.58% compared to the corresponding period last year; property management fee income was approximately RMB158.31 million, up by 35.18% compared to the corresponding period last year; and hotel operation income was approximately RMB8.64 million, down by 2.63% year-on-year.

Cost of Sales

The cost of sales of the Group mainly encompassed land cost, construction cost and capitalized interest. For the six-month period ended 30 June 2018, the cost of sales of the Group was RMB6,328.53 million, up by 30.25% from RMB4,858.77 million in the corresponding period in 2017. 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 RMB2,914.09 million in the first half of 2018, a 22.03% year-on-year increase. Gross profit margin was 31.53%, a slight decrease of 1.42 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 2018, the Group recorded a fair value gain on investment properties of RMB86.29 million (first half of 2017: RMB39.36 million), which was mainly attributable to the increase in fair value gain on investment properties located in Xiamen.

Other Income and Gains

Other income and gains decreased by about 19.96% from approximately RMB102.71 million in the first half of 2017 to RMB82.21 million in the first half of 2018. The decrease in other income and gains was mainly due to a decline in bank interest income and rental income from properties held for sale.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by 10.57% from approximately RMB175.64 million in the first half of 2017 to approximately RMB194.21 million in the first half of 2018, accounting for 0.90% (first half of 2017: 0.82%) of total contracted sales. With an effective cost control measures, the Group continued to invest in online marketing and expanded into more diversified marketing channels in the first half of 2018.

Administrative Expenses

Administrative expenses of the Group grew by 46.18% from approximately RMB202.94 million in the first half of 2017 to approximately RMB296.66 million in the first half of 2018, 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 2018, the proportion of administrative expenses to total contracted sales was 1.38% (first half of 2017: 0.94%).

Other Expenses

Other expenses decreased by 29.15% from approximately RMB70.15 million in the first half of 2017 to approximately RMB49.70 million in the first half of 2018, which was mainly due to the decrease in realized and unrealized losses on derivative financial instruments of approximately RMB23.27 million (first half of 2017: RMB47.71 million) during the Period.

Finance Costs

Finance costs of the Group increased by 25.17% from approximately RMB224.12 million in the first half of 2017 to approximately RMB280.53 million in the first half of 2018. The increase was mainly due to the increase in the amount of total borrowings and change in capitalized interest during the Period.

Share of Profits and Losses of Joint Ventures

Share of profits of joint ventures was approximately RMB403.14 million in the first half of 2018, compared with a share of losses of approximately RMB29.26 million in the first half of 2017. Share of profits of joint ventures for the six-month period ended 30 June 2018 includes gains on remeasurement of equity interests in joint ventures of approximately RMB386.98 million.

Income Tax

Income tax of the Group increased by 18.96% from approximately RMB1,065.32 million in the first half of 2017 to approximately RMB1,267.35 million in the first half of 2018. 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 2018, the profit attributable to non-controlling interests increased by approximately RMB87.94 million to RMB60.42 million. The increase was mainly due to the share of profit arising from non-wholly-owned projects in Xiamen and Hefei, 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 69.33% from approximately RMB785.57 million for the six-month period ended 30 June 2017 to approximately RMB1,330.23 million for the six-month period ended 30 June 2018, mainly due to the above mentioned factors. Core profit attributable to owners of the parent increased by 25.90% from approximately RMB919.83 million for the first half of 2017 to approximately RMB1,158.06 million for the first half of 2018.

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 2018	30 June 2017
	(RMB'000)	*(RMB'000)*
Profit attributable to ordinary equity holder of the parent	**1,330,229**	785,570
Less: Fair value gain of investment properties, net of deferred tax	**64,715**	29,523
Less: Unrealised fair value gain arising from remeasurement of equity interests in joint ventures	**213,559**	–
Add: Fair value loss on derivative financial instruments	**16,307**	47,705
Add: Realised loss on derivative financial instruments	**6,964**	–
Add: Loss on deemed disposal of a subsidiary upon loss of control	**–**	8,392
Add: Equity-settled share option expense	**6,019**	3,316
Add: Exchange loss	**76,819**	–
Add: Loss on redemption of financial liabilities	**–**	104,371
Core profit attributable to ordinary equity holder of the parent	**1,158,064**	919,831
Weighted average number of ordinary shares in issue *('000)*	**4,185,450**	3,819,007
Basic earnings per share *(RMB cents per share)*	**30.55**	20.57
Core earnings per share *(RMB cents per share)*	**27.67**	24.09

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$375 million with a coupon rate of 6.375% in February 2018; in May 2018, the Group successfully issued the thee-year senior notes in an aggregate amount of US$200 million with a coupon rate of 7.9%. As at 30 June 2018, the Group recorded a weighted average finance cost of 6.52%.

Details of new indebtedness

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating (Fitch/S&P)
Yuzhou Properties Company Limited	Offshore senior notes	Public	US$375 million	Three years	6.375%	BB–/B+
Yuzhou Properties Company Limited	Offshore senior notes	Public	UD$200 million	Three years	7.9%	BB–/B+

Credit Ratings

As of 30 June 2018, Moody's maintained the Group's issuer's credit rating as "Ba3" ("Stable" outlook); Standard & Poor's maintained the Group's issuer's credit rating as "BB-" ("Stable" outlook); Fitch maintained the Group's issuer's credit rating as "BB-" ("Stable" outlook).

Borrowings

As at 30 June 2018, the Group had total bank and other borrowings, corporate bonds and senior notes of RMB36,547.54 million, in aggregate, of which certain bank loans were secured by certain investment properties, properties held for sale and properties under development of the Group.

Cash Position

As at 30 June 2018, the Group had RMB25,087.29 million of cash and cash equivalents and restricted cash, up by 43.37% from RMB17,498.21 million as at 31 December 2017.

Net Gearing Ratio

As at 30 June 2018, 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 62.96%, an increase of 5.23 percentage points as compared with 57.73% as at 31 December 2017.

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$	1,116,730	1,714,474
RMB	22,913,061	18,931,205
US$	12,517,744	4,440,815
Others	–	800
Total	36,547,535	25,087,294

* Including restricted cash

COMMITMENT

As of 30 June 2018, the Group had contracted commitments in respect of development expenditure on real estate of approximately RMB2,414.44 million (31 December 2017: RMB3,992.77 million). The Group is also committed to the payment of land premium in respect of land acquisition of approximately RMB557.29 million (31 December 2017: Nil) and in respect of acquisition of project companies of approximately RMB1,600.00 million (31 December 2017: RMB148.85 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 2018, outstanding buy-back guarantees amounted to RMB13,140.99 million (31 December 2017: RMB12,501.28 million). The Group also provides guarantees to bank and other lenders in connection with facilities granted to joint ventures and an associate, which amounted to RMB8,153.30 million (31 December 2017: RMB5,299.68 million) and RMB850.00 million (31 December 2017: RMB350.00 million), respectively.

HUMAN RESOURCES

The Group is led by an experienced and professional management team. Since being established in 1994, the Group has been undergoing rapid development and expansion under the leadership of the Board. The senior management team is very experienced in the property development industry with senior executives having over 14 years' experience in average. This strong leadership, international insight and capable execution and management of projects, coupled with strict implementation of best international practices according to prevailing circumstances, has enabled the Group to become one of the leading real estate developers in China.

In terms of the optimization of staff benefits, Yuzhou Group improved partial staff benefit standards in the first half of 2018, including overseas work-related benefits, birthday and other benefits; raised the awareness of employees' health and strengthened annual physical examination standards; carried out various cultural activities for employees and emphasized care for employees.

Regarding the retention of the core talent and incentive measures, we conducted research and revision on three systems containing performance system, co-investments mechanism and key milestones incentives in the first half of 2018. To improve the incentive mechanism covering wages system, bonus system, special rewards and penalties as well as the mid to long-term incentive mechanism, the Group established an incentive mechanism that covered the short-term and mid to long-term period. Moreover, the Group accomplished tasks of relevant rules and regulations, agreements and project testing in connection with the project co-investment mechanism.

For further enhancement in training system, to enable new recruits to better integrate into the group, we established a new recruits management model targeting positions at different levels, created a comprehensive inclusion management system, launched an E-learning platform with a view to accumulating internal tacit knowledge and enhancing training efficiency. The training system, proved to be multi-angle and omni-directional, covered strategic level, middle and senior levels and executive level.

With respect to the corporate culture, the workshop of "Grow with Yuzhou with a Shared Vision" expanded its presence into 17 subsidiaries in various cities to promote our organizational culture at the new phase. To enhance employee engagement, activities for employee care during holidays and festivals, such as New Year ascending, Qingming Festival, Labor Festival, International Children's Festival and the Dragon Boat Festival, had been arranged in the first half of 2018 to be in line with traditional Chinese holidays and festivals.

INTERIM DIVIDEND

The Board declared an interim dividend of HK11 cents per Share for the six-month period ended 30 June 2018 to eligible Shareholders (the "Eligible Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 19 October 2018 (the "Record Date"), with the Eligible Shareholders being given an option to elect to receive such interim dividend all in new Shares or all in cash (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 new 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 16 November 2018. It is expected that the interim dividend warrants or share certificates for the new Shares will be dispatched to the Eligible Shareholders on or around 14 December 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 October 2018 to 19 October 2018 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 15 October 2018.

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 2018.

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 25 January 2018, 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 36,860,000 new shares of HK$0.10 each in the share capital of the Company at the exercise price per share of HK$5.88.

REVIEW OF ACCOUNTS

The Audit Committee of the Company consists of three independent non-executive directors, namely Mr. Lam Kwong Siu, Mr. Wee Henny 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-month period ended 30 June 2018.

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 2018 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 forward to the second half of 2018, in light of the increasingly complicated international economic and political situations, the global economy is expected to experience slow recovery. In the context of the continued interest rate hike by the Federal Reserve of the United States and the greater uncertainty of the international markets, volatility in emerging markets will increase. For China, the most noteworthy issue is the external uncertainty of future economic operations.

In terms of policy for the real estate industry, it is expected that regulation in the second half of 2018 will be in a normal state so as to stabilize the market, and local regulation will be at a fine-tuning stage. Yuzhou Properties will continue to adopt the region-specific policy by implementing sales and land acquisition strategies based on the local policies to ensure it can secure a presence in the places with high potential value in advance, speed up project turnover and accelerate cash collection.

In respect of the financial regulatory environment, the policy keynote of "deleverage + strict regulation" will remain unchanged and the focus for the second half of the year will be placed on promoting penetrating regulation, addressing the issue of shadow banking and cleaning up implicit debts to help effectively implement structural deleverage. Yuzhou Properties has always maintained diversified and flexible overseas and domestic financing channels, and maintains strategic partnership with a number of major domestic banks at the head office level. At the same time, the Group proactively explores and tries to adopt new financing channels such as asset securitization. Under the circumstances of credit tightening and industry differentiation, the Group will better prepare itself and its financing strategy will continue to escort for the Group's sustainable and steady development.

As to the land market, with the tightening of funds in place for real estate, the strategy of investment and land acquisition for the industry in the second half of the year will be increasingly rational. Meanwhile, the speed of industry concentration will further accelerate. In the future, Yuzhou Properties will, based on the market situation and dynamics, continue to plan in advance and proactively establish footholds in six metropolitan areas as well as their adjacent cities with high growth potential, and increase mergers and acquisitions to obtain land at low prices and actively expand cooperation. Multi-channel land acquisition will help Yuzhou Properties to maintain sufficient land reserves and lay a solid foundation for a sustainable development.

"A far-reaching source generates a long river, deep roots contribute to lush leaves". All through the way, Yuzhou Properties has attached great importance to retaining and cultivating talents. In the future, Yuzhou Properties will continue to attract and nurture talents with a comprehensive internal training management system, and retain talents with rich incentive system, positive atmosphere and vocational perspectives.

King Yu tamed the flood by dredging rivers to connect four seas and nine states, and finally turned deserts into oases. In the future, Yuzhou Properties, established based on the spirit of King Yu, will also keep the pioneering attitude to forge ahead, stay pragmatic, delineate the future value of city, and make positive contributions to city's leapfrog development.

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

Hong Kong, 24 August 2018

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, 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.