Yuzhou Properties Company Limited
禹洲地產股份有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1628)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

1. Turnover increased by 56.2% to RMB2,043.88 million.

2. Core net profit attributable to shareholders increased by 64.1% to RMB456.11 million. The gross profit margin increased from 48.4% in the first half of 2009 to 49.4% in the first half of 2010, a superior performance over its peers. Core net profit margin (profit attributable to shareholders excluding fair value gains on investment properties, net of deferred tax, and divided by turnover) increased from 21.3% in the first half of 2009 to 22.3% in the first half of 2010, again an outstanding performance among its peers.

3. Core earnings per share is RMB19 cents.

4. Shareholders' funds were up 10.0% to RMB4,076.84 million. Net assets per share is RMB1.70.

5. Return on shareholders' funds is 25.5%.

6. During the period, the Group acquired 3 new parcels of land, adding approximately 2.3 million sq. m. gross floor area ("GFA") to its attributable land reserve. At the end of the period, the Group had an attributable land reserve of approximately 6.24 million sq. m. GFA.

7. The successful issue of HK$1 billion bond, with a maturity of three years and bear an interest rate at a below market level of 10% per annum to China Life, offers the Group a favourable capital support for acquiring additional land.

CHAIRMAN'S STATEMENT

To Shareholders:

I am pleased to present the interim results of Yuzhou Properties Company Limited ("Yuzhou Properties" or the "Company") and its subsidiaries ("the Group") for the six months ended 30 June 2010.

The results for the six months ended 30 June 2010 was encouraging. Turnover and gross profit of the Group amounted to approximately RMB2,043.88 million and RMB1,009.21 million, respectively, representing a significant increase of 56.2% and 59.5%, respectively as compared with the corresponding period last year. Core profit attributable to shareholders was approximately RMB456.11 million. The basic core earnings per share was RMB19 cents. The core net profit margin increased to over 22.3%.

Business Review

During the first quarter of 2010, both property transactions and sales price of the property market in the Mainland kept rising. Subsequent to the sustained uptrend of several months in 2009, transaction volume fell significantly as a result of the control measures for the property market successively introduced by the State. The purpose of the property market control measures introduced by the State this year was to suppress the overwhelming increase in property price in some of the cities and to control property transactions for investment and speculation purposes in order to encourage a positive and healthy development of the property market. In light of the market changes and development trends, the Group has timely adjusted its response measures and adopted an effective strategy of project development and marketing.

According to the annual plan for 2010 of the Group, most of the current constructions in progress will be launched to the market in the second half of the year and sales progress has so far been in line with our target. As of 30 June 2010, the Group had a total of 26 projects at various stage. It is expected that 4 projects will be newly launched in the second half of 2010, including Phase II of Yuzhou Huaqiao City, Yuzhou Castle above City, Phase II of Yuzhou University City and Gu Shan No. One with total GFA of approximately 624,000 sq.m..

Land Reserves

As a leading real estate developer based in the West Strait Economic Zone, the Group successfully completed the listing on the Main Board of the Hong Kong Stock Exchange in 2009. This provides the Company with significant funding support for the future acquisition of prime land resources. We place emphasis on accumulating prime land reserves in certain major cities in the West Strait Economic Zone. "Focus on the West Strait Economic Zone and aim for contribution to China" (立足海西，建樹中國) was the new strategy of the Company since its listing. The Company will strengthen the headquarter of the West Strait Economic Zone and target at its neighbouring cities such as Quanzhou where we aim to source land with high appreciation potential so as to further strengthen our competitiveness in the West Strait Economic Zone. Meanwhile, we also aim at gradual expansion of the economic zone of Yangtze River Delta Region (長三角區域), Huanbohai Region (環渤海區域) and South China Region (華南區域).

As at 30 June of 2010, the aggregate GFA of the Group's attributable land reserves was over 6 million sq. m., an increase of 64% over the aggregate GFA as at year ended 2009, of which the GFA of completed and unsold properties amounting to approximately 130,000 sq. m., the GFA of projects under development amounting to approximately 2.6 million sq. m. and the GFA of projects for future development amounting to approximately 3.5 million sq. m..

During the first half of 2010, we have added 3 parcels of land representing land reserve of approximately 2.4 million sq.m. On 2 June 2010, we acquired the entire interest in Shanghai Xiersi General Merchandise Co., Ltd. for RMB261.5 million, thereby acquiring a land plot for commercial use in Huinan Town, Pudong New Area in Shanghai owned by Xiersi. The site will be developed into a large-scale shopping center with an aggregate planned GFA of approximately 110,000 sq. m., translating into an average GFA cost of RMB2,367 per sq. m.. On 8 June 2010, we won the bid for the site 2010TP08 in the West Strait Economic Zone of Xiamen, which is located at lots 02-3, 02-5, Wulu Road North, Tongan Central Industrial District, with a land area of approximately 20,000 sq. m., for urban residential and commercial use and a GFA of approximately 60,000 sq. m.. Following the land acquisitions in Shanghai and Xiamen, we further obtained a land plot for complex project (城市綜合體項目) in Quanzhou at a low cost at the end of June. The GFA of the plot amounted to approximately 2.24 million sq. m. The project will become the largest complex in the West Strait Economic Zone upon completion. Since we continue to acquire sites at low cost, the average land cost after the acquisition of new sites reduces to approximately RMB1,100 per sq. m., which is far below the current market price. These projects are expected to make substantial contributions to the future earnings of the Group.

Corporate Social Responsibilities

With the concept of "Resources from the community are used for the community" in mind, the Group is committed to its social responsibilities. One of our corporate mission is "Serve the community and requite the community" (服務社會，回報社會). Alongside the Company's development, we always keep this in our mind. Yuzhou Properties is committed to its social responsibilities of being a good corporate citizen. We have actively participated in various charity programmes, such as Project Hope, and other charitable activities such as those concerning cultural education, relief activities, environmental protection, medical healthcare and urban transportation.

Property Management

Property management has always been the focus of our business and serves as the basis of our after-sale services and brand enhancement. Huaqiao City Property Management Co., Ltd. (華僑城物業管理公司), a subsidiary of the Group, is committed to providing residents with safe, comfortable, convenient and high quality property management services, and will continue to heed and respond to demands and suggestions for improvement. We are continuing to improve our standard of services and we strive to provide property management services at a professional level.

Issuance of HK$1 Billion Bond to China Life

In order to further optimize our capital structure after listing, we entered into a bond subscription agreement leveraging on the financing platform for listed companies to issue bonds in two tranches with an aggregate amount of HK$1,000 million to China Life Trustees Limited ("China Life"), a company under China Life Insurance (Overseas) Company Limited, on 30 June 2010. The bond issue further enhances our capital base and lays a solid foundation for our future development. On 5 July 2010, the Company completed the issue of the first tranche of the bonds in the principal amount of HK$700 million. The successful issue of the bonds, with a maturity of three years and bear an interest rate at a below market level of 10% per annum, offers the Group a favorable capital support for acquiring additional land.

Investor Relations

The Group has placed emphasis on maintaining interaction and communication with shareholders and investors since its listing. During the period, Morgan Stanley, the sponsor for the listing of the Group, organized a roadshow by the senior management of the Group in respect of our annual results of 2009, and paid visits to reputable domestic and overseas fund companies in succession. In addition, the management attended investor seminars and various investor meetings organized by Morgan Stanley, BOC International and J. P. Morgan for multilateral or one-to-one communication with the investors. The management also actively organized and received various study tours and project visits for domestic and overseas investors, allowing investors with timely and effective understanding of the latest development and marketing strategies of the Group.

Development Strategies

We will continue to focus on our corporate spirit of "Operating faithfully with sustaining development" (誠信經營，永續發展), based on which we will conduct business with faith in enhancing our resources and brands. We will strengthen the headquarter of the West Strait Economic Zone and target at our neighbouring cities such as Quanzhou where we aim to source land with high appreciation potential so as to further strengthen our competitiveness in the West Strait Economic Zone. Meanwhile, we also aim at gradual expansion of the economic zones of Yangtze River Delta Region (長三角區域), Huanbohai Region (環渤海區域) and South China Region (華南區域). Continuous market investigations, comprehensive analysis and evaluation will be carried out based on the Group's development needs to identify suitable projects with good prospects. We will grasp opportunities during any consolidation in the market to replenish our land reserves through acquisition or public auction. In the second half of 2010, we aim to expand into 1-2 new cities while at the same time continuing to increase our land reserves in Xiamen. Our target is to increase the GFA of our land reserves by not less than 1 million sq.m. in the second half of 2010 and to reach an aggregate land reserves with GFA of not less than 10 million sq.m. by the end of 2012.

With the continued expansion in our business, our targeted GFA started and completed in the second half of 2010 are approximately 500,000 sq.m. and 400,000 sq.m., respectively. In 2010, 6 projects are expected to be completed and delivered, with a GFA recognized of over 500,000 sq.m.

The Group will maintain the strategy of healthy development to ensure the shareholders and investors of the Company to be rewarded as the Company's business continues to grow in the future. While increasing our land reserves remains as a major focus, the Company will continue to improve its management, maintain adequate transparency and high standard of corporate governance.

Outlook

Regarding future development in the property market in China, although the market may still be affecting by control measures in the short term, the chance of a plunge in property price is slim as the investment in property market is expected to keep growing at a fast pace over the long term due to improving sentiment in macro-economic environment, continued increasing income of residents, ample liquidity and changes to consumption pattern.

Appreciation

The Group enjoys a stable profit growth and healthy financial position with a strong internal management system and procedures. In addition, the management with extensive experience and high caliber professionals of Yuzhou have continuously infuse new elements into Yuzhou Properties. In 2010, the Group was awarded "China Top 100 Real Estate Developers" (中國房地產百強企業) for five consecutive years, and the "Outstanding Real Estate Enterprise in China" (資本中國傑出房地產企業) of "The 5th Capital Outstanding China Enterprise Award" (第五屆資本中國傑出企業成就獎) by Capital Magazine. The various awards that the Group has obtained represent the greatest recognition for the strong competence of Yuzhou Properties.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude for the tremendous support of our shareholders and customers, as well as the effort and passion of our staff for the steady but aggressive growth of the Company.

Chairman
Lam Lung On
Hong Kong, 30 August 2010

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 months ended 30 June 2010. The comparative amounts in respect of the six months ended 30 June 2009 are extracted from the accountants' report on the Group included in the Company's prospectus dated 20 October 2009.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	**2010**	2009
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
REVENUE	*2*	**2,043,877**	1,308,261
Cost of sales		**(1,034,665)**	(675,720)
Gross profit		**1,009,212**	632,541
Other income and gains	*2*	**10,683**	2,514
Selling and distribution costs		**(29,178)**	(24,630)
Administrative expenses		**(48,019)**	(27,936)
Other expenses		**(544)**	(2,344)
Fair value gains on investment properties		**86,078**	932,094
Finance costs	*5*	**(2,139)**	(514)
PROFIT BEFORE TAX	*4*	**1,026,093**	1,511,725
Income tax expense	*6*	**(505,216)**	(537,332)
PROFIT FOR THE PERIOD		**520,877**	974,393
Attributable to:			
Owners of the Company		**520,666**	977,053
Non-controlling interests		**211**	(2,660)
		520,877	974,393
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
— Basic (RMB per share)		**0.22**	0.54
— Diluted (RMB per share)		**0.22**	0.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	**30 June 2010 *RMB'000* (Unaudited)**	31 December 2009 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**170,498**	166,633
Investment properties		**2,536,730**	2,422,070
Prepaid land lease payments		**456,330**	512,463
Deferred tax assets		**162,155**	76,614
Total non-current assets		**3,325,713**	3,177,780
CURRENT ASSETS			
Prepaid land lease payments		**681,118**	404,148
Properties under development		**3,480,679**	3,585,106
Completed properties held for sale		**576,044**	688,704
Prepayments for acquisition for land		**2,046,600**	1,319,735
Prepayments, deposits and other receivables		**415,163**	367,987
Prepaid corporate income tax		**42,350**	15,844
Prepaid land appreciation tax		**12,603**	10,714
Restricted cash		**1,431**	1,755
Cash and cash equivalents		**673,192**	1,570,026
Total current assets		**7,929,180**	7,964,019
CURRENT LIABILITIES			
Receipts in advance		**2,247,494**	3,211,798
Trade payables	*9*	**741,293**	703,488
Other payables and accruals		**220,186**	181,202
Interest-bearing bank and other borrowings		**743,540**	783,000
Due to related parties		**—**	1,787
Tax payable		**291,318**	213,556
Provision for land appreciation tax		**672,241**	335,597
Total current liabilities		**4,916,072**	5,430,428
NET CURRENT ASSETS		**3,013,108**	2,533,591
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,338,821**	5,711,371

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
30 June 2010

	Notes	**30 June 2010** *RMB'000* **(Unaudited)**	31 December 2009 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,649,500**	1,446,050
Deferred tax liabilities		**488,099**	435,904
Total non-current liabilities		**2,137,599**	1,881,954
Net assets		**4,201,222**	3,829,417
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**211,528**	211,528
Reserves		**3,865,310**	3,335,070
Proposed final dividend		**—**	158,646
		4,076,838	3,705,244
Minority interests		**124,384**	124,173
Total equity		**4,201,222**	3,829,417

2. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties; gross rental income, net of business tax, received and receivable from investment properties and property management fee income, net of business tax, received and receivable during the period.

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

For the six months ended 30 June

	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
Sales of properties	**2,012,761**	1,285,343
Rental income	**17,026**	11,704
Property management fees	**14,090**	11,214
	2,043,877	1,308,261

	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other income and gains		
Bank interest income	**5,202**	827
Rental income from properties held for sale	**1,168**	908
Others	**4,313**	779
	10,683	2,514

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

For the six months ended 30 June 2010

	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	**2,012,761**	**17,026**	**14,090**	**—**	**—**	**2,043,877**
Other revenue	**3,121**	**—**	**76**	**1**	**2,283**	**5,481**
Total	**2,015,882**	**17,026**	**14,166**	**1**	**2,283**	**2,049,358**
Segment results	**930,326**	**95,963**	**1,465**	**(80)**	**(4,644)**	**1,023,030**
Reconciliation:						
Interest income						**5,202**
Finance costs						**(2,139)**
Profit before tax						**1,026,093**
Tax						**(505,216)**
Profit for the period						**520,877**

For the six months ended 30 June 2009

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
(Audited)						
Segment revenue:						
Sales to external customers	1,285,343	11,704	11,214	—	—	1,308,261
Other revenue	1,307	258	3	1	118	1,687
Total	1,286,650	11,962	11,217	1	118	1,309,948
Segment results	572,672	939,646	1,187	(2)	(2,091)	1,511,412
Reconciliation:						
Interest income						827
Finance costs						(514)
Profit before tax						1,511,725
Tax						(537,332)
Profit for the period						974,393

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

For the six months ended 30 June

	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of properties sold	**1,023,824**	671,786
Amortisation of prepaid land lease payments	**5,323**	4,334
Depreciation	**2,626**	3,469
Loss on disposal of items of property, plant and equipment, net	**380**	—

5. FINANCE COSTS

An analysis of finance costs is as follows:

For the six months ended 30 June

	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on bank loans wholly repayable within five years	**53,498**	52,949
Interest on bank loans wholly repayable beyond five years	**10,156**	—
Interest on other loans	**—**	6,300
Total interest expense on financial liabilities not at fair value through profit or loss	**63,654**	59,249
Less: Interest capitalised	**(61,515)**	(58,735)
	2,139	514

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for the six months ended 30 June 2010.

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

For the six months ended 30 June

	2010 ***RMB'000*** **(Unaudited)**	2009 *RMB'000* (Audited)
Current:		
PRC corporate income tax	**190,863**	121,608
PRC land appreciation tax	**347,699**	198,862
	538,562	320,470
Deferred:		
Current period	**(33,346)**	216,862
Total tax charge for the period	**505,216**	537,332

7. DIVIDEND

The directors did not propose to declare an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the period ended 30 June 2010 is based on the profit for the period attributable to owners of the Company of RMB520,666,000 (six months ended 30 June 2009: RMB977,053,000) and the weighted average number of ordinary shares in issue during the period ended 30 June 2010 of 2,400,000,000 (six months ended 30 June 2009: 1,800,000,000), on the assumption that the group reorganisation and the capitalisation issue in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited has been completed on 1 January 2009.

No adjustment has been made to the basic earnings per share amount presented for the periods ended 30 June 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. TRADE PAYABLES

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

	30 June 2010 *RMB'000* **(Unaudited)**	31 December 2009 *RMB'000* (Audited)
Due within 1 year or on demand	**245,870**	257,669
Due within 1 to 2 years	**495,423**	445,819
	741,293	703,488

The trade payables are non-interest-bearing and unsecured. The carrying amounts of these balances approximate to their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, benefiting from the moderate easing monetary policy, the China economy as a whole saw a recovery at a resilient pace with the property market continued its rising trend in the first quarter 2010. The market heated up with vigorous sales uptick, active transaction volumes and escalated property prices. However, as the government adopted a number of tightening measures to correct the property market, the transaction volumes declined apparently since the second quarter of 2010. The tightening measures on the property market implemented by the PRC government aimed to cool down the surging price of the real estate in certain cities, and to control the investment and speculation in the market so as to promote a healthy growth in the market. Responding to the changes of and development in the market, the Group timely adjusted its existing policies and implemented effective project development and marketing strategies.

Overall Performance

During the period, turnover of the Group was RMB2,043.88 million, representing an increase of 56.2% as compared with the corresponding period of the previous year. Gross profit was RMB1,009.21 million, representing an increase of 59.5% as compared with the corresponding period of the previous year. Gross profit margin ramped up from approximately 48.4% in the corresponding period of the previous year to approximately 49.4% due to our effective cost control and the increase of average selling price of our properties sold. Profit attributable to shareholders was RMB520.67 million, representing a decrease of 46.7% as compared with the previous year due to lower fair value gains on investment properties. Basic earnings per share was RMB22 cents. Core profit attributable to shareholders amounted to RMB456.11 million, representing an increase of 64.1% over the corresponding period of the previous year. Core earnings per share was RMB19 cents.

Attributable Land Reserves

The Group possesses quality land reserves with low land cost. As at 30 June 2010, the aggregate GFA of the Group's attributable land reserves was 6.24 million sq.m., which are located in five first and second tier cities in the West Strait Economic Zone and the Yangtze River Delta Region, with an average land cost of approximately RMB1,100 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for the future development for five to six years.

GFA of Attributable Land Reserves (sq.m.)
As at 30 June 2010

Region	**GFA** *(sq.m.)*
West Strait Economic Zone	
Xiamen	2,136,165
Fuzhou	332,342
Quanzhou	2,238,000
Sub-total	4,706,507
Yangtze River Delta Region	
Shanghai	305,768
Hefei	1,222,859
Sub-total	1,528,627
Total	6,235,134

During the period, the Group acquired three new parcels of quality land with an aggregate GFA of 2,407,750 sq.m., at an average land cost of approximately RMB364 per sq.m., which is far below the market level. The new parcels of land acquired are located in Shanghai, Xiamen and Quanzhou, and are expected to provide satisfactory returns to the Group in the next three to four years.

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

Name of Project	**City**	**Acquisition Cost** *(RMB'000)*	**GFA** *(sq.m.)*	**Land Cost** *per sq.m. (RMB)*
West Strait Economic Zone				
Tongan District site	Xiamen	94,000	59,290	1,585
Quanzhou site*	Quanzhou	520,000	2,238,000	232
Sub-total		614,000	2,297,290	267
Yangtze River Delta Region				
Shanghai Xiersi site	Shanghai	261,500	110,460	2,367
Sub-total		261,500	110,460	2,367
Total		875,500	2,407,750	364

* This is a project pending further development with a master agreement having been signed with the local government.

Sale of Properties

Recognized area sold and recognized sales of each project in the first half of 2010 are set out in the following table:

Name of Project	City	GFA *(sq.m.)*	Amount *(RMB'000)*	Average Selling Price *(RMB)*
West Strait Economic Zone				
Galaxy Garden	Xiamen	34,714	232,669	6,703
Phase I of Yuzhou World Trade Center	Xiamen	7,071	126,897	17,946
Phase II of Yuzhou World Trade Center	Xiamen	30,158	446,945	14,820
Yuzhou Golden Seacoast	Xiamen	30,319	216,821	7,151
Others	Xiamen	6,318	37,735	5,973
Sub-total		108,580	1,061,067	9,772
Yangtze River Delta Region				
Phase II of Yuzhou Jinqiao International	Shanghai	6,750	107,119	15,870
Phase III of Yuzhou Jinqiao International	Shanghai	54,908	844,575	15,382
Sub-total		61,658	951,694	15,435
Total		170,238	2,012,761	11,823

During the first half of 2010, the Group recognized sales and area sold of RMB2,012.76 million and approximately 170,238 sq.m., representing an increase of 56.6% and 24.3% respectively as compared with the corresponding period of 2009. The average selling price per sq.m. rose from RMB9,381 in the first half of 2009 to RMB11,823 in the first half of 2010. Among the recognized sales, the amount of Xiamen was RMB1,061.07 million, representing 52.7% of the total recognized sales and a decrease of 17.1% as compared with the corresponding period of 2009. The recognized total area sold in Xiamen was 108,580 sq.m., representing a decrease of 20.5% as compared with the corresponding period of 2009. The recognized sales in Shanghai was RMB951.69 million, representing 47.3% of the total recognized sales and an increase of 177.1 times as compared with the corresponding period of 2009. The recognized total area sold in Shanghai was 61,658 sq.m., representing an increase of 156.7 times as compared with the corresponding period of 2009.

Profit attributable to shareholders

Profit attributable to shareholders decreased by 46.7% from approximately RMB977.05 million for the period ended 30 June 2009 to approximately RMB520.67 million for the period ended 30 June 2010 due to lower fair value gains on investment properties. Core profit attributable to shareholders increased by 64.1% from approximately RMB277.98 million for the period ended 30 June 2009 to RMB456.11 million.

FINANCIAL REVIEW

Borrowings

As at 30 June 2010, the Group had bank loans of RMB2,393.04 million with maturities as follows:

Maturity	**30 June 2010 *(RMB'000)***	31 December 2009 *(RMB'000)*
Within 1 year	**743,540**	783,000
1 to 2 years	**306,500**	196,050
2 to 5 years	**998,000**	875,000
Over 5 years	**345,000**	375,000
	2,393,040	2,229,050

As at 30 June 2010, the bank borrowings of the Group was RMB2,393.04 million and was secured by the investment properties and properties under development with an aggregate carrying value of RMB5,173.62 million.

Gearing Ratio

As at 30 June 2010, the net debt to equity ratio (bank loans less cash on hand and divided by equity attributable to owners of the Company) of the Group was 42.2%, which was at a low level among its peers in the industry. This provides room for the Group to comfortably increase its debt for business expansion during the consolidation phase of the real estate market.

Investment Properties

Phase I and II of World Trade Center (Xiamen)

The revenue of World Trade Center during the period was derived from the mall and amounted to RMB16.40 million (30 June 2009: RMB11.70 million), representing an increase of 40.2%. During the period, the mall at Phase I of World Trade Center continued to maintain high occupancy rate of approximately 100% (30 June 2009: 100%). The occupancy rate of Phase II of World Trade Center was 70% as it just commenced operation in the previous year. We expect the occupancy rate of Phase II of World Trade Center will increase to the level of Phase I of World Trade Center in the coming year. The mall not only managed to retain the existing tenants but also has attracted new tenants of renowned brands such as PCD Stores and Walmart.

Yuzhou Golden Seacoast (Xiamen)

The project, Yuzhou World Trade Plaza (禹洲 • 世貿生活廣場), has an area of approximately 40,000 sq.m. which comprises Phase I and Phase II. Solicitation of retail tenants will be carried out in phases. The plaza will be our commercial flagship in Hai Cang District in Xiamen with large scaled complexes, supermarkets and department stores. Initial business solicitation for the commercial section of Phase I is still in progress as delivery of the residential units of Phase I had just started. Upon delivery of the remaining residential units of Phase I and Phase II during the year, Yuzhou World Trade Plaza (禹洲 • 世貿生活廣場) is expected to generate a considerable increase in rental income for the Group in the future.

Yuzhou Jinqiao International Phase I, Phase II and Phase III (Shanghai)

Yuzhou Jinqiao International is designed as a one-stop commercial complex with approximately 16,000 sq.m. and features famous brands. Business solicitation for Phase I and Phase II, comprising approximately 8,500 sq.m., had been carried out throughout 2009 and operation had now commenced. Business solicitation for Phase III has commenced during the period, and rental income is expected to be generated in the coming six months.

Hotel operation

The Group continues to expand our hotel business in a progressive manner so as to build a diversified property portfolio. We believe that the expansion into hotel industry would widen the source and stability of revenue, and reduce the risks of over reliance on any particular real estate segment. The hotel of the Group is still under development and construction. There was no income generated from hotel operation during the period.

Property Management

The Group aims at providing quality property management services to, and creating a warm and harmonious community, for our respected residents. The Group has committed to continuously improving the living environment and enhancing service quality in order to maintain high level of customer satisfaction.

During the first half of 2010, the property management service companies of the Group recorded property management fee income of RMB14.09 million, representing an increase of 25.6% as compared with the corresponding period of 2009. As at 30 June 2010, the aggregate GFA managed by the property management service companies of the Group in the PRC was approximately 1.2 million sq.m., and these companies serviced more than 11,000 owners.

Gross Profit

The gross profit of the Group increased by 59.5% from RMB632.54 million in the first half of 2009 to approximately RMB1,009.21 million in the first half of 2010. The gross profit margin increased from 48.4% in the first half of 2009 to 49.4% of the first half of 2010. It was mainly due to an increase in average selling price and reduction in costs of sales of the projects. The ratio of land cost to average selling price was maintained at a low level of 11%, such ratio is expected to remain at a low level in the coming years.

Expenses on selling and distribution costs

Selling and distribution expenses of the Group increased by 18.5% from approximately RMB24.63 million in the first half of 2009 to approximately RMB29.18 million in the first half of 2010. It was mainly due to the more properties delivered during the period led to the increase of commission expenses by 88.7% from approximately RMB11.2 million in the first half of 2009 to approximately RMB21.2 million in the first half of 2010.

Administrative Expenses

Administrative expenses of the Group increased by 71.9% from approximately RMB27.94 million in the first half of 2009 to approximately RMB48.02 million in the first half of 2010. It was mainly because the Group had recruited a number of talents and thus increased the wage level.

Fair Value Gains on Investment Properties

The following table set forth the components of the fair value gain on investment properties for the periods indicated.

	Six months ended	
	30 June 2010	30 June 2009
	(RMB'000)	*(RMB'000)*
The Mall at Phase I of Yuzhou World Trade Center	**5,000**	174,000
The Mall at Phase II of Yuzhou World Trade Center	**—**	560,062
Phase II of Yuzhou Jinqiao International	**3,000**	54,688
Phase III of Yuzhou Jinqiao International	**78,078**	—
Yuzhou Golden Seacoast	**—**	143,344
Total	**86,078**	932,094

Fair value gains on investment properties decreased from RMB932.09 million in the first half of 2009 to RMB86.08 million in the first half of 2010 was mainly due to the completion of investment properties, Phase II of Yuzhou World Trade Center, Yuzhou Golden Seacoast and the Mall at Phase II of Yuzhou Jinqiao International, in respect of which the values of these projects were accounted for using the fair value instead of the cost in the first half of 2009, while only Phase III of Yuzhou Jinqiao International was completed in the current period.

Finance Expenses

During the period, the total cost of borrowings of the Group was RMB63.65 million, an increase by RMB4.41 million as compared with the corresponding period of 2009, of which RMB61.52 million were capitalised as cost of projects, a decrease of RMB2.78 million as compared with the corresponding period of 2009.

Currency Risk

The proportions of bank borrowings and cash balance of the Group in terms of the following currencies:

	Bank Borrowings	Cash Balance
HK$	—	1%
RMB	100%	99%
Total	100%	100%

Operations of the Group are almost wholly conducted in RMB. Apart from the cash at bank denominated in foreign currencies, the Group is not directly facing any other material risk from foreign exchange fluctuations.

Contingent Liabilities

The Group provides buy-back guarantees to banks, which offered mortgages to domestic properties buyers in the PRC of the Group. As at 30 June 2010, undue buy-back guarantees amounted to RMB2,912.35 million (31 December 2009: RMB2,379.72 million).

Return on Equity

For the six month ended 30 June 2010, return on equity represented annualized profit attributable to shareholders of the Company divided by equity attributable to shareholders of the Company. Annualised return on equity in the first half of 2010 was 25.5%.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30 June 2010	30 June 2009
Profit attributable to shareholders of the Company *(RMB'000)*	**520,666**	977,053
Less: fair value gains of investment properties, net of deferred tax *(RMB'000)*	**64,558**	699,071
Core profit attributable to shareholders of the Company *(RMB'000)*	**456,108**	277,982
Weighted average number of ordinary shares in issue *('000)*	**2,400,000**	1,800,000
Basic earnings per share *(RMB/per share)*	**0.22**	0.54
Core earnings per share *(RMB/per share)*	**0.19**	0.15

As the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2010 and 2009, diluted earnings per share was the same as basic earnings per share. The core profit attributable to shareholders of the Company is the profit attributable to shareholders of the Company excluding fair value gains on investment properties net of deferred taxation.

Commitment

As at 30 June 2010, the Group had commitment in respect of development expenditure on real estate of approximately RMB1,593.27 million (approximately RMB1,275.33 million as at 31 December 2009). The Group also committed to the payment of land premium in respect of land acquisition of approximately RMB1,823.15 million (approximately RMB1,907.9 million as at 31 December 2009).

Use of Proceeds

After deducting the underwriting fees and expenses payable in the Global Offering, the net proceeds of the Company from the Global Offering on 2 November 2009 was approximately RMB1,390 million. Particulars of the use of these net proceeds are as followed:

Use of Proceeds Raised **Project Type**	**Amount Raised** *(RMB in million)*	**Amount used as of 15 August 2010** *(RMB in million)*
Land, construction and other costs relating to projects of Yuzhou International Hotel, Yuzhou Square (Previously named as "Yuzhou Gangyi Square"), Yuzhou Gu Shan No. One and Oriental Venice	389	150
Finance for new projects	973	973
General working capital	28	28
	1,390	1,151

Human Resources

The Group is led by an experienced and professional management team. Since the establishment of the Group in 1994, the Group has been undergoing rapid development and expansion under the leadership of the Board. Senior management has on average 16 years experience in properties development industry and over 10 years experience for most of the senior executives. The Group has also recruited overseas talents with professional qualifications to join our management team. With the strong leadership and international insight of the management as well as effective execution, together with our strict implementation of the international best practice according to the actual situation of the Company, the Group has become one of the strongest real estate developers in the PRC within a short period of time.

We believed that the competence of human resources, particularly the senior executives and professional project management team, is of critical importance to maintaining the strong competitive strengths of the Group. The Group aims to achieve and exceed the international standard of outstanding performance through compliance with the international best practice in respect of strict management system and corporate governance. As at 30 June 2010, the Group had a total staff of 921.

PAYMENT OF DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2010.

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

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

MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "Securities Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listing Issuers contained in Appendix 10 of the Listing Rules. The directors have confirmed that they have complied with the requirements set out in the Securities Code throughout the six months ended 30 June 2010.

CORPORATE GOVERNANCE

The Company has complied throughout the period with all the provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, and with most of the Recommended Best Practices.

REVIEW OF ACCOUNTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2010.

APPRECIATION

Lastly, I would like to thank the members of the Board for their outstanding leadership, the shareholders and business associates for their support and trust and the entire staff for their dedication.

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

Hong Kong, 30 August 2010

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