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 MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

1. Turnover decreased by 62.5% to RMB766.27 million.

2. Cash on hand (including restricted cash) amounted to RMB1,950.30 million and net debt ratio was 64.0%.

3. Profit attributable to shareholders decreased from RMB520.67 million in the first half of 2010 to RMB373.10 million in the first half of 2011. Basic earnings per share was RMB15.55 cents.

4. Shareholders' funds were up 4.9% to RMB4,791.83 million. Net assets per share was RMB2.0.

5. The contracted sales in the current period was RMB2,067.33 million, representing a growth of 1.04 times as compared with the corresponding period of the previous year.

6. Leveraging on the property market condition during the period, the Group acquired 2 new parcels of land, adding approximately 700,000 sq.m. gross floor area ("GFA") to its attributable land reserve and reducing the land cost to RMB634 per sq.m.. At the end of the period, the Group had an aggregate saleable land reserve of approximately 5.49 million sq.m. GFA.

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 2011.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	**2011** *RMB'000* **(Unaudited)**	2010 *RMB'000* (Unaudited)
REVENUE	*2*	**766,271**	2,043,877
Cost of sales		**(429,919)**	(1,034,665)
Gross profit		**336,352**	1,009,212
Other income and gains	*2*	**76,778**	10,683
Selling and distribution costs		**(49,654)**	(29,178)
Administrative expenses		**(85,016)**	(48,019)
Other expenses		**(6,919)**	(544)
Fair value gains on investment properties		**491,320**	86,078
Finance costs	*5*	**(73,951)**	(2,139)
PROFIT BEFORE TAX	*4*	**688,910**	1,026,093
Income tax expense	*6*	**(277,634)**	(505,216)
PROFIT FOR THE PERIOD		**411,276**	520,877
Attributable to:			
Owners of the Company		**373,101**	520,666
Non-controlling interests		**38,175**	211
		411,276	520,877
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
– Basic (RMB cents per share)		**15.55**	21.69
– Diluted (RMB cents per share)		**15.55**	21.69

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Note	**30 June 2011** *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**200,095**	181,388
Investment properties		**3,718,153**	2,890,747
Prepaid land lease payments		**448,530**	452,730
Deferred tax assets		**201,027**	186,418
Total non-current assets		**4,567,805**	3,711,283
CURRENT ASSETS			
Prepaid land lease payments		**895,098**	559,955
Properties under development		**6,742,429**	3,595,735
Completed properties held for sale		**1,511,620**	484,369
Prepayments for acquisition for land		**1,165,023**	2,781,641
Prepayments, deposits and other receivables		**624,516**	675,165
Prepaid corporate income tax		**42,103**	14,389
Prepaid land appreciation tax		**75,174**	37,386
Restricted cash		**40,858**	13,223
Cash and cash equivalents		**1,909,444**	2,719,446
Total current assets		**13,006,265**	10,881,309
CURRENT LIABILITIES			
Receipts in advance		**3,348,050**	1,910,434
Trade payables	*9*	**1,197,921**	914,147
Other payables and accruals		**783,906**	384,138
Interest-bearing bank and other borrowings		**1,034,897**	1,038,023
Derivative financial liabilities		**4,418**	–
Tax payable		**427,207**	460,067
Provision for land appreciation tax		**857,592**	776,741
Total current liabilities		**7,653,991**	5,483,550

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
30 June 2011

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
NET CURRENT ASSETS	**5,352,274**	5,397,759
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,920,079**	9,109,042
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**4,169,984**	3,741,747
Deferred tax liabilities	**663,462**	543,266
Total non-current liabilities	**4,833,446**	4,285,013
Net assets	**5,086,633**	4,824,029
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**211,528**	211,528
Reserves	**4,580,305**	4,131,482
Proposed final dividend	**–**	224,394
	4,791,833	4,567,404
Non-controlling interests	**294,800**	256,625
Total equity	**5,086,633**	4,824,029

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

	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties	**724,344**	2,012,761
Rental income	**19,827**	17,026
Property management fees	**22,100**	14,090
	766,271	2,043,877

	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	**8,199**	5,202
Rental income from properties held for sale	**1,300**	1,168
Gain on disposal of investment properties	**25,449**	–
Others	**41,830**	4,313
	76,778	10,683

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 2011

	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	**724,344**	**19,827**	**22,100**	**–**	**–**	**766,271**
Other revenue	**1,942**	**26**	**3,898**	**–**	**2,194**	**8,060**
Total	**726,286**	**19,853**	**25,998**	**–**	**2,194**	**774,331**
Segment results	**216,108**	**525,565**	**207**	**(15)**	**12,797**	**754,662**
Reconciliation:						
Interest income						**8,199**
Finance costs						**(73,951)**
Profit before tax						**688,910**
Tax						**(277,634)**
Profit for the period						**411,276**

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

4. PROFIT BEFORE TAX

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

For the six months ended 30 June

	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**444,606**	1,023,824
Amortisation of prepaid land lease payments	**9,349**	5,323
Depreciation	**2,680**	2,626
Gain on disposal of investment properties	**(25,449)**	–
Fair value loss on derivative financial instrument	**3,862**	–
Loss on disposal of items of property, plant and equipment, net	**117**	380

5. FINANCE COSTS

An analysis of finance costs is as follows:

For the six months ended 30 June

	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**109,931**	53,498
Interest on bank loans wholly repayable beyond five years	**4,689**	10,156
Interest on other loans	**134,583**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**249,203**	63,654
Less: Interest capitalised	**(175,252)**	(61,515)
	73,951	2,139

6. INCOME TAX EXPENSE

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 2011 (six months ended 30 June 2010: 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 2011.

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

For the six months ended 30 June

	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current:		
PRC corporate income tax	**57,695**	190,863
PRC land appreciation tax	**114,352**	347,699
	172,047	538,562
Deferred:		
Current period	**105,587**	(33,346)
Total tax charge for the period	**277,634**	505,216

7. DIVIDEND

The directors did not propose to declare an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: 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 2011 is based on the profit for the period attributable to equity holders of the Company of RMB373,101,000 (six months ended 30 June 2010: RMB520,666,000) and the weighted average number of ordinary shares in issue during the period ended 30 June 2011 of 2,400,000,000 (six months ended 30 June 2010: 2,400,000,000).

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2011 in respect of a dilution as the impact of the warrants outstanding had an anti-dilutive effect on the basic earnings per share amount presented. No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that period.

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 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within 1 year or on demand	**514,136**	679,738
Due within 1 to 2 years	**683,785**	234,409
	1,197,921	914,147

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2011, the PRC property market was still subject to stringent regulatory policies and credit crunch. We expected the central government to carry on tightening its monetary policy in the second half of the year as the effect of central regulatory policies has gradually kicked in. The Group adopted flexible project development and sales strategies in the first half of the year, thus recording RMB2,067.33 million in contracted sales, representing a growth of 1.04 times as compared with the corresponding period of the previous year. In addition, during the period, leveraging on the depression of the property market, we acquired 2 parcels of land with the average land cost of RMB634 per sq.m. and the aggregate GFA of approximately 700,000 sq.m..

Overall Performance

During the period, turnover of the Group was RMB766.27 million, representing a decrease of 62.5% as compared with the corresponding period of the previous year. Gross profit was RMB336.35 million, representing a decrease of 66.7% as compared with the corresponding period of the previous year. As a result of a changing property portfolio, the average selling price of our properties decreased by 12.5% to RMB10,343 per sq.m. and gross profit margin dropped from 49.4% of the corresponding period of the previous year to approximately 43.9%. Since there was a considerable decrease in GFA delivered, profit attributable to shareholders recorded a decrease of 28.3% to RMB373.10 million. Basic earnings per share was RMB15.55 cents. Core profit attributable to shareholders amounted to RMB8.47 million, representing a decrease of 98.1% over the corresponding period of the previous year. Core earnings per share was RMB0.35 cent.

Attributable Land Reserves

The Group possesses quality land reserves with low land cost. As at 30 June 2011, the aggregate GFA of the Group's saleable land reserves was 5.49 million sq.m. with an average land cost of approximately RMB1,486 per sq.m. and are located in six first and second tier cities in the West Strait Economic Zone, the Yangtze River Delta Region and Bohai Rim Region. 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 2011

Region	**GFA** *(sq.m.)*
West Strait Economic Zone	
Xiamen	2,464,491
Fuzhou	340,291
Quanzhou	491,800
Sub-total	3,296,582
Yangtze River Delta Region	
Shanghai	600,374
Hefei	1,147,808
Sub-total	1,748,182
Bohai Rim Region	
Tian jin	449,793
Sub total	449,793
Total	5,494,557

During the period, the Group acquired 2 new parcels of quality land with an aggregate GFA of 703,218 sq.m., at an average land cost of approximately RMB634 per sq.m., which is far below the market level. The new parcels of land acquired are located in Shanghai 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 *(RMB/sq.m.)*
West Strait Economic Zone				
City Plaza Phase I*	Quanzhou	166,000	491,800	338
Sub-total		166,000	491,800	338
Yangtze River Delta Region				
Jinshan site	Shanghai	280,000	211,418	1,324
Sub-total		280,000	211,418	1,324
Total		446,000	703,218	634

* *After the primary land development on this project, the Group acquired it through public bidding and auction.*

Sale of Properties

The recognized sales and area sold of each project in the first half of 2011 are set out in the following table:

Name of Project	City	Amount	Saleable GFA	Average Selling Price
		(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
West Strait Economic Zone				
Yuzhou Galaxy Garden	Xiamen	25,948	3,949	6,571
Yuzhou World Trade Center	Xiamen	74,717	3,817	19,575
Phase I of Yuzhou University City	Xiamen	26,300	1,495	17,588
Yuzhou Gushan No. One	Fuzhou	182,305	9,165	19,892
Phase I of Yuzhou Oriental Venice	Fuzhou	81,814	10,003	8,179
Phase II of Yuzhou Oriental Venice	Fuzhou	235,148	19,498	12,060
Others	Xiamen	8,403	3,889	21,607
Sub-total		634,635	51,816	12,248
Yangtze River Delta Economic Zone				
Phase III of Yuzhou Jinqiao International	Shanghai	997	86	11,540
Phase I of Yuzhou Skyline	Hefei	88,712	18,128	4,894
Sub-total		89,709	18,214	4,925
Total		724,344	70,030	10,343

During the first half of 2011, the Group recognized sales and area sold were RMB724.34 million and 70,030 sq.m., representing a decrease of 64.0% and 58.9% respectively as compared with the corresponding period in 2010. The average selling price per sq.m. decreased from RMB11,823 in the first half of 2010 to RMB10,343 in the first half of 2011.

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

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

The contracted sales and area sold of each project in the first half of 2011 are set out in the following table:

Name of Project	City	Amount *(RMB'000)*	Saleable GFA *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
West Strait Economic Zone				
Yuzhou Huandong International (Phase II of University City)	Xiamen	382,815	53,502	7,155
Phase I of Yuzhou University City	Xiamen	42,898	1,962	21,861
Yuzhou Castle above City (Diyuan Manor)	Xiamen	322,881	19,777	16,326
Phase I of Yuzhou Oriental Venice	Fuzhou	13,803	1,520	9,083
Phase II of Yuzhou Oriental Venice	Fuzhou	318,760	20,031	15,913
Yuzhou Gushan No. One	Fuzhou	204,680	10,267	19,935
Others	Xiamen	94,460	16,147	5,850
Sub-total		1,380,296	123,206	11,203
Yangtze River Delta Economic Zone				
Phase II of Yuzhou Jinqiao International	Shanghai	5,128	182	28,224
Phase IV of Yuzhou Jinqiao International (Land Dream)	Shanghai	343,087	16,058	21,366
Phase I of Yuzhou Skyline	Hefei	215,736	39,944	5,401
Phase II of Yuzhou Skyline	Hefei	123,080	20,071	6,132
Sub-total		687,031	76,255	9,010
Total		2,067,327	199,461	10,365

During the first half of 2011, the Group's contracted sales and area sold were RMB2,067.33 million and 199,461 sq.m., representing an increase of 104% and 126% respectively as compared with the corresponding period in 2010. The average selling price per sq.m. decreased from RMB11,475 in the first half of 2010 to RMB10,365 in the first half of 2011.

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

Name of Project	City	Amount	Saleable GFA	Average Selling Price
		(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
West Strait Economic Zone				
Yuzhou World Trade Center	Xiamen	108,302	5,473	19,787
Yuzhou Golden Seacoast	Xiamen	337,327	23,922	14,101
Yuzhou Galaxy Garden	Xiamen	36,823	6,050	6,086
Phase I of Yuzhou University City	Xiamen	42,488	6,822	6,228
Yuzhou Gushan No. One	Fuzhou	5,224	335	15,582
Phase I of Yuzhou Oriental Venice	Fuzhou	72,007	3,375	21,336
Others	Xiamen	27,231	4,871	55,911
Sub-total		629,402	50,848	12,378
Yangtze River Delta Economic Zone				
Phase I, II and III of Yuzhou Jinqiao International	Shanghai	245,949	9,109	27,001
Phase I of Yuzhou Skyline	Hefei	137,817	28,339	4,863
Sub-total		383,766	37,448	10,248
Total		1,013,168	88,296	11,475

Profit attributable to shareholders

Profit attributable to shareholders decreased by 28.3% from approximately RMB520.67 million for the period ended 30 June 2010 to approximately RMB373.10 million for the period ended 30 June 2011 due to the considerable decrease in area completed and GFA delivered in the current period. Core profit attributable to shareholders decreased by 98.1% from approximately RMB456.11 million for the period ended 30 June 2010 to approximately RMB8.47 million for the period ended 30 June 3011.

FINANCIAL REVIEW

Borrowings

As at 30 June 2011, the Group had bank loans, senior notes and bonds balance of RMB5,204.88 million with maturities as follows:

Maturity	**30 June 2011** *(RMB'000)*	31 December 2010 *(RMB'000)*
Within 1 year	**1,034,897**	1,038,023
1 to 2 years	**515,500**	294,400
2 to 5 years	**3,389,484**	3,142,347
Over 5 years	**265,000**	305,000
	5,204,881	4,779,770

As at 30 June 2011, the bank and other borrowings of the Group were RMB5,204.88 million and were secured by the investment properties, properties under development, land use rights and property, plant and equipment with an aggregate carrying value of RMB7,638.05 million, and an aggregate of 504,000,000 shares in the Company held by certain directors of the Company.

Gearing Ratio

As at 30 June 2011, the net debt to equity ratio (total debt less cash on hand (including restricted cash) and divided by total equity) of the Group increased from 42.4% as at 31 December 2010 to 64.0% was mainly due to cash proceeds from contracted sales were insufficient to settle the land lease payments and construction expenses in the current period. We expect to see a considerable decrease in this ratio in the second half of the year following payment of most of the unpaid land lease payments, cash proceeds from contracted sales and more contracted sales being recognized as revenue.

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 RMB17.62 million (30 June 2010: RMB16.40 million), representing an increase of 7.4%. During the period, the mall at Phase I of World Trade Center continued to maintain high occupancy rate of approximately 100% (30 June 2010: 100%). The occupancy rate of Phase II of World Trade Center was 82% as it was still in the process of retail planning and reallocation. 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 high profile tenants of such renowned brands 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.

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

Yuzhou Jinqiao International is designed as a one-stop commercial complex with approximately 14,000 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 was completed during the period, and rental income is expected to be generated in the coming six months.

Hotel Operation

The Group continues to expand its hotel business in a sound and prudent manner so as to achieve a diversified property portfolio. We believe that the expansion into the 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 strives to create a warm and harmonious community for our residences whilst delivering quality property management services. The Group is committed to continuously improving the living environment and enhancing service quality in its property projects in order to maintain high level of customer satisfaction.

During the first half of 2011, the property management service companies of the Group recorded property management fee income of RMB22.10 million, representing an increase of 56.8% as compared with the corresponding period in 2010. As at 30 June 2011, the aggregate GFA managed by the property management service companies of the Group in the PRC was approximately 1.91 million sq.m., and these companies serviced more than 15,836 property owners.

Gross Profit

The gross profit of the Group decreased by 66.7% from RMB1,009.21 million in the first half of 2010 to approximately RMB336.35 million in the first half of 2011. The gross profit margin slightly decreased from 49.4% in the first half of 2010 to 43.9% of the first half of 2011. It was mainly due to a decrease in average selling price per sq.m. and increase in costs of sales of the projects. The ratio of land cost to average selling price was maintained at a low level of 13.4% and such ratio is expected to remain at a low level in the coming years.

Other Income and Gains

Other income and gains increased by 6.19 times from approximately RMB10.68 million in the first half of 2010 to RMB76.78 million in the first half of 2011. It was mainly due to the recognition of net gain on disposal of investment properties of RMB25.45 million during the period and the write-back of the over-estimated acquisition consideration of approximately RMB35.07 million of Phase IV of Jinqiao International in the previous years.

Expenses on Selling and Distribution Costs

Selling and distribution expenses of the Group increased by 70.2% from approximately RMB29.18 million in the first half of 2010 to approximately RMB49.65 million in the first half of 2011. It was mainly due to the increase in advertising and promotion expenses by 5.9 times from RMB5.09 million in the first half of 2010 to RMB35.20 million during the period; mitigated by the decrease of commission expenses by 58.8% from approximately RMB21.20 million in the first half of 2010 to approximately RMB8.74 million in the first half of 2011 due to the decrease in the number of properties delivered in the first half of 2011.

Administrative Expenses

Administrative expenses of the Group increased by 77.0% from approximately RMB48.02 million in the first half of 2010 to approximately RMB85.02 million in the first half of 2011 was mainly because the Group had recruited a number of experienced personnel and thus increased the wage level, and also due to the increase of management expenses as a result of the establishment of branches in Tianjin, Quanzhou and Beijing.

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 2011	30 June 2010
	(RMB'000)	*(RMB'000)*
The Mall at Phase I of Yuzhou World Trade Center	**11,601**	5,000
The Mall at Phase II of Yuzhou World Trade Center	**(23,012)**	–
Yuzhou Plaza	**294,889**	–
Yuzhou Castle above City	**28,225**	–
Phase I of Yuzhou Jinqiao International	**8,000**	–
Phase II of Yuzhou Jinqiao International	**8,000**	3,000
Phase III of Yuzhou Jinqiao International	**243**	78,078
Phase IV of Yuzhou Jinqiao International	**137,346**	–
Phase I of Yuzhou Oriental Venice	**(5,324)**	–
Phase I of Yuzhou Skyline	**28,567**	–
Phase I of Yuzhou University City	**2,785**	–
Total	**491,320**	86,078

Fair value gains on investment properties increased from RMB86.08 million in the first half of 2010 to RMB491.32 million in the first half of 2011 was mainly due to retail and office segment of Yuzhou Plaza and Yuzhou Castle above City, the business segment of Phase I of Yuzhou Oriental Venice and Phase I of Yuzhou Skyline, business segment and science research office building of Phase IV of Yuzhou Jinqiao International and the business segment of Phase I of Yuzhou University City.

Finance Expenses

During the period, the total cost of debt of the Group was RMB249.20 million, an increase by RMB185.55 million as compared with the corresponding period in 2010, of which RMB175.25 million were capitalised to cost of projects, an increase of RMB113.74 million as compared with the corresponding period in 2010. The increase in finance expenses was mainly due to the increase in the Group's total indebtedness from RMB2,393.04 million in the first half of 2010 to RMB5,204.88 million in the first half of 2011.

Currency Risk

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

	Bank Borrowings, Senior Notes and Bonds Balance (RMB'000)	Cash Balance* (RMB'000)
HK$	830,772	345,566
RMB	3,130,897	1,598,157
US$	1,243,212	6,599
Total	5,204,881	1,950,302

* *Including restricted cash*

Operations of the Group are almost wholly conducted in RMB. Apart from the cash at bank, senior notes and bonds balance denominated in foreign currencies, the Group is not directly exposed to 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 2011, outstanding buy-back guarantees amounted to RMB3,375.50 million (31 December 2010: RMB3,205.72 million).

Return on Equity

For the six month ended 30 June 2011, return on equity represented annualized profit attributable to shareholders of the Company divided by the average of equity attributable to shareholders of the Company at the beginning and end of the period. Annualised return on equity in the first half of 2011 was 15.9%.

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 2011	30 June 2010
Profit attributable to shareholders of the Company *(RMB'000)*	**373,101**	520,666
Less: fair value gains of investment properties, net of deferred tax *(RMB'000)*	**368,490**	64,558
Plus: fair value loss of warrants	**3,862**	–
Core profit attributable to shareholders of the Company *(RMB'000)*	**8,473**	456,108
Weighted average number of ordinary shares in issue *('000)*	**2,400,000**	2,400,000
Basic earnings per share *(RMB cents per share)*	**15.55**	21.69
Core earnings per share *(RMB cents per share)*	**0.35**	19.00

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2011 in respect of a dilution as the impact of the warrants outstanding had an anti-dilutive effect on the basic earnings per share amount presented. As the Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2010, 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 and adding back fair value loss of warrants.

Commitment

As at 30 June 2011, the Group had commitment in respect of development expenditure on real estate of approximately RMB1,496.66 million (approximately RMB1,393.97 million as at 31 December 2010). The Group is also committed to the payment of land premium in respect of land acquisition of approximately RMB110.70 million (approximately RMB1,698.00 million as at 31 December 2010).

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 within a short period of time become one of the strongest real estate developers in the PRC.

We believed that the competence of the Group's 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 2011, the Group had a total staff of 1,314.

PAYMENT OF DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2011.

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 2011.

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 suitability of the accounting policies adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2011.

OUTLOOK AND DEVELOPMENT STRATEGIES

In the first half of 2011, signals coming from the central government that regulation policies over the PRC property market will not be loosened. Therefore, we expect that both the regulatory control over the PRC property market and the grant of bank facilities will remain stringent during the second half of 2011. Given the market concern that the regulatory control will continue for a period of time and a substantial addition to market supply during the second half of the year, we expect that the price and sell-through rate in the PRC property market will be affected to some degree. Against the backdrop where the central government is combating inflation, the Group will encounter a number of difficulties in reaching our sales targets in the short run. Nevertheless, we remain confident of the PRC property market and will adopt flexible pricing and sales strategies for projects in various regions.

As the Group has a number of saleable properties in regions which are not subject to the "Purchase Limit Policy" during the second half of 2011, the demand for self-use properties remained strong, hence we will speed up the roll-out of properties in these regions. In addition, it is expected that four new projects will be launched in Xiamen region in the second half of 2011, namely Yuzhou Golf (禹洲 • 高爾夫), Yuzhou Shoreline (禹洲 • 尊海), Yuzhou Sunshine Garden (禹洲 • 陽光花城) and Yuzhou Pacific Creek Uptown (禹洲 • 溪堤尚城), with an aggregate saleable GFA of approximately 280,000 sq.m.. In view of the above, we are confident that our leading position in the residential market share of Xiamen will be further consolidated.

For the mid-to-long term, upholding our philosophy of "To build a town with faithfulness, to offer a home with love" (以誠建城，以愛築家), we will continue to conduct our business with integrity and utilize our brand equity and resources. In particular, efforts will be made to strengthen our dominance in the West Strait Economic Zone, progressively expand our presence in the economic zone of Yangtze River Delta Region and further intensify our penetration in the Bohai Rim Region, so as to achieve the Group's objective of the business development of the Group nationwide.

We will continue to identify suitable projects with ideal returns in line with the needs of business development of the Group. On the other hand, we will seize market opportunities to replenish our high-quality land reserves in a timely manner. It is envisaged that the West Strait Economic Zone will remain as the key region for our future development, with the proportion in land reserves at or above 50%. For areas outside the West Strait Economic Zone that we have gained a foothold in, we will appropriately allocate resources to increase local land reserves and to develop the Group's brand equity, with an ultimate aim to solidify our presence in the region.

With urbanization continuously pushing the property market forward, we believe that the property market outlook in the PRC will continue to be positive. The regulatory policy annexed by the government is aimed to cool the overheated property market, which is in turn conducive to the healthy development of the entire property market. Therefore, we believe that with the execution of effective strategies we can achieve the annual target of contracted sales.

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 2011

As at the date of this announcement, the Board comprises Mr. Lam Lung On (Chairman), Ms. Kwok Ying Lan, Mr. Huang Zhibin, Mr. Lin Longzhi and Mr. Lin Conghui as executive directors, and Mr. Gu Jiande, Mr. Lam Kwong Siu and Mr. Wee Henny Soon Chiang as independent non-executive directors of the Company.