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 2012

FINANCIAL HIGHLIGHTS

1. Turnover increased by 24.6% to RMB954.85 million as compared with the corresponding period of previous year.

2. Gross profit climbed by 28.0% to RMB430.57 million. Gross profit margin was 45.1%, representing an increase of 1.2 percentage points, as compared with the corresponding period of the previous year.

3. Cash and bank balances (including restricted cash) as at 30 June 2012 surged by 48.6% from RMB1,956.54 million as at the end of 2011 to RMB2,907.08 million. Net debt ratio was 55.9%, representing a decrease of 7.8 percentage points, as compared with the end of 2011.

4. Basic earnings per share was RMB3.64 cents. Core profit attributable to shareholders soared by 18 times from RMB8.47 million in the first half of 2011 to RMB160.95 million in the first half of 2012. Core earnings per share was RMB5.59 cents.

5. Shareholders' funds amounted to RMB5,394.41 million, representing an increase of 0.8% as compared with the end of 2011. Net assets per share was RMB1.87.

6. The contracted sales in the current period was RMB3,798.76 million, representing a period-on-period growth of 83.8%.

7. Leveraging on the property market condition during the period, the Group acquired one new parcel of land, adding approximately 0.82 million sq.m. gross floor area ("GFA") to its attributable land reserve and reducing the land cost to RMB343 per sq.m.. At the end of the period, the Group had an aggregate saleable land reserve of approximately 6.02 million sq.m. GFA.

8. The Board proposed an interim dividend of HK2 cents per share for six months ended 30 June 2012 (2011: Nil).

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 2012.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	**2012** *RMB'000* **(Unaudited)**	2011 *RMB'000* (Unaudited)
REVENUE	*2*	**954,849**	766,271
Cost of sales		**(524,279)**	(429,919)
Gross profit		**430,570**	336,352
Other income and gains	*2*	**19,290**	76,778
Selling and distribution costs		**(45,776)**	(49,654)
Administrative expenses		**(72,987)**	(85,016)
Other expenses		**(643)**	(6,919)
Fair value (losses)/gains on investment properties		**(75,655)**	491,320
Finance costs	*5*	**(75,290)**	(73,951)
Share of result of a joint-controlled entity		**(996)**	–
PROFIT BEFORE TAX	*4*	**178,513**	688,910
Income tax expense	*6*	**(81,027)**	(277,634)
PROFIT FOR THE PERIOD		**97,486**	411,276
Attributable to:			
Owners of the Company		**104,762**	373,101
Non-controlling interests		**(7,276)**	38,175
		97,486	411,276
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		(Restated)
– Basic		**RMB3.64 cents**	RMB12.95 cents
– Diluted		**RMB3.64 cents**	RMB12.95 cents

Details of the dividend proposed for the period are disclosed in note 7 to this results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Note	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**203,225**	207,190
Investment properties		**3,479,000**	3,444,900
Prepaid land lease payments		**440,482**	443,874
Investment in a jointly-controlled entity		**320,676**	157,200
Prepayment for acquisition of investment		**214,000**	–
Deferred tax assets		**252,251**	276,421
Total non-current assets		**4,909,634**	4,529,585
CURRENT ASSETS			
Prepaid land lease payments		**651,368**	657,946
Properties under development		**8,572,880**	8,345,407
Completed properties held for sale		**2,223,325**	2,030,322
Prepayments for acquisition for land		**335,400**	52,900
Prepayments, deposits and other receivables		**908,806**	652,376
Prepaid corporate income tax		**12,567**	14,585
Prepaid land appreciation tax		**15,468**	13,453
Restricted cash		**397,551**	516,159
Cash and cash equivalents		**2,509,529**	1,440,378
Total current assets		**15,626,894**	13,723,526
CURRENT LIABILITIES			
Receipts in advance		**4,131,957**	1,950,571
Trade payables	*9*	**1,799,650**	1,918,845
Other payables and accruals		**646,808**	578,542
Interest-bearing bank and other borrowings		**1,639,769**	1,335,211
Derivative financial liabilities		**–**	543
Tax payable		**610,907**	716,178
Provision for land appreciation tax		**1,022,296**	1,169,594
Total current liabilities		**9,851,387**	7,669,484
NET CURRENT ASSETS		**5,775,507**	6,054,042
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,685,141**	10,583,627

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**4,398,141**	4,221,547
Deferred tax liabilities		**685,097**	706,160
Total non-current liabilities		**5,083,238**	4,927,707
Net assets		**5,601,903**	5,655,920
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**211,528**	211,528
Reserves		**5,135,699**	5,061,968
Proposed dividend	*7*	**47,186**	77,802
		5,394,413	5,351,298
Non-controlling interests		**207,490**	304,622
Total equity		**5,601,903**	5,655,920

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; property management fee income, net of business tax, received and receivable from provision of property management services and the net invoiced value from trading of construction materials, after allowances for returns and trade discounts during the period. An analysis of the Group's revenue, other income and gains is as follows:

For the six months ended 30 June

	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties	**898,444**	724,344
Rental income	**24,202**	19,827
Property management fees	**22,664**	22,100
Sales of construction materials	**9,539**	–
	954,849	766,271

	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	**11,939**	8,199
Rental income from properties held for sale	**851**	1,300
Gain on disposal of investment properties	**–**	25,449
Others	**6,500**	41,830
	19,290	76,778

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 2012

	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	898,444	24,202	22,664	–	9,539	954,849
Other revenue	2,568	183	1,712	–	2,888	7,351
Total	901,012	24,385	24,376	–	12,427	962,200
Segment results	309,135	(61,830)	(1,587)	(6)	(3,848)	241,864
Reconciliation:						
Interest income						11,939
Finance costs						(75,290)
Profit before tax						178,513
Income tax expense						(81,027)
Profit for the period						97,486

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
Income tax expense						(277,634)
Profit for the period						411,276

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

For the six months ended 30 June

	2012 *RMB'000* **(Unaudited)**	2011 *RMB'000* (Unaudited)
Cost of inventories sold	**6,018**	–
Cost of properties sold	**497,186**	412,092
Amortisation of prepaid land lease payments	**9,970**	9,349
Depreciation	**4,879**	2,680
Gain on disposal of investment properties	**–**	(25,449)
Fair value (gain)/loss on derivative financial instrument	**(549)**	3,862
Loss on disposal of items of property, plant and equipment, net	**3,083**	117

5. FINANCE COSTS

An analysis of finance costs is as follows:

For the six months ended 30 June

	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**120,115**	109,931
Interest on bank loans wholly repayable beyond five years	**11,290**	4,689
Interest on other loans	**155,197**	134,583
Total interest expense on financial liabilities not at fair value through profit or loss	**286,602**	249,203
Less: Interest capitalised	**(211,312)**	(175,252)
	75,290	73,951

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 2012 (six months ended 30 June 2011: Nil). The income tax for the subsidiaries operating in the People's Republic of China (the "PRC") is calculated at the applicable tax rates on the taxable profits for the six months ended 30 June 2012.

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

For the six months ended 30 June

	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current:		
PRC corporate income tax	**73,593**	57,695
PRC land appreciation tax		
Charge for the year	**108,609**	114,352
Overprovision in prior years	**(104,282)**	–
	77,920	172,047
Deferred:		
Current period	**3,107**	105,587
Total tax charge for the period	**81,027**	277,634

7. DIVIDEND

The board of directors of the Company proposed an interim dividend of HK2 cents per share for the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2012 is based on the profit for the period attributable to equity holders of the Company of RMB104,762,000 (six months ended 30 June 2011: RMB373,101,000) and the weighted average number of ordinary shares of 2,880,000,000 (six month ended 30 June 2011: 2,880,000,000, as restated) in issue after the reporting period, as adjusted to reflect the bonus issue subsequent to the reporting period.

Weighted average number of ordinary shares

	30 June 2012 ***Number of shares***	30 June 2011 *Number of shares*
Weighted average number of ordinary shares before bonus issue	**2,400,000,000**	2,400,000,000
Effect of bonus issue	**480,000,000**	480,000,000
Weighted average number of ordinary shares after bonus issue	**2,880,000,000**	2,880,000,000

No adjustment has been made to the basic earnings per share amounts for the period ended 30 June 2012 and 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 amounts presented.

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 2012 ***RMB'000*** **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Due within 1 year or on demand	**1,340,172**	1,333,536
Due within 1 to 2 years	**459,478**	585,309
	1,799,650	1,918,845

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

10. EVENTS AFTER REPORTING PERIOD

(a) In July 2012, a subsidiary of the Company won a bid to acquire a parcel of land located in Hefei, the PRC, through public bidding. The consideration of the land is RMB505,440,000, of which the subsidiary has paid RMB252,720,000 as of the date of this interim financial information.

(b) In August 2012, a subsidiary of the Company won a bid to acquire a parcel of land located in Longyan, Fujian Province, through public bidding. The consideration of the land is RMB600,000,000, of which the subsidiary has paid RMB168,000,000 as of the date of this interim financial information.

(c) In August 2012, the Group entered into an equity transfer agreement with an independent third party for the disposal of a 100% equity interest in Shanghai San You Development Co., Ltd. ("San You") at a cash consideration of RMB80,000,000. This transaction has been completed in August 2012 and resulted in a gain on disposal before tax of approximately RMB10,670,000. Up to the date of the equity transfer agreement, San You has not carried out any significant business transactions except for holding a plot of land in Shanghai, the PRC.

(d) In August 2012, the Group terminated a cooperation agreement with an independent third party for the development of a property project in Anhui Province, the PRC. A prepayment of RMB214,000,000 included in the Group's prepayments, deposits and other receivables as at 30 June 2012 has been refunded to the Group up to the date of this interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2012, the Group recorded upbeat sales data thanks to a rebound in sales which was mainly driven by home buyers coming back to the market, indicating huge solid demand in Mainland China. Meanwhile, interest rate cuts also encouraged more people to buy properties. Sales increase not only drew down stocks but generated cash inflows, improved financial conditions, enhanced bargaining power and increased profit margin. In addition, some local governments launched incentives to spur first-time home buying, stimulating the recovery of the property market. We expect sales to remain robust in the next few months.

Stable property prices and rising property sales is ideal for Mainland China as it boosts related industries and helps economic recovery. Therefore, we expect that policies will aim to regulate rather than crack down on the property industry to slow down the economic rebound. Generally speaking, as long as property developers maintain a quick turnover in the current environment of slower Chinese economic growth, they will outperform many other industries.

In the first half of the year, the Group adopted flexible strategies for project development and marketing and launched a number of projects meeting solid demand including Yuzhou Shoreline, Yuzhou Central Coast and Yuzhou Skyline. As a result of these efforts, contracted sales reached RMB3,798.76 million, a significant increase of 83.8% as compared with the same period last year. We are proud of excellent performance of market share for Xiamen and Heifei. For instance, in terms of saleable GFA, the Group ranked number one in Xiaman and our project, Yuzhou Skyline, ranked number three in Heifei.

In addition, we believe execution, sell-through rate and profit ratio are very important for investment decisions. During the period, leveraging on the depression of the property market, we acquired one parcel of land whose average cost is far below the market level with the average land cost of RMB343 per sq.m. and the aggregate GFA of approximately 0.82 million sq.m.. We expect this investment will provide satisfactory returns to the Group in the future.

The Group also received a number of widely recognized honours and awards during the period. For instance, the Group was awarded "The 2012 China Mainland Real Estate Company Top 10 Listed in Hong Kong in terms of Investment Value Ranking" from China Real Estate Top 10 Research Team, consisting of Enterprise Research Institute of Development Research Center of the State Council of P.R.China, Institute of Real Estate studies of Tsinghua University and China Index Academy. The Group was also awarded "2012 Top 50 China Real Estate Listed Companies with Strongest Comprehensive Strengths" from China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal. Our brand image is getting stronger and stronger.

Overall Performance

During the period, turnover of the Group was RMB954.85 million, representing an increase of 24.6% as compared with the corresponding period of the previous year. Gross profit was RMB430.57 million, representing an increase of 28.0% 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 increased by 3.6% to RMB10,718 per sq.m. and gross profit margin raised from 43.9% of the corresponding period of the previous year to approximately 45.1%. Profit attributable to shareholders recorded a decrease of 71.9% to RMB104.76 million. Basic earnings per share was RMB3.64 cents. Core profit attributable to shareholders soared by 18 times from RMB8.47 million in the first half of 2011 to RMB160.95 million in the first half of 2012. Core earnings per share was RMB5.59 cent. The Board proposed an interim dividend of HK$57.6 million (HK2 cents per share) for the six months ended 30 June 2012 (2011: Nil).

Attributable Land Reserves

The Group possesses quality land reserves with low land cost. As at 30 June 2012, the aggregate GFA of the Group's saleable land reserves was 6.02 million sq.m. with an average land cost of approximately RMB1,317 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 the next five to six years.

GFA of Attributable Land Reserves (sq.m.)
As at 30 June 2012

Region	**GFA** *(sq.m.)*
West Strait Economic Zone	
Xiamen	2,178,234
Fuzhou	334,345
Quanzhou	1,315,200
Sub-total	3,827,779
Yangtze River Delta Region	
Shanghai	572,448
Hefei	1,118,545
Sub-total	1,690,993
Bohai Rim Region	
Tian jin	499,198
Sub total	499,198
Total	6,017,970

During the period, the Group acquired one new parcel of quality land with an aggregate GFA of 823,400 sq.m., at an average land cost of approximately RMB343 per sq.m., which is far below the market level. The new parcel of land acquired is located in 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				
Yuzhou City Plaza Phase II*	Quanzhou	282,500	823,400	343
Total		282,500	823,400	343

* *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 2012 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				
Phase II of Yuzhou University City (Huandong International)	Xiamen	218,092	32,172	6,779
Yuzhou Castle above City (Diyuen Manor)	Xiamen	18,384	1,223	15,032
Others	Xiamen	22,636	1,917	11,808
Sub-total		259,112	35,312	7,338
Yangtze River Delta Economic Zone				
Phase IV of Yuzhou Jinqiao International (Land Dream)	Shanghai	494,669	24,740	19,995
Phase II of Yuzhou Skyline	Hefei	121,816	21,144	5,761
Phase I of Yuzhou Skyline	Hefei	22,682	2,620	8,657
Others	Shanghai	165	11	15,000
Sub-total		639,332	48,515	13,178
Total		898,444	83,827	10,718

During the first half of 2012, the Group recognized sales and area sold were RMB898.44 million and 83,827 sq.m., representing an increase of 24.0% and 19.7% respectively as compared with the corresponding period of 2011. The average price per sq.m. increased from RMB10,343 in the first half of 2011 to RMB10,718 in the first half of 2012.

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** *(RMB'000)*	**Saleable GFA** *(sq.m.)*	**Average Selling Price** *(RMB/sq.m.)*
West Strait Economic Zone				
Phase II of Yuzhou Oriental Venice	Fuzhou	235,148	19,498	12,060
Yuzhou Gushan No. One	Fuzhou	182,305	9,165	19,892
Phase I of Yuzhou Oriental Venice	Fuzhou	81,814	10,003	8,179
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 Galaxy Garden	Xiamen	25,948	3,949	6,571
Others	Xiamen	8,403	3,889	21,607
Sub-total		634,635	51,816	12,248
Yangtze River Delta Economic Zone				
Phase I of Yuzhou Skyline	Hefei	88,712	18,128	4,894
Phase III of Yuzhou Jinqiao International	Shanghai	997	86	11,593
Sub-total		89,709	18,214	4,925
Total		724,344	70,030	10,343

The contracted sales and area sold of each project in the first half of 2012 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 Shoreline	Xiamen	1,032,811	92,399	11,178
Yuzhou Central Coast	Xiamen	787,019	91,802	8,573
Yuzhou Castle above City (Diyuan Manor)	Xiamen	488,372	41,203	11,853
Phase II of University City (Yuzhou Huandong International)	Xiamen	267,864	37,717	7,102
Yuzhou Golf	Xiamen	175,366	20,305	8,637
Phase II of Yuzhou Oriental Venice	Fuzhou	150,141	7,153	20,990
Yuzhou Sunshine Garden	Xiamen	90,676	15,499	5,850
Yuzhou Gushan No. One	Fuzhou	88,884	5,188	17,133
Yuzhou Riverside City Town	Xiamen	72,273	6,545	11,042
Yuzhou City Plaza Phase I	Xiamen	70,456	16,829	4,187
Others	Xiamen	47,356	14,654	3,232
Sub-total		3,271,218	349,294	9,365
Yangtze River Delta Economic Zone				
Phase II of Yuzhou Skyline	Hefei	372,634	70,186	5,309
Phase I of Yuzhou Skyline	Hefei	94,686	17,005	5,568
Phase IV of Yuzhou Jinqiao International (Land Dream)	Shanghai	60,226	3,110	19,365
Sub-total		527,546	90,301	5,842
Total		3,798,764	439,595	8,642

During the first half of 2012, the Group's contracted sales and area sold were RMB3,798.76 million and 439,595 sq.m., representing an increase of 83.8% and 120.4% respectively as compared with the corresponding period of 2011. The average selling price per sq.m. decreased from RMB10,365 in the first half of 2011 to RMB8,642 in the first half of 2012.

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				
Phase II of Univesity City (Yuzhou Huandong International)	Xiamen	382,815	53,502	7,155
Yuzhou Castle above City (Diyuan Manor)	Xiamen	322,881	19,777	16,326
Phase II of Yuzhou Oriental Venice	Fuzhou	318,760	20,031	15,913
Yuzhou Gushan No. One	Fuzhou	204,680	10,267	19,935
Phase I of Yuzhou University City	Xiamen	42,898	1,962	21,861
Phase I of Yuzhou Oriental Venice	Fuzhou	13,803	1,520	9,083
Others	Xiamen	94,460	16,147	5,850
Sub-total		1,380,296	123,206	11,203
Yangtze River Delta Economic Zone				
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
Phase II of Yuzhou Jinqiao International	Shanghai	5,128	182	28,224
Sub-total		687,031	76,255	9,010
Total		2,067,327	199,461	10,365

Investment Properties

World Trade Center (Xiamen)

The Rental income (before tax) of World Trade Center during the period was derived from the mall and amounted to RMB22.19 million (30 June 2011: RMB17.62 million), representing an increase of 25.9%. During the period, the mall at Phase I of World Trade Center continued to maintain high occupancy rate of approximately 100% (30 June 2011: 100%). The occupancy rate of Phase II of World Trade Center increased to 92% (30 June 2011: 82%). 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, Walmart, Starbucks, Sony and Hai Di Lao Hot Pot.

Yuzhou World Trade Plaza (Xiamen)

The project, Yuzhou World Trade Plaza（禹洲•世貿生活廣場）, has an area of approximately 44,000 sq.m. which comprises Phase I and Phase II. The Rental income (before tax) of Yuzhou World Trade Plaza during the period soared by 276.2% from RMB0.63 million in the corresponding period of 2011 to RMB2.37 million. With the steady economic growth of Hai Cang District, we expect the revenue of Yuzhou World Trade Plaza will increase steadily. The plaza will be our commercial flagship in Hai Cang District in Xiamen with restaurants, supermarkets and retail stores.

Yuzhou Jinqiao International (Shanghai)

Yuzhou Jinqiao International is designed as a one-stop commercial complex with approximately 8,000 sq.m. and features famous brands. The rental income (before tax) was RMB4.18 million (30 June 2011: 4.40 million). The Group has disposed some retail stops in the record half of 2011, resulting in the decline of rental income for the current period.

Hotel Operation

We see a huge potential for hotel business in China. 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. Hotel business can also help to strengthen the Group's brand image. The hotels of the Group are still under development and construction. There was no income generated from hotel operation during the period. One of our Group's hotels located in Xiamen, Citadines Jinshang Road Xiamen, with 168 rooms, will commence operation at the end of 2012, broadening the Group's overall income base. Going forword, the Group will continue to expand its hotel business in a sound and prudent manner so as to achieve a diversified property portfolio.

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 2012, the property management service companies of the Group recorded property management fee income of RMB22.66 million, representing an increase of 2.6% as compared with the corresponding period in 2011. As at 30 June 2012, the aggregate GFA managed by the property management service companies of the Group in the PRC was over 1.80 million sq.m., and these companies serviced more than 18,000 property owners.

Gross Profit

The gross profit of the Group climbed by 28.0% from RMB336.35 million in the first half of 2011 to approximately RMB430.57 million in the first half of 2012. The gross profit margin increased from 43.9% in the first half of 2011 to 45.1% of the first half of 2012, which was at a higher level in industry. The ratio of land cost to average selling price was maintained at a low level of 15.2% and such ratio is expected to remain at a low level in the coming years.

Other Income and Gains

Other income and gains decreased by 74.9% from approximately RMB76.78 million in the first half of 2011 to RMB19.29 million in the first half of 2012. It was because there were neither gain on sales of investment properties nor reversal of acquisition consideration for Phase IV of Jinqiao International in the first half of 2012.

Expenses on Selling and Distribution Costs

Selling and distribution expenses of the Group decreased by 7.8% from approximately RMB49.65 million in the first half of 2011 to approximately RMB45.78 million in the first half of 2012. The Group has paid more attention to management of sales strategy, thus saving some advertisement and promotion expenses and adopting creative ways to stimulate sales. Even though our contracted sales increased dramatically, total selling and distribution costs dropped.

Administrative Expenses

Administrative expenses of the Group decreased by 14.1% from approximately RMB85.02 million in the first half of 2011 to approximately RMB72.99 million in the first half of 2012. The Group had recruited a number of experienced management personnel, therefore labour cost raised. The Group had imposed strict cost control system to curtail other administrative expenses. As a result, total administrative expenses had reduced.

Share of Result of a Jointly-Controlled Entity

Share of result of a jointly-controlled entity came from the Group's 20% interest in Xiamen Vanke Maluan Bay Properties Limited. As the company did not deliver any properties during the period, the share of loss of a jointly-controlled entity was approximately RMB1.00 million.

Xiamen Vanke Maluan Bay Properties Limited has commenced to sell its properties during the period. We believe that, with the delivery of properties in 2014, contributions from this jointly-controlled entity will significantly increase.

Profit attributable to shareholders

Profit attributable to shareholders decreased from approximately RMB373.10 million for the period ended 30 June 2011 to approximately RMB104.76 million for the period ended 30 June 2012. Core profit attributable to shareholders soared by 18 times from approximately RMB8.47 million for the period ended 30 June 2011 to approximately RMB160.95 million for the period ended 30 June 2012.

Borrowings

As at 30 June 2012, the Group had bank loans, senior notes and bonds balance of RMB6,037.91 million with maturities as follows:

Maturity	**30 June 2012** ***(RMB'000)***	31 December 2011 *(RMB'000)*
Within 1 year	**1,639,769**	1,335,211
1 to 2 years	**2,194,843**	1,523,386
2 to 5 years	**1,976,731**	2,431,659
Over 5 years	**226,567**	266,502
	6,037,910	5,556,758

As at 30 June 2012, the bank and other borrowings of the Group were RMB6,037.91 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 RMB6,062.45 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 2012, the net debt to equity ratio (total debt less cash on hand (including restricted cash) and divided by total equity) of the Group decreased from 63.7% as at 31 December 2011 to 55.9%. The improvement on gearing ratio resulted from the excellent performance of contracted sales and significant increase of proceeds from contracted sales.

Finance Expenses

During the period, the total cost of debt of the Group was RMB286.60 million, an increase by RMB37.40 million as compared with the corresponding period in 2011, of which RMB211.31 million were capitalised to cost of projects, an increase of RMB36.06 million as compared with the corresponding period in 2011. The increase in finance expenses was mainly due to the increase in the Group's total indebtedness from RMB5,204.88 million in the first half of 2011 to RMB6,037.91 million in the first half of 2012.

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$	1,024,537	129,981
RMB	3,607,965	2,771,011
US$	1,405,408	4,599
SG$	–	1,489
Total	6,037,910	2,907,080

* *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 2012, outstanding buy-back guarantees amounted to RMB4,586.69 million (31 December 2011: RMB4,171.66 million).

Return on Equity

For the six month ended 30 June 2012, 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 2012 was 3.0%.

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 2012	30 June 2011
Profit attributable to shareholders of the Company *(RMB'000)*	**104,762**	373,101
Less: fair value (losses)/gains of investment properties, net of deferred tax *(RMB'000)*	**(56,741)**	368,490
Plus: fair value (gain)/loss of warrants *(RMB'000)*	**(549)**	3,862
Core profit attributable to shareholders of the Company *(RMB'000)*	**160,954**	8,473
Weighted average number of ordinary shares in issue *('000)*	**2,880,000**	2,880,000
Basic earnings per share *(RMB cents per share)*	**3.64**	12.95
Core earnings per share *(RMB cents per share)*	**5.59**	0.29

No adjustment has been made to the basic earnings per share amounts for the period ended 30 June 2012 and 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 amounts presented. The core profit attributable to shareholders of the Company is the profit attributable to shareholders of the Company excluding fair value gains or losses on investment properties net of deferred taxation and fair value gain or loss of warrants.

Commitment

As at 30 June 2012, the Group had commitment in respect of development expenditure on real estate of approximately RMB1,781.43 million (approximately RMB1,518.50 million as at 31 December 2011). The Group is also committed to the payment of land premium in respect of land acquisition of approximately RMB110.70 million (approximately RMB110.70 million as at 31 December 2011).

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 18 years experience in properties development industry and over 11 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 2012, the Group had a total staff of 1,537.

PAYMENT OF INTERIM DIVIDEND

The Board proposed an interim dividend of HK2 cents for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil) to the shareholders whose names appear on the register of members on Thursday, 4 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The dividend cum-date and ex-date will be Friday, 28 September 2012 and Wednesday, 3 October 2012 respectively, and the interim dividend will be paid to the shareholders on or about Friday, 19 October 2012. The register of members of the Company will be closed from Friday, 28 September 2012 to Thursday, 4 October 2012, both days inclusive. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 4 October 2012.

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 2012.

CORPORATE GOVERNANCE

The Board of Directors (“Board”) and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Group emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

During the period, the Company had adopted, applied and complied with the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange and the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) 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 since 1 January 2012. Altough 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.

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 2012.

OUTLOOK AND DEVELOPMENT STRATEGIES

As the US Federal Reserve pledged to keep interest rates low until the end of 2014 and the European Central Bank offered large amounts of low-interest loans to European banks recently, the financial market began to stabilize. The Chinese government recently announced a 7.5% full-year GDP growth target. China's growth at such a healthy and sustainable pace, if coupled with the US economic recovery, will help bring a positive effect on the world economy.

Looking into the second half of the year, China will further loosen its monetary policy, which bodes well for the property market. In addition, as housing demand from the mainland is growing and interest rates are expected to fall further, the Group is cautiously optimistic about the prospect of the mainland property market. Currently, the Chinese property market is curbed by government policies, which in turn are subject to change with the internal and external environments. The Group has geared up for the sales campaign for all our projects in a bid to seize opportunities brought by market changes.

With Yuzhou Cloud Top International and Yuzhou Skyline Phase Ⅲ, which are expected to be launched in the second half of 2012, along with existing projects including Yuzhou Shoreline, Yuzhou Central Coast and Yuzhou Golf, we are confident of exceeding the target for this year's contracted sales.

The Group will adopt prudent strategies for financial management and maintain healthy financial position based on cash flow status and different circumstances.

For the mid-to-long term, upholding our philosophy of "Build Cities with Heart, Build Homes 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. We will pay greater attention on execution, sell-through rate and profit ratio. 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 exceed 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 2012

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