



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



**create value
for tomorrow**

Interim Report 2010

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Corporate Information

| | |
|--|---|
| Executive Directors | Mr. Lam Lung On (<i>Chairman</i>) Ms. Kwok Ying Lan Mr. Lin Longzhi Mr. Lin Conghui |
| Independent Non-executive Directors | Mr. Gu Jiande Mr. Lam Kwong Siu Mr. Wee Henny Soon Chiang |
| Audit committee | Mr. Wee Henny Soon Chiang (<i>Chairman</i>) Mr. Gu Jiande Mr. Lam Kwong Siu |
| Remuneration committee | Mr. Gu Jiande (<i>Chairman</i>) Mr. Lam Lung On Mr. Wee Henny Soon Chiang |
| Nomination committee | Mr. Gu Jiande (<i>Chairman</i>) Mr. Lam Lung On Mr. Wee Henny Soon Chiang |
| Qualified accountant and company secretary | Mr. Chiu Yu Kang |
| Authorized representatives | Mr. Lam Lung On Ms. Kwok Ying Lan |
| Registered office | Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands |
| Principal administration and management center in the PRC | 45 West Hubin Road Xiamen Fujian People's Republic of China |
| Principal place of business in Hong Kong | Units 4905-06, 49th Floor The Center 99 Queen's Road Central Central Hong Kong |
| Company's website | www.xmyuzhou.com.cn |
| Principal share registrar and transfer office | Butterfield Fulcrum Group (Cayman) Limited |
| Hong Kong Share Registrar | Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| Auditor | Ernst & Young |
| Legal Advisors | Paul, Hastings, Janofsky & Walker (as to Hong Kong law) Conyers Dill & Pearman (as to Cayman Islands law) |
| Compliance advisor | Guotai Junan Capital Limited |
| Principal Bankers | Industrial and Commercial Bank of China China Construction Bank Corporation Agricultural Bank of China Bank of China (Hong Kong) |

Financial Highlights

INCOME STATEMENT HIGHLIGHTS

| | Six months ended | | Change |
|--|------------------|-----------------|---------|
| | 30 June 2010 | 30 June 2009 | |
| Turnover (RMB'000) | 2,043,877 | 1,308,261 | +56.23% |
| Gross profit (RMB'000) | 1,009,212 | 632,541 | +59.55% |
| Gross profit margin | 49.38% | 48.35% | +1.03% |
| Profit attributable to shareholders (RMB'000) | 520,666 | 977,053 | -46.71% |
| Core net profit attributable to shareholders (RMB'000) (Profit attributable to shareholders excluding fair value gains on investment properties, net of deferred tax) | 456,108 | 277,982 | +64.08% |
| Net profit margin | 25.47% | 74.68% | -49.21% |
| Core net profit margin | 22.32% | 21.25% | +1.07% |
| Basic earnings per share (RMB) | 0.22 | 0.54 | -59.26% |
| Core earnings per share (RMB) | 0.19 | 0.15 | +26.67% |

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

| | 30 June 2010 | 31 December 2009 | Change |
|-------------------------------------|------------------------|---------------------|---------|
| | Total assets (RMB'000) | 11,254,893 | |
| Cash and cash equivalents (RMB'000) | 673,192 | 1,570,026 | -57.12% |
| Short-term loans (RMB'000) | 743,540 | 783,000 | -5.04% |
| Long-term loans (RMB'000) | 1,649,500 | 1,446,050 | +14.07% |
| Shareholders' equity (RMB'000) | 4,076,838 | 3,705,244 | +10.03% |
| Return on equity (ROE) | 25.54% | 29.72% | -4.18% |
| Total debt/Total assets | 21.26% | 20.01% | +1.25% |
| Net debt/Shareholders' equity | 42.19% | 17.79% | +24.40% |

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..

Chairman's Statement

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.

Chairman's Statement

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.

Chairman's Statement

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

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.



Yuzhou Zunhai

A superior commercial and residential project of villas and high-rise residence with panoramic seawiew



Yuzhou Castle above City

An international administrative community of Xiamen nestled in Wu Yuan Wan, which is commonly known as "the guest room of Xiamen"

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

FINANCIAL REVIEW

Borrowings

The Group will continue to comply with the prudent financial policies.

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.

Management Discussion and Analysis

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 Central Coast

Top class signature seaside composite in Xiamen to exclusively enjoy the beauty of West Bay

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



Gu Shan No. One

Fu Zhou's first community of luxurious villas located in the national 4A-class Gu Shan scenery park

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.

Management Discussion and Analysis

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 (RMB'000) | 30 June 2009 (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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Summary of Land Bank

| Projects | Site Area (sq.m.) | Location | Unit Land Cost (RMB/sq.m.) | Address | Total GFA Completed (sq.m.) | Total GFA Under Development (sq.m.) |
|---|----------------------|----------|-------------------------------|--|-----------------------------------|--|
| Completed Projects | | | | | | |
| Yuzhou Overseas City | 27,703 | Xiamen | 830 | Hexiang West Road and Hubin West Road, Siming District | 239,627 | — |
| Yuzhou Shuilian Manor | 12,909 | Xiamen | 910 | West of Jinshang Road North | 29,126 | — |
| Yuzhou Hai Tian Plaza | 6,316 | Xiamen | 396 | Xiagang Yonggugong, Siming District | 65,104 | — |
| Yuzhou Harbour City | 20,089 | Xiamen | 761 | Hubin North Road, Siming District | 191,649 | — |
| Yuzhou New City | 25,610 | Xiamen | 647 | Haotou, Dongdu, Huli District | 93,473 | — |
| Yuzhou Garden | 27,345 | Xiamen | 586 | Jinshang Road, Huli District | 92,888 | — |
| Galaxy Garden | 26,367 | Xiamen | 1,718 | Fanghu, Huli District | 93,922 | — |
| Yuzhou New Manor | 45,619 | Xiamen | 493 | No 414-417, Nanshan Road, Huli District | 118,892 | — |
| Yuzhou World Trade Center | 19,454 | Xiamen | 845 | No.75,Xiahe Road | 136,317 | 67,427 |
| Projects Under Development | | | | | | |
| Yuzhou Golden Seacoast | 70,793 | Xiamen | 1,611 | West of the Xinggang Road, Haicang District | 122,277 | 111,050 |
| Yuzhou Jingqiao International | 49,738 | Shanghai | 1,242 | No.333 Jingang Road, Pudong New Area | 91,763 | 142,750 |
| Oriental Venice | 706,397 | Fuzhou | 2,568 | Longjiang Village, Chengmen Town, Cangshan District | — | 367,093 |
| Yuzhou Gushan No. One | 234,160 | Fuzhou | 1,831 | Niushan Village, Yangli, Gushan Town, Jinan District | — | 87,654 |
| Yuzhou International Hotel | 60,018 | Xiamen | 1,175 | East of Huli Avenue, South of Huandao Road, Huli District | — | 125,221 |
| Yuzhou Square | 3,333 | Xiamen | 2,417 | Hubin South Road, Siming District | — | 60,251 |
| Yuzhou University City | 90,750 | Xiamen | 949 | Tongji Road, Xike Town, Tongan District | — | 480,252 |
| Yuzhou Castle above City | 52,715 | Xiamen | 1,609 | Fanghu, Huli District | — | 193,600 |
| Yuzhou Huaqiao City | 446,757 | Hefei | 377 | West of Songlin Road, Northeast of Planning Road, Taohua Town, Feixi County | — | 1,230,259 |
| Projects Held for Future Development | | | | | | |
| Yuzhou Zunhai | 107,622 | Xiamen | 4,983 | Area of 05-11, East of Xinggang Road and North of Jiaosong Road | — | — |
| Yuzhou Central Coast | 123,240 | Xiamen | 2,557 | Area of 11-10, East of Xingbin Road and North of Xingdong Road, Jimei | — | — |
| Yuzhou F1 Plaza | 15,652 | Xiamen | 4,109 | South of West Lianqian Road, West of Yundingzhong Road | — | — |
| Yuzhou Orient Golf | 55,986 | Xiamen | 1,490 | Maqing Road, Haicang | — | — |
| Yuzhou Kangqiao | 12,955 | Shanghai | 3,554 | No 1033, Kangqiao Road, Kangqiao Town | — | — |
| Tongan District Site | 22,868 | Xiamen | 1,585 | North Wulv Road, Industrial Estate, Tongan | — | — |
| Shanghai Xiersi | 40,911 | Shanghai | 2,367 | No. 9868, Hunan Road, Nanhui Industrial Estate, Pudong District | — | — |
| Quanzhou Site | 906,586 | Quanzhou | 232 | No.1 Yingbin Avenue South Industry District, Huian District | — | — |
| Total | 3,211,893 | | | | 1,275,038 | 2,865,557 |

Summary of Land Bank

| Total GFA (sq.m.) | Total Saleable GFA (sq.m.) | Total Saleable GFA Unsold | | Total Saleable GFA Sold or Pre-sold | | | Land Parcel Saleable GFA (sq.m.) | Interest in the Project % | Attributable GFA (sq.m.) |
|----------------------|-------------------------------|-------------------------------|-------------------------------------|-------------------------------------|------------------------------|----------------------------------|-------------------------------------|------------------------------|-----------------------------|
| | | Held for Sale Only (sq.m.) | Held for Investment Only (sq.m.) | Total (sq.m.) | Sold Saleable GFA (sq.m.) | Pre-sold Saleable GFA (sq.m.) | | | |
| 239,627 | 236,746 | 3,926 | 1,101 | 231,719 | 231,719 | — | 5,027 | 100% | 5,027 |
| 29,126 | 27,325 | 179 | — | 27,146 | 27,146 | — | 179 | 100% | 179 |
| 65,104 | 64,575 | 2,876 | — | 61,699 | 61,699 | — | 2,876 | 100% | 2,876 |
| 191,649 | 186,013 | 1,245 | — | 184,768 | 184,768 | — | 1,245 | 60% | 747 |
| 93,473 | 90,771 | 4,986 | — | 85,785 | 85,785 | — | 4,986 | 100% | 4,986 |
| 92,888 | 92,120 | 2,639 | — | 89,481 | 89,481 | — | 2,639 | 100% | 2,639 |
| 93,922 | 86,528 | 11,727 | — | 74,801 | 74,801 | — | 11,727 | 100% | 11,727 |
| 118,892 | 118,641 | 21 | — | 118,620 | 118,620 | — | 21 | 100% | 21 |
| 203,744 | 182,640 | 30,056 | 49,100 | 103,484 | 80,391 | 23,093 | 102,249 | 100% | 102,249 |
| 233,327 | 223,678 | 18,856 | 31,650 | 173,172 | 86,261 | 86,911 | 137,417 | 100% | 137,417 |
| 234,513 | 231,142 | 88,362 | 15,765 | 127,015 | 101,615 | 25,400 | 129,527 | 100% | 129,527 |
| 367,093 | 355,432 | 278,296 | 15,733 | 61,403 | — | 61,403 | 355,432 | 80% | 284,346 |
| 87,654 | 79,993 | 79,993 | — | — | — | — | 79,993 | 60% | 47,996 |
| 125,221 | 102,142 | — | 102,142 | — | — | — | 102,142 | 100% | 102,142 |
| 60,251 | 57,861 | — | 57,861 | — | — | — | 57,861 | 100% | 57,861 |
| 480,252 | 458,609 | 257,291 | 9,514 | 191,804 | — | 191,804 | 458,609 | 100% | 458,609 |
| 193,600 | 189,223 | 161,203 | 15,155 | 12,865 | — | 12,865 | 189,223 | 98% | 185,439 |
| 1,230,259 | 1,222,859 | 1,050,868 | 97,300 | 74,691 | — | 74,691 | 1,222,859 | 100% | 1,222,859 |
| 301,000 | 301,000 | 301,000 | — | — | — | — | 301,000 | 100% | 301,000 |
| 535,000 | 535,000 | 535,000 | — | — | — | — | 535,000 | 100% | 535,000 |
| 79,000 | 79,000 | 79,000 | — | — | — | — | 79,000 | 100% | 79,000 |
| 89,956 | 89,956 | 89,956 | — | — | — | — | 89,956 | 100% | 89,956 |
| 49,241 | 49,241 | 49,241 | — | — | — | — | 49,241 | 100% | 49,241 |
| 59,290 | 59,290 | 59,290 | — | — | — | — | 59,290 | 100% | 59,290 |
| 127,000 | 127,000 | 127,000 | — | — | — | — | 127,000 | 100% | 127,000 |
| 2,238,000 | 2,238,000 | 2,238,000 | — | — | — | — | 2,238,000 | 100% | 2,238,000 |
| <u>7,619,082</u> | <u>7,484,785</u> | <u>5,471,011</u> | <u>395,321</u> | <u>1,618,453</u> | <u>1,142,286</u> | <u>476,167</u> | <u>6,342,499</u> | | <u>6,235,134</u> |

Other Information

DIRECTORS' INTERESTS IN SHARES

At 30 June 2009, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

| Name of director | Note | Directly beneficially owned | Through spouse | Total | Percentage of the Company's issued share capital |
|-------------------|------|-----------------------------|----------------|---------------|--|
| Mr. Lam Lung On | (a) | 900,000,000 | 900,000,000 | 1,800,000,000 | 75.0 |
| Ms. Kwok Ying Lan | (a) | 900,000,000 | 900,000,000 | 1,800,000,000 | 75.0 |

(a) Ms. Kwok Ying Lan and Mr. Lam Lung On are married to each other.

Save as provided above, none of the directors have any interests in the share capital of the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

At 30 June 2009, the Company is not aware of any person, other than a director or chief executive of the Company, who has an interest in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

In order to ensure compliance with the non-competition undertakings given by each of Mr. Lam Lung On and Ms. Kwok Ying Lan (the "Controlling Shareholders"), the independent non-executive Directors have (i) reviewed the compliance with the Deed of Non-competition Undertakings dated 9 October 2009 by the Controlling Shareholders; and (ii) reviewed and approved the decision as to whether to take up any business opportunity which was referred to the Group by the Controlling Shareholders and their associates during the period.

To completely eliminate competition between the retail property leasing business owned by Mr. Lam Lung On, the Chairman and an Executive Director, Ms. Kwok Ying Lan, the Executive Director and their associates (the "Lam Family Group") and our Company's leasing business, the Lam Family Group sold all the retail properties to independent third parties on an arm's length basis on 30 April 2010 and the respective signed sale and purchase agreement was reviewed by all independent non-executive Directors on 14 May 2010.

After the sale of the Lam Family Group's retail property leasing businesses, the controlling shareholders of our Company and their associates do not engage in any other business which may compete, directly or indirectly, with the business of our Group.

Other Information

EVENT AFTER THE REPORTING PERIOD

On 30 June 2010, the Company entered into an investment agreement with Guotai Junan Securities (Hong Kong) Limited and China Life Trustees Limited (the “Subscriber”), pursuant to which the Subscriber agreed to subscribe for, and the Company agreed to issue 10% guaranteed bonds (the “Bonds”) in two tranches in the aggregate principal amount of HK\$1,000,000,000 due in 2013. The Bonds are guaranteed by Mr. Lam and Ms. Kwok and secured by share charge of 15% and 6% of the entire issued share capital of the Company held by Mr. Lam and Mr. Kwok in relation to the first and second tranche of the Bonds, respectively. Up to the date of this interim financial information, the Company completed the issue of the first tranche of the Bonds in the principal amount of HK\$700,000,000 (approximately RMB610,544,000).

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.

SHARE OPTION SCHEME

On 24 May 2010, a share option scheme (the “Scheme”) was adopted and approved by their then shareholders of the Company for a period of 10 years commencing on the adoption date. Since the adoption date, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

Other Information

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.

On behalf of the Board

Lam Lung On

Chairman

Hong Kong, 30 August 2010

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

| | Notes | 2010 RMB'000 (Unaudited) | 2009 RMB'000 (Audited) |
|---|-------|--------------------------------|------------------------------|
| REVENUE | 3 | 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 | 3 | 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 | 4 | (2,139) | (514) |
| PROFIT BEFORE TAX | 5 | 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 |

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2010

| | For the six months ended 30 June | |
|---|----------------------------------|------------------------------|
| | 2010 RMB'000 (Unaudited) | 2009 RMB'000 (Audited) |
| Profit for the period | 520,877 | 974,393 |
| Exchange differences on translation of foreign operations | 9,574 | (7,152) |
| Total comprehensive income for the period | 530,451 | 967,241 |
| Attributable to: | | |
| Owners of the Company | 530,240 | 972,862 |
| Non-controlling interests | 211 | (5,621) |
| | 530,451 | 967,241 |

Condensed 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 | 9 | 170,498 | 166,633 |
| Investment properties | 10 | 2,536,730 | 2,422,070 |
| Prepaid land lease payments | 11 | 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 | 11 | 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 | 12 | 741,293 | 703,488 |
| Other payables and accruals | | 220,186 | 181,202 |
| Interest-bearing bank and other borrowings | 13 | 743,540 | 783,000 |
| Due to related parties | 18(c) | — | 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 |

Condensed 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 | 13 | 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 | 14 | 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 |

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2010

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---------------------------------------|---------------|-----------------|----------------|---------------------|---------------|------------------|----------------|-----------|---------------------------|--------------|
| | Issued capital | Share premium | Statutory | Merger reserve | Exchange | Other reserve | Retained profits | Proposed | Total | Non-controlling interests | Total equity |
| | | | surplus reserve | | fluctuation reserve | | | final dividend | | | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| (Unaudited) | | | | | | | | | | | |
| At 1 January 2010 | 211,528 | 1,516,575 | 55,935 | – | 31,424 | (16,328) | 1,747,464 | 158,646 | 3,705,244 | 124,173 | 3,829,417 |
| Total comprehensive income for the period | – | – | – | – | 9,574 | – | 520,666 | – | 530,240 | 211 | 530,451 |
| Final 2009 dividend declared | – | – | – | – | – | – | – | (158,646) | (158,646) | – | (158,646) |
| At 30 June 2010 | 211,528 | 1,516,575 | 55,935 | – | 40,998 | (16,328) | 2,268,130 | – | 4,076,838 | 124,384 | 4,201,222 |
| (Audited) | | | | | | | | | | | |
| At 1 January 2009 | 1 | – | 43,027 | 28 | 34,392 | (16,328) | 817,976 | – | 879,096 | 134,144 | 1,013,240 |
| Total comprehensive income for the period | – | – | – | – | (4,191) | – | 977,053 | – | 972,862 | (5,621) | 967,241 |
| At 30 June 2009 | 1 | – | 43,027 | 28 | 30,201 | (16,328) | 1,795,029 | – | 1,851,958 | 128,523 | 1,980,481 |

Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2010

| | For the six months ended 30 June | |
|--|-------------------------------------|------------------------------|
| | 2010 RMB'000 (Unaudited) | 2009 RMB'000 (Audited) |
| Net cash flows from/(used in) operating activities | (876,623) | 1,111,993 |
| Net cash flows used in investing activities | (35,129) | (74,416) |
| Net cash flows from/(used in) financing activities | 5,344 | (770,125) |
| Net increase/(decrease) in cash and cash equivalents | (906,408) | 267,452 |
| Cash and cash equivalents at beginning of period | 1,570,026 | 196,547 |
| Effect of foreign exchange rate changes, net | 9,574 | (7,152) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 673,192 | 456,847 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 673,192 | 456,847 |

Notes to Interim Financial Information

30 June 2010

1. ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2010 is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2009, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

| | |
|--|---|
| HKFRSs (Amendments) | Improvements to HKFRSs |
| HKFRS 1 (Revised) | <i>First-time Adoption of Hong Kong Financial Reporting Standards</i> |
| HKFRS 1 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> |
| HKFRS 2 Amendments | Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> |
| HKFRS 3 (Revised) | <i>Business Combinations</i> |
| HKAS 27 (Revised) | <i>Consolidated and Separate Financial Statements</i> |
| HKAS 39 Amendment | Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> |
| HK(IFRIC)-Int 17 | <i>Distributions of Non-cash Assets to Owners</i> |
| Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008 | Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> |
| HK Interpretation 4 (Revised in December 2009) | <i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> |

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s interim financial information.

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.

2. 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;

Notes to Interim Financial Information

30 June 2010

2. OPERATING SEGMENT INFORMATION *(Continued)*

- (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 |

Notes to Interim Financial Information

30 June 2010

2. OPERATING SEGMENT INFORMATION *(Continued)*

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 |

Notes to Interim Financial Information

30 June 2010

3. 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 RMB'000 (Unaudited) | 2009 RMB'000 (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 RMB'000 (Unaudited) | 2009 RMB'000 (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 |

Notes to Interim Financial Information

30 June 2010

4. FINANCE COSTS

An analysis of finance costs is as follows:

For the six months ended 30 June

| | 2010 RMB'000 (Unaudited) | 2009 RMB'000 (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 |

5. PROFIT BEFORE TAX

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

For the six months ended 30 June

| | 2010 RMB'000 (Unaudited) | 2009 RMB'000 (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 | — |

Notes to Interim Financial Information

30 June 2010

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.

Notes to Interim Financial Information

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9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of RMB7,508,000 (six months ended 30 June 2009: RMB4,294,000).

10. INVESTMENT PROPERTIES

Group

| | Completed RMB'000 | Under construction RMB'000 | Total RMB'000 |
|---------------------------------------|-----------------------------|--|-------------------------|
| At 1 January 2010 | 2,035,300 | 386,770 | 2,422,070 |
| Additions | — | 28,582 | 28,582 |
| Transfers | 26,922 | (26,922) | — |
| Net gains from fair value adjustments | 86,078 | — | 86,078 |
| At 30 June 2010 | 2,148,300 | 388,430 | 2,536,730 |

The Group's completed investment properties were revalued on 30 June 2010 by DTZ Debentam Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis. The Group's investment properties under construction were measured at cost until such time as fair value can be determined reliably or construction is completed. As the Group has concluded that the fair value of its investment properties under construction cannot be measured reasonably, they have been measured at fair value when completed.

11. PREPAID LAND LEASE PAYMENTS

| | Group RMB'000 |
|---|-------------------------|
| Carrying amount at 1 January 2010 | 916,611 |
| Additions during the period | 279,320 |
| Amortised during the period | (5,323) |
| Transferred to properties under development | (53,160) |
| Carrying amount at 30 June 2010 | 1,137,448 |
| Current portion | (681,118) |
| Non-current portion | 456,330 |

Notes to Interim Financial Information

30 June 2010

11. PREPAID LAND LEASE PAYMENTS *(Continued)*

Included in the Group's non-current balance of prepaid land lease payments is a parcel of land held for a property development project in the amount of RMB456,330,000 as at 30 June 2010 (31 December 2009: RMB512,463,000) for which the Group has experienced delays in commencing construction due to the uncertainty over the plot ratio of the land. As of the date of this interim financial information, the Group has begun the application process for the permits required to commence construction of the relevant project, and the Group has not received any warning notice or been subject to any penalties in the nature of idle land fees for its delay in commencing construction from the local land bureau. As the Group has begun the application process for the permits required for the commencement of construction of the relevant project in accordance with the normal procedures, the directors of the Company consider that no provision for idle land fees or land forfeiture is required for the land included in the non-current balance of prepaid land lease payments up to the date of this interim financial information.

12. 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.

Notes to Interim Financial Information

30 June 2010

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | Group | |
|--|---|--|
| | As at 30 June 2010 RMB'000 (Unaudited) | As at 31 December 2009 RMB'000 (Audited) |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | 743,540 | 783,000 |
| In the second year | 306,500 | 196,050 |
| In the third to fifth years, inclusive | 998,000 | 875,000 |
| Beyond five years | 345,000 | 375,000 |
| | 2,393,040 | 2,229,050 |

Certain of the Group's bank loans are secured or guaranteed by:

- (a) mortgages over the Group's properties under development with an aggregate carrying value at the end of the reporting period of approximately RMB2,966,769,000 (31 December 2009: RMB1,040,415,000);
- (b) pledges over the Group's investment properties with an aggregate carrying value at the end of the reporting period of approximately RMB2,206,854,000 (31 December 2009: RMB1,354,007,000);
- (c) corporate guarantees executed by certain subsidiaries of the Group to the extent of RMB438,000,000 (31 December 2009: RMB259,050,000); and
- (d) joint and several personal guarantees executed by Mr. Lam Lung On ("Mr. Lam") and Ms. Kwok Ying Lan ("Ms. Kwok"), directors of the Company, to the extent of RMB450,000,000 as at 30 June 2010 (31 December 2009: RMB450,000,000).

Notes to Interim Financial Information

30 June 2010

14. SHARE CAPITAL

| | As at 30 June 2010 RMB'000 (Unaudited) | As at 31 December 2009 RMB'000 (Audited) |
|---|---|--|
| Authorised 100,000,000,000 shares of HK\$0.1 each | 8,813,679 | 8,813,679 |
| Issued and fully paid 2,400,000,000 shares of HK\$0.1 each | 211,528 | 211,528 |

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 10) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | Group | |
|-----------------|---|--|
| | As at 30 June 2010 RMB'000 (Unaudited) | As at 31 December 2009 RMB'000 (Audited) |
| Within one year | 31,416 | 35,471 |

Notes to Interim Financial Information

30 June 2010

15. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | As at 30 June 2010 RMB'000 (Unaudited) | As at 31 December 2009 RMB'000 (Audited) |
| Within one year | 3,084 | 1,024 |
| In the second to fifth years, inclusive | 2,264 | 525 |
| | 5,348 | 1,549 |

16. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | Group | |
|---|---|---|
| | As at 30 June 2010 RMB'000 (Unaudited) | As at 31 December 2009 RMB'000 (Audited) |
| Contracted, but not provided for: | | |
| Investment properties under construction and properties under development | 1,593,267 | 1,275,330 |
| Acquisition of land use rights | 1,353,150 | 1,907,900 |
| | 2,946,417 | 3,183,230 |
| Authorised, but not contracted for: | | |
| Acquisition of land use rights | 470,000 | — |

Notes to Interim Financial Information

30 June 2010

17. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

| | Group | |
|---|--------------------|-------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2010 | 2009 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties | 2,912,345 | 2,379,720 |

At the end of the reporting period, the Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as security on the mortgage loans. Upon default on mortgage payments by these purchasers, the banks are entitled to take over the legal titles and can realise the pledged properties through open auction. The Group is obliged to repay the banks for the shortfall if the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans, and ends upon the earlier of (i) the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers.

The directors of the Company consider that the fair value of the guarantees is not significant, and in the case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made in the financial statements.

Notes to Interim Financial Information

30 June 2010

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in this interim financial information, the Group had the following material transactions with related parties during the period.

| | Notes | Group | |
|--|-------|---|------------------------------|
| | | For the six months ended 30 June 2010 RMB'000 (Unaudited) | 2009 RMB'000 (Audited) |
| Interest expense paid to Xiamen Zongheng Group Co., Ltd ("Zongheng Group") | (i) | — | 6,300 |
| Service fees paid to Xiamen Zongheng Group Communication Development Co., Ltd ("Zongheng Communication Development Co.") | (ii) | 443 | 859 |

Notes:

- (i) The interest expense was charged on the entrusted loans obtained from Zongheng Group through a financial institution, which had been fully repaid by the Group in July 2009.
- (ii) The service fees were incurred for the design, installation and testing of intelligence systems provided by Zongheng Communication Development Co. in relation to properties held for sale, at rate determined in accordance with terms and conditions set out in the contracts entered into between the relevant parties. Zongheng Communication Development Co. is a company controlled by Mr. Lam and Ms. Kwok.
- (b) Certain directors of the Company have guaranteed bank loans of RMB450,000,000 (31 December 2009: RMB450,000,000) made to the Group as at the end of the reporting period.
- (c) The amount due to a director of the Company was unsecured, interest-free and repayable on demand.

Notes to Interim Financial Information

30 June 2010

18. RELATED PARTY TRANSACTIONS *(Continued)*

- (d) Compensation of key management personnel of the Group

| | Group | |
|---|----------------------------------|-----------|
| | For the six months ended 30 June | |
| | 2009 | 2008 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Short term employee benefits | 2,559 | 1,540 |
| Retirement benefit scheme contributions | 29 | 9 |
| Total compensation paid to key management personnel | 2,588 | 1,549 |

19. EVENT AFTER THE REPORTING PERIOD

On 30 June 2010, the Company entered into an investment agreement with Guotai Junan Securities (Hong Kong) Limited and China Life Trustees Limited (the "Subscriber"), pursuant to which the Subscriber agreed to subscribe for, and the Company agreed to issue 10% guaranteed bonds (the "Bonds") in two tranches in the aggregate principal amount of HK\$1,000,000,000 due in 2013. The Bonds are guaranteed by Mr. Lam and Ms. Kwok and secured by share charge of 15% and 6% of the entire issued share capital of the Company held by Mr. Lam and Mr. Kwok in relation to the first and second tranche of the Bonds, respectively. Up to the date of this interim financial information, the Company completed the issue of the first tranche of the Bonds in the principal amount of HK\$700,000,000 (approximately RMB610,544,000).