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)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

1. Total revenue was RMB3,893.84 million. Gross profit was RMB1,543.07 million and gross profit margin was 40%.

2. Cash and bank balances (including restricted cash) amounted to RMB3,728.62 million and net gearing ratio was 62%.

3. Core profit attributable to shareholders increased by 39% to RMB810.43 million, reaching a record high. Core profit margin soared by 6 percentage points to 21%.

4. Basic earnings per share was RMB25 cents. Basic core earnings per share was RMB28 cents.

5. Total equity were up 8% to RMB6,091.49 million. Net assets per share was RMB2.1.

6. Contracted sales surged by 52% to RMB6,529.13 million.

7. Leveraging on the property market condition during the year, the Group acquired 3 new parcels of land, adding approximately 1.42 million sq.m. gross floor area ("GFA") to its attributable land reserve and its land cost was RMB975 per sq.m. As at 31 December 2012, the Group had an aggregate saleable land reserve of approximately 6.66 million sq.m. GFA.

8. The Board proposed a bonus issue of 2 bonus shares for every 10 existing shares held. Total dividend per share included two interim dividend for the year was HK12 cents.

CHAIRMAN'S STATEMENT

To Shareholders:

On behalf of the board of directors (the "Board") of Yuzhou Properties Company Limited ("Yuzhou Properties" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2012.

Year 2012 was just the third anniversary year of the listing of Yuzhou Properties and was also a fruitful year for Yuzhou Properties.

For the year ended 31 December 2012, turnover of the Group was RMB3,893.84 million and gross profit was RMB1,543.07 million. The average selling price of our properties sold was RMB7,593 per sq.m. and gross profit margin was approximately 40%. Profit attributable to shareholders was RMB726.21 million. Basic earnings per share was RMB25 cents. Core profit attributable to shareholders surged from RMB582.99 million in 2011 to RMB810.43 million in 2012, reaching a historic high. Core profit margin soared by 6 percentage points to 21%. Core earnings per share was RMB28 cent. The full year dividend was HK12 cents per share (2011: HK4 cents).

Business Review

In 2012, the PRC property market rebounded with increases in both selling prices and volume. With strong inelastic demand and on-going loosening of the credit policies in Mainland China, customers purchasing sentiments were improving. Therefore, the Group's contracted sales also increased significantly to a historic high of RMB6.5 billion and had significantly improved the financial conditions of the Group.

In 2012, the Group adopted flexible strategies in project development and marketing and had successfully attained increases in both prices and volume. For instance, the selling prices of Yuzhou Shoreline and Yuzhou Central Coast increased from RMB11,000 and RMB8,000 at the beginning of 2012 to RMB16,000 and RMB13,000 respectively by the end of 2012, satisfying both the profit margin and sell-through rate requirements simultaneously. Contracted sales reached RMB6.5 billion, a significant increase of 52% as compared with 2011. Of which, sales performance in Xiamen was outstanding with contracted sales reaching RMB4.8 billion. Both the saleable area and contracted sales amount ranked top in Xiamen, attaining a market share of 9.3%. Furthermore, with contracted sales reaching RMB900 million, the sales performance of Hefei was blockbusting after years of relentless consolidation by the Group, which ranked among the top in Hefei with very encouraging results.

Investment Strategies

With sufficient cash and relatively low net gearing ratio, the Group leveraged on the opportunity of industry adjustments to supplement its land reserves, and had focused on the execution, sell-through rate and profit margin of its investment projects especially to achieve its continuous development.

For the development of the West Strait Economic Zone, the Group acquired one land parcel in Quanzhou in April 2012 in which the average land cost was significantly below market norm. The average floor price was RMB343 per sq.m. with total saleable GFA of approximately 820,000 sq.m. In 2012, Quanzhou was permitted to become the third National Financial Comprehensive Reform Pilot Region (國家級金融綜合改革試驗區) to form a diversified and dynamic financial system. We are fully confident about the development of Quanzhou. With over 1.30 million sq.m. land reserve in Quanzhou, it is expected that Quanzhou will become an important growth driver of the Group in the future. In August 2012, the Group had again successfully obtained the Longyan Project at an average floor price of RMB1,921 per sq.m. with total saleable GFA of approximately 310,000 sq.m. It signified the formal establishment of the Group's foothold in western Fujian and had laid a solid foundation of Yuzhou Properties' expansion strategy in the West Strait Economic Zone. Longyan is an important mining and tourist region in Fujian Province. With the improving infrastructure in Longyan City, its real estate development is growing rapidly. By complementing with the brand effect of Yuzhou Properties in West Strait, it is expected that this investment will generate satisfactory returns to the Group in the future.

For the development of the Yangtze River Delta Region, the Group acquired land parcels in Hefei in July 2012 and January 2013 with an average floor price of RMB1,755 per sq.m. and RMB1,421 per sq.m. respectively, and respective total saleable GFA were approximately 290,000 sq.m. and 920,000 sq. m.. With 7 years of real estate development history in Hefei, a sophisticated and highly efficient team was already in place. Such investment can further consolidate Yuzhou Properties' leading position in Hefei. In January 2013, through equity acquisition, the Group acquired a land parcel in Bengbu City at RMB440 million with total GFA of approximately 670,000 sq. m. at an average cost of approximately RMB660 per sq. m. Located in northern Anhui Province, the midstream of Huai River, and the intersection between Jinghu Railway and Huainan Railway, Bengbu City is the traffic hub of Anhui Province. The land parcel acquired is in the vicinity of Bengbu City Government with lake landscape nearby, which is about 5 minutes' drive to Bengbu High-speed Railway Station. By benefiting from the solid brand effect of Yuzhou Properties in Hefei and the proximity of Bengbu to Hefei, we firmly believe that we could replicate our success in Hefei to Bengbu and the profit that is expected to generate from this acquisition will be very substantial.

Financing Strategies

To achieve sustainable development, the Group actively organizes various financing channels to further optimize its financial structure to maintain a steady and sufficient cash flow. The sound financial position and development prospect of the Group are widely recognized by the rating agencies. Moody's Investors Service, Inc. and Standard and Poor's Ratings Services maintain the Group's credit rating of "B1" and "B+" respectively with a "Stable" outlook. In 2012, the Company issued US$250 million senior notes which are due in 2017 are over 35 times oversubscribed, in which it is due in 2017 and bears a coupon interest rate of 11.75%. The senior notes were subscribed emphatically in international capital market, proving the market's confidence towards the Group's outlook.

Investor Relations

The Group endeavours to maintain a high level of transparency and corporate governance. Through the establishment of an efficient communication system with investors, it facilitates a win-win investor relationship to enable all parties the accessibility of Yuzhou Properties' business development strategies and growth potentials. During 2012, the Group facilitated communications with investors and analysts of over 450 man-time, in which it included such different types of communications as conducting 7 road shows domestically and abroad, participating in 20 domestic and overseas investors summits or symposiums held by prominent investment banks or securities dealers, 111 meetings and telephone conferences with investors and 77 site visits.

Property Investment

The Group is committed to improving the development and management capabilities of its investment properties. During the year, the Group's total annual rental income before taxation reached RMB 57.03 million, of which the overall occupancy rate of Xiamen Yuzhou World Trade Center Phase I and Phase II, with Xiamen train station nearby, was over 95%; while the average occupancy rate of the Yuzhou World Trade Plaza Phase I and Phase II in Hai Cang District, Xiamen was also above 98%. With the addition of Xiamen Yuzhou Center（廈門禹洲中心）, Shanghai Yuzhou Center（上海禹洲中心）and Yuzhou International Hotel of the Group that will be completed in the forthcoming years one after another, the rental and hotel revenues of the Group are expected to witness an explosive growth. The Group's business will become more diversified and it will generate more stable revenues with dispersed operational risks.

Awards

The Group received a number of widely recognized honours and awards with its excellent comprehensive strengths. 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, Institute of Real Estate studies of Tsinghua University and China Index Academy. The Group was also awarded the "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, and also the "Hong Kong Outstanding Enterprises 2012" from Economic Digest, an authoritative financial magazine in Hong Kong, illustrating that Yuzhou Properties is widely receptive by people from different communities.

Social Responsibilities

By pursuing its corporate mission of "Serve the community and requite the community"（服務社會、回報社會）, the Group has been actively committed to its social responsibility since its incorporation. Alongside the Company's development, we always keep this in our mind. Yuzhou Properties has placed as much emphasis upon fulfilling its social responsibilities of being a good corporate citizen. It strives to establish a harmonious relationship between enterprises and the society and actively participates in various public welfare businesses and activities. It cares about children education in poverty regions, concerns about home rebuilding for residents in disastrous areas as well as advocates energy saving, environmental protection and sustainable development. For instance, the Group organized a grand public welfare evening event in December 2012 in which all donations raised from different parties were bestowed to Xiamen Charity Federation.

Development Strategies and Prospect

With US Federal Reserve Board committed to maintain a low interest rate policy until the end of 2014 and the massive low-interest loans made by European Central Bank to banks in Europe, the financial market is becoming more and more stable. The National Academy of Economic Strategy, CASS has estimated that China's GDP growth in 2013 will be about 8.5% and China's economic performance in 2013 will excel that in 2012. The global economy will be more promising if the US and European economies are also recovering.

In view of this situation, Yuzhou Properties has planned to adopt the following development strategies.

Focusing on West Strait Economic Zone Development

Firstly, the Group shall continue to adhere to its development strategy of becoming the leader in the West Strait Economic Zone. As a hub between China and Taiwan, the geographic location of West Strait Economic Zone is of strategic significance where it is adjacent to Taiwan and is linked to the Pearl River Delta Region and the Yangtze River Delta Region. With the backdrop of increasing economic integration between China and Taiwan, the West Strait Economic Zone has all along been one of the faster development regions in China. Most of our projects that are under construction or have already been launched are located in this area where we have attained competitive advantages in both land reserve and market share. The Group is also placed prominently in the leading position of property sales in the area. Moreover, with our extensive social network in Fujian and the surrounding regions, the Group has many collaborative projects with the local government, like the Quanzhou project pending for development that was acquired in April 2012. Under the current massive real estate market integration process, the market share in West Strait Economic Zone is of great significance to Yuzhou Properties. By learning from the past experience of abrupt market changes, the launching of new projects of the Group will be flexible and more orderly in 2013 and will continue to target its sales focus in Xiamen with solid inelastic demand from end users. Selling apartments will continue to be the key focus in our product portfolio and the proportion of villas and quality houses will also increase under gradual market recovery. It is expected that the West Strait Economic Zone market will remain a key drive of Yuzhou Properties' rapid growth in 2013.

Exploring Financing Channels

Furthermore, another important objective of the Group is to strengthen our cash flow management and healthy financial policy. Given the unused credit facilities of RMB 3.8 billion as at the end of 2012 and compare with other developers of similar size, the lower loan interest through our well-established regional relationship with the four largest state-owned banks (weighted average interest rate of onshore and offshore funding is as low as 9.7%), we believe that the Group has sufficient capital for future development. The Group will also actively participate in international capital market, maintain an efficient two-way communication with various institutes in establishing long-term and stable relationships, in which it will facilitate the Group in expanding sources of financing as well as reducing financing costs.

Seeking truth from facts and taking actions to suit local conditions

The Group will seek truth from facts, taking actions to suit local conditions, and promote products that are in line with market needs according to the economic standards of different cities, such as improving the saleable ratio of products with good design to make products more humanized while launching the products that have a rigid inelastic demand. The Group intends to launch various brand new projects nationwide in 2013 with current projects to be launched one after another under new portfolio. It is expected that about 13 major projects in 7 cities will be sold in 2013, namely Yuzhou Shoreline, Yuzhou Central Coast, Yuzhou Golf, Yuzhou Riverside City Town and Yuzhou Cloud Top International in Xiamen, Yuzhou Oriental Venice and Yuzhou Gushan No. One in Fuzhou, Yuzhou City Plaza in Quanzhou, Yuzhou Castle above City in Longyan, Yuzhou Skyline and Yuzhou Jade Lakeshire in Hefei, Yuzhou Land Dream in Shanghai and Yuzhou Palace Country in Tianjin. These projects will further expand Yuzhou's brand influence in the West Strait Economic Zone, Yangtze River Delta Region and Bohai Rim Region. We are confident of making further progress in contracted sales in 2013.

Enhancing the performance appraisal system

The Group has incorporated financial indicators, such as sales income and proceeds from sales and selling expenses, into the integrated performance ranking appraisal system and each city will need to enhance and increase its efforts in sales and cash collection to fulfill these indicators as they have direct impact on individual performance appraisal and bonus scale. Moreover, the Group convenes monthly coordination meetings with every city and holds quarterly large scale working conferences to solve municipal-related problems and improve working efficiency. We implement city ranking, quarterly appraisal, year-end summary with such appraisal stringently linked up with bonuses. The appraisal and management of the performance ranking was carried out within the Group with satisfactory results. For instance, contracted sales in 2012 reached up to RMB6.5 billion which was 130% of sales target, proceeds from sales in 2012 exceeded RMB6 billion with contracted sales collection rate exceeded 90%, and selling expenses controlled within 2% of contracted sales.

Observing stringently the investment disciplines

With credit lending easing up and sales rebound, the land markets of various cities in China have recorded new historical high recently. As the current land reserve will be able to meet the needs for the next five years, the Group will face the situation unexceptionally and will not acquire any land without any purpose. Apart from acquiring land parcel through public bidding, auction and listing, we will also increase our land reserve through first and second-tier collaborative development and corporate shareholding acquisition. We will strictly observe the investment disciplines and pay greater attention on execution, sell-through rate and profit margin of project investments. 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 already had a foothold, we will also allocate resources appropriately to increase local land reserves at reasonable prices and put our existing brand advantages into full play, with an ultimate aim to solidify our presence in the region.

Pursuing a stable development and taking actions to suit seasonal conditions

According to current cash flow situation, the Group will take actions to suit seasonal conditions and existing commitments to maintain a stable financial position for the Company. The gearing ratio at the end of the year was only 62% with cash on hand reaching a new historic high of RMB3.7 billion. For the medium-to-long term, by upholding our philosophy of "Building Cities with Heart, Building 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. 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 Bohai Rim Region, thereby to achieve the strategic objective of business development nationwide.

Outlook

With urbanization pushing the property market forward continuously, we believe that the property market outlook in the PRC will continue to flourish. The past regulatory policy annexed by the government was aimed at cooling down the overheated property market, which in turn was conducive to the healthy development of the entire property market. We believe that with the execution of effective strategies, Yuzhou Properties can achieve better performance in the future.

Appreciation

The excellent performance of the Group in 2012 was really founded on the tremendous support from all circles and the diligent fulfillment of all staff. On behalf of the Board, I would like to take this opportunity to express our heartfelt thanks to all shareholders, investors, partners and customers for their trust and support. We will adhere to our spirit of "Building Cities with Heart, Building Homes with Love" and dedicate to maximize the value for our shareholders and investors in creating the best returns.

Lam Lung On
Chairman

Hong Kong, 27 March 2013

The board of directors (the "Board") of Yuzhou Properties Company Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2012, which was prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	**2012** *RMB'000*	2011 *RMB'000*
REVENUE	*2,3*	**3,893,836**	3,839,076
Cost of sales		**(2,350,771)**	(1,954,615)
Gross profit		**1,543,065**	1,884,461
Other income and gains	*2*	**68,434**	93,366
Selling and distribution costs		**(108,361)**	(116,356)
Administrative expenses		**(176,325)**	(159,762)
Other expenses		**(4,127)**	(5,196)
Fair value (losses)/gains on investment properties		**(132,386)**	478,180
Finance costs	*5*	**(154,546)**	(156,238)
Share of result of a jointly-controlled entity		**(3,174)**	–
PROFIT BEFORE TAX	*4*	**1,032,580**	2,018,455
Income tax expense	*6*	**(308,071)**	(1,025,247)
PROFIT FOR THE YEAR		**724,509**	993,208
Attributable to:			
Owners of the Company		**726,214**	941,628
Non-controlling interests		**(1,705)**	51,580
		724,509	993,208
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		(Restated)
– Basic (RMB per share)		**0.25**	0.33
– Diluted (RMB per share)		**0.25**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**204,508**	207,190
Investment properties		**3,643,100**	3,444,900
Prepaid land lease payments		**437,091**	443,874
Investment in a jointly-controlled entity		**176,498**	157,200
Deferred tax assets		**226,875**	276,421
Total non-current assets		**4,688,072**	4,529,585
CURRENT ASSETS			
Prepaid land lease payments		**420,000**	657,946
Properties under development		**9,391,436**	8,345,407
Completed properties held for sale		**2,024,106**	2,030,322
Prepayments for acquisition for land		**1,155,012**	52,900
Prepayments, deposits and other receivables		**787,748**	652,376
Prepaid corporate income tax		**29,845**	14,585
Prepaid land appreciation tax		**31,699**	13,453
Financial assets at fair value through profit or loss		**6,230**	–
Derivative financial instruments		**15,078**	–
Restricted cash		**398,192**	516,159
Cash and cash equivalents		**3,330,425**	1,440,378
Total current assets		**17,589,771**	13,723,526
CURRENT LIABILITIES			
Receipts in advance		**4,083,019**	1,950,571
Trade payables	*8*	**1,992,076**	1,918,845
Other payables and accruals		**378,069**	578,542
Derivative financial instruments		**–**	543
Interest-bearing bank and other borrowings		**2,479,012**	1,335,211
Tax payable		**765,697**	716,178
Provision for land appreciation tax		**919,515**	1,169,594
Total current liabilities		**10,617,388**	7,669,484
NET CURRENT ASSETS		**6,972,383**	6,054,042
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,660,455**	10,583,627

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**5,030,219**	4,221,547
Deferred tax liabilities		**538,751**	706,160
Total non-current liabilities		**5,568,970**	4,927,707
Net assets		**6,091,485**	5,655,920
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**250,918**	211,528
Reserves		**5,518,719**	5,061,968
Proposed dividend		**231,047**	77,802
		6,000,684	5,351,298
Non-controlling interests		**90,801**	304,622
Total equity		**6,091,485**	5,655,920

Notes:

1.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. The Group has investment properties measured at fair value and all such investment properties are held with the objective to consume substantially all of their economic benefits over time, rather than through sale. Accordingly, the Group continues to measure deferred tax liabilities arising from the fair value changes of their investment properties using tax rate that would apply on recovery of the assets through use. The adoption of the amendments had no significant impact on the financial statements of the Group.

1.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

[1] *Effective for annual periods beginning on or after 1 July 2012*

[2] *Effective for annual periods beginning on or after 1 January 2013*

[3] *Effective for annual periods beginning on or after 1 January 2014*

[4] *Effective for annual periods beginning on or after 1 January 2015*

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

2. REVENUE, OTHER INCOME AND GAINS

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

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

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sales of properties	**3,784,421**	3,735,365
Rental income	**48,245**	51,411
Property management fees	**61,170**	52,300
	3,893,836	3,839,076
Other income and gains		
Bank interest income	**30,426**	15,022
Rental income from properties held for sale	**2,698**	8,126
Gain on disposal of a subsidiary	**11,284**	–
Fair value gain on derivative financial instruments	**15,078**	–
Gain on disposal of investment properties	**–**	37,025
Others	**8,948**	33,193
	68,434	93,366

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

Segment assets exclude deferred tax assets, prepaid corporate income tax, prepaid land appreciation tax, restricted cash and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude derivative financial liabilities, interest-bearing bank and other borrowings, tax payable, provision for land appreciation tax and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2012

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:						
Sales to external customers	**3,784,421**	**48,245**	**61,170**	**–**	**–**	**3,893,836**
Other revenue	**5,122**	**1,702**	**2,673**	**–**	**2,149**	**11,646**
Total	**3,786,543**	**49,947**	**63,843**	**–**	**2,149**	**3,905,482**
Segment results	**1,270,646**	**(114,626)**	**8,022**	**(52)**	**(7,290)**	**1,156,700**
Reconciliation:						
Interest income						**30,426**
Finance costs						**(154,546)**
Profit before tax						**1,032,580**
Tax						**(308,071)**
Profit for the year						**724,509**
Segment assets	**21,563,916**	**3,808,090**	**94,602**	**397,946**	**2,613,127**	**28,477,681**
Reconciliation:						
Elimination of intersegment receivables						**(10,216,874)**
Corporate and other unallocated assets						**4,017,036**
Total assets						**22,277,843**
Segment liabilities	**13,856,658**	**239,831**	**73,672**	**235,530**	**2,264,346**	**16,670,037**
Reconciliation:						
Elimination of intersegment payables						**(10,216,874)**
Corporate and other unallocated liabilities						**9,733,195**
Total liabilities						**16,186,358**
Other segment information:						
Depreciation and amortisation	**26,387**	**437**	**754**	**–**	**1,380**	**28,958**
Capital expenditure*	**132,369**	**337,092**	**1,527**	**5,745**	**603**	**477,336**
Fair value losses on investment properties	**–**	**132,386**	**–**	**–**	**–**	**132,386**
Share of loss of a jointly-controlled entity	**3,174**	**–**	**–**	**–**	**–**	**3,174**
Investment in a jointly-controlled entity	**176,498**	**–**	**–**	**–**	**–**	**176,498**
Write-down of completed properties held for sale to net realisable value	**12,706**	**–**	**–**	**–**	**–**	**12,706**

* *Capital expenditure consists of additions to property, plant and equipment, additions to investment properties and additions to prepaid land lease payments.*

Year ended 31 December 2011

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:						
Sales to external customers	3,735,365	51,411	52,300	–	–	3,839,076
Other revenue	1,065	2,333	1,796	–	1,055	6,249
Total	3,736,430	53,744	54,096	–	1,055	3,845,325
Segment results	1,670,156	518,943	9,004	(152)	(38,280)	2,159,671
Reconciliation:						
Interest income						15,022
Finance costs						(156,238)
Profit before tax						2,018,455
Tax						(1,025,247)
Profit for the year						993,208
Segment assets	22,550,893	19,956,224	129,651	634,317	5,400,070	48,671,855
Reconciliation:						
Elimination of intersegment receivables						(32,679,740)
Corporate and other unallocated assets						2,260,996
Total assets						18,253,111
Segment liabilities	17,622,927	14,410,315	117,772	471,515	4,505,169	37,127,698
Reconciliation:						
Elimination of intersegment payables						(32,679,740)
Corporate and other unallocated liabilities						8,149,233
Total liabilities						12,597,191
Other segment information:						
Depreciation and amortisation	30,096	230	406	–	1,182	31,914
Capital expenditure*	443,175	155,123	2,276	10,831	5,843	617,248
Fair value gains on investment properties	–	478,180	–	–	–	478,180
Investment in a jointly-controlled entity	157,200	–	–	–	–	157,200

* *Capital expenditure consists of additions to property, plant and equipment, additions to investment properties and additions to prepaid land lease payments.*

4. PROFIT BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
Cost of properties sold	**2,295,027**	1,917,203
Amortisation of prepaid land lease payments	**19,139**	20,582
Depreciation	**9,639**	11,332
Loss on disposal of items of property, plant and equipment	**4,240**	1,911
Loss/(gain) on disposal of investment properties	**69**	(37,025)
Gain on disposal of a subsidiary	**(11,284)**	–
Fair value gain on derivative financial instruments	**(15,078)**	–
Minimum lease payments under operating leases for land and buildings	**10,281**	9,580
Auditors' remuneration	**2,500**	2,500
Write-down of completed properties held for sale to net realisable value	**12,706**	–
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**51,265**	38,121
Retirement benefit scheme contributions	**6,412**	4,743
	57,677	42,864
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**11,287**	11,326

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**232,735**	168,430
Interest on bank loans wholly repayable beyond five years	**48,138**	43,789
Interest on other loans	**360,707**	294,561
Total interest expense on financial liabilities not at fair value through profit or loss	**641,580**	506,780
Less: Interest capitalised	**(487,034)**	(350,542)
	154,546	156,238

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 year (2011: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for the year.

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Current:		
PRC corporate income tax	**289,549**	423,761
PRC land appreciation tax		
Charge for the year	**377,297**	528,595
Overprovision in prior years	**(240,912)**	–
	425,934	952,356
Deferred:		
Current year	**(49,760)**	72,891
Reversal of withholding tax provided in prior years on distributable profits retained in subsidiaries	**(128,331)**	–
Reversal of deferred tax assets on LAT overprovided in prior years	**60,228**	–
	(117,863)	72,891
Total tax charge for the year	**308,071**	1,025,247

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

The calculation of the basic earnings per share amount for the year ended 31 December 2012 is based on the profit for the year attributable to equity holders of the Company of RMB726,214,000 (2011: RMB941,628,000) and the weighted average number of ordinary shares of 2,880,000,000 (2011: 2,880,000,000, as restated) in issue during the year, as adjusted to reflect the bonus issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2012 in respect of a dilution as the impact of the share options outstanding during the current year had no dilutive effect on the basic earnings per share amount presented in the current year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2011 in respect of a dilution as the impact of the warrants outstanding during the prior year had an anti-dilutive effect on the basic earnings per share amount presented in the prior year.

8. 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:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Due within 1 year or on demand	**1,767,382**	1,333,536
Due within 1 to 2 years	**224,694**	585,309
	1,992,076	1,918,845

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

9. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2013, the Group entered into an equity transfer agreement with an independent third party for the acquisition of a 100% equity interest in Anhui Shenghe Property Co., Ltd. ("Anhui Shenghe") and Anhui Shengtian Property Co., Ltd. ("Anhui Shengtian") at an aggregate cash consideration of approximately RMB441.1 million. Up to the date of acquisition, Anhui Shenghe and Anhui Shengtian has not carried out any significant business transactions except for holding four parcels of land in Anhui, the PRC. The acquisition was completed in January 2013 and Anhui Shenghe and Anhui Shengtian then became subsidiaries of the Group.

(b) In January 2013, 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 RMB1,306,000,000, of which the subsidiary has paid RMB652,809,000 as of the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the year, turnover of the Group was RMB3,893.84 million and gross profit was RMB1,543.07 million. Gross profit margin was 40%. Profit attributable to shareholders was RMB726.21 million and basic earnings per share was RMB25 cents. Core profit attributable to shareholders amounted to RMB810.43 million while core basic earnings per share was RMB28 cents. The Board proposed a bonus issue of 2 bonus shares for every 10 existing shares held. The full year dividend was HK12 cents per share.

Land Reserves

The Group possesses quality land reserves at low cost. As at 31 December 2012, the aggregate GFA of the Group's land reserves was 6.66 million sq.m., located in seven first and second tier cities in the West Strait Economic Zone, the Yangtze River Delta Region and Bohai Rim Region, with an average land cost of approximately RMB1,522 per sq.m. In view of the primary land development qualification of a project obtained by the Company, the Group believes that its land reserves currently held and managed are sufficient for future development over a period of five to six years.

Saleable GFA of Land Reserves (sq.m.)
As at 31 December 2012

Region	**Area** *(sq.m.)*
West Strait Economic Zone	
Xiamen	2,606,406
Fuzhou	306,614
Quanzhou	1,315,200
Longyan	312,330
Sub-total	4,540,550
Yangtze River Delta Region	
Shanghai	520,145
Hefei	1,148,845
Sub-total	1,668,990
Bohai Rim Region	
Tianjin	450,656
Sub-total	450,656
Total	6,660,196

Primary Land Development Qualification (sq.m.)
As at 31 December 2012

Region	Area
	(sq.m.)
West Strait Economic Zone	
Quanzhou	867,675*

* *It represents the aggregate GFA agreed under the framework agreement*

During the year, the Group acquired 3 new parcels of quality land with an aggregate GFA of 1,423,730 sq.m., at an average land cost of approximately RMB975 per sq.m., which is far below the market level. The new parcels of land acquired are located in Quanzhou, Hefei and Longyan 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	GFA	Land Cost
		(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
West Strait Economic Zone				
Phase II of Yuzhou City Plaza*	Quanzhou	282,500	823,400	343
Yuzhou Castle above City	Longyan	600,000	312,330	1,921
Yangtze River Delta Region				
Yuzhou Jade Lakeshire	Hefei	505,440	288,000	1,755
Total		1,387,940	1,423,730	975

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

Sales of Properties

Recognized area sold and recognized sales of each project in 2012 are set out in the following table:

Name of Project	City	Amount	Saleable GFA	Average Selling Price (after tax)
		(RMB'000)	*(sq.m.)*	*(RMB)*
West Strait Economic Zone				
Phase II of Yuzhou University City	Xiamen	443,356	64,298	6,895
Yuzhou Castle above City	Xiamen	399,080	30,664	13,015
Phase II of Yuzhou Oriental Venice	Fuzhou	387,689	17,492	22,164
Yuzhou Sunshine City	Xiamen	341,739	56,510	6,047
Yuzhou Gushan No. One	Fuzhou	152,878	9,398	16,267
Others	Xiamen/ Fuzhou	114,924	11,378	10,101
Sub-total		1,839,666	189,740	9,696
Yangtze River Delta Region				
Phase II of Yuzhou Skyline	Hefei	1,074,136	219,720	4,889
Phase IV of Yuzhou Jinqiao International (Land Dream)	Shanghai	548,797	27,791	19,747
Phase I of Yuzhou Skyline	Hefei	321,527	61,151	5,258
Others	Shanghai	295	22	13,409
Sub-total		1,944,755	308,684	6,300
Total		3,784,421	498,424	7,593

Sale of Properties

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

Name of Project	City	Amount	Saleable GFA	Average Selling Price (after tax)
		(RMB'000)	*(sq.m.)*	*(RMB)*
West Strait Economic Zone				
Yuzhou Castle above City	Xiamen	1,656,711	108,744	15,235
Phase II of Yuzhou University City	Xiamen	905,045	138,464	6,536
Phase II of Yuzhou Oriental Venice	Fuzhou	404,078	26,471	15,265
Yuzhou Gushan No. One	Fuzhou	286,556	15,041	19,052
Yuzhou World Trade Center	Xiamen	105,573	4,650	22,704
Phase I of Yuzhou Oriental Venice	Fuzhou	99,398	10,687	9,301
Yuzhou Galaxy Garden	Xiamen	54,727	10,453	5,236
Phase I of Yuzhou University City	Xiamen	47,470	2,250	21,098
Yuzhou Golden Seacoast	Xiamen	24,908	6,503	3,830
Others	Xiamen	33,077	3,142	10,527
Sub-total		3,617,543	326,405	11,083
Yangtze River Delta Region				
Phase I of Yuzhou Skyline	Hefei	114,047	23,628	4,827
Yuzhou Jinqiao International	Shanghai	3,775	568	6,646
Sub-total		117,822	24,196	4,869
Total		3,735,365	350,601	10,654

Contracted sales and area of each project in 2012 are set out in the following table:

Name of Project	City	Amount	Saleable GFA	Average Selling Price
		(RMB'000)	*(sq.m.)*	*(RMB)*
West Strait Economic Zone				
Yuzhou Shoreline	Xiamen	1,917,035	155,174	12,354
Phase I of Yuzhou Central Coast	Xiamen	1,113,608	119,731	9,301
Yuzhou Castle above City	Xiamen	558,161	44,996	12,405
Yuzhou Golf	Xiamen	319,793	34,380	9,302
Phase II of University City	Xiamen	284,438	39,994	7,112
Phase II of Yuzhou Central Coast	Xiamen	276,875	23,779	11,644
Yuzhou City Plaza Phase I	Quanzhou	240,260	55,048	4,365
Phase II of Yuzhou Oriental Venice	Fuzhou	233,120	10,731	21,724
Yuzhou Gushan No. One	Fuzhou	184,383	10,616	17,368
Yuzhou Riverside City Town	Xiamen	173,822	17,901	9,710
Yuzhou Sunshine City	Xiamen	94,447	16,124	5,858
Others	Xiamen	73,103	20,101	3,637
Sub-total		5,469,045	548,575	9,970
Yangtze River Delta Region				
Phase II of Yuzhou Skyline	Hefei	562,457	103,131	5,454
Phase III of Yuzhou Skyline	Hefei	220,397	39,218	5,620
Phase I of Yuzhou Skyline	Hefei	139,264	24,212	5,752
Phase IV of Yuzhou Jinqiao International (Land Dream)	Shanghai	67,429	3,587	18,798
Sub-total		989,547	170,148	5,816
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	70,535	10,697	6,594
Sub-total		70,535	10,697	6,594
Total		6,529,127	729,420	8,951

Contracted sales and area of each project in 2011 are set out in the following table:

Name of Project	**City**	**Amount**	**Saleable GFA**	**Average Selling Price**
		(RMB'000)	*(sq.m.)*	*(RMB)*
West Strait Economic Zone				
Phase II of Yuzhou University City	Xiamen	683,867	93,393	7,322
Phase II of Yuzhou Oriental Venice	Fuzhou	567,830	29,691	19,125
Yuzhou Castle above City	Xiamen	404,141	23,063	17,523
Yuzhou Gushan No. One	Fuzhou	291,696	15,372	18,976
Yuzhou Sunshine Garden	Xiamen	289,214	42,314	6,835
Yuzhou Shoreline	Xiamen	210,221	16,375	12,838
Yuzhou Golf	Xiamen	66,260	5,750	11,524
Phase I of Yuzhou University City	Xiamen	52,246	2,575	20,290
Yuzhou Central Coast	Xiamen	41,677	5,006	8,325
Phase I of Yuzhou Oriental Venice	Fuzhou	32,452	2,204	14,724
Others	Xiamen	112,977	19,242	5,871
Sub-total		2,752,581	254,985	10,795
Yangtze River Delta Region				
Phase II of Yuzhou Skyline	Hefei	789,406	156,281	5,051
Phase IV of Yuzhou Jinqiao International (Land Dream)	Shanghai	472,671	22,150	21,340
Phase I of Yuzhou Skyline	Hefei	262,560	47,263	5,555
Phase II of Yuzhou Jinqiao International	Shanghai	18,730	579	32,349
Sub-total		1,543,367	226,273	6,821
Total		4,295,948	481,258	8,926

Property Investment

Yuzhou World Trade Center (Xiamen)

The rental income (before tax) of World Trade Center during the year was derived from the mall and amounted to RMB43.81 million (2011: RMB51.92 million), representing an decrease of 16%. The rental income dropped as retail business remained weak. During the year, the mall at Phase I of World Trade Center continued to maintain high occupancy rate of approximately 97% (2011: 100%). The drop of occupancy rate resulted from the proposed decoration plan of World Trade Centre in 2013 and the optimization of tenant mix. The occupancy rate of Phase II of World Trade Center increased to 92% (2011: 88%). 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, Haagen-Dazs 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 increased by 9% from RMB5.34 million in 2011 to RMB5.82 million in 2012. 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 and features famous brands. The rental income (before tax) was RMB7.41 million (2011: RMB8.61 million). The Group has disposed of some retail shops in the second half of 2011, contributing to the decline of rental income for the current year.

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. Going forward, 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 aims at providing quality property management services to, and creating a warm and harmonious community for, our respected residents. The Group is committed to continuously improving the living environment and enhancing service quality in order to maintain high level of customer satisfaction. In 2012, the property management service companies of the Group recorded property management fee income of RMB61.17 million, representing an increase of 17% as compared with 2011. As at 31 December 2012, the aggregate GFA managed by the property management service companies of the Group in the Mainland China was about 200 million sq.m., and these companies serviced around 20,000 owners.

Gross Profit

The gross profit of the Group was approximately RMB1,543.07 million in 2012. The gross profit margin was 40% in 2012. The drop of gross profit margin was attributable to the recognition of projects with higher gross margin such as Yuzhou Castle above City in 2011. The gross profit margin was maintained at a satisfactory level in industry. The ratio of land cost to average selling price was maintained at a reasonably low level of 17.0%, and this ratio is expected to remain at a low level in the coming years.

Other Income and Gains

Other income and gains decreased by 27% from RMB93.37 million in 2011 to RMB68.43 million in 2012. It was mainly due to the recognition of net gain on disposal of investment properties in 2011.

Expenses on Selling and Distribution Costs

Selling and distribution expenses of the Group decreased by 7% from approximately RMB116.36 million in 2011 to approximately RMB108.36 million in 2012. The portion of selling and distribution expenses to the total contracts sales decreased to 1.7% in 2012 (2011: 2.7%), which was at a lower level in industry. The Group has paid more attention to management of sales strategy, thus saving some advertisement and promotion expenses. We cherished the relationship with existing customers in a bid to increase referral sales and we also adopted creative ways to stimulate sales such as production of microfilm. Even though our contracted sales increased dramatically, total selling and distribution costs dropped.

Administrative Expenses

Administrative expenses of the Group increased by 10% from approximately RMB159.76 million in 2011 to approximately RMB176.33 million in 2012. The portion of administrative expenses to the total contracts sales deceased to 2.7% in 2012 (2011: 3.7%), which was at a lower level in industry. The Group established management teams and recruited more experienced personnel, contributing to increase in staff costs. The Group had imposed strict cost control system to curtail other administrative expenses. As a result, the portion of administrative expenses to the total contracted sales had dropped.

Fair Value (Losses)/Gains on Investment Properties

The slowdown of retail business in China increased the level of risk and uncertainties of property investment and the retail business still remained weak in the second half of 2012. Take Yuzhou World Trade Center as an example, its rental income dropped by 16% in 2012. Thus, fair value losses on investment properties amounted to RMB132.39 million.

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 RMB3.17 million. Xiamen Vanke Maluan Bay Properties Limited has commenced to sell its properties since 2012. We believe that, with the delivery of properties in 2015, contributions from this jointly-controlled entity will significantly increase.

Profit Attributable to Shareholders

Profit attributable to shareholders decreased by 23% from approximately RMB941.63 million in 2011 to approximately RMB726.21 million in 2012. Core profit attributable to shareholders increased by 39% from approximately RMB582.99 million in 2011 to RMB810.43 million in 2012.

FINANCIAL REVIEW

Borrowings

The Group will continue to comply with the prudent financial policies. As at 31 December 2012, the Group had bank loans and bonds balance of RMB7,509.23 million, with maturities as follows:

Maturity	**2012** *(RMB'000)*	2011 *(RMB'000)*
Within 1 year	**2,479,012**	1,335,211
1 to 2 years	**1,090,913**	1,523,386
2 to 5 years	**3,754,400**	2,431,659
Over 5 years	**184,906**	266,502
Total	**7,509,231**	5,556,758

As at 31 December 2012, the bank borrowings of the Group was RMB3,372.77 million, and were secured by the investment properties and properties under development of the Group with an aggregate carrying value of RMB8,701.31 million.

Gearing Ratio

As at 31 December 2012, the net current assets of the Group increased by 15% to RMB6,972.38 million as compared with 2011. The current ratio decreased from 1.8 times in 2011 to 1.7 times in 2012. As at 31 December 2012, the net debt to equity ratio (interest-bearing bank and other borrowings less cash and cash equivalents and restricted cash divided by total equity) of the Group decreased to 62% (2011: 64%). It was mainly due to the excellent performance of contracted sales and significant increase of proceeds from contracted sales.

Finance Expenses

During the year, the total cost of borrowings of the Group was RMB641.58 million, an increase by RMB134.80 million as compared with 2011, of which RMB487.03 million were capitalised as cost of projects, representing an increase of RMB136.49 million as compared with 2011.

Currency Risk

The proportions of bank borrowings, bonds, senior notes balance and cash balance of the Group in terms of currencies were as follows:

	Bank Borrowings, Senior Notes and Bonds Balance *(RMB'000)*	**Cash Balance** *(RMB'000)*
HK$	902,977	32,316
RMB	3,847,449	2,758,959
US$	2,758,805	935,870
SG$	–	1,472
Total	7,509,231	3,728,617

A reasonably possible change of 1% in the exchange rate between the Hong Kong dollar or United States dollars and the Renminbi would have no material impact on the Group's profit during the year and there would result in an increase/(decrease) in other components of the Group's equity by RMB16.81 million (2011: RMB20.63 million) in 2012.

Contingent Liabilities

The Group provides buy-back guarantees to banks, which offered mortgages to domestic properties buyers in the Mainland China of the Group. As at 31 December 2012, undue buy-back guarantees amounted to RMB5,531.12 million (2011: RMB4,171.66 million).

Return on Equity

For the year ended 31 December 2012, return on equity represented profit attributable to shareholders divided by the average of equity attributable to shareholders of the Company at beginning and end of the year. Return on equity in 2012 was 13%.

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 year.

	2012	2011
Profit attributable to shareholders of the Company *(RMB'000)*	**726,214**	941,628
Less: fair value (losses)/gains on investment properties, net of deferred tax *(RMB'000)*	**(99,290)**	358,635
Less: fair value gains on derivative financial instruments *(RMB'000)*	**15,078**	–
Core profit attributable to shareholders of the Company *(RMB'000)*	**810,426**	582,993
Weighted average number of ordinary shares in issue *('000)*	**2,880,000**	2,880,000
Basic earnings per share *(RMB per share)*	**0.25**	0.33
Core earnings per share *(RMB per share)*	**0.28**	0.20

As the share options outstanding during the year ended 31 December 2012 had no dilutive effect on the basic earnings per amount, 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/(losses) on investment properties net of deferred tax and fair value gains on derivative financial instruments.

Commitment

As at 31 December 2012, the Group had commitments in respect of development expenditure on real estate of approximately RMB1,302.54 million (approximately RMB1,518.50 million in 2011). The Group is also committed to the payment of land premium in respect of land acquisition of approximately RMB252.72 million (approximately RMB110.70 million in 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 is very experienced in properties development industry with over 10 years' experience for most of the senior executives. With the strong leadership as well as effective execution, together with strict implementation of the best international practices according to the actual situation of the Company, the Group has become one of the strongest real estate developers in the PRC within a relatively 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 best international practice in respect of strict management system and corporate governance. As at 31 December 2012, the Group had a total staff of 1,641. For the year ended 31 December 2012, the total staff costs (including directors' fees) amounted to RMB57.68 million (RMB42.86 million in 2011).

PAYMENT OF DIVIDEND AND BONUS ISSUE

The Board proposed a bonus issue of 2 bonus shares for every 10 existing shares held for the year ended 31 December 2012, subject to approval of shareholders at the forthcoming Annual General Meeting ("AGM") of the Company. A circular containing details of the bonus issue proposal will be dispatched to the shareholders of the Company in due course. Further announcement will also be made in respect of the date of the forthcoming AGM, the book close period and the date of payment of dividend in due course.

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

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

MODEL CODE FOR DIRECTORS' SHARE DEALINGS

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "Securities Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listing Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The directors have confirmed that they have complied with the requirements set out in the Securities Code throughout the year ended 31 December 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. Although these two roles are performed by the same individual, certain responsibilities are shared with executive directors to balance the power and authority. In addition, all major decisions are made in consultation with members of the board as well as senior management. The Board has three independent non-executive directors who offer different independent perspectives. Therefore, the Board is of the view that there are adequate balances of power and safeguards in place. The Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Group.

SHARE OPTION SCHEME

The board of directors of the Company announces that on 31 December 2012, the Company has granted share options under its share option scheme adopted on 24 May 2010 to certain directors and employees of the Group which, subject to the acceptance of the Grantees, entitles the Grantees to subscribe for an aggregate of 36,690,000 new shares of HK$0.10 each in the share capital of the Company at the exercise price per share of HK$2.25.

REVIEW OF ACCOUNTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2012.

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

Hong Kong, 27 March 2013

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

This final results announcement is published on the Company's website (http://xmyuzhou.com.cn) and the website of the Stock Exchange (http://www.hkexnews.hk). The 2012 Annual Report will also be available at the aforementioned websites and will be despatched to shareholders of the Company in due course.