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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 2016

FINANCIAL HIGHLIGHTS

1. Contracted sales, total revenue and gross profit reached a record high, respectively. Contracted sales exceeded revised target in 2016, up by 65.54% year-on-year to RMB23,205.73 million. Total revenue amounted to RMB13,671.83 million, up by 31.77% year-on-year. Gross profit increased by 33.69% year-on-year to RMB4,958.91 million. Gross profit margin was 36.27%, a high level in the industry.
2. Profit for the year increased by 25.19% year-on-year to approximately RMB2,088.49 million in 2016. Core profit attributable to owners of the parent increased by 26.37% year-on-year to approximately RMB2,047.13 million. Core earnings per share increased by 21.80% year-on-year to RMB0.54.
3. The full year dividend was increased by 22.22% year-on-year to HK22 cents per share, representing a payout ratio of approximately 36.24% of core profit attributable to owners of the parent for the year of 2016.
4. Cash and bank balances (including restricted cash) amounted to RMB17,417.53 million which increased by 45.77% year-on-year, which far outstripped the short term debt with one year maturity of RMB4,807.78 million.
5. Average funding cost as at 31 December 2016 decreased by 0.92 percentage point to 6.08%. Standard & Poor's and Moody's upgraded our issuer's credit rating outlook to "Positive" respectively.
6. The net gearing ratio in 2016 of the Group was 71.70%, down by 7.73 percentage points from 79.43% in 2015.

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 2016, which was prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

		2016	2015
	Notes	RMB'000	RMB'000
REVENUE	2,3	13,671,828	10,375,501
Cost of sales		(8,712,916)	(6,666,178)
Gross profit		4,958,912	3,709,323
Fair value gain on investment properties, net		97,392	202,942
Fair value gain on derivative financial instruments		85,458	44,583
Other income and gains	2	300,991	235,379
Selling and distribution expenses		(293,153)	(288,573)
Administrative expenses		(402,876)	(296,097)
Other expenses		(190,326)	(73,068)
Finance costs	4	(442,948)	(349,040)
Share of profits and losses of joint ventures		91,790	(41,965)
Share of losses of associates		(8,480)	–
PROFIT BEFORE TAX	5	4,196,760	3,143,484
Income tax	6	(2,108,274)	(1,475,294)
PROFIT FOR THE YEAR		2,088,486	1,668,190
Attributable to:			
Owners of the parent		1,774,914	1,656,853
Non-controlling interests		313,572	11,337
		2,088,486	1,668,190
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic (<i>RMB per share</i>)		0.47	0.45
– Diluted (<i>RMB per share</i>)		0.46	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
PROFIT FOR THE YEAR	2,088,486	1,668,190
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(157,295)	(288,857)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,931,191</u>	<u>1,379,333</u>
Attributable to:		
Owners of the parent	1,617,619	1,371,502
Non-controlling interests	313,572	7,831
	<u>1,931,191</u>	<u>1,379,333</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

		2016	2015
	Note	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,061,735	870,632
Investment properties		7,518,177	6,470,630
Land held for property development for sale		215,224	—
Prepayments, deposits and other receivables		208,903	—
Goodwill		100,401	264,666
Investments in joint ventures		7,268,781	88,736
Investments in associates		123,580	—
Deferred tax assets		371,456	412,674
Total non-current assets		16,868,257	8,107,338
CURRENT ASSETS			
Land held for property development for sale		883,250	645,673
Properties under development		21,156,179	20,849,382
Properties held for sale		7,369,071	7,417,797
Prepayments for acquisition of land		1,658,529	1,459,619
Prepayments, deposits and other receivables		2,876,651	2,162,582
Prepaid corporate income tax		267,317	57,149
Prepaid land appreciation tax		276,268	151,430
Derivative financial instruments		87,456	46,095
Restricted cash		1,818,946	975,525
Cash and cash equivalents		15,598,588	10,973,268
Total current assets		51,992,255	44,738,520
CURRENT LIABILITIES			
Receipts in advance		13,857,844	7,221,316
Trade payables	9	5,979,034	6,296,764
Other payables and accruals		7,657,059	5,854,748
Interest-bearing bank and other borrowings		4,807,778	3,987,373
Corporate income tax payables		1,576,914	1,102,815
Provision for land appreciation tax		1,448,040	1,162,886
Total current liabilities		35,326,669	25,625,902
NET CURRENT ASSETS		16,665,586	19,112,618
TOTAL ASSETS LESS CURRENT LIABILITIES		33,533,843	27,219,956

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	15,473,629	10,628,867
Senior notes	5,505,386	5,466,883
Deferred tax liabilities	882,092	882,851
Total non-current liabilities	21,861,107	16,978,601
Net assets	11,672,736	10,241,355
EQUITY		
Equity attributable to owners of the parent		
Issued capital	324,472	324,472
Reserves	10,341,639	9,297,330
	10,666,111	9,621,802
Non-controlling interests	1,006,625	619,553
Total equity	11,672,736	10,241,355

Notes:

1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of HKFRSs</i>

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:
- *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

1.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORT 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:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts²</i>
HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date is determined but is available for early adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilize a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2. REVENUE, OTHER INCOME AND GAINS

Revenue represents the gross proceeds from the sale of properties, gross rental income from investment properties, property management fee income and gross revenue from hotel operation, all net of business tax, value-added tax and surcharges, during the year.

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Revenue		
Sale of properties	13,345,450	10,157,504
Rental income from investment properties	124,151	79,651
Property management fee income	181,825	122,134
Hotel operation income	20,402	16,212
	<u>13,671,828</u>	<u>10,375,501</u>
Other income and gains		
Bank interest income	84,156	85,110
Gain on disposal of investment properties	171,590	–
Rental income from properties held for sale	868	6,027
Gain on bargain purchase of a subsidiary, net of loss on remeasurement of a pre-existing interest in a joint venture of nil (2015: RMB105,210,000)	–	128,356
Others	44,377	15,886
	<u>300,991</u>	<u>235,379</u>

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized 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 property management services;
- (d) the hotel operation segment engages in the operation of a hotel and
- (e) the other 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, derivative financial instruments, restricted cash, and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, senior notes, corporate income 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.

Year ended 31 December 2016

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:						
Sales to external customers	13,345,450	124,151	181,825	20,402	–	13,671,828
Other income and gains	24,368	167,114	287	–	25,066	216,835
Total	<u>13,369,818</u>	<u>291,265</u>	<u>182,112</u>	<u>20,402</u>	<u>25,066</u>	<u>13,888,663</u>
Segment results	<u>4,051,934</u>	<u>214,202</u>	<u>1,648</u>	<u>(399)</u>	<u>288,167</u>	<u>4,555,552</u>
Reconciliation:						
Interest income						84,156
Finance costs						<u>(442,948)</u>
Profit before tax						4,196,760
Income tax						<u>(2,108,274)</u>
Profit for the year						<u>2,088,486</u>
Segment assets	<u>40,299,657</u>	<u>8,765,855</u>	<u>52,089</u>	<u>378,813</u>	<u>5,152,344</u>	<u>54,648,758</u>
Reconciliation:						
Elimination of intersegment receivables						(4,208,277)
Corporate and other unallocated assets						<u>18,420,031</u>
Total assets						<u>68,860,512</u>

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment liabilities	<u>25,220,582</u>	<u>1,139,894</u>	<u>111,998</u>	<u>45,757</u>	<u>5,183,983</u>	31,702,214
Reconciliation:						
Elimination of intersegment payables						(4,208,277)
Corporate and other unallocated liabilities						<u>29,693,839</u>
Total liabilities						<u><u>57,187,776</u></u>
Other segment information:						
Depreciation	10,333	12,214	3,313	4,469	8,417	38,746
Capital expenditure*	10,100	724,314	824	143,186	7,320	885,744
Fair value gain on investment properties, net	–	97,392	–	–	–	97,392
Impairment of goodwill	–	–	–	–	164,265	164,265
Share of profits of joint ventures	91,790	–	–	–	–	91,790
Share of losses of associates	8,480	–	–	–	–	8,480
Investments in joint ventures	7,268,781	–	–	–	–	7,268,781
Investments in associates	<u>123,580</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>123,580</u>

* *Capital expenditure consists of additions to property, plant and equipment and investment properties.*

Year ended 31 December 2015

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:						
Sales to external customers	10,157,504	79,651	122,134	16,212	–	10,375,501
Other income and gains	140,419	458	5,925	3,467	–	150,269
	<u>10,297,923</u>	<u>80,109</u>	<u>128,059</u>	<u>19,679</u>	<u>–</u>	<u>10,525,770</u>
Segment results	<u>3,221,210</u>	<u>224,529</u>	<u>(3,692)</u>	<u>(428)</u>	<u>(34,205)</u>	<u>3,407,414</u>
Reconciliation:						
Interest income						85,110
Finance costs						(349,040)
						<u>3,143,484</u>
Profit before tax						(1,475,294)
Income tax						<u>1,668,190</u>
Profit for the year						<u>1,668,190</u>
Segment assets	<u>34,452,496</u>	<u>6,857,819</u>	<u>120,040</u>	<u>287,946</u>	<u>2,680,781</u>	<u>44,399,082</u>
Reconciliation:						
Elimination of intersegment receivables						(4,169,365)
Corporate and other unallocated assets						<u>12,616,141</u>
Total assets						<u>52,845,858</u>
Segment liabilities	<u>17,849,711</u>	<u>458,159</u>	<u>78,534</u>	<u>28,223</u>	<u>5,127,566</u>	<u>23,542,193</u>
Reconciliation:						
Elimination of intersegment payables						(4,169,365)
Corporate and other unallocated liabilities						<u>23,231,675</u>
Total liabilities						<u>42,604,503</u>
Other segment information:						
Depreciation	12,797	14,324	3,248	5	12,281	42,655
Capital expenditure*	14,044	237,817	848	91,901	929	345,539
Fair value gain on investment properties, net	–	202,942	–	–	–	202,942
Share of losses of joint ventures, net	41,965	–	–	–	–	41,965
Investments in joint ventures	88,736	–	–	–	–	88,736

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

Information about a major customer

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans, other loans and senior notes	1,585,980	1,299,240
Less: Interest capitalized	(1,340,250)	(1,146,971)
	245,730	152,269
Loss on early redemption of China Life Bonds	95,315	–
Loss on early redemption of senior notes	101,903	196,771
	442,948	349,040

5. PROFIT BEFORE TAX

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of properties sold	8,503,448	6,535,982
Cost of services provided	209,468	130,196
Depreciation	38,746	42,655
Impairment of goodwill*	164,265	—
Minimum lease payments under operating leases	21,064	16,797
Auditor's remuneration	3,081	2,700
Employee benefit expense (including directors' and chief executive officer's remuneration)		
Wages and salaries	158,021	114,384
Equity-settled share option expense	2,352	3,959
Retirement benefit scheme contributions	21,608	16,009
	181,981	134,352
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	18,377	21,892

* The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss

6. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. No provision for Hong Kong profits tax had been made for the prior year as the Group did not generate any assessable profits arising in Hong Kong during the prior year. 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:

	2016 RMB'000	2015 <i>RMB'000</i>
Current:		
PRC corporate income tax	1,082,744	967,011
PRC land appreciation tax		
– Charge for the year	985,071	591,333
– Overprovision in prior years	–	(120,358)
	2,067,815	1,437,986
Deferred:		
Current year	40,459	7,218
Reversal of deferred tax assets on LAT overprovided in prior years	–	30,090
	40,459	37,308
Total tax charge for the year	2,108,274	1,475,294

7. DIVIDENDS

	2016 RMB'000	2015 <i>RMB'000</i>
Proposed final – HK22 cents (2015: HK18 cents) per ordinary share	741,822	575,662

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the year ended 31 December 2016 is based on the profit for the year attributable to ordinary equity holders of the parent of RMB1,774,914,000 (2015: RMB1,656,853,000) and the weighted average number of ordinary shares of 3,815,999,999 (2015: 3,677,917,808) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2016 is based on the consolidated profit attributable to ordinary equity holders of RMB1,774,914,000 (2015: RMB1,656,853,000) and the weighted average number of ordinary shares used in the calculation is the total of (i) the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares (see below).

	Number of shares 2016	Number of shares 2015
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	3,815,999,999	3,677,917,808
Effect of dilution of share options - weighted average number of ordinary shares	<u>15,699,096</u>	<u>1,028,532</u>
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	<u><u>3,831,699,095</u></u>	<u><u>3,678,946,340</u></u>

9. TRADE PAYABLES

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Due within 1 year or on demand	3,026,199	5,050,971
Due within 1 to 2 years	2,952,835	1,245,793
	<u>5,979,034</u>	<u>6,296,764</u>

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

10. EVENTS AFTER THE REPORTING PERIOD

- a. In January 2017, the Company issued senior notes with an aggregate principal amount of US\$350,000,000 (approximately RMB2,431,000,000) bearing interest of 6% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US\$345,000,000 (approximately RMB2,396,000,000). The senior notes will mature on 25 January 2022.
- b. On 26 January 2017, the Company granted 22,690,000 share options under its share option scheme to certain employees of the Group.
- c. In February 2017, the Company redeemed in full the 2019 Senior notes – 8.625% at the redemption price of US\$312,937,500 (approximately RMB2,144,162,000), representing 104.3125% of the principal amount together with all accrued and unpaid interest.

2016 Chairman's Statement

Dear 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 year ended 31 December 2016 (the “Period under Review” or the “Year”). During the Period under Review, profit for the year rose by 25.19% year-on-year to approximately RMB2,088.49 million in 2016. Core profit attributable to owners of parent increased by 26.37% year-on-year to RMB2,047.13 million. Core earnings per share was RMB54 cents, representing a year-on-year increase of 21.80%. The Board proposed a final dividend of HK22 cents per share, and the payout ratio was 36.24%.

In 2016, the global environment was complicated and volatile, while the world economy was full of challenges. China was under a stage of accelerating structural adjustment during which the real estate industry experienced policies control, adjusting from loose to ongoing tightening policies in popular cities: the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference proposed city-specific measures for destocking. As the land premiums in popular cities rose rapidly, the divergence of policies was further demonstrated: on the one hand, the control policies against popular cities were kept tightening to curb investment and speculative demands and prevent market risks; on the other hand, destocking strategy was still implemented in third- and fourth-tier cities to improve the market environment from both supply and demand sides. Meanwhile, the central government continued to achieve breakthrough and progress in strengthening construction of long-term effective real estate mechanism, regional integration and new urbanization and so on in a bid to actively create a good environment for the long-term development of the industry.

2016 was a year of “transformation” for Yuzhou. In the face of changing market environment, we responded promptly and actively while fully leveraging our competitive edge to capture market opportunities, explore diversified ways of land acquisition, realize stable expansion and continue to maintain our profit level that led the industry. The quality growth of the Group's results was due to our accurate and preemptive layout. In 2016, we proposed the strategic development goal of “Based in the Yangtze River Delta, Lead the West Strait Economic Zone, and Expand Nationwide Coverage in China (立足長三角,引領海西區,建樹全中國)” pursuant to which we relocated our headquarter to Shanghai and adhered to intensive development in core first-tier and second-tier cities, having commenced a nationwide strategic layout centered on Shanghai, Hefei, Nanjing, Hangzhou, Suzhou, Xiamen, Fuzhou and Tianjin and achieving significant transformation. This year, we extended our reach to Hangzhou and Wuhan market for the first time through merger and acquisition, and acquired premium land parcels in Suzhou and Tianjin with very attractive prices through auction at the end of year. As of 31 December 2016, the Group's land bank amounted to 9.54 million sq.m.. The Group's land acquisition strategy has been based on in-depth research and careful investigation of the market where the relevant land parcels are located, early investment in land parcels with high potential, and acquiring premium land resources at relatively low land costs, thereby continuously supporting the Group's stable development in major domestic markets in the next few years.

For residential development, the Group currently holds 68 development projects in 14 cities in the PRC such as Shanghai, Xiamen, Nanjing and Hefei. During the period under review, the contracted sales of the Group and its affiliated companies and joint ventures amounted to RMB23,206 million, representing an increase of 66% year-on-year, exceeding our upward adjusted contracted sales target of RMB22,000 million in 2016. The contracted sales area for the year rose by 30% year-on-year to 1,828,857 sq.m. The contracted average selling price increased by 27% year-on-year to approximately RMB12,689/sq.m. In addition, accumulated sales of properties subscribed for but not contracted was approximately RMB1,269 million.

2016 was also the most remarkable year in the history of development in the commercial segment of Yuzhou Properties. The Group leveraged its own advantages in residential real estate development to skillfully combine its commercial and residential segment, achieving the dual-drivers of “residential development complemented by commercial development”. During the period under review, Xiamen Yuzhou Plaza and Shanghai Yuzhou Plaza continued to record impressive operating performance. In particular, Xiamen Yuzhou Plaza Project have been leading the office market in Xiamen with its occupancy rate and rental unit price and attracting quality tenants, such as Global 500 enterprises including China National Petroleum, Industrial & Commercial Bank of China, Coca-Cola, Minsheng Bank and Ping An Group.

For retail and commercial development and operation, in July, the first complex of shopping mall developed by the Group in Shanghai covering a GFA of over 140,000 sq.m. has introduced 82 brands, with customer traffic exceeding 100,000 at the date of opening. This project has become a landmark commercial building in Huinan district in Shanghai and enhanced the brand awareness of Yuzhou Commercial. Yuzhou World Trade Center, a landmark building in Xiamen and the most well-developed modern mega mall in Xiamen, has fully completed tenant mix adjustment at the end of 2016, and has introduced several industry famous brands such as China Film Digital Cinema, King of the Children and H&M, realized full occupancy rate basically. We also brought customer traffic to offline physical mall through strategic cooperation with Alipay and ffan.com APP, and cooperated with various industries such as Didi Dache and Riyuegu Hotsprings Resort to enrich activities in shopping mall, with daily average customer traffic reaching 60,000.

The property management service of the Group received outstanding results in the customer satisfaction surveys for several consecutive years, reflecting our unabating enhancement in products and services received unanimous affirmation and recognition in the market. We also hope to gradually convert customers’ satisfaction of products into their loyalty to the “Yuzhou” brand through our own efforts.

For hotel operation, the Group focused on the development of serviced apartments as well as medium to high-end business hotels to establish premium hotel brands, and properly develop resort hotels to strengthen the core competitiveness of the brands. During the period, Yuzhou Camelon Hotel Apartment recorded an occupancy rate of 79%, with revenue rose by 25.85% year-on-year. The preparation and opening of various hotel projects under construction were implemented orderly as scheduled.

2016 was an important year for the Group's strategic upgrade, relocation of headquarters in Shanghai, and total replacement and upgrade of our human resources management system. In 2016, the Group upgraded the Yuzhou Seeds Management Trainee Project. The targets of recruitment mainly included outstanding graduates from domestic national key universities and overseas outstanding universities, who will be trained as core reserve talents of Yuzhou's management in the future. The Group also successively introduced a batch of quality middle and senior management personnel from domestic first-tier real estate developers and established a core middle-to-senior management reserve mechanism. The dual support through building a supply chain of internal talents and recruiting external outstanding talents enabled Yuzhou to establish a core elite organization.

Continuous optimization of capital structure was also a strong support for the steady growth of the Company. As at 31 December 2016, the weighted average borrowing cost of the Group was 6.08%, representing a decrease of 92 basis points as compared to the corresponding period of last year. The amount of available cash was approximately RMB17,418 million, we had abundant operating capital and were recognized and supported by rating agencies and major financial institutions for our sound financial condition. The Group continued to explore all kinds of financing channels to construct multi-level and rich financial system, keeping at all time a keen sense of the financing window of the capital market.

With our ample accumulation of industry experience and outstanding quality, Yuzhou brings not simply buildings to the city, but also rebuilds the living concept and innovates in city development. 2016 was the first year of "Creativity/Value" of Yuzhou. On the basis of its "Boutique Building 3.5", the Group strengthened the elements of culture and creativity in the design of its projects, as evidenced by the Shanghai Fengxian Project with design of cultural architecture which features the core contents of books, culture and child education; the community complex for the Hefei Yaohai Project with planning and design which reflected neighborhood relationship of the district; while the Hangzhou Project with the design of its sales office which reflected the cultural connotation of traditional gardens and extended the cultural implication of historical heritage for the place of origin of the project. Projects like these have fully satisfied demands for functionality and culture of relevant customers, and created a benchmark for new lifestyle for the local communities.

We pursue for excellence and enhance product quality continuously. Yuzhou Cloud Top International(禹洲雲頂國際), Yuzhou Riverside City Town(禹洲溪堤尚城) and Yuzhou Plaza(禹洲廣場) have all been awarded the "Guangsha Award(廣廈獎)". By the end of 2016, our project located at No. 48 Caine Road in Hong Kong won the highest Provisional Platinum rating under BEAM PLUS, implying that the project will become an exemplary model for green building in Hong Kong in various aspects, such as improving environmental quality and energy efficiency.

We have always emphasized corporate social responsibilities and upheld the concept of “From the Community, For the Community”. We encourage the Group and its subsidiaries to actively participate in public welfare activities and contribute in areas such as education, culture, environmental protection, disaster relief and poverty alleviation. In addition, the Group secured steady improvement in project progress, quality and development, and at the same time further strengthened implementation of systems related to safe and civilized construction to promote safe and civilized construction. It is our first time to use PC system prefabricated structures in the Shanghai Yuzhou Dingxiangli Project, which has reduced waste in resources and pollution as the major enclosure components of this project were produced in factory and the residential buildings were built on-site through a more safe and reliable method.

The Group is fully confident in the long-term development of the real estate market in China, as we have always been during past years. In 2017, the global environment is expected to remain complicated and volatile with uncertain factors, which will bring pressure to operators to a certain extent. However, we anticipate that first-tier and second-tier cities, such as several major core strategic cities planned strategically by the Group, including cities where the Group established initial market presence in 2016 such as Hangzhou, Suzhou and Wuhan, will always maintain their economic growth at a speed of top ranking in China, with active fundamentals that attract inflow of large population. In addition, improvement in living standard of residents and the implementation of the two-child policy will also stimulate the demand for upgraded housing.

We will accelerate the strategic plan of “Based in the Yangtze River Delta, Lead the West Strait Economic Zone, and Expand Nationwide Coverage in China”, continue to develop around first-tier and second-tier cities, focus on the core cities and select the right opportunities to replenish land reserves or acquire quality projects, we will also actively expand our presence in the Pearl River Delta and Hong Kong market, and seek opportunities actively for expansion into overseas markets on this basis. We will adhere to our focus on customers and pursue upgrading in products and services persistently to satisfy the demand of different customers. In 2017, we have confidence to achieve our sales target of RMB30,000 million, as more quality projects to be launched in the Yangtze River Delta, it is anticipated the Yangtze River Delta will bring more income and profit contributions. Meanwhile, the Group will further enhance the development and operating efficiency of investment properties to ensure sustainable and stable growth in rental income, so as to strengthen the competitive advantages of twin-engine development of the Group. The stable and sound business model of the Group, together with other strengths, such as sufficient capital funds and low gearing ratio, will help the Group to sail through different economic cycles smoothly. The Group will also capture the right timing to expand our business coverage and adjust our strategies in response to changes in the market and trends to maintain our consistent performance of stable growth, high profit and high dividend distribution levels.

In the past 22 years, the Group has experienced countless challenges and opportunities and developed in a steady and rapid manner along the path of regional scale development. To achieve the win-win performance with scale and profitability, it depends on the support of all circles and every employee. On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to all shareholders, investors, partners and customers for their trust and support. We will dedicate to unlock the future opportunities and maximize the value for our shareholders and investors in creating the best returns.

Lam Lung On

Chairman

Hong Kong, 21 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In 2016, China's economy followed an L-shaped path and China's policy was shifted from steady growth to risk prevention and reform promotion. In December 2016, the Central Economic Working Conference put forward "the house is for living instead of speculation", and stressed that "people are linked to land", "increasing land supply", "Megacities may boost the development of small and medium cities around", predicating that we are stepping into the liquidity recovery cycle and the real estate industry has been maturing.

According to the National Bureau of Statistics of China, in 2016, gross floor area ("GFA") of commodity housing sold in China increased by 22.5% year-on-year to 1.57 billion sq.m., of which GFA of commodity residential housing sold in China increased by 22.4% year-on-year to 1.38 billion sq.m.; the sales value of commodity housing was RMB11,800 billion, representing a year-on-year growth of 34.8%, while the sales value of commodity residential housing was RMB9,900 billion, representing a year-on-year growth of 36.1%. As of the end of 2016, the saleable area of commodity housing was 695 million sq.m., increased by 4.44 million sq.m. as compared with the end of November 2016. In particular, the saleable area of residential housing was down by 2.00 million sq.m.. The investment in property development amounted to RMB10,300 billion, which represented a 6.9% increase in nominal terms or a 7.5% increase in real terms (excluding inflation) year-on-year. In 2016, the reliance of economy growth on real estate industry picked up. The real estate industry increased by 8.6%, and its contribution to GDP rose from 2.7% in 2015 to 7.8% in 2016.

Overall Performance

During the year, revenue of the Group was RMB13,671.83 million, representing a year-on-year increase of 31.77%. Gross profit was RMB4,958.91 million, representing a year-on-year increase of 33.69%. Gross profit margin was 36.27%, representing a year-on-year increase of 0.52 percentage points. Profit for the year increased by 25.19% year-on-year to approximately RMB2,088.49 million in 2016. Core profit attributable to the owners of the parent increased by 26.37% year-on-year to approximately RMB2,047.13 million. Core earnings per share was RMB0.54, representing a year-on-year increase of 21.80%. The Board proposed a final dividend of HK\$22 cents per share, representing a payout ratio of 36.24%.

Sale of Properties

In 2016, the revenue of property sales by the Group rose by 31.39% year-on-year to RMB13,345.45 million, accounting for 97.61% of the total revenue. As of 31 December 2016, the Group delivered total GFA of approximately 1,482,804 sq.m, increased by 33.90% as compared with last year. The average selling price of the properties delivered and recognized as property sales was RMB9,000 per sq.m., substantially in line with last year.

The Group bases in Yangtze River Delta and leads West Strait Economic Zone. Our brand is outstanding in Xiamen, and has maintained a leading position in Xiamen for 11 consecutive years. Property sales in Xiamen area accounted for 44.22% (2015: 42.42%) of the Group's overall revenue of property sales during the year. Meanwhile, with the completion and delivery of some projects in Hefei area, i.e. Yuzhou Jade Lakeshire and Yuzhou Central Plaza have stepped into the phase of completion and delivery since 2015, the revenue of property sales in Hefei accounted for 29.19% of the Group's overall revenue of property sales (2015: 33.21%), as compared to revenue recognized only from Yuzhou Skyline Project in the past. Going forward, delivery procedures will be completed successively for the sold properties in different cities. With continuous revenue growth, property sales are expected to remain the dominant source of revenue for the Group in the future.

The recognized sales and GFA sold of each project in 2016 are set out in the following table:

Name of Project	City	Amount <i>(RMB'000)</i>	Saleable GFA <i>(sq.m.)</i>	Average Selling Price (after tax) <i>(RMB/sq.m.)</i>
West Strait Economic Zone				
Yuzhou Shoreline	Xiamen	155,891	6,122	25,464
Yuzhou Central Coast	Xiamen	605,619	37,728	16,052
Yuzhou Riverside City Town	Xiamen	1,790,871	174,240	10,278
Yuzhou Cloud Top International	Xiamen	57,271	1,484	38,592
Chunjiang Central	Xiamen	2,923,368	141,305	20,688
Yuzhou Lucca Town	Xiamen	308,480	19,443	15,866
Yuzhou Gushan No. One	Fuzhou	70,505	3,440	20,496
Yuzhou Oriental Venice	Fuzhou	1,106,085	103,445	10,692
Yuzhou City Plaza	Quanzhou	410,667	100,059	4,104
Yuzhou Castle above City	Longyan	500,523	93,224	5,369
Others	Xiamen	59,973	4,693	12,779
Sub-total		7,989,253	685,183	11,660
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	6,833	631	10,829
Yuzhou City Plaza	Shanghai	10,973	739	14,848
Yuzhou Skyline	Hefei	879,755	107,210	8,206
Yuzhou Jade Lakeshire	Hefei	829,573	106,653	7,778
Yuzhou Central Plaza	Hefei	2,186,523	324,143	6,746
Yuzhou Prince Lakeshire	Bengbu	666,159	150,394	4,429
Sub-total		4,579,816	689,770	6,640
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	251,244	36,829	6,822
Yuzhou Royal Lakeshire	Tianjin	525,137	71,022	7,394
Sub-total		776,381	107,851	7,199
Total		13,345,450	1,482,804	9,000

The recognized sales and GFA sold of each project in 2015 are set out in the following table:

Name of Project	City	Amount (RMB'000)	Saleable GFA (sq.m.)	Average Selling Price (after tax) (RMB/sq.m.)
West Strait Economic Zone				
Yuzhou Golf	Xiamen	90,307	5,221	17,297
Yuzhou Shoreline	Xiamen	579,359	24,797	23,364
Yuzhou Central Coast	Xiamen	2,423,107	146,081	16,587
Yuzhou Riverside City Town	Xiamen	559,697	48,950	11,434
Yuzhou Cloud Top International	Xiamen	650,643	18,650	34,887
Yuzhou Gushan No.One	Fuzhou	185,832	10,484	17,725
Yuzhou Oriental Venice	Fuzhou	707,829	74,769	9,467
Yuzhou City Plaza	Quanzhou	878,760	151,297	5,808
Yuzhou Castle above City	Longyan	116,170	16,281	7,135
Others	Xiamen	5,550	672	8,259
Sub-total		6,197,254	497,202	12,464
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	28,695	2,882	9,957
Yuzhou City Plaza	Shanghai	46,006	4,333	10,618
Yuzhou Skyline	Hefei	1,354,467	205,017	6,607
Yuzhou Jade Lakeshire	Hefei	1,086,924	157,800	6,888
Yuzhou Central Plaza	Hefei	932,274	161,025	5,790
Sub-total		3,448,366	531,057	6,493
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	511,884	79,157	6,467
Sub-total		511,884	79,157	6,467
Total		10,157,504	1,107,416	9,172

Contracted Sales in 2016

In 2016, the adjusted contract sales target for the year of the Group was RMB22,000 million for 2016. During the year, the Group successfully seized the opportunity of the prosperity in real estate market driven by favorable policies and strong demand, overachieved the year's adjusted contracted sales target with the contracted sales totaling a record high of RMB23,205.73 million, representing an increase of 65.54% year-on-year, and accomplished 105.48% of revised contracted sales target for the year. The

total of contracted sales GFA amounted to 1,828,857 sq.m., representing an increase of 30.43% year-on-year. The average selling price was approximately RMB12,689 per sq.m., representing an increase of 26.93% year-on-year. In addition, the sales of properties subscribed for but not contracted totaled approximately RMB1,269 million.

During the period, the Group constantly developed and strengthened market penetration in different regions, and enhanced geographical decentralization, thereby reducing its dependence on specific markets. In addition to continue to record a satisfactory sales performance in Xiamen, its cradle and Hefei, a place of strategic importance, the Group recorded contracted sales amounted to RMB3.2 billion in Nanjing which we entered into in 2014, accounting for 14% of the total contracted sales. The Nanjing market achieved an extraordinary sale from beginning of 2016 for a single property project to the end of 2016 for a combination of 4 property projects. Benefiting from the increasingly robust housing demands in eastern cities, our projects in Shanghai, Hefei, Nanjing, Xiamen and Fuzhou enjoyed great sales and the total contracted sales recorded RMB19.865 billion, accounting for 86% of the total contracted sales of the Group.

Xiamen is the cradle for the Group's development. For 11 consecutive years, we have maintained a leading position in Xiamen. In 2016, contracted sales valued at RMB6,588.52 million were achieved in Xiamen area, accounting for 28.39% (2015: 41.21%) of the total contracted sales of the Group.

Having established a presence in Hefei for more than a decade, Yuzhou Properties has a leading position in terms of market share in 2016, with contracted sales amounted to RMB5,252.66 million. Yuzhou Central Plaza and Yuzhou Royal Seal both achieved excellent sales records of over RMB1.0 billion, demonstrating the supreme recognition of our brand by Hefei residents and such recognition will in turn enhance our market share in Hefei property market.

In 2016, Yuzhou Bustling Center which is a project located at Jiading District, Shanghai, and developed for residential purpose only, created an excellent sales record of RMB2,451.31 million. Furthermore, Yuzhou The Jiqing (禹洲•吉慶里), our first project in Nanjing Yuhuatai region has also launched sale in January 2016, contributed a total of RMB2,633.97 million to contracted sales in the whole year and the average contracted selling price of this project was RMB34,377 per sq.m., setting a new benchmark for the average selling price in the region. The Group launched three new projects: Yuzhou Lakeside, Yuzhou Moon Riverside and Yuzhou Jinling Masterpiece in the last quarter of 2016, which further solidified the Group's presence in Nanjing. Looking forward, our development in Shanghai, Nanjing, Suzhou, Hangzhou, Fuzhou and Tianjin is expected to accelerate and these three cities together with Xiamen and Hefei will become the top eight cities for core business of the Group.

The contracted sales and GFA sold of each project in 2016 are set out in the following table:

Name of Project	City	Amount of Contracted Sales (RMB'000)	GFA of Contracted Sales (sq.m.)	Average Contracted Selling Price (RMB/sq.m.)
West Strait Economic Zone				
Yuzhou Central Coast	Xiamen	239,139	16,870	14,175
Yuzhou Riverside City Town	Xiamen	831,896	61,536	13,519
Yuzhou Cloud Top International	Xiamen	66,875	1,631	41,002
Haicang Dream Town	Xiamen	1,582,884	73,798	21,449
Yuzhou Lucca Town	Xiamen	1,356,338	64,438	21,049
Chunjiang Central	Xiamen	2,306,971	99,297	23,233
Yuzhou Gushan No. One	Fuzhou	70,415	3,228	21,814
Yuzhou Oriental Venice Phase III	Fuzhou	970,238	79,881	12,146
Yuzhou Cambridge Town	Fuzhou	628,800	65,867	9,547
Yuzhou City Plaza	Quanzhou	735,339	125,690	5,850
Yuzhou Castle above City	Longyan	677,034	114,195	5,929
Others	Xiamen	204,414	10,706	19,093
Sub-total		9,670,343	717,137	13,485
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	13,697	623	21,986
Yuzhou City Plaza	Shanghai	6,193	302	20,507
Yuzhou Commercial Plaza	Shanghai	493,129	41,393	11,913
Yuzhou Bustling Center	Shanghai	2,451,306	78,575	31,197
Yuzhou Beautiful Garden Life	Shanghai	158,941	5,126	31,007
Yuzhou Skyline	Hefei	787,909	98,788	7,976
Yuzhou Jade Lakeshire	Hefei	542,182	64,142	8,453
Yuzhou Central Plaza	Hefei	1,470,824	184,016	7,993
Yuzhou Town	Hefei	76,347	6,883	11,092
Yuzhou Royal Seal	Hefei	1,444,023	159,715	9,041
Yuzhou Central Town	Hefei	931,374	90,008	10,348
Yuzhou The Jiqing	Nanjing	2,633,969	76,620	34,377
Yuzhou Lakeside	Nanjing	306,007	25,515	11,993
Yuzhou Moon Riverside	Nanjing	58,695	2,085	28,151
Yuzhou Jinling Masterpiece	Nanjing	232,287	7,591	30,600
Yuzhou Prince Lakeshire	Bengbu	447,194	94,836	4,715
Sub-total		12,054,077	936,218	12,875

Name of Project	City	Amount of Contracted Sales (RMB'000)	GFA of Contracted Sales (sq.m.)	Average Contracted Selling Price (RMB/sq.m.)
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	878,857	104,495	8,411
Yuzhou Royal Lakeshire	Tianjin	602,450	71,007	8,484
Sub-total		1,481,307	175,502	8,440
Total		23,205,727	1,828,857	12,689

The contracted sales and GFA sold of each project in 2015 are set out in the following table:

Name of Project	City	Amount of Contracted Sales (RMB'000)	GFA of Contracted Sales (sq.m.)	Average Contracted Selling Price (RMB/sq.m.)
West Strait Economic Zone				
Yuzhou Golf	Xiamen	8,880	511	17,370
Yuzhou Shoreline	Xiamen	140,621	4,298	32,716
Yuzhou Central Coast	Xiamen	1,621,699	85,422	18,985
Yuzhou Riverside City Town	Xiamen	1,127,254	108,850	10,356
Yuzhou Cloud Top International	Xiamen	413,207	10,947	37,746
Haicang Dream Town	Xiamen	1,014,490	61,339	16,539
Yuzhou Lucca Town	Xiamen	481,463	22,733	21,179
Chunjiang Central	Xiamen	953,513	44,112	21,615
Yuzhou Gushan No. One	Fuzhou	21,550	2,075	10,386
Yuzhou Oriental Venice Phase I and II	Fuzhou	10,845	606	17,892
Yuzhou Oriental Venice Phase III	Fuzhou	819,030	79,000	10,368
Yuzhou Cambridge Town	Fuzhou	547,449	60,839	8,998
Yuzhou City Plaza	Quanzhou	483,691	79,353	6,095
Yuzhou Castle above City	Longyan	580,526	99,607	5,828
Others	Xiamen	19,032	1,798	10,581
Sub-total		8,243,250	661,490	12,462

Name of Project	City	Amount of Contracted Sales (RMB'000)	GFA of Contracted Sales (sq.m.)	Average Contracted Selling Price (RMB/sq.m.)
Yangtze River Delta Region				
Yuzhou Jinqiao International	Shanghai	13,517	758	17,824
Yuzhou City Plaza	Shanghai	87,747	9,600	9,141
Yuzhou Commercial Plaza	Shanghai	206,062	15,878	12,978
Yuzhou Bustling Center	Shanghai	656,331	28,740	22,837
Yuzhou Skyline	Hefei	1,007,087	147,403	6,832
Yuzhou Jade Lakeshire	Hefei	744,476	101,630	7,325
Yuzhou Central Plaza	Hefei	1,031,722	156,616	6,588
Yuzhou Town	Hefei	422,692	43,961	9,615
Yuzhou Royal Seal	Hefei	616,557	90,936	6,780
Yuzhou Central Town	Hefei	416,591	50,317	8,279
Yuzhou Prince Lakeshire	Bengbu	131,856	31,014	4,251
Sub-total		5,334,638	676,853	7,882
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	275,430	41,559	6,627
Yuzhou Royal Lakeshire	Tianjin	164,696	22,295	7,387
Sub-total		440,126	63,854	6,893
Total		14,018,014	1,402,197	9,997

Investment Properties

In 2016, the income from investment properties of the Group was approximately RMB124.15 million, representing a growth of approximately 55.87% year-on-year, which is mainly due to the increase in rental area and rental rate of the properties. During the period under review, Xiamen Yuzhou Plaza and Shanghai Yuzhou Plaza continued to record a remarkable operating performance, of which, Xiamen Yuzhou Plaza Project has taken the leading position in the office building market in Xiamen in term of occupancy rate and unit price of rental, with the occupancy rate of 92.5%, gathering the tenants from the world's top 500 enterprises such as PetroChina, Industrial and Commercial Bank of China, Coca-Cola, China Minsheng Bank, Ping An Group.

For retail commercial development and operation, the Group opened the first complex business center with a GFA of more than 140,000 sq.m. in Shanghai in July, recruiting 82 brands with the occupancy rate of up to 95%, and attracting more than 100,000 people to visit on the day of opening. This project has become the landmark commercial building in Huinan area of Shanghai, thereby enhancing the brand recognition of Yuzhou commercial development sector. Yuzhou World Trade Center, the landmark building in Xiamen, is the most mature large-scale modern shopping mall in Xiamen, which completed the optimization of its tenant structure by the end of 2016 by introducing well-known brands such as China film Digital Cinema, King of the Children, H&M and achieved the occupancy rate of more than 96%. Through strategic cooperation with Alipay and Ffan App to guide online customers towards the offline direction and in collaboration with various industry such as Didi Dache (滴滴打車) and Riyuegu Hot Spring Resort (日月谷溫泉度假村) to enrich the activities in the shopping mall, thereby achieving the average daily customer traffic of 60,000 people.

Based on the strategic guideline of “Based in the Yangtze River Delta and lead West Strait”, Yuzhou business focuses on regional shopping malls, and radiates the landmark business projects throughout the PRC by giving priority to the Yangtze River Delta region such as Shanghai, Hefei, Hangzhou and West Strait Economic Zone. Leveraging on its own advantages in residential development, the Group has made the artistic combination of commercial and residential housing to form “the 4+1 service system in Yuzhou” under the two-wheel driving model of giving priority to residential development supplemented by commercial development. The 4+1 service system in Yuzhou represents that 4 is for 4 segments, namely intelligent operation and management, brand marketing and promotion, analysis and adjustment of tenants mix and quality property service, and 1 is for an intelligent shopping mall. With a focus on the intelligent shopping mall, the core services of four segments will provide strong support for enhancing customer experience, creating tenants value, and refining commercial operation, thereby achieving the meticulous and intelligent management of the shopping mall. Meanwhile, By relying on the existing community management advantage and various diversified resources, Yuzhou business builds an intelligent community service platform “Your Life” with close connection with professional platforms, especially ffan.com and rongyi.com to build the intelligent shopping navigation catering for consumers for providing one-stop operation management services to merchants, providing consumers with more quality and convenient shopping experience, and establishing a business ecosystem consisting of “consumer, merchant and operator” so as to form cohesion stronger than the combination of merchants and shopping mall.

2015 to 2018 are the peak years for new openings of the Group's investment properties. The Group will continue to enhance the development and operation efficiency of investment properties for sustainable growth in recurrent rental income, further strengthen the Group's double-engine competitive edge to improve profitability and investment return.

Hotel Operation

The expansion into the hotel industry would broaden the source of the Group's revenue. In 2016, the hotel revenue was approximately RMB20.40 million, representing a growth of 25.85% year-on-year. According to the Group's development strategies and the future development trend of the hotel industry, we have positioned our hotel business to 1) focus on the development of service apartments as well as medium to high-end business hotel to establish premium hotel brands; 2) properly develop resort hotels and improve the existing hotel portfolio to strengthen the core competitiveness of the brands. Most hotels of the Group are still under development and construction, including Wyndham Grand Plaza Royale Hotel and Howard Johnson Residence in Wuyuan Bay of Xiamen as well as hotels in Tong'an District of Xiamen and Hui'an District of Quanzhou.

Property Management

During the year, the property management companies of the Group recorded a property management fee income of RMB181.83 million, representing an increase of 48.87% year-on-year. With the succession in the area of delivered properties, as of 31 December 2016, the Group has served approximately 56,000 households of owners and residents in total across the country.

The property management service of the Group has achieved high rankings in customer satisfaction surveys for consecutive years, which reflects that the market has unanimously recognized and acknowledged our unrelenting pursuit of high quality of product and service. Through our own efforts, we hope to gradually transform our customers' level of product satisfaction into loyalty to the "Yuzhou" brand. In 2016, the Group seized upon the great opportunity to improve products and services and maintain customer loyalty by listening to customers' feedback and suggestions through our customer service centers and numerous other channels, and have conducted a comprehensive review of Yuzhou property owners' major concerns. We listened to their thoughts and needs in all areas, including landscape planning, residence design, material quality, construction technique, product preservation, and benchmarked ourselves against leading industry standards so as to satisfy the different requirements of our property owners to the largest extent.

Land Reserves

Adhering consistently to its strategic deployment of “Based in Yangtze River Delta, Lead West Strait and Expand Nationwide Coverage in China” and by leveraging its renowned brand reputation, the Group has accelerated its development in the Yangtze River Delta on the basis of strengthening its leading position in West Strait Economic Zone. With its keen insight and judgment, the Group wisely place emphasis on the development of Shanghai, Hefei, Nanjing, Suzhou, and Hangzhou, the top five core cities that possess the potential of development in Yangtze River Delta, and successfully gain several additional development projects with high potential. On the principle of “Establishing strong foundation in every city entered”, the Group selected strategic locations with high potential for project development to save cost and create brand premium. Besides, our Group took the execution, sell-through rate and profitability as its indications of performance and strictly manages its risk, so as to ensure the sustainable development of the Group.

As of 31 December 2016, the aggregate salable GFA of land reserves of the Group was approximately 9.54 million sq.m., with over 68 projects located in 14 cities in West Strait Economic Zone, Yangtze River Delta, Bohai Rim region, Central Region and Hong Kong; the average land cost was approximately RMB5,072 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for its development over the next four or five years.

Salable GFA of Land Reserves (sq.m.)*(As at 31 December 2016)*

Region	Number of Projects	Area (sq.m.)
West Strait Economic Zone		
Xiamen	25	1,412,018
Fuzhou	4	548,516
Quanzhou	1	1,031,465
Longyan	1	202,822
Zhangzhou	1	255,000
Sub-total	32	3,449,821
Yangtze River Delta Region		
Shanghai	9	891,984
Nanjing	6	517,196
Hangzhou	1	298,733
Suzhou	2	452,810
Hefei	11	2,397,447
Bengbu	1	517,938
Sub-total	30	5,076,108
Bohai Rim Region		
Tianjin	4	416,492
Sub-total	4	416,492
Central Region		
Wuhan	1	598,179
Sub-total	1	598,179
Offshore		
Hong Kong	1	2,214
Sub-total	1	2,214
Total	68	9,542,814

In 2016, the Group acquired 14 new parcels of quality land, which are located in Xiamen, Fuzhou, Shanghai, Hefei, Hangzhou, Suzhou, Nanjing, Tianjin and Wuhan respectively, providing an aggregate GFA of new land reserves of 2,647,724 sq.m., at an average land cost of approximately RMB9,872 per sq.m., with a total attributable land premium of approximately RMB16,888.60 million.

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

Name of Project	City	The Group's equity interest	Total Attributable			
			GFA (sq.m.)	Consolidation (RMB'000)	Consideration (RMB'000)	Land Cost (RMB/sq.m.)
West Strait Economic Zone						
Yuzhou Cangshan Project	Fuzhou	66%	137,409	1,730,000	1,141,800	12,590
Yuzhou Jimei Guankou Project	Xiamen	51%	85,300	2,800,000	1,428,000	32,825
Yangtze River Delta Region						
Minhang Project	Shanghai	40%	90,776	2,630,000	1,052,000	28,972
Yuzhou Yuhuatai Project G71	Nanjing	100%	61,152	710,000	710,000	11,610
Yuzhou Yaohai Project E1601	Hefei	50%	234,889	2,388,764	1,194,382	10,170
Yuzhou Yaohai Project E1602	Hefei	50%	59,263	718,312	359,156	12,121
Yuzhou Xinzhan Project XZQTD175	Hefei	49%	357,069	1,821,006	892,293	5,100
Yuzhou Shushan Project	Hefei	36%	100,981	1,119,460	403,006	11,086
Yuzhou Hangzhou Project	Hangzhou	49%	297,000	4,104,000	2,010,960	13,818
Yuzhou Suzhou Gaoxin Project	Suzhou	100%	221,847	1,967,000	1,967,000	8,866
Yuzhou Suzhou Xiangcheng Project	Suzhou	100%	230,963	1,521,000	1,521,000	6,585
Bohai Rim Region						
Yuzhou Tianjin Xiqing Project	Tianjin	40%	96,600	700,000	280,000	7,246
Yuzhou Tianjin Binhai Project	Tianjin	100%	76,296	340,000	340,000	4,456
Central Region						
Yuzhou Wuhan Project	Wuhan	100%	598,179	3,589,000	3,589,000	6,000
Total			2,647,724	26,138,542	16,888,597	9,872

Revenue

The revenue of the Group mainly arising from four business categories, including property sales, rental of investment properties, property management and hotel operation. In 2016, the revenue of the Group was RMB13,671.83 million, hitting a record high by representing an increase of 31.77% over last year, mainly because of the increase in property sales income recognized driven by the increase in aggregate GFA of properties delivered. Specifically, the property sales income was approximately RMB13,345.45 million, up by 31.39% year-on-year, which accounted for 97.61% of the total income; the rental income from investment properties was approximately RMB124.15 million, up by 55.87% year-on-year; the property management fee income was about RMB181.83 million, up by 48.87% year-on-year; the income from hotel operation was approximately RMB20.40 million, up by 25.85% year-on-year.

Cost of Sales

The cost of sales of the Group mainly encompassed land cost, construction cost and capitalized interest. In 2016, the cost of sales of the Group was RMB8,712.92 million, increased by 30.70% from RMB6,666.18 million in 2015. The increase in the cost of sales was mainly due to the increase in GFA of properties delivered.

Gross Profit and Gross Profit Margin

The gross profit of the Group was RMB4,958.91 million in 2016, increased by 33.69% year-on-year. Gross profit margin was 36.27%, up by 0.52 percentage points year-on-year. The increase in gross profit margin was primarily due to the recognition of a portion of properties presold during the market recovery period since 2015.

Fair Value Gain on Investment Properties

In 2016, the Group recorded a fair value gain on investment properties of RMB97.39 million (2015: RMB202.94 million), which was mainly attributable to the fair value gain on investment properties located in Fujian province and Shanghai.

Other Income and Gains

In 2016, other income and gains increased by 27.88% year-on-year to RMB300.99 million. The increase in other income and gains was mainly due to the gain from disposal of investment properties in Shanghai, which amounted to RMB172 million. The gain from disposal of investment properties was arising from the sales and delivery of approximately 58,000 sq.m. of investment properties with contracted amount of approximately RMB718 million, minus cost of investment properties sold of approximately RMB546 million. Among the cost of investment properties sold of RMB546 million, approximately RMB89 million was arising from revaluation gain recognized in previous years.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by 1.59% year-on-year from RMB288.57 million in 2015 to RMB293.15 million in 2016, which accounted for 1.26% (2015: 2.06%) of total contracted sales. With an effective cost control measure, the Group continued to invest in the online marketing and expanded more diversified marketing channels in 2016.

Administrative Expenses

The Group's administrative expenses grew by 36.06% year-on-year from approximately RMB296.10 million in 2015 to approximately RMB402.88 million in 2016, mainly due to the business expansion of the Group and the increase in number of staff, especially for new cities the Group entered during the year, for instance Hangzhou, Suzhou and Wuhan, and relocated the headquarter to Shanghai. In 2016, the proportion of administrative expenses to total contracted sales decreased to 1.74% (2015: 2.11%), mainly due to the effective cost control measures by the Group.

Other Expenses

Other expenses increased by 160.48% year-on-year from approximately RMB73.07 million in 2015 to approximately RMB190.33 million in 2016. The increase was mainly due to the impairment of goodwill of approximately RMB164.27 million recognized during the year, arising from business acquisition in previous years.

Finance Costs

Finance costs of the Group increased by 26.90% year-on-year from RMB349.04 million in 2015 to RMB442.95 million in 2016. The increase was mainly due to the early redemption of a bond of HKD1.5 billion with coupon rate of 10% and a senior notes of USD300 million with coupon rate of 8.75% during the year in order to reduce the financing cost of the Group. The redemptions have generated a loss of approximately RMB197.22 million.

Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures recorded profits of approximately RMB91.79 million in 2016, as compared to losses of approximately RMB41.97 million in 2015. The profit was mainly arising from the sharing of profit of a joint venture project located in Xiamen which delivered a portion of presold properties during the year.

Income Tax

Income tax of the Group increased by 42.91% year-on-year from approximately RMB1,475.29 million in 2015 to approximately RMB2,108.27 million in 2016. Such increase was mainly attributable to the increase in the revenue and profit during the year.

Profit Attributable to Non-controlling Interests

For the year ended 31 December 2016, the profit attributable to non-controlling interests increased by approximately 26.7 times to RMB313.57 million. The increase was mainly due to the share of profit arising from a non-wholly owned project located in Xiamen, which has delivered a portion of presold properties during the year.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2016, the profit attributable to owners of the parent was approximately RMB1,774.91 million, representing an increase of 7.13% compared to RMB1,656.85 million in 2015 mainly due to the above mentioned factors. Core profit attributable to owners of the parent increased by 26.37% from RMB1,619.95 million in 2015 to RMB2,047.13 million in 2016.

Basic Earnings per Share and Core Earnings per Share

Core earnings per share is calculated by dividing the core profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. The calculation of basic and core earnings per share are based on the following data:

	2016 (RMB'000)	2015 (RMB'000)
Profit attributable to owners of the parent	1,774,914	1,656,853
Less: Fair value gain on investment properties, net of deferred tax	73,044	152,207
Less: Fair value gain on derivative financial instruments	85,458	44,583
Less: Gain on bargain purchase of a subsidiary net of loss on remeasurement of a pre-existing interest in a joint venture	–	128,356
Plus: Realised fair value gains on investment properties disposed, net of deferred tax	66,879	–
Plus: Equity-settled share option expenses	2,352	3,959
Plus: Loss on redemption of financial liabilities	197,218	196,771
Plus: Impairment of goodwill	164,265	–
Plus: Share of fair value loss on acquisition of remaining interests in joint ventures, net of deferred tax	–	87,516
Core profit attributable to owners of the parent	<u>2,047,126</u>	<u>1,619,953</u>
Weighted average number of ordinary shares in issue ('000)	3,815,999	3,677,918
Basic earnings per share (RMB per share)	<u>0.47</u>	<u>0.45</u>
Core earnings per share (RMB per share)	<u>0.54</u>	<u>0.44</u>

Liquidity and Financial Resources

The Group has adopted a prudent financial policy and strived to maintain a healthy debt level amid its fast expansion to support sustainable development. Meanwhile, the Group continued to explore varied channels of financing, kept a close eye on capital market's financing window and take reducing overall financing cost as a goal. Thanks to these, the Group's overall financing cost dropped from 7.00% at the end of 2015 to 6.08% at the end of 2016. The series of corporate financing measures further replenished the Group's cash flow in support of business development, extended the average maturing term the Group's debt portfolio and optimized debt structure, which helped lower the Group's overall financing cost.

Details of new indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Xiamen Yuzhou Grand Future Real Estate Development Company Limited (廈門禹洲鴻圖地產開發有限公司)	Onshore corporate bond	Private	RMB2.0 billion	Three years	6.28%	AA
Yuzhou Properties Company Limited	Onshore corporate bond	Private	RMB3.0 billion	Three years	5.30%	AA+
Yuzhou Properties Company Limited	Term loan facility	N/A	USD 400 million	Three and half years	3.85%+Libor	N/A
Yuzhou Properties Company Limited	Offshore senior notes	Public	USD 250 million	Seven years	6.00%	BB-/B1

Details of early redemption of indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Yuzhou Properties Company Limited	Guaranteed corporate bond	Private	HK\$1.5 billion	6 years	10.00%	N/A
Yuzhou Properties Company Limited	Offshore senior notes	Public	USD 300 million	5 years	8.75%	BB-/B1

Credit ratings

In September and December 2016, Standard & Poor's and Moody's upgraded our issuer's credit rating outlook to "B+" ("Positive" outlook) and "B1" ("Positive" outlook) respectively. Meanwhile, Fitch maintained our issuer's credit rating at "BB-" ("Stable" outlook).

Borrowings

As of 31 December 2016, the Group's has total bank and other borrowings of RMB20,281.41 million, which were secured by the investment properties, properties held for sale and properties under development of the Group with an aggregate carrying value of RMB16,292.02 million. The outstanding balance of senior notes was RMB5,505.39 million. In 2016, the Group's bank and other borrowings and outstanding balance of senior notes totaled RMB25,786.79 million, with the repayment periods set out as follows:

	31 December 2016 (RMB'000)	31 December 2015 (RMB'000)
Maturity		
Bank and other borrowings		
Within 1 year or on demand	4,807,778	3,987,373
In the second year	6,894,017	1,665,505
In the third to fifth years, inclusive	8,539,162	8,845,312
Beyond five years	40,450	118,050
	20,281,407	14,616,240
Senior Notes		
In the third to fifth years, inclusive	5,505,386	5,466,883
Total	25,786,793	20,083,123

Cash Position

As of 31 December 2016, the Group had RMB17,417.53 million of cash and cash equivalents and restricted cash, up by 45.77% from RMB11,948.79 million as at 31 December 2015.

Net Gearing Ratio

As of 31 December 2016, the Group's net gearing ratio (calculated as the interest-bearing bank and other borrowings and senior notes less cash and cash equivalents and restricted cash and divided by total equity) was 71.70%, down by 7.73 percentage points when compared to 79.43% as at 31 December 2015. The decrease was mainly attributable to the collection of contracted sales proceeds during the year.

Currency Risk

As of 31 December 2016, among the RMB25,786.79 million of total borrowings of the Group, approximately 63.2% was denominated in RMB and 36.8% was denominated in Hong Kong dollars and United States dollars. In 2016, the Group successfully tapped the onshore funding source – issuance of onshore corporate debt and optimized the debt structure and reduced the foreign exchange risk of the company through early redemption of the costly senior notes in United States dollars and early repayment of guaranteed bonds with high coupon rate in Hong Kong dollars.

Starting in 2016, the Group entered into certain structured forward currency contracts with a bank to hedge the foreign exchange exposure. All structured forward currency contracts have a maturity term of one year. As at 31 December 2016, the aggregate notional amount of structured forward currency contracts is approximately USD370 million (31 December 2015: Nil).

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

	Bank and Other Borrowings and Senior Notes Balance <i>(RMB'000)</i>	Cash Balance* <i>(RMB'000)</i>
HK\$	891,133	577,017
RMB	16,293,573	13,954,681
US\$	8,602,087	2,879,969
Others	—	5,867
Total	<u>25,786,793</u>	<u>17,417,534</u>

* Including restricted cash

Commitment

As at 31 December 2016, the Group had commitments in respect of development expenditure on real estate of approximately RMB4,479.38 million (31 December 2015: RMB5,351.10 million). The Group is also committed to the payment of land premium in respect of land acquisition of approximately RMB2,992.49 million (31 December 2015: RMB2,098.79 million) and in respect of acquisition of project companies of approximately RMB3,547.22 million (31 December 2015: RMB179.46 million).

Contingent Liabilities

The Group provides buy-back guarantees to banks, which offered mortgages to domestic properties buyers in Mainland China of the Group. As at 31 December 2016, outstanding buy-back guarantees amounted to RMB15,228.70 million (31 December 2015: RMB9,239.47 million). The Group provides guarantees to bank and other lenders in connection with facilities granted to joint ventures amounted to RMB4,032.01 million (31 December 2015: Nil).

Acquisitions and Disposals of Subsidiaries and Affiliated Companies

- i) In July 2016, the Group entered into an equity transfer agreement with independent third parties to acquire the entire equity interest and shareholders' loan in a property development company which hold three parcels of land located at the southwest side of Hangzhou, Zhejiang Province, the PRC at a consideration of RMB2,330 million for the entire equity interests and RMB1,774 million for the shareholders' loan.
- ii) In December 2016, the Group entered into an equity transfer agreement with an independent third party for the disposal of a 51.5% equity interests of a subsidiary, which hold three parcels of land located at the southwest side of Hangzhou, the PRC for a consideration of RMB1,200 million.

Except for the above, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year.

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 12 years' experience in average for most of the senior executives. With the strong leadership and international insight of the management as well as excellent execution, together with strict implementation of the best international practices according to the actual situation of the Company, the Group has developed as one of the leading real estate developers in the China.

2016 was a significant year for the Group's strategic upgrade, our headquarters has been established in Shanghai and the human resources management system has been upgraded comprehensively. In 2016, the Group has updated the "Yuzhou Young Talents" management trainee program, the outstanding graduates from domestic key universities and overseas outstanding universities became the focus of recruitment as the key reserve talents for Yuzhou to manage its cadres cultivation in the future. Furthermore, the Group has successively recruited a number of outstanding mid-to-senior level management personnel from domestic first-tier real estate developers and established a core reserve mechanism of such to upgrade the organization construction of Yuzhou's elites with the combination of the building of internal talent supply chain and the introducing of external talents.

We believed that human resources, particularly the senior executives and professional project management team, are of critical importance to maintaining the 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 2016, the Group had 3,401 (2015: 2,981) staff in total.

In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group.

PAYMENT OF DIVIDEND

The Board recommends the payment of a final dividend of HK22 cents per share for the year ended 31 December 2016, subject to the approval by the shareholders on the forthcoming annual general meeting of the Company to be held on 6 June 2017 ("AGM").

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from 2 June 2017 to 6 June 2017, both days inclusive, during which period no transfer of shares will be registered. All transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 1 June 2017.

Subject to the approval of shareholders at the AGM, the final dividend will be paid on or about 5 July 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 19 June 2017 to 21 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 16 June 2017.

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

During the year, the Company redeemed in full the 8.75% senior notes due 2018, which were listed on The Stock Exchange of Hong Kong Limited, at a redemption amount of US\$313,000,000, representing 104.375% of its principal amount plus accrued and unpaid interest.

Save as disclosed above, 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 directors have confirmed that they have complied with the requirements set out in the Securities Code throughout the year ended 31 December 2016.

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 emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

During the year, the Group had adopted, applied and complied with the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange except the following deviation:

Code provision A2.1 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 of the Group 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 27 January 2016, 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 19,790,000 new shares of HK\$0.10 each in the share capital of the Company at the exercise price per share of HK\$1.812.

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 2016.

DEVELOPMENT STRATEGIES AND PROSPECT

For 2017, the global economic outlook is still not optimistic. With the decline of the global potential growth rate, the financial market becomes more fragile, the growth of trade and investment is weak and the anti-globalization trend becomes more obvious. These factors will curb the strong, sustainable, balanced and inclusive growth in the global economy. The domestic economy continues to stay at the bottom of the long cycle and there is still downward pressure for economy. However, more favorable factors emerged, such as the speed-up of structural reform, more conservative monetary policy, the stabilized demand level and positive growth in corporates' earnings. This shift will drive funds back to the real economy and establish a foundation for economic recovery in a medium-term.

The Central Economic Working Conference convened in mid-December 2016 expressly put forward that the economic growth in 2017 will focus on "stability" and monetary policy should be steady and moderate, which have a significant impact on expectations on the development of China's real estate market. As a result of the steady and moderate monetary policy, comprehensive loose monetary environment will no longer exists in 2017. Taking into consideration the impact from expectations on U.S. dollar rate increases, the central bank may moderately tighten the domestic RMB liquidity to balance the stability of RMB. For policies of the property sector, in addition to strengthening the efforts that recovering the properties to residence, China will promote the construction of the housing system through taking policies appropriate to local conditions, precise control and long-term effective mechanism for mid-and-long term.

In 2017, it is expected that the tier 1 and 2 cities in the Group's strategic layout, such as Shanghai, Nanjing, Hangzhou, Hefei, Xiamen, Fuzhou and other core strategic cities, will maintain the leading economic growth rate in China. Those cities have active fundamentals, therefore have attracted a number of population inflow. In June 2016, the National Development and Reform Commission issued the "Development Planning of Yangtze River Delta City Agglomeration" (《長江三角洲城市群發展規劃》), which pointed out that the Yangtze River Delta city agglomeration is one of the regions where have the most dynamic economy, the highest degree of openness and the strongest innovation ability and have absorbed the largest expatriate population in China. It is also the important intersection of "One Belt, One Road" and Yangtze River Economic Belt and it play an important strategic position in national modernization and all-round development. We entered Wuhan in 2016 for the first time. Wuhan was enrolled as National Central City at the end of 2016, which bear the responsibilities to lead the development of other cities in this region, promote the economic and social development in this region. It further manifests our strategic insight and accurate timing to enter Central China market. In addition, the improvement of living quality of residents and the introduction of the two-child policy will also stimulate the demand of updaters.

Following the adjustment to the strategic layout of the Group during 2016 and the relocation of our headquarters to Shanghai, the Group will strive to plan higher level developments from a higher starting point on the back of the regional edge of Shanghai as a national or even a global hub for finance, talents and information exchange. In future, the Group will continue to adhere to the major strategy of “Based in the Yangtze River Delta, lead West Strait Economic Zone and Expand Nationwide Coverage in China (立足長三角，引領海西區，建樹全中國)”, with a focus on core cities, including Shanghai, Hefei, Nanjing, Hangzhou, Suzhou, Tianjin, Xiamen, Fuzhou and Wuhan, accelerate and improve its layout in the Yangtze River Delta region and continue to consolidate its leading position in the West Strait Economic Zone, accelerate the development in Bohai Rim and Central China and actively explore Pearl River Delta region and Hong Kong markets. With the sound growth in contracted sales and financing costs continuing to fall, we will continuously strengthen its mode of operation, and try to achieve optimal investment returns and cash flows with appropriate turnover modes for different projects in various cities to attain stable debts, and inventory management and release, as well as the balanced growth in profits and business scale. The Group will continue to be customer-oriented, promote the upgrading of its products and services, and expand its scope of business.

In addition, by further strengthening cash management, adopting sound financial policies, and actively and effectively communicating with various institutions in the domestic and international capital markets, the Group will continue to establish long-term, stable and amicable relations with them, integrate financial resources, improve investment efficiency through innovative financing, experiment with financial instruments including securitized assets, and provide new momentum for its business reforms through financial innovations.

Meanwhile, by strictly controlling investment risks, the Group will continue to adhere to the strategy of developing projects in regions with mature city functions, auxiliary facilities, and enough population. By deploying in key cities in advance, the Group will lay a good foundation for future businesses, and through continued cooperation and innovation, the Group will give full play to its professional competence and brand reputation and actively look for strategic cooperation opportunities. Through products innovation, the Group will explore all kinds of products and develop well-diversified industry-leading products. We believe that these operational strategies can help the Group maintain its competitiveness in the ever-changing market and reduce risks to ensure its sustainable development and maintain its steady growth, high profits and high dividend levels to maximize the value for our shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to all our shareholders, investors, partners and customers for their trust and support. We will continue to draw on better corporate governance and management structure as well as the prudent financial strategies and 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.

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

Hong Kong, 21 March 2017

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 the independent non-executive Directors of the Company are Mr. Lam Kwong Siu, Mr. Wee Henny Soon Chiang and Dr. Zhai Pu.