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 2017

FINANCIAL HIGHLIGHTS

1. Contracted sales, total revenue and gross profit all reached record highs. Contracted sales exceeded revised target in 2017, up by 73.69% year-on-year to RMB40,305.96 million. Total revenue amounted to RMB21,700.67 million, up by 58.73% year-on-year. Gross profit amounted to RMB7,683.05 million, a year-on-year increase of 54.93%. Gross profit margin was 35.40%, a leading level in the industry.

2. Profit for the year increased by 49.73% year-on-year to approximately RMB3,127.07 million in 2017. Core profit attributable to owners of the parent increased by 42.83% year-on-year to approximately RMB2,923.99 million. Core earnings per share increased by 37.04% year-on-year to RMB0.74.

3. Proposed final dividend of HK21.5 cents per share in aggregate with the interim dividend paid of HK8.5 cents per share, representing a payout ratio of approximately 36% of core profit attributable to owners of the parent for the year of 2017.

4. Cash and bank balances (including restricted cash) amounted to RMB17,498.21 million which increased by 0.46% year-on-year.

5. Average finance cost as at 31 December 2017 decreased by 0.06 percentage point to 6.02%. Standard & Poor's and Moody's upgraded our issuer's credit rating to BB- and Ba3, respectively.

6. The net gearing ratio in 2017 of the Group was 57.73%, down by 13.97 percentage points from 71.70% in 2016.

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 2017, 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 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
REVENUE	2,3	**21,700,673**	13,671,828
Cost of sales		**(14,017,619)**	(8,712,916)
Gross profit		**7,683,054**	4,958,912
Fair value gain on investment properties, net		**380,069**	97,392
Other income and gains	2	**202,311**	386,449
Selling and marketing expenses		**(490,771)**	(293,153)
Administrative expenses		**(499,882)**	(402,876)
Other expenses		**(292,891)**	(190,326)
Finance costs	4	**(708,340)**	(442,948)
Share of profits and losses of joint ventures		**(64,719)**	91,790
Share of losses of associates		**(18,771)**	(8,480)
PROFIT BEFORE TAX	5	**6,190,060**	4,196,760
Income tax	6	**(3,062,991)**	(2,108,274)
PROFIT FOR THE YEAR		**3,127,069**	2,088,486
Attributable to:			
Owners of the parent		**2,790,047**	1,774,914
Non-controlling interests		**337,022**	313,572
		3,127,069	2,088,486
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic *(RMB per share)*		**0.70**	0.47
— Diluted *(RMB per share)*		**0.69**	0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,127,069**	2,088,486
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**718,751**	(157,295)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,845,820**	1,931,191
Attributable to:		
Owners of the parent	**3,508,798**	1,617,619
Non-controlling interests	**337,022**	313,572
	3,845,820	1,931,191

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**874,715**	1,061,735
Investment properties		**8,140,210**	7,518,177
Land held for property development for sale		**215,224**	215,224
Prepayments, deposits and other receivables		—	208,903
Goodwill		—	100,401
Investments in joint ventures		**6,387,378**	7,268,781
Investments in associates		**602,365**	123,580
Deferred tax assets		**526,074**	371,456
Total non-current assets		**16,745,966**	16,868,257
CURRENT ASSETS			
Land held for property development for sale		**9,173,473**	883,250
Properties under development		**10,263,940**	21,156,179
Properties held for sale		**8,121,694**	7,369,071
Prepayments for acquisition of land		**2,109,667**	1,658,529
Prepayments, deposits and other receivables		**15,630,318**	2,876,651
Prepaid corporate income tax		**127,813**	267,317
Prepaid land appreciation tax		**216,020**	276,268
Derivative financial instruments		**17,718**	87,456
Restricted cash		**1,901,969**	1,818,946
Cash and cash equivalents		**15,596,239**	15,598,588
Total current assets		**63,158,851**	51,992,255
CURRENT LIABILITIES			
Receipts in advance		**10,268,840**	13,857,844
Trade payables	9	**5,153,520**	5,979,034
Other payables and accruals		**12,468,016**	7,657,059
Derivative financial instruments		**19,229**	—
Corporate bonds	10	**10,000,000**	—
Interest-bearing bank and other borrowings		**6,704,340**	4,807,778
Corporate income tax payables		**1,893,370**	1,576,914
Provision for land appreciation tax		**1,505,218**	1,448,040
Total current liabilities		**48,012,533**	35,326,669
NET CURRENT ASSETS		**15,146,318**	16,665,586
TOTAL ASSETS LESS CURRENT LIABILITIES		**31,892,284**	33,533,843

	Note	**2017**	2016
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Other payable		**2,560,449**	—
Interest-bearing bank and other borrowings		**7,007,525**	5,473,629
Corporate bonds	10	**—**	10,000,000
Senior notes		**3,855,621**	5,505,386
Deferred tax liabilities		**1,025,453**	882,092
Total non-current liabilities		**14,449,048**	21,861,107
Net assets		**17,443,236**	11,672,736
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**355,982**	324,472
Senior perpetual securities		**1,911,986**	—
Reserves		**14,113,513**	10,341,639
		16,381,481	10,666,111
Non-controlling interests		**1,061,755**	1,006,625
Total equity		**17,443,236**	11,672,736

Notes:

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has fully assessed and adopted, to the extent that is relevant to the Group, the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements.

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.

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:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**21,213,375**	13,345,450
Rental income from investment properties	**140,287**	124,151
Property management fee income	**328,518**	181,825
Hotel operation income	**18,493**	20,402
	21,700,673	13,671,828
Other income and gains		
Bank interest income	**95,234**	84,156
Gain on disposal of investment properties, net	**4,024**	171,590
Fair value gain on derivative financial instruments	**—**	85,458
Foreign exchange differences, net	**66,262**	—
Others	**36,791**	45,245
	202,311	386,449

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation;

(c) the property management segment engages in the provision of property management services;

(d) the hotel operation segment engages in the operation of hotels; and

(e) the others segment comprises corporate income and expense items.

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

Segment assets exclude deferred tax assets, prepaid corporate income tax, prepaid land appreciation tax, 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, corporate bonds, 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 2017

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:						
Sales to external customers	**21,213,375**	**140,287**	**328,518**	**18,493**	**—**	**21,700,673**
Other income and gains	**21,797**	**35,863**	**321**	**285**	**48,811**	**107,077**
Total	**21,235,172**	**176,150**	**328,839**	**18,778**	**48,811**	**21,807,750**
Segment results	**6,382,182**	**388,239**	**3**	**(19,460)**	**52,202**	**6,803,166**
Reconciliation:						
Interest income						**95,234**
Finance costs						**(708,340)**
Profit before tax						**6,190,060**
Income tax						**(3,062,991)**
Profit for the year						**3,127,069**
Segment assets	**49,759,577**	**8,526,792**	**567,466**	**241,664**	**6,675,155**	**65,770,654**
Reconciliation:						
Elimination of intersegment receivables						**(4,251,670)**
Corporate and other unallocated assets						**18,385,833**
Total assets						**79,904,817**

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment liabilities	**25,636,832**	**1,078,269**	**657,647**	**102,887**	**7,226,860**	**34,702,495**
Reconciliation:						
Elimination of intersegment payables						**(4,251,670)**
Corporate and other unallocated liabilities						**32,010,756**
Total liabilities						**62,461,581**
Other segment information:						
Depreciation	**29,896**	**18,139**	**3,378**	**9,017**	**22,356**	**82,786**
Capital expenditure*	**39,935**	**433,768**	**2,422**	**394,018**	**14,644**	**884,787**
Fair value gain on investment properties, net	—	**380,069**	—	—	—	**380,069**
Impairment of goodwill	**100,401**	—	—	—	—	**100,401**
Share of losses of joint ventures	**64,719**	—	—	—	—	**64,719**
Share of losses of associates	**18,771**	—	—	—	—	**18,771**
Investments in joint ventures	**6,387,378**	—	—	—	—	**6,387,378**
Investments in associates	**602,365**	—	—	—	—	**602,365**

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

Year ended 31 December 2016

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

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Others RMB'000	Total RMB'000
Segment liabilities	25,220,582	1,139,894	111,998	45,757	5,183,983	31,702,214
Reconciliation:						
Elimination of intersegment payables						(4,208,277)
Corporate and other unallocated liabilities						29,693,839
Total liabilities						57,187,776
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 and losses 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	123,580	—	—	—	—	123,580

* *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:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans, other loans, corporate bonds and senior notes	**1,700,453**	1,585,980
Less: Interest capitalised	**(1,203,777)**	(1,340,250)
	496,676	245,730
Loss on early redemption of China Life Bonds	**—**	95,315
Loss on early redemption of senior notes	**211,664**	101,903
	708,340	442,948

5. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of properties sold	**13,709,213**	8,503,448
Cost of services provided	**284,748**	191,091
Depreciation	**82,786**	38,746
Gain on disposal of investment properties, net	**(4,024)**	(171,590)
Loss on deemed disposal of subsidiaries upon loss of control*	**17,479**	—
Fair value loss/(gain) on derivative financial instruments, net	**61,549**	(85,458)
Realised loss on derivative financial instruments	**73,180**	—
Impairment of goodwill*	**100,401**	164,265
Minimum lease payments under operating leases	**37,311**	21,064
Auditor's remuneration	**3,864**	3,081
Employee benefit expense (including directors' and chief executive officer's remuneration)		
Wages and salaries	**241,722**	158,021
Equity-settled share option expense	**4,636**	2,352
Retirement benefit scheme contributions	**23,716**	21,608
	270,074	181,981
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**23,658**	18,377

* *The amounts are 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 current and prior years as the Group did not generate any assessable profits arising in Hong Kong during the current and prior years. 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:

	2017	2016
	RMB'000	*RMB'000*
Current:		
PRC corporate income tax	**1,459,696**	1,082,744
PRC land appreciation tax ("LAT")		
— Charge for the year	**1,660,285**	985,071
— Overprovision in prior years	**(25,905)**	—
	3,094,076	2,067,815
Deferred:		
Current year	**(37,561)**	40,459
Reversal of deferred tax assets on LAT overprovided in prior years	**6,476**	—
	(31,085)	40,459
Total tax charge for the year	**3,062,991**	2,108,274

7. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim — HK8.5 cents (2016: Nil) per ordinary share	**280,829**	—
Proposed final — HK21.5 cents (2016: HK22 cents) per ordinary share	**780,314**	741,822
	1,061,143	741,822

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 2017 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted for the distribution related to senior perpetual securities, and the weighted average number of ordinary shares of 3,937,250,252 (2016: 3,815,999,999) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2017 is based on the profit for the year attributable to ordinary equity holders, adjusted for the distribution related to senior perpetual securities, 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).

The calculation of the basic and diluted earnings per share are based on:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent	**2,790,047**	1,774,914
Distribution related to senior perpetual securities	**(27,825)**	—
Profit used in the basic and diluted earnings per share calculations	**2,762,222**	1,774,914

	Number of shares 2017	Number of shares 2016
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**3,937,250,252**	3,815,999,999
Effect of dilution of share options — weighted average number of ordinary shares	**40,073,703**	15,699,096
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**3,977,323,955**	3,831,699,095

9. TRADE PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Due within 1 year or on demand	**3,004,832**	3,026,199
Due within 1 to 2 years	**2,148,688**	2,952,835
	5,153,520	5,979,034

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

10. CORPORATE BONDS

	2017	2016
	RMB'000	*RMB'000*
Corporate bonds due in 2018	**2,000,000**	2,000,000
Corporate bonds due in 2019	**5,000,000**	5,000,000
Corporate bonds due in 2020	**3,000,000**	3,000,000
	10,000,000	10,000,000
Portion classified as current liabilities	**(10,000,000)**	—
Non-current liabilities	**—**	10,000,000

Included in the above are bonds in an aggregate principal amount of:

(i) RMB2,000,000,000 corporate bonds due in 2018 issued by a subsidiary of the Group in October 2015 (the "6.7% Corporate Bonds"). The 6.7% Corporate Bonds have a term of three years and bear interest at a rate of 6.7% per annum. The 6.7% Corporate Bonds are unsecured. In October 2017, the coupon rate is adjusted to 6.99% per annum.

(ii) RMB3,000,000,000 corporate bonds due in 2020 issued by a subsidiary of the Group in December 2015 (the "5.1% Corporate Bonds"). The 5.1% Corporate Bonds have a term of five years and bear interest at a rate of 5.1% per annum. The 5.1% Corporate Bonds are unsecured. At the end of the third year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group.

(iii) RMB2,000,000,000 corporate bonds due in 2019 issued by a subsidiary of the Group in June 2016 (the "6.28% Corporate Bonds"). The 6.28% Corporate Bonds have a term of three years and bear interest at a rate of 6.28% per annum. The 6.28% Corporate Bonds are unsecured. At the end of the second year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group.

(iv) RMB3,000,000,000 corporate bonds due in 2019 issued by the Company in September 2016 (the "5.3% Corporate Bonds"). The 5.3% Corporate Bonds have a term of three years and bear interest at a rate of 5.3% per annum. The 5.3% Corporate Bonds are unsecured. At the end of the second year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group.

11. EVENTS AFTER THE REPORTING PERIOD

a. In January 2018, a subsidiary of the Company entered into an equity transfer agreement with an independent third party for the acquisition of the entire interest in Century East Group Limited at an aggregate consideration of RMB3,800,000,000. The transaction has not been completed up to the date of approval of these financial statements.

b. In January 2018, the Company granted 36,860,000 share options with an exercise price of HK$5.88 per share under its share option scheme to certain directors of the Company and employees of the Group.

c. In February 2018, the Company issued senior notes with an aggregate principal amount of US$375,000,000 bearing interest of 6.375% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US$369,900,000 (approximately RMB2,407 million). The senior notes will mature on 6 March 2021.

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.

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, 2017 (the "Period under Review" or the "Year"). During the Period under Review, profit for the year rose by 49.73% year-on-year to approximately RMB3,127.07 million. Core profit attributable to owners of the parent increased by 42.83% year-on-year to RMB2,923.99 million. Core earnings per share were RMB0.74, representing a year-on-year increase of 37.04%. The Board proposed a final dividend of HK21.5 cents per share; in aggregate with the interim dividend paid of HK8.5 cents per share, the payout ratio was approximately 36% of core profit attributable to owners of the parent.

In 2017, China continued to stick to its keynote real estate policy that "houses are built to be inhabited instead of for speculation". The Government introduced regulatory measures aimed at a cluster of cities by making a qualitative transition from imposing a curb on the demand side, as a conventional approach, to making an increase on the supply side. Thus, the land supply structure has been constantly optimized and the expected results of such regulatory measures began to shine through gradually as a result of the restrictions on purchases, mortgages and sales, together with tightened land auctions. A long-term mechanism is gradually in place. The local governments are making tremendous efforts to develop the residential leasing market and reinforce reform of the housing system by keeping housing prices under control, as well as by improving the housing supply system to cater for people with different demands.

Year 2017 was very significant for Yuzhou Properties' development. We proposed the strategic goal of "Leading with locality development". Based on five major metropolitan areas covering the Yangtze River Delta, West Straits Region, the Guangdong-Hong Kong- Macao Bay Area, the Bohai Rim and Central China, we focused on the first- and second-tier cities as well as their satellite cities so that a nationwide geographic reach began to take shape. We expanded in an all-round way with the acquisition of 23 quality land plots for our land reserves and made a move into five new cities, namely Huizhou, Yangzhou, Qingdao, Zhoushan and Tangshan. At the beginning of 2018, we achieved a major milestone in Yuzhou's development and its merger and acquisition record as we reached an agreement with Coastal Green Land (01124.HK) to acquire its seven quality projects at a consideration of RMB3.8 billion. This acquisition will not only replenish the Company's quality land reserves at a very attractive price, but also will expand our geographic reach to core first- and second-tier cities such as Beijing, Shenyang and Foshan, ensuring sufficient land supply for our future development. In February, Yuzhou Properties made its first move into Chongqing and the south-west region, as an attempt to further improve its nationwide footprint. As at the date of announcement, we have already expanded to 23 cities and acquired land reserves of over 15 million sq.m. with a value of over RMB300 billion, indicating that we have attained our strategic development goals and steadily moved towards our contracted sales target of RMB100 billion.

Regarding the sale of properties, we stepped into a fast lane of rapid growth and achieved our upgraded annual contract sales target. Our contracted sales amounted to RMB40.3 billion for 2017, up approximately 74% year-on-year, while the total contracted sales area for 2017 was approximately 2.38 million sq.m. Our contracted average selling price was approximately RMB17,000/sq.m., representing a year-on-year increase of 33%.

As the area of the properties delivered by us continues to increase, our property management company is now providing services to approximately 100,000 home owners in China, with a gross floor area of up to 10 million sq.m. as at the end of 2017. We have reaped outstanding results in customer satisfaction surveys of our property management services for many years in a row, reflecting the market's strong recognition of our unremitting efforts in providing quality products and services. During the year, our 400 customer hotlines were formally implemented across the country, which provided better communication between owners and property management professionals. A "Yu house-manager" was launched to carry out hotline online management of hotline communication, breaking the traditional customer service approach. We continued to deliver mindful services to customers, which won their praise and appreciation.

Year 2017 was also epoch-making for the Group's commercial business development. Yuzhou Central Town, currently the largest modern one-stop urban complex in Dongcheng, Hefei, made its grand opening at the end of 2017, establishing a new lifestyle in Dongcheng and becoming a new center of the city. Currently, Yuzhou Commercial Company has formed the regional layout for Xiamen, Shanghai, Hefei, Quanzhou, Hangzhou, Nanjing and Wuhan, operating 14 commercial projects with a total area of more than 2 million sq.m., which includes different types of business such as shopping malls, office buildings, hotels and commercial complexes. The Group's commercial segment is speeding up by accelerating its strategies to gradually expand to more core areas across the country. It will successively roll out more high-quality projects in the future.

The Group is able to assess the situation and devise strategies for the apartment leasing market on a timely basis. Long-term rental apartments will become one of our major development directions. We will respond proactively to the call for "accelerating the establishment of a rent-purchase housing system to increase the supply to different subject parties and assure housing supply in a number of ways to allow all people to have a place to live", so as to meet the needs of different types of tenants in the process of urbanization and contribute to building a beautiful and harmonious society.

In terms of hotel operations, the Group focused on the development of serviced apartments and mid- and high-end business hotels, making every effort to build a boutique hotel brand and develop resort hotels in such a way as to enhance the brand's core competitiveness. Of particular note, the Group was named Best Hotel Owner" in the "TRAVEL AWARDS" for 2016–17, an annual rating of star hotels organized by "Phoenix Weekly Lifestyle". During the BRICS Summit in Xiamen, Yuzhou Camelon Hotel was designated as one of the reception hotels and was highly recognized for its excellent work. Preparations for other hotel projects are being carried out in an orderly manner. In particular, the mix comprising "Wyndham Grand Plaza Royale + Howard Johnson Jinghope Serviced Residence" in Xiamen and a four-star business hot spring hotel in Tong'an District, Xiamen, will commence business in 2018.

We continuously pursue excellence and improve product quality, creating products that are leading the industry. During the year, the Group's excellent projects captured a number of awards. Shanghai • Noble Mansion (上海 • 雍賢府) and Yuzhou • Grace Mansion (禹洲 • 東灘雍禧) won the "Planning and Architecture Award" and "Energy Conservation and Environmental Protection Award" for 2017 Shanghai Outstanding Residence" respectively; while Hefei Yuzhou • Pinghu Jade Lakeshire (合肥禹洲 • 平湖秋月) won the "2017 Habitat Model for Real Estate Project" of the "China Property Golden Horse Award". In order to continue making more competitive products in the market, Yuzhou has taken the lead in upgrading and improving its offerings in 2017 with the launch of the "Royale" (雍禧系), "Langham" (朗廷系) and "Honor" (嘉譽系) series, aimed at meeting the needs of high-end customers, upgraders and first-time buyers respectively. These three major product lines have already been launched in Shanghai, Nanjing and Hangzhou with overwhelming responses.

Outstanding and competent staff are extremely important for the strategic plans and business development of Yuzhou. We attached great importance to the cultivation and development of young people. We have specifically devised a "Management Trainee Programme" combined with the versatile qualities and capabilities that all personnel of the Group need to master, and also implemented a triple incentive mechanism covering rewards, options and co-investment. Yuzhou Business School was formally established during the Period under Review. It aims to become the West Point Military Academy of the real estate industry and a driving force for the sustainable development of the Group's business.

Yuzhou Properties is committed to pursuing a prudent financial policy. Its net gearing ratio is well controlled at a healthy and reasonable level to support its sustainable development while growing speedily. We aim to look for diverse financing channels, optimize the financing structure and maintain a net gearing ratio within the reasonable range of 60–80%. During the year, we raised a total of approximately US$1.15 billion by various means such as the issuance of offshore bonds and senior perpetual securities, placement and syndicated loans to provide a reliable assurance for our development. High-yield bonds were redeemed in advance to reduce finance costs. The corporate credit rating of Yuzhou was successively upgraded to "BB-" and "Ba3" by Standard & Poor's and Moody's respectively, reflecting the two major rating agencies' recognition of the Company's operational performance and financial status, as well as their confidence in our prospects. Moreover, we entered into a strategic cooperation agreements with China Industrial International Trust in September 2017 and Ping An Trust in January 2018 to expand our respective strengths and conduct our close equity cooperation in such areas as project acquisition and development, as well as property operations. As at December 31, 2017, the weighted average finance cost of the Group was 6.02%, down 0.06 percentage points from the same period last year. The amount of available cash was RMB17,498.21 million. We had abundant operating capital and a sound financial position.

Looking ahead, we will continue to roll out readily marketable products in line with national policies. We will further strengthen ourselves by launching quality products that meet market demands, leading the industry and creating new life concepts and styles. At the same time, we will expand our scale of business in first- and second-tier cities and their satellite cities to ensure rapid and quality growth. By virtue of our strengths such as robust business, ample funds and land reserves, as well as a stable gearing ratio, we are confident that we can seize the opportunities arising from market consolidation in the industry and proactively develop a strategy for delivering a stable and sustainable performance, as we take steady steps towards our RMB100 billion contracted sales target.

At the same time, we have been adhering to the concept of "From the Community, For the Community" by encouraging the Group to play an active role in charitable activities and contribute in areas such as education, culture, environmental protection, disaster relief and poverty alleviation.

Over the past 23 years, the Group has been braving the wind and the waves, and moving ahead boldly. While ensuring a steady growth rate, it strives to be a real estate developer with "Yuzhou features", aiming to strike a balance between the "three carriages" — scale, profit and risk. Despite generally declining profit margins in the industry, we are able to maintain industry-leading profitability by virtue of our excellent analysis and research capabilities, forward-looking strategies and stringent cost control. Since our listing, we have been able to maintain a gross margin of over 30% and a core profit margin of over 12%, and are determined to keep our commitment to paying not less than 30% of our core profit as dividend in a bid to maximize returns for our shareholders.

Through this whole journey, we could do nothing without the support of all sectors of society and every employee of the Group. 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. In the 24th year of Yuzhou Properties' development, we will continue to adhere to the new spirit of "Integration, Development and Innovation", and strive to maximize value for our shareholders and investors.

Lam Lung On, *JP*
Chairman

Hong Kong, March 27, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

China's national economy continued to flourish with its growth trend showing steady progress in 2017, a better-than-expected overall situation. During the year, it maintained its keynote real estate policy that "houses are built to be inhabited instead of for speculation", under which clusters of cities became the focus of local real estate regulatory policies. According to statistics from China Index Academy, the regulatory focus was on a cluster of cities, which started from central cities and extended to the surrounding third- and fourth-tier cities during 2017. Local governments were aggressive in stepping up their real estate regulatory policies. As at the end of December 2017, regulatory policies were introduced in 90 cities at prefecture level or above (approximately 200 sets of policies) and 35 counties (approximately 41 sets of policies). In general, this round of regulations has lasted longer and involves more cities, and its positive results are beginning to be seen. Industry concentration has continued to increase, with mergers and acquisitions becoming the trend, consequently quality real estate enterprises with large-scale, high profitability and low finance costs will usher in broader space for development. This indicates that China's real estate market is gradually becoming well-developed and can facilitate more healthy and sustainable development for the whole industry.

In 2017, total investment in real estate development across the country amounted to RMB10,979.9 billion, up by 7.0% year-on-year, which is 0.1 percentage point faster than in the previous year. Of this total, investment in residential development amounted to RMB7,514.8 billion, up by 9.4% year-on-year. The newly-started property area amounted to 1,786.54 million sq.m., up by 7.0% year-on-year, of which the newly-started residential area increased by 10.5% year-on-year. The total area of commodity housing sold in China was 1,694.08 million sq.m., up by 7.7% year-on-year, of which the residential sales area increased by 5.3% year-on-year. The total contracted sales from commodity housing across the country was RMB13,370.1 billion, up by 13.7% year-on-year, of which the residential sales revenue increased by 11.3% year-on-year. Real estate developers acquired 255.08 million sq.m. of land, an increase of 15.8% year-on-year. As at the end of December, the total area of commodity housing held for sale across the country was 589.23 million sq.m., a decline of 15.3% year-on-year. During the year, funds available to real estate developers totalled RMB15,605.3 billion, an increase of 8.2% year-on-year.

Overall Performance

During the year, total revenue of the Group was RMB21,700.67 million, representing a year- on-year increase of 58.73%. Gross profit was RMB7,683.05 million, a year-on-year increase of 54.93%. Gross profit margin was 35.40%, a year-on-year decrease of 0.87 percentage points. Profit for the year increased by 49.73% year-on-year to approximately RMB3,127.07 million in 2017. Core profit attributable to the owners of the parent increased by 42.83% year-on-year to approximately RMB2,923.99 million. Core earnings per share were RMB0.74, representing a year-on-year increase of 37.04%. The Board proposed a final dividend of HK21.5 cents per share, which in aggregate with the interim dividend paid of HK8.5 cents per share, represents a payout ratio of approximately 36% of core profit attributable to owners of the parent.

Sale of Properties

In 2017, the revenue from property sales by the Group rose by 58.96% year-on-year to RMB21,213.38 million, accounting for 97.75% of the total revenue. As at 31 December 2017, the Group delivered total gross floor area ("**GFA**") of approximately 1,502,611 sq.m., an increase of 1.34% as compared with last year. The average selling price of the properties delivered and recognized as property sales was RMB14,118 per sq.m., representing an increase of 56.87% year-on-year.

Headquartered in the Yangtze River Delta, the Group continued to extend its nationwide footprint and diversify its revenue streams from property sales. With an outstanding brand position in Xiamen where it has a stronghold, the Group has maintained a leading position in the city for 12 consecutive years. Xiamen contributed 35.05% (2016: 44.22%) to the Group's total revenue from property sales during the year. According to CRIC's statistics, the Group ranked in the top 10 in Shanghai where the Group is headquartered, and property sales in Shanghai contributed 16.71% (2016: 0.13%) to the Group's total revenue during the year. Meanwhile, a number of projects were completed and delivered in Hefei, which contributed 10.31% (2016: 29.19%) to the Group's total revenue from property sales. During the year, Yuzhou The Jiqing in Nanjing contributed RMB3,391.18 million in revenue of property sales. As procedures for the delivery of properties of the Group already sold will be completed in more cities in future, the Group will continue to see steady growth in revenue from property sales, which are expected to remain the largest contributor to its revenue.

The recognised sales and GFA sold of each project in 2017 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 Shoreline	Xiamen	186,093	9,552	19,482
Yuzhou Central Coast	Xiamen	156,847	11,930	13,147
Yuzhou Riverside City Town	Xiamen	2,382,390	146,773	16,232
Yuzhou Golf	Xiamen	212,676	11,534	18,439
Chunjiang Central	Xiamen	2,097,537	84,877	24,713
Yuzhou Lucca Town	Xiamen	2,393,861	112,392	21,299
Yuzhou Gushan No. One	Fuzhou	95,543	5,639	16,943
Yuzhou Oriental Venice	Fuzhou	1,073,141	70,147	15,298
Yuzhou Cambridge Town	Fuzhou	1,177,695	131,562	8,952
Yuzhou City Plaza	Quanzhou	537,159	94,297	5,696
Yuzhou Castle above City	Longyan	1,159,704	197,666	5,867
Others	Xiamen	7,011	1,638	4,280
Sub-total		11,479,657	878,007	13,075
Yangtze River Delta Region				
Yuzhou Bustling Center	Shanghai	3,063,577	110,360	27,760
Yuzhou City Plaza	Shanghai	481,815	36,803	13,092
Yuzhou Skyline	Hefei	45,943	5,416	8,483
Yuzhou Jade Lakeshire	Hefei	9,650	634	15,221
Yuzhou Royal Seal	Hefei	1,606,975	230,474	6,972
Yuzhou Central Plaza	Hefei	525,435	50,494	10,406
Yuzhou The Jiqing	Nanjing	3,391,180	111,799	30,333
Yuzhou Prince Lakeshire	Bengbu	129,772	24,946	5,202
Sub-total		9,254,347	570,926	16,209
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	12,477	1,627	7,669
Yuzhou Royal Lakeshire	Tianjin	360,978	41,629	8,671
Sub-total		373,455	43,256	8,634
Guangdong-Hong Kong-Macao Bay Area				
Yuzhou Wujing The Scenery	Huizhou	105,916	10,422	10,163
Sub-total		105,916	10,422	10,163
Total		21,213,375	1,502,611	14,118

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

Name of Project	City	Amount	Saleable GFA	Average Selling Price (after tax)
		(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
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

Contracted Sales In 2017

The Group revised its annual contracted sales target for 2017 to RMB40,000 million. During the year, the Group took a proactive approach to developing a strategy for the first- and second-tier domestic cities and their surrounding satellite cities with convenient rail transit, and launched high-quality residential products that met the demand from spending upgraders in line with the market. The Group overachieved its adjusted contracted sales target for the year with contracted sales hitting a record high of RMB40,305.96 million, representing an increase of 73.69% year-on-year. Total contracted sales GFA amounted to 2,380,943 sq.m., representing an increase of 30.19% year-on-year. The contracted average selling price was approximately RMB16,929 per sq.m., an increase of 33.41% year-on-year.

During the year, the Group continued to adhere to its development strategy of "leading with locality development". While expanding across the country, it continued to increase the scale of its developments in each city it entered, so as to take a leading position in each local market.

We have maintained a leading position for 12 consecutive years in Xiamen, the cradle of the Group's development. In 2017, contracted sales of RMB8,169.53 million were achieved in Xiamen, accounting for 20.27% (2016: 28.39%) of the total contracted sales of the Group. Yuzhou Riverside City Town recorded sales of over RMB3,000 million, and contracted sales of Yuzhou Chunjiang Central, Yuzhou Lucca Town and Yuzhou Haicang Dream Town achieved over RMB1,000 million each. The development of Yuzhou has been closely linked with the rising of Xiamen. As a major market player in Xiamen, Yuzhou has participated in the revitalising and development of Xiamen, and helped created what the Company is today.

In 2017, the Company marked its 14th year of entering the Shanghai market. Since the relocation of its headquarters to Shanghai in 2016, the Company has benefited from the city as a national economic center in terms of funds, competent people, management and innovation, to support its strategic development plans across the country. In 2017, the contracted sales in Shanghai amounted to RMB6,993.41 million, according for 17.35% of the total contracted sales (2016: 28.39%). In 2017, Yuzhou Noble Mansion, a prime residential project in Fengxian district, Shanghai, was opened for sale and hit record contracted sales of RMB2,393 million; the contracted sales of Yuzhou Beautiful Garden Life in Jiading district, Shanghai amounted to RMB1,751.64 million; and Yuzhou Country in Minhang district and the acquired Yuzhou East Bund in Chongming Island, Shanghai, recorded contracted sales of RMB1,000 million. For the first time during the Period under Review, the Group ranked among the top 10 in terms of contracted sales in the city.

Since entering Nanjing in November 2014, the Company has rolled out nine successive projects in just three-and-a-half years by virtue of its "rapid, precise and prudent" approach to land acquisition. It had six projects on sale there during the year, which contributed aggregate contracted sales of RMB6,941.52 million to the Group in 2017, accounting for 17.22% of the total contracted sales of the Group. Yuzhou King's Garden and Yuzhou Times together recorded contracted sales of more than RMB1,700 million, while Yuzhou The Jiqing and Yuzhou Lakeside each recorded contracted sales of more than RMB1,000 million. These six residential projects further consolidated the Group's position in Nanjing.

With more than a decade's in-depth development in Hefei, Yuzhou Properties continued to rank among the top five property developers in the Hefei market in 2017, with contracted sales of RMB5,378.11 million, accounting for 13.34% of the Group's total contracted sales. Six residential projects were rolled out in Hefei altogether, namely Yuzhou Central Plaza, Yuzhou Pinghu Jade Lakeshire, Yuzhou Royal Seal, Yuzhou Sky Aqua Mall, Yuzhou Central Town and Yuzhou Town. Among these, Yuzhou Royal Seal and Yuzhou Central Plaza each contributed contracted sales of over RMB2,000 million. This synergy allowed the Group not only to reduce costs effectively, but also to build strong brand awareness in the local market to underpin the Group's position as a leading market player.

In addition, projects in Hangzhou, Suzhou and Huizhou contributed contracted sales to the Group for the first year. Yuzhou Riverside Sapphire in Hangzhou created a sales boom, while The Absolute became a residential landmark project in Suzhou. As at the date of this results announcement, the Group had a total of nine projects in Suzhou, which will be a new growth driver in 2018. The Huizhou project marked as a milestone as the Company moved for the first time into the Guangdong-Hong Kong-Macao Bay Area.

The contracted sales and GFA sold of each project in 2017 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	131,716	7,114	18,515
Yuzhou Riverside City Town	Xiamen	3,071,270	158,386	19,391
Haicang Dream Town	Xiamen	1,053,679	52,991	19,884
Yuzhou Lucca Town	Xiamen	1,376,511	47,409	29,035
Chunjiang Central	Xiamen	1,677,829	57,671	29,093
Yuzhou Gushan No. 1	Fuzhou	218,910	8,929	24,517
Yuzhou Oriental Venice	Fuzhou	2,554,113	133,042	19,198
Yuzhou Cambridge Town	Fuzhou	98,891	8,712	11,351
Yuzhou Reliance Central Mansion	Fuzhou	1,037,027	36,769	28,204
Yuzhou City Plaza	Quanzhou	1,670,735	263,586	6,338
Yuzhou Castle above City	Longyan	185,917	21,197	8,771
Others	Xiamen	858,520	32,399	26,498
Sub-total		13,935,118	828,205	16,826
Yangtze River Delta Region				
Yuzhou City Plaza	Shanghai	541,041	36,197	14,947
Yuzhou Commercial Plaza	Shanghai	93,950	6,035	15,568
The Bustling Center	Shanghai	145,175	3,475	41,774
Beautiful Garden Life	Shanghai	1,751,640	55,437	31,597
Yuzhou Noble Mansion	Shanghai	2,393,000	70,555	33,917
Yuzhou Mansion	Shanghai	993,525	21,949	45,266
Yuzhou Dongtan Grace Mansion	Shanghai	1,075,074	30,936	34,752
Yuzhou Central Plaza	Hefei	846,343	99,184	8,533
Yuzhou Town	Hefei	74,217	7,340	10,111
Yuzhou Royal Seal	Hefei	2,151,157	207,940	10,345
Yuzhou Central Town	Hefei	2,163,803	145,830	14,838
Yuzhou Moon Lake Mansion	Hefei	50,937	2,975	17,124
Yuzhou Sky Aqua Mall	Hefei	91,655	6,524	14,048
Yuzhou The Jiqing	Nanjing	1,139,522	32,169	35,423
Yuzhou Lakeside	Nanjing	1,223,238	98,392	12,432
Yuzhou Moon Riverside	Nanjing	755,244	30,270	24,950
Yuzhou King's Garden	Nanjing	1,861,176	61,454	30,286
Redsun Yuzhou The Times	Nanjing	1,708,041	135,187	12,635

Name of Project	City	Amount of Contracted Sales *(RMB'000)*	GFA of Contracted Sales *(sq.m.)*	Average Contracted Selling Price *(RMB/sq.m.)*
Redsun Yuzhou The Spring	Nanjing	254,296	11,114	22,881
Yuzhou Riverside Sapphire	Hangzhou	3,153,245	108,273	29,123
Yuzhou Zhaoshang The Absolute	Suzhou	531,433	35,957	14,779
Yuzhou Prince Lakeshire	Bengbu	1,160,835	189,655	6,121
Sub-total		24,158,547	1,396,848	17,295
Guangdong — Hong Kong — Macao Bay Area				
Yuzhou Wujing The Scenery	Huizhou	219,427	20,637	10,632
Sub-total		219,427	20,637	10,632
Bohai Rim Region				
Yuzhou Palace Country	Tianjin	305,975	33,384	9,165
Yuzhou Royal Lakeshire	Tianjin	373,029	38,125	9,784
Yuzhou Lianfa Red Shire	Tianjin	1,313,860	63,744	20,611
Sub-total		1,992,864	135,253	14,734
Total		40,305,956	2,380,943	16,929

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 King's Garden	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

Investment Properties

In 2017, total income from investment properties of the Group was approximately RMB140.29 million, representing an increase of approximately 13.00% year-on-year, mainly due to the rise in rental area and rental rate of the properties.

In January, Yuzhou Commercial Plaza opened in Quanzhou, with customer traffic and sales both hitting a record high on the first day of opening in the local market. Since its opening, it has become well received by the residents in Hui'an, making it a commercial landmark in the county. Its current occupancy rate is 83.3%, with daily customer traffic of 30,000 visits. Various well-known brands have been brought into the Plaza, including Wanda Cinemas, Yonghui Superstores (green label), W Kids' World, Sanjianke Fitness, McDonald's and Watsons. It attracted 200,000 consumer visits during the first two days after opening, making it the largest commercial center in Hui'an and a business icon in the south district.

Yuzhou Central Plaza, the first commercial property of the Group in Hefei, officially opened in December and became the largest modern one-stop urban complex in Dongcheng, Hefei. The property comprises Yonghui Superstores, Wanda Cinemas, The Voice KTV and 5STAR.CN, with an occupancy rate of 98.8%. It set a super high figure of 400,000 consumer visits and RMB14 million sales on the first three days of opening, which earned high recognition from by the government of Feidong county.

At present, Yuzhou Commercial Company has 22 projects in preparation or operation in Shanghai, Xiamen, Hefei, Quanzhou, Wuhan, Nanjing and Hangzhou, with a total commercial space of more than 2 million sq.m. Supported by a professional 563-strong business management team, it has a variety of commercial offerings covering shopping malls, office buildings and street malls.

For the future development of commercial projects, Yuzhou Commercial Company will focus on community-based consumption, targeting a GFA of approximately 50,000 to 60,000 sq.m. to cater for one-stop consumption. In 2017, Yuzhou Commercial Company stepped up its expansion across China, entering Hangzhou, Nanjing, Wuhan, Suzhou and Yangzhou. It is accelerating its pace with projects already operational in Xiamen, Shanghai, Quanzhou and Hefei, and will roll out more projects in future.

More newly-established investment properties of the Group will come into operation in 2018. The Group will further enhance the development and operational efficiency of its investment properties to secure robust and speedy growth. Meanwhile, it will refine its market and product mix, focusing on community-based consumption while ensuring diversification through four product lines including high-end office buildings and shopping parks. Based on the features of each product line, different business management standards and systems will be assigned to them, and different operating methods will be employed to develop and operate the projects. Each project will be given unique features to ensure the continuous and steady growth of rental income as an ongoing contributor to the Group.

Hotel Operation

Yuzhou's hotel segment is meticulously and proactively carrying out its operations, taking one step at a time. In 2017, revenue from the hotel segment was approximately RMB18.49 million, down by 9.36% year-on-year. We have positioned our hotel business to 1) focus on the development of serviced apartments as well as medium- to high-end business hotels to build a premium hotel brand; and 2) develop resort hotels in an appropriate way so as to improve the existing hotel portfolio and strengthen the core competitiveness of the brand. We have Yuzhou Camelon Hotel Apartment already in operation and Yuzhou Wyndham Grand Plaza Royale Hotel in Xiamen and Camelon Spa Hotel in Tong'an under construction. Camelon Business Hotel in Hui'an, Feidong Hotel in Hefei and Prince Lake Hotel in Wuhan are also planned for construction. The "Wyndham Grand Plaza Royale + Howard Johnson Jinghope Serviced Residence" complex in Xiamen will draw upon its diverse functions to meet different market needs and ensure effective and complementary use of resources. This four-star spa business hotel is situated near the studio zone at Wuxian Town, Tongan District, Xiamen, enjoying unique access to the natural landscape, cultural ambience and public facilities.

Property Management

During the year, the Group's property management companies received RMB328.52 million in income from property management fees, representing an increase of 80.68% year-on-year. Driven by an increase in the delivered property area, they managed a total GFA of approximately 10 million sq.m. in China as at 31 December 2017, and served approximately 100,000 home owners across the country.

During the year, Yuzhou's nationwide "400 customer monitoring hotlines" were officially launched, adding one more communication channel between property owners and property managers. A "Yu house-manager model" was launched to carry out online housekeeping management, breaking the traditional customer service approach by offering customers more intuitive and intimate services. Based on its extensive experience in community cultural activities over the years, catering to home owners' needs and seasonal characteristics, various events and community activities with Yuzhou features were organized, such as "Spring in Yuzhou", "Exciting Summer", "Golden Autumn" and "Sunshine in Winter", to diversify the leisure life of home owners and continuously enhance their satisfaction.

Upholding the concept of "refinement, professionalism, integrity and harmony", Yuzhou Property Management made continual improvements to its service and management systems, and established a quality policy of "sincere services, pursuit of excellence, management in a regulated way and innovation in a scientific manner". It constantly delivered mindful services, which won customers' praise and appreciation through its actions.

Land Reserves

Adhering to its strategic deployment of "having a nationwide footprint and being a regional leader" and by virtue of its outstanding brand reputation, the Group is carrying out significant development by focusing on five clusters of cities in the Yangtze River Delta, West Strait Region, Bohai Rim Region, Guangdong-Hong Kong-Macao Bay Area, and Central Region. While continuing to penetrate into new cities, we adhere to our development principles. Led by the management, the Group's investment arm accurately makes forward-looking plans for undervalued locations, and enhances cooperation with peers to acquire land parcels through bidding and auction at reasonable and attractive prices. Capturing the current window period for industry consolidation, the Group is expanding its long-established strengths in mergers and acquisitions and looking for merger and acquisition projects, laying a solid foundation for its RMB100 billion contracted sales target.

As at 31 December 2017, the Group had land reserves amounting to approximately 11.84 million sq.m. of aggregate salable GFA, with 92 projects located in 19 cities in the West Strait Region, Yangtze River Delta, Bohai Rim Region, Central China and Guangdong-Hong Kong-Macao Bay Area; the average land cost was approximately RMB5,697 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for its development over the next three to four years.

Salable GFA of Land Reserves (sq.m.)
(As at 31 December 2017)

Region	Number of Projects	Area *(sq.m.)*
West Strait Economic Zone		
Xiamen	26	1,097,347
Fuzhou	4	346,144
Quanzhou	1	937,168
Longyan	1	22,774
Zhangzhou	4	1,029,740
Sub-total	36	3,433,173
Yangtze River Delta Region		
Shanghai	10	812,369
Nanjing	10	916,046
Hangzhou	2	448,502
Suzhou	7	1,087,177
Hefei	11	1,965,404
Bengbu	1	492,992
Yangzhou	1	174,100
Zhoushan	1	230,471
Sub-total	43	6,127,061
Bohai Rim Region		
Tianjin	7	597,404
Qingdao	1	72,772
Tangshan	1	608,789
Sub-total	9	1,278,965
Central Region		
Wuhan	1	598,179
Sub-total	1	598,179
Guangdong — Hong Kong — Macao Bay Area		
Hong Kong	1	2,214
Huizhou	2	404,485
Sub-total	3	406,699
Total	92	11,844,077

In 2017, the Group acquired 23 new parcels of quality land in Xiamen, Fuzhou, Shanghai, Hefei, Hangzhou, Suzhou, Nanjing, Tianjin and Wuhan, providing a total saleable GFA of new land reserves of 3,793,493 sq.m., at an average land cost of approximately RMB6,787 per sq.m., with a total attributable land premium of approximately RMB14,906 million.

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

Name of Project	City	The Group's Equity Interest	GFA *(sq.m.)*	Total Consolidation *(RMB'million)*	Attributable Consideration *(RMB'million)*	Land Cost *(RMB/sq.m.)*
West Strait Economic Zone						
Yuzhou Zhangzhou Project 2017P04	Zhangzhou	51%	94,434	1,020	520	10,801
Yuzhou Zhangzhou Project 2017P07	Zhangzhou	40%	116,425	1,257	503	10,797
Yuzhou Tongan Project 2017T03	Xiamen	100%	42,800	1,349	1,349	31,519
Yuzhou Zhangzhou Project	Zhangzhou	25%	563,881	956	239	1,695
Yangtze River Delta Region						
Yuzhou Wujiang Project 2017020	Suzhou	51%	66,679	863	440	12,943
Yuzhou Jurong Guozhuang Project	Nanjing	60%	182,307	706	424	3,873
Yuzhou Xiaoshan Shushan F-01 Project	Hangzhou	100%	149,769	3,004	3,004	20,058
Yuzhou Xiangcheng Wangtingzhen Project 2017WG14	Suzhou	51%	58,282	488	249	8,373
Yuzhou Lishui Project 2017G09	Nanjing	51%	83,157	585	298	7,035
Yuzhou Hanjiang Jiulonghu Project	Yangzhou	40%	174,100	320	128	1,838
Yuzhou Chongming Chenjiazhen Project	Shanghai	80%	54,593	1,050	840	19,233
Yuzhou Wuzhong Taihusudi Project 2017WG23	Suzhou	33%	346,506	3,259	1,075	9,405
Yuzhou Wuzhong Taihusudi Project 2017WG26	Suzhou	51%	51,742	486	248	9,393
Yuzhou Lishui Project 2017G19	Nanjing	20%	146,554	1,150	230	7,847
Yuzhou Taichang Gaoxin District Project WG2017191	Suzhou	23%	111,157	1,019	234	9,167
Yuzhou Xinchen Jingjishan Project LC090210	Zhoushan	50%	230,471	2,074	1,037	8,999

Name of Project	City	The Group's Equity Interest	GFA (sq.m.)	Total Consolidation (RMB'million)	Attributable Consideration (RMB'million)	Land Cost (RMB/sq.m.)
Bohai Rim Region						
Yuzhou Tianjin 07 Project	Tianjin	42%	54,524	758	318	13,902
Yuzhou Tianjin 08 Project	Tianjin	100%	95,215	1,325	1,325	13,916
Yuzhou Tianjin 05 Project	Tianjin	40%	74,429	970	388	13,033
Yuzhou Qingdao Jiangshannan Road Project	Qingdao	35%	72,772	709	248	9,743
Yuzhou Fengnan District Project	Tangshan	90%	608,789	1,300	1,170	2,135
Guangdong-Hong Kong-Macao Bay Area						
Yuzhou Wujing The Scenery	Huizhou	51%	191,159	702	358	3,672
Yuzhou Huizhou Dongrun Project	Huizhou	70%	223,748	395	277	1,765
Total			3,793,493	25,745	14,902	6,787

Revenue

The revenue of the Group mainly arose from four business categories, namely property sales, rental of investment properties, property management and hotel operation. In 2017, the total revenue of the Group was a record high RMB21,700.67 million, up by 58.73% year-on-year. This was mainly due to an increase in recognized property sales revenue, driven by an increase in aggregate GFA of the properties delivered as well as an increase in the average selling price. Specifically, property sales revenue was approximately RMB21,213.38 million, up by 58.96% year-on-year, accounting for 97.75% of the total revenue; rental income from investment properties was approximately RMB140.29 million, up by 13.00% year-on-year; property management fee income was approximately RMB328.52 million, up by 80.68% year-on-year; and income from hotel operations was approximately RMB18.49 million, down by 9.36% year-on-year.

Cost of Sales

The cost of sales of the Group mainly encompassed land cost, construction cost and capitalized interest. In 2017, the cost of sales of the Group was RMB14,017.62 million, increased by 60.88% from RMB8,712.92 million in 2016. 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 RMB7,683.05 million in 2017, a 54.93% year-on-year increase. Gross profit margin was 35.40%, a slight decrease of 0.87 percentage points year-on-year.

Fair Value Gain on Investment Properties

In 2017, the Group recorded a fair value gain on investment properties of RMB380.07 million (2016: RMB97.39 million), which was mainly attributable to the fair value gain on investment properties located in Hefei, Xiamen and Shanghai.

Other Income and Gains

In 2017, other income and gains decreased by 47.65% year-on-year to RMB202.31 million. The decrease in other income and gains was mainly due to a decline in the gain from disposal of investment properties, which amounted to RMB4.02 million (2016: RMB171.59 million).

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 67.41% year-on-year from RMB293.15 million in 2016 to RMB490.77 million in 2017, accounting for 1.22% (2016: 1.26%) of total contracted sales. Deploying effective cost control measures, the Group continued to invest in online marketing and expanded into more diversified marketing channels in 2017.

Administrative Expenses

The Group's administrative expenses grew by 24.08% year-on-year from approximately RMB402.88 million in 2016 to approximately RMB499.88 million in 2017, mainly due to the business expansion of the Group and the increase in number of staff, especially for several new cities the Group entered into during the year. In 2017, the proportion of administrative expenses to total contracted sales was 1.24% (2016: 1.74%), mainly due to the Group's effective cost control measures.

Other Expenses

Other expenses increased by 53.89% year-on-year from approximately RMB190.33 million in 2016 to approximately RMB292.89 million in 2017. The increase was mainly due to realised and unrealised losses on derivative financial instruments of approximately RMB134.73 million (2016: fair value gain of RMB85.46 million included in other income and gains).

Finance Costs

Finance costs of the Group increased by 59.91% year-on-year from RMB442.95 million in 2016 to RMB708.34 million in 2017. The increase was mainly due to the increase in the amount of total borrowings and change in capitalised interest during the year.

Share of Profits and Losses of Joint Ventures

Share of losses of joint ventures was approximately RMB64.72 million in 2017, compared with a share of profits of RMB91.79 million in 2016. The losses were primarily attributable to the rising number of projects under development of the joint ventures, which are in the development stage before contributing profits to the Group in the coming years.

Income Tax

Income tax of the Group increased by 45.28% year-on-year from approximately RMB2,108.27 million in 2016 to approximately RMB3,062.99 million in 2017. This 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 2017, the profit attributable to non-controlling interests increased by approximately RMB23.45 million to RMB337.02 million. The increase was mainly due to the share of profit arising from a non-wholly-owned project in Xiamen, which delivered a portion of presold properties during the year.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2017, the profit attributable to owners of the parent was approximately RMB2,790.05 million, an increase of 57.19% compared with RMB1,774.91 million in 2016, mainly due to the above-mentioned factors. Core profit attributable to owners of the parent increased by 42.83% from RMB2,047.13 million in 2016 to RMB2,923.99 million in 2017.

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 year. The calculation of basic and core earnings per share is based on the following data:

	2017 *(RMB'000)*	2016 *(RMB'000)*
Profit attributable to owners of the parent	**2,790,047**	1,774,914
Less: Fair value gain on investment properties, net of deferred tax	**285,052**	73,044
Less: Fair value gain on derivative financial instruments	**—**	85,458
Less: Exchange gain	**66,262**	—
Plus: Realised fair value gains on investment properties disposed, net of deferred tax	**16,347**	66,879
Plus: Equity-settled share option expenses	**4,636**	2,352
Plus: Loss on redemption of financial liabilities	**211,664**	197,218
Plus: Impairment of goodwill	**100,401**	164,265
Plus: Fair value loss on derivative financial instruments	**61,549**	—
Plus: Realised loss on derivative financial instruments	**73,180**	—
Plus: Loss on deemed disposal of subsidiaries upon loss of control	**17,479**	—
Core profit attributable to owners of the parent	**2,923,989**	2,047,126
Weighted average number of ordinary shares in issue *('000)*	**3,937,250**	3,815,999
Basic earnings per share *(RMB per share)*	**0.70**	0.47
Core earnings per share *(RMB per share)*	**0.74**	0.54

Liquidity and Financial Resources

The Group adopts a prudent financial policy in an effort to balance financial risk and reduce finance costs. During the year, the Group successfully issued five-year senior notes in an aggregate amount of US$350 million with a coupon rate of 6.00% and senior perpetual securities in an aggregate amount of US$300 million with an initial distribution rate of 5.375%.

In addition, the Group early redeemed in full the US$300 million 8.625% senior notes and US$250 million 9.00% senior notes, both due in 2019. This series of refinancing measures further decreased the Group's average finance costs. As at 31 December 2017, the Group recorded a weighted average finance cost of 6.02%, down by 0.06 percentage points when compared with 6.08% as at 31 December 2016.

Details of new indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Yuzhou Properties Company Limited	Offshore senior notes	Public	US$350 million	Five years	6.00%	BB-/B1
Yuzhou Properties Company Limited	Offshore perpetual securities	Public	US$300 million	N/A	5.375%	B1
Yuzhou Properties Company Limited	Term loan facilities	N/A	US$258 million and HK$334 million	Three and half years	3.55% plus LIBOR/ HIBOR	N/A

Details of early redemption of indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Yuzhou Properties Company Limited	Offshore senior notes	Public	US$300 million	Five years	8.625%	B/B2
Yuzhou Properties Company Limited	Offshore senior notes	Public	US$250 million	Five years	9.00%	B/B1

Credit ratings

In September 2017, Standard & Poor's and Moody's upgraded the Group's issuer's credit rating to "BB-" and "Ba3" respectively. In November 2017, Fitch maintained its issuer's credit rating at "BB-" ("Stable" outlook).

Borrowings

As at 31 December 2017, the Group had total bank and other borrowings, corporate bonds and senior notes of RMB27,567.49 million, in aggregate, of which certain bank loans were secured by the investment properties, properties held for sale and properties under development of the Group with an aggregate carrying value of RMB7,581.32 million.

Cash Position

As of 31 December 2017, the Group had RMB17,498.21 million of cash and cash equivalents and restricted cash, up by 0.46% from RMB17,417.53 million as at 31 December 2016.

Net Gearing Ratio

As of 31 December 2017, the Group's net gearing ratio (calculated as the interest-bearing bank and other borrowings, corporate bonds and senior notes less cash and cash equivalents and restricted cash and divided by total equity) was 57.73%, a decrease of 13.97 percentage points as compared with 71.70% as at 31 December 2016.

Currency Risk

As of 31 December 2017, among the RMB27,567.49 million of total borrowings, corporate bonds and senior notes of the Group, approximately 65.14% was denominated in RMB and 34.86% was denominated in Hong Kong dollars and United States dollars.

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

	Bank and Other Borrowings, Corporate Bonds and Senior Notes Balance *(RMB'000)*	**Cash Balance*** *(RMB'000)*
HK$	1,104,381	162,062
RMB	17,956,423	16,367,335
US$	8,506,682	965,985
Others	—	2,826
Total	27,567,486	17,498,208

* *Including restricted cash*

Commitment

As of 31 December 2017, the Group had commitments in respect of development expenditure on real estate of approximately RMB3,992.77 million (31 December 2016: RMB4,479.38 million). The Group is also committed to the payment of land premium in respect of acquisition of project companies of approximately RMB148.85 million (31 December 2016: RMB3,547.22 million). The Group has no commitments in respect of land acquisition (31 December 2016: RMB2,992.49 million).

Contingent Liabilities

The Group provides buy-back guarantees to banks that offer mortgages to domestic properties buyers in Mainland China of the Group. As at 31 December 2017, outstanding buy-back guarantees amounted to RMB12,501.28 million (31 December 2016: RMB15,228.70 million). The Group also provides guarantees to bank and other lenders in connection with facilities granted to joint ventures and an associate, which amounted to RMB5,299.68 million (31 December 2016: RMB4,032.01 million) and RMB350.00 million (31 December 2016: Nil) respectively.

Acquisitions and Disposals of Subsidiaries and Affiliated Companies

In May 2017, the Group entered into an equity transfer agreement with an independent third party for the acquisition of a 100% equity interest in a company, which held two parcels of land located in Hanyang District, Wuhan, for a consideration of approximately RMB3,589.07 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 being established in 1994, the Group has been undergoing rapid development and expansion under the leadership of the Board. The senior management team is very experienced in the property development industry with senior executives having over 13 years' experience in average. This strong leadership, international insight and capable execution and management of projects, coupled with strict implementation of best international practices according to prevailing circumstances, has enabled the Group to become one of the leading real estate developers in China.

To provide more solid human resources support to achieving the Group's contracted sales goal of RMB100 billion, the human resources department carried out comprehensive optimizations and upgrades across the Group's organizational development, recruitment and staffing, training and development, remuneration, performance assessment and personnel management systems in 2017. It also implemented a triple incentive mechanism covering rewards, options and co-investments, in which the reward mechanism includes an award specially set up by the Chairman as well as rewards for different positions such as investment, financing and operations. The option plan covers key middle and senior employees; the follow trade plan has gone through several discussions and review and is expected to be launched in the second half of 2018, providing real-time incentives at different stages of projects in accordance with the rule of benefit accounting. We believe that the Group's human resources, particularly its senior executives and professional project management team, are of critical importance to maintaining its competitive strengths. The Group aims to achieve and outperform international standards for performance through compliance with best international practices in strict management systems and corporate governance. In addition, Yuzhou Business School was formally established, which aims to become the West Point Military Academy of the real estate industry. It is positioned to establish three platforms: cementing cohesion of the Yuzhou corporate culture, fostering performance-oriented organizational capability, and cultivating outstanding and competent people in the real estate industry. It will also help to create an ecosystem among employees, the organization and society to fuel sustainable development of the Company.

At the end of 2017, the Group worked with Hewitt, a world-renowned human resources consultant, to launch "Power of Growth", an employee survey with strategic significance which is designed to identify the drivers to employee engagement. Based on this authoritative data, we derived the key contributors to employee engagement from group interviews and analysis, and put forward an action plan for effectively improving the workplace and forging a top employer brand.

As at 31 December, 2017, the Group had 4,190 (2016: 3,401) staff in total.

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

PAYMENT OF DIVIDEND

The Board recommends the payment of a final dividend of HK21.5 cents per share for the year ended 31 December, 2017 to shareholders whose names appear on the register of members of the Company on 21 June 2018, subject to approval by the shareholders at the forthcoming Annual General Meeting ("AGM") of the Company to be held on 5 June, 2018.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 31 May, 2018 to 5 June, 2018, both days inclusive, during which period no transfer of shares will be registered. All transfer documents 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 30 May, 2018.

Subject to the approval of shareholders at the AGM, the final dividend will be paid on or about 5 July, 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 19 June, 2018 to 21 June, 2018, 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 documents 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 15 June, 2018.

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

During the year, the Company redeemed in full the 8.625% senior notes due in 2019 and 9.00% senior notes due in 2019, which were listed on The Stock Exchange of Hong Kong Limited, at redemption amounts of US$312,937,500 and US$272,500,000 respectively, representing 104.3125% and 104.5% of their principal amounts 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 2017.

CORPORATE GOVERNANCE

The 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 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 for 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 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 will review and monitor the situation on a regular basis and ensure that the present structure will not impair the balance of power in the Group.

SHARE OPTION SCHEME

The Board announced that on 26 January 2017, the Company had granted share options under its share option scheme adopted on 24 May 2010 to certain directors and employees of the Group which entitled the grantees to subscribe for an aggregate of 22,690,000 new shares of HK$0.10 each in the share capital of the Company at the exercise price per share of HK$2.62.

On 21 July 2017, the Company granted 2,500,000 share options with an exercise price of HK$4.55 under its share option scheme to certain directors of the Company.

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 2017.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to match the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT

This announcement is published on the website of the Company (http://www.yuzhou-group.com/) and the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

DEVELOPMENT STRATEGIES AND PROSPECTS

Looking ahead, China will continue to maintain the continuity and stability of its real estate policy in the short term, and tend to adhere to its tightened principal policies as usual. This will establish a housing development pattern emphasizing that "there is housing supply to the high-end market, support to the medium-end market and an assurance for the low-end market". In the medium and long run, a long-term mechanism will be gradually established and improved. Since it was pointed out at the meeting of the Political Bureau of the Central Committee that it was necessary to accelerate the reform of the housing system and establish a long-term mechanism, the establishment of such a long-term mechanism will be further accelerated in 2018. We expect that the real estate market will usher in a consolidation period in the coming year. As the restrictive policies and the long-term mechanism combine, housing prices in most cities will tend to remain stable and differential regulatory measures are expected to continue. Considering that these measures will become effective only gradually, it appears unlikely that China could step up these measures substantially. The rapid and diversified development of the "new economy", such as the education and healthcare sectors, will also benefit the real estate industry. Market demand, for real estate and improved housing, especially rigid demand, will remain very stable. With their escalating income and consumption levels, urban residents have become increasingly demanding of the quality of life.

Looking forward, we will continue to expand our geographical reach to the first- and second-tier cities and their surrounding satellite cities with growth potential. While carrying out horizontal expansion, we will uphold the philosophy of "focus on in-depth development in the city we entered". As always, we will spare no efforts to become a leading player in the cities we have entered.

On the investment and land acquisition front, we will maintain our strategy that combines "mergers and acquisitions" with "bidding and auctions". During the window period of increased consolidation in the industry, we will step up acquisitions and draw upon our expertise in property development and operation to make plans in advance for undervalued locations, in a drive to replenish our land reserves and lay a solid foundation for our RMB100 billion contracted sales target.

On the financing front, Yuzhou Properties has maintained diversified and stable financial channels. In 2018, we will continue to closely monitor market liquidity, maintain a prudent management system for ample cash flows, and look for more innovative quality financing channels including various asset securitization instruments and trust investment funds. We will maintain a sound relationship with various institutions in the international and domestic capital markets, and continue to maintain finance costs at a reasonable level, so that we can injecting a strong driving force into Yuzhou's speedy future growth and ensure that we will attain the RMB100 billion contracted sales target.

To meet market demand, residential product upgrades are always our top priority. On product innovation, we will continue to deepen and promote our three product lines in 2018, namely, the "Royale" (雍禧系) targeting high-end individuals with improved housing needs, the "Langham"(朗廷系) for individuals with improved housing needs and the "Honor" (嘉譽系) for first-time buyers. Over the past year, these three product lines have been launched in Shanghai, Nanjing and Hangzhou, among other cities. In future, the Group will specify an operational system for product standardization, centralized procurement and tender invitations. This will result in increased development speed and efficiency, a shortened project development cycle and a significantly increased the turnover rate, thereby significantly increasing the return on investment.

To retain outstanding and competent staff, the Group will continue to upgrade its management and process systems in line with its strategic target of RMB100 billion contracted sales. By constantly updating its ongoing development plan, the Group will optimize its management positioning, powers and duties between the headquarters and the subsidiaries in various cities and establish a benefit-sharing mechanism to provide organizational and human resources support for its rapid future business expansion in the future.

As always, we place emphasis on corporate social responsibility, with a commitment to the concept of "From the Community, For the Community" and to striking a balance between the three "carriages", namely, business scale, profit and risk control. Taking the long-term practical interests of shareholders as our top priority, and under the guidance of the new spirit of "Integration, Development and Innovation", we will expand our strengths and strive to attain the RMB100 billion contracted sales target as early as possible.

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. By virtue of our excellent corporate governance and management structure as well as our prudent financial strategies and our spirit of "Building Cities with Heart, Building Homes with Love", we will remain dedicated to maximizing the value for our shareholders and investors, and creating the best returns.

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

Hong Kong, 27 March, 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Lung On (Chairman, JP), Ms. Kwok Ying Lan 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.