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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 2018

FINANCIAL HIGHLIGHTS

1. Contracted sales and total revenue all reached record highs. 2018 Contracted sales were up by 38.94% year-on-year to RMB56,002.85 million. Total revenue amounted to RMB24,305.87 million, up by 12.01% year-on-year.
2. Profit for the year increased by 19.16% year-on-year to approximately RMB3,726.10 million in 2018. Core profit attributable to owners of the parent increased by 16.91% year-on-year to approximately RMB3,418.54 million.
3. Net profit margin and core profit margin recorded 15.33% and 14.06%, respectively.
4. Proposed final dividend of HK20.5 cents per share in aggregate with the interim dividend paid of HK11 cents per share, representing a payout ratio of approximately 36.45% of core profit attributable to owners of the parent for the Year.
5. Cash and bank balances (including restricted cash) amounted to RMB29,279.35 million which increased by 67.33% year-on-year.
6. Average finance cost as at 31 December 2018 was 7.23%. Lianhe Ratings Global initiated the international long term issuer rating of “BB” (with “stable” outlook).
7. The net gearing ratio in 2018 of the Group was 66.97%.

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 2018, 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 2018

	Notes	2018 RMB’000	2017 RMB’000
REVENUE	2	24,305,871	21,700,673
Cost of sales		(16,838,626)	(14,017,619)
Gross profit		7,467,245	7,683,054
Fair value gain on investment properties, net		165,831	380,069
Other income and gains	2	497,215	202,311
Selling and marketing expenses		(459,152)	(490,771)
Administrative expenses		(606,179)	(499,882)
Other expenses		(54,484)	(292,891)
Finance costs	4	(223,352)	(708,340)
Share of profits and losses of joint ventures		(74,265)	(64,719)
Share of profits and losses of associates		21,849	(18,771)
PROFIT BEFORE TAX	5	6,734,708	6,190,060
Income tax	6	(3,008,605)	(3,062,991)
PROFIT FOR THE YEAR		3,726,103	3,127,069
Attributable to:			
Owners of the parent		3,504,940	2,790,047
Non-controlling interests		221,163	337,022
		3,726,103	3,127,069
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic (<i>RMB per share</i>)		0.78	0.70
— Diluted (<i>RMB per share</i>)		0.78	0.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2018*

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
PROFIT FOR THE YEAR	3,726,103	3,127,069
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(972,612)</u>	<u>718,751</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,753,491</u>	<u>3,845,820</u>
Attributable to:		
Owners of the parent	2,532,328	3,508,798
Non-controlling interests	<u>221,163</u>	<u>337,022</u>
	<u>2,753,491</u>	<u>3,845,820</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		934,017	874,715
Investment properties		10,525,825	8,140,210
Land held for property development for sale		215,224	215,224
Prepayments, other receivables and other assets		1,029,512	—
Goodwill		1,133,070	—
Investments in joint ventures		6,204,784	6,387,378
Investments in associates		3,807,748	602,365
Deferred tax assets		742,157	526,074
Total non-current assets		24,592,337	16,745,966
CURRENT ASSETS			
Land held for property development for sale		5,680,204	9,173,473
Properties under development		26,614,206	10,263,940
Properties held for sale		13,051,659	8,121,694
Prepayments for acquisition of land		—	2,109,667
Prepayments, other receivables and other assets		14,683,118	15,630,318
Prepaid corporate income tax		505,730	127,813
Prepaid land appreciation tax		656,400	216,020
Derivative financial instruments		—	17,718
Restricted cash		2,117,120	1,901,969
Cash and cash equivalents		27,162,230	15,596,239
Total current assets		90,470,667	63,158,851
CURRENT LIABILITIES			
Receipts in advance		—	10,268,840
Contract liabilities		13,752,438	—
Trade payables	9	6,857,073	5,153,520
Other payables and accruals		22,960,107	12,468,016
Derivative financial instruments		5,884	19,229
Corporate bonds	10	7,200,000	10,000,000
Senior notes		550,074	—
Interest-bearing bank and other borrowings		8,679,618	6,704,340
Corporate income tax payables		2,552,345	1,893,370
Provision for land appreciation tax		1,962,590	1,505,218
Total current liabilities		64,520,129	48,012,533
NET CURRENT ASSETS		25,950,538	15,146,318
TOTAL ASSETS LESS CURRENT LIABILITIES		50,542,875	31,892,284

	<i>Note</i>	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Other payable		—	2,560,449
Interest-bearing bank and other borrowings		12,468,045	7,007,525
Corporate bonds	10	3,800,000	—
Senior notes		10,934,118	3,855,621
Deferred tax liabilities		1,910,360	1,025,453
Total non-current liabilities		29,112,523	14,449,048
Net assets		21,430,352	17,443,236
EQUITY			
Equity attributable to owners of the parent			
Issued capital		410,035	355,982
Senior perpetual securities		1,911,986	1,911,986
Reserves		17,164,569	14,113,513
		19,486,590	16,381,481
Non-controlling interests		1,943,762	1,061,755
Total equity		21,430,352	17,443,236

Notes:

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014–2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

The adoption of the new and revised standards and interpretation has had no significant financial effect on these financial statements.

2. REVENUE, OTHER INCOME AND GAINS

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

	2018 RMB'000	2017 RMB'000
Revenue		
<i>Revenue from contracts with customers</i>		
Sale of properties	23,625,857	21,213,375
Property management fee income	417,243	328,518
Hotel operation income	18,196	18,493
<i>Revenue from other sources</i>		
Rental income from investment properties	244,575	140,287
	24,305,871	21,700,673
Other income and gains		
Bank interest income	337,292	95,234
Gain on disposal of investment properties, net	—	4,024
Gain on bargain purchase of a subsidiary	58,246	—
Foreign exchange differences, net	—	66,262
Others	101,677	36,791
	497,215	202,311

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, derivative financial instruments 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 2018

	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	23,625,857	244,575	417,243	18,196	—	24,305,871
Other income and gains	<u>144,884</u>	<u>321</u>	<u>1,147</u>	<u>207</u>	<u>13,364</u>	<u>159,923</u>
Total	<u>23,770,741</u>	<u>244,896</u>	<u>418,390</u>	<u>18,403</u>	<u>13,364</u>	<u>24,465,794</u>
Segment results	<u>6,465,039</u>	<u>124,447</u>	<u>69</u>	<u>(11,633)</u>	<u>42,846</u>	6,620,768
Reconciliation:						
Interest income						337,292
Finance costs						<u>(223,352)</u>
Profit before tax						6,734,708
Income tax						<u>(3,008,605)</u>
Profit for the year						<u>3,726,103</u>
Segment assets	<u>75,007,425</u>	<u>10,732,364</u>	<u>83,123</u>	<u>377,870</u>	<u>7,203,376</u>	93,404,158
Reconciliation:						
Elimination of intersegment receivables						(9,542,289)
Corporate and other unallocated assets						<u>31,201,135</u>
Total assets						<u>115,063,004</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>49,751,166</u>	<u>554,237</u>	<u>20,459</u>	<u>37,539</u>	<u>2,731,004</u>	53,094,405
Reconciliation:						
Elimination of intersegment payables						(9,542,289)
Corporate and other unallocated liabilities						<u>50,080,536</u>
Total liabilities						<u><u>93,632,652</u></u>
Other segment information:						
Depreciation	31,518	17,472	975	8,738	18,444	77,147
Capital expenditure*	32,561	62,192	1,317	61	12,418	108,549
Fair value gain on investment properties, net	—	165,831	—	—	—	165,831
Share of profits and losses of joint ventures	(74,265)	—	—	—	—	(74,265)
Share of profits and losses of associates	21,849	—	—	—	—	21,849
Investments in joint ventures	6,204,784	—	—	—	—	6,204,784
Investments in associates	<u>3,807,748</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,807,748</u>

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

Year ended 31 December 2017

	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	21,213,375	140,287	328,518	18,493	—	21,700,673
Other income and gains	<u>21,797</u>	<u>35,863</u>	<u>321</u>	<u>285</u>	<u>48,811</u>	<u>107,077</u>
Total	<u>21,235,172</u>	<u>176,150</u>	<u>328,839</u>	<u>18,778</u>	<u>48,811</u>	<u>21,807,750</u>
Segment results	<u>6,382,182</u>	<u>388,239</u>	<u>3</u>	<u>(19,460)</u>	<u>52,202</u>	6,803,166
Reconciliation:						
Interest income						95,234
Finance costs						<u>(708,340)</u>
Profit before tax						6,190,060
Income tax						<u>(3,062,991)</u>
Profit for the year						<u>3,127,069</u>
Segment assets	<u>49,759,577</u>	<u>8,526,792</u>	<u>567,466</u>	<u>241,664</u>	<u>6,675,155</u>	65,770,654
Reconciliation:						
Elimination of intersegment receivables						(4,251,670)
Corporate and other unallocated assets						<u>18,385,833</u>
Total assets						<u>79,904,817</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>25,636,832</u>	<u>1,078,269</u>	<u>657,647</u>	<u>102,887</u>	<u>7,226,860</u>	34,702,495
Reconciliation:						
Elimination of intersegment payables						(4,251,670)
Corporate and other unallocated liabilities						<u>32,010,756</u>
Total liabilities						<u><u>62,461,581</u></u>
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 profits and losses of joint ventures	(64,719)	—	—	—	—	(64,719)
Share of profits and losses of associates	(18,771)	—	—	—	—	(18,771)
Investments in joint ventures	6,387,378	—	—	—	—	6,387,378
Investments in associates	<u>602,365</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>602,365</u>

* *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 and over 90% of the segment assets of the Group are located 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:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest on bank loans, other loans, corporate bonds and senior notes	3,050,162	1,700,453
Less: Interest capitalized	<u>(2,826,810)</u>	<u>(1,203,777)</u>
	223,352	496,676
Loss on early redemption of senior notes	<u>—</u>	<u>211,664</u>
	<u><u>223,352</u></u>	<u><u>708,340</u></u>

5. PROFIT BEFORE TAX

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cost of properties sold	16,439,208	13,709,213
Cost of services provided	399,418	284,748
Depreciation	77,147	82,786
Gain on disposal of investment properties, net	—	(4,024)
Loss on deemed disposal of subsidiaries upon loss of control*	—	17,479
Fair value loss on derivative financial instruments, net*	30,318	61,549
Realized loss on derivative financial instruments*	—	73,180
Impairment of goodwill*	—	100,401
Minimum lease payments under operating leases	48,526	37,311
Auditor's remuneration	4,600	3,864
Employee benefit expense (including directors' and chief executive officer's remuneration)		
Wages and salaries	242,356	241,722
Equity-settled share option expense	7,652	4,636
Retirement benefit scheme contributions	<u>25,786</u>	<u>23,716</u>
	<u>275,794</u>	<u>270,074</u>
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<u><u>40,768</u></u>	<u><u>23,658</u></u>

* 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 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 has been made as the Group did not generate any assessable profits arising in Hong Kong in 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:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current:		
PRC corporate income tax	1,929,563	1,459,696
PRC land appreciation tax ("LAT")		
— Charge for the year	1,438,481	1,660,285
— Overprovision in prior years	—	(25,905)
	<u>3,368,044</u>	<u>3,094,076</u>
Deferred:		
Current year	(359,439)	(37,561)
Reversal of deferred tax assets on LAT overprovided in prior years	—	6,476
	<u>(359,439)</u>	<u>(31,085)</u>
Total tax charge for the year	<u><u>3,008,605</u></u>	<u><u>3,062,991</u></u>

7. DIVIDENDS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interim — HK11 cents (2017: HK8.5 cents) per ordinary share	403,551	280,829
Proposed final — HK20.5 cents (2017: HK21.5 cents) per ordinary share	<u>842,506</u>	<u>780,314</u>
	<u><u>1,246,057</u></u>	<u><u>1,061,143</u></u>

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

The proposed final dividend will be either payable in cash or, at the scrip option of the shareholders, in form of new fully paid scrip shares of the Company in lieu of cash, or partly in cash and partly in scrip shares.

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 2018 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 4,332,639,749 (2017: 3,937,250,252) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2018 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:

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to owners of the parent	3,504,940	2,790,047
Distribution related to senior perpetual securities	(106,546)	(27,825)
Profit used in the basic and diluted earnings per share calculations	<u>3,398,394</u>	<u>2,762,222</u>
	Number of shares 2018	Number of shares 2017
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	4,332,639,749	3,937,250,252
Effect of dilution of share options — weighted average number of ordinary shares	<u>39,016,251</u>	<u>40,073,703</u>
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	<u>4,371,656,000</u>	<u>3,977,323,955</u>

9. TRADE PAYABLES

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Due within 1 year or on demand	3,978,243	3,004,832
Due within 1 to 2 years	<u>2,878,830</u>	<u>2,148,688</u>
	<u>6,857,073</u>	<u>5,153,520</u>

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

10. CORPORATE BONDS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Corporate bonds due in 2018	—	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
Corporate bonds due in 2021	<u>3,000,000</u>	<u>—</u>
	11,000,000	10,000,000
Portion classified as current liabilities	<u>(7,200,000)</u>	<u>(10,000,000)</u>
Non-current liabilities	<u>3,800,000</u>	<u>—</u>

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 Company 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. During the year, the Group has repaid the corporate bonds.
- (ii) RMB3,000,000,000 corporate bonds due in 2020 issued by a subsidiary of the Company 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. In December 2018, the coupon rate is adjusted to 7.5% per annum.
- (iii) RMB2,000,000,000 corporate bonds due in 2019 issued by a subsidiary of the Company 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. In June 2018, the coupon rate is adjusted to 6.99% per annum.

- (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. In September 2018, the coupon rate is adjusted to 7.7% per annum.
- (v) RMB1,000,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in August 2018 (the “7.85% Corporate Bonds I”). The 7.85% Corporate Bonds I have a term of three years and bear interest at a rate of 7.85% per annum. The 7.85% Corporate Bonds I are unsecured. At the end of the first 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.
- (vi) RMB1,200,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in September 2018 (the “7.8% Corporate Bonds”). The 7.8% Corporate Bonds have a term of three years and bear interest at a rate of 7.8% per annum. The 7.8% Corporate Bonds are unsecured. At the end of the first 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.
- (vii) RMB800,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in September 2018 (the “7.85% Corporate Bonds II”). The 7.85% Corporate Bonds II have a term of three years and bear interest at a rate of 7.85% per annum. The 7.85% Corporate Bonds II 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 2019, the Company granted 45,270,000 share options with an exercise price of HK\$3.65 per share under its share option scheme to certain directors of the Company and employees of the Group.
- (b) On 23 January 2019, the Company issued senior notes with an aggregate principal amount of US\$500,000,000 (approximately RMB3,373,600,000) bearing interest at 8.625% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US\$494,901,000 (approximately RMB3,339,199,000). The senior notes will mature on 23 January 2022.
- (c) On 4 February 2019, the Company issued senior notes with an aggregate principal amount of US\$500,000,000 (approximately RMB3,354,050,000) bearing interest at 8.5% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US\$494,912,000 (approximately RMB3,319,922,000). The senior notes will mature on 4 February 2023.
- (d) On 26 February 2019, the Company issued senior notes with an aggregate principal amount of US\$500,000,000 (approximately RMB3,351,195,000) bearing interest at 8.5% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US\$494,844,000 (approximately RMB3,316,637,000). The senior notes will mature on 26 February 2024.
- (e) On 22 March 2019, a subsidiary of the Company entered into a sale and purchase agreement with a company wholly-owned by Ms. Kwok Ying Lan (the “Vendor”), a director of the Company, pursuant to which (i) the subsidiary has conditionally agreed to purchase the entire issued share capital of a company whose principal asset is a property located in Hong Kong; and (ii) the Vendor has conditionally agreed to assign a debt to the subsidiary, at a consideration of approximately HK\$898.7 million (approximately RMB766.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In 2018, the real estate policies were further tightened with the introduction of more specific and comprehensive regulatory measures. The Central Economic Conference has pointed out that a long-term mechanism has to be constructed for the sound and healthy development of the real estate market with strict adherence to the principle that “houses are for living instead of speculation”. Local governments should implement city-specific policies and different guidelines for different property categories based on the conditions of their respective cities and restrictions of the sales and purchase of houses should be adjusted. As at the end of 2018, the real estate policies regarding the restrictions of the sales and purchase of houses in certain regions were adjusted based on local conditions. On the other hand, as the Central Bank implemented targeted reserve requirement ratio cut, the liquidity pressure of the banking industry was relieved, which was also beneficial to the development of property loan business.

In 2018, the total investment in real estate development of China amounted to RMB12,026.4 billion, representing an increase of 9.5% year-on-year. Investment in residential development amounted to RMB8,519.2 billion, representing an increase of 13.4% year-on-year and accounting for 70.8% of the total investment in property development. The newly-started property area amounted to 2,093.42 million sq.m., up by 17.2% year-on-year, of which the newly-started residential area amounted to 1,533.53 million sq.m., increased by 19.7% year-on-year. The total area of commodity housing sold was 1,716.54 million sq.m., up by 1.3% year-on-year, of which the residential sales area increased by 2.2% year-on-year. The total contracted sales from commodity housing in China was RMB14,997.3 billion, up by 12.2% year-on-year, of which the residential sales revenue increased by 14.7% year-on-year. As at the end of 2018, the total area of commodity housing held for sale was 524.14 million sq.m., decreased by 65.1 million sq.m. as compared with the end of the previous year. During the year ended 31 December 2018 (the “Year”), funds available to real estate developers totaled RMB16,596.3 billion, representing an increase of 6.4% year-on-year.

Overall Performance

During the Year, total revenue of the Group was RMB24,305.87 million, representing a year-on-year increase of 12.01%. Gross profit was RMB7,467.25 million. Gross profit margin was 30.72%. Profit for the year increased by 19.16% year-on-year from RMB3,127.07 million in 2017 to approximately RMB3,726.10 million in 2018. Core profit attributable to the owners of the parent increased by 16.91% year-on-year to approximately RMB3,418.54 million. Core earnings per share were RMB0.79, up by 6.76%. Basic earnings per share were RMB0.78, representing an increase of 11.43% as compared to RMB0.70 in 2017. The Board proposed a final dividend of HK20.5 cents per share, which in aggregate with the interim dividend paid of HK11 cents per share, represents a payout ratio of approximately 36.45% of core profit attributable to owners of the parent for the Year.

Sale of Properties

During the Year, the revenue from property sales by the Group rose by 11.37% year-on-year to RMB23,625.86 million, accounting for 97.20% of the total revenue of the Group. The Group delivered total gross floor area (“GFA”) of approximately 1,536,405 sq.m., an increase of 2.25% year-on-year. The increase of revenue from property sales was mainly attributable to the growth of delivered GFA and higher average selling price during the Year. The average selling price of the properties delivered and recognized as property sales in 2018 was RMB15,182 per sq.m., an increase of 7.54% year-on-year. The increase was mainly attributable to an increase in delivery of GFA of projects in the Yangtze River Delta Region, in which the average selling prices are higher than projects in other regions, during the Year.

The Group continued to extend its footprint nationwide and maintained balanced development in various regions which further diversified recognized revenue of property sales. As for geographic distribution, projects in metropolitan areas including the Yangtze River Delta Region, the West Strait Economic Zone, the Bohai Rim Region, the Guangdong-Hong Kong-Macao Bay Area (the “Bay Area”) and Central China Region contributed 75.84%, 15.73%, 6.54%, 0.75% and 1.14% to the recognized revenue, respectively. The Yangtze River Delta Region has grown into the main force of recognized revenue due to the robust development of the Group in the region. The Group believes that it will further consolidate its strategy of nationwide expansion in the future to diversify the streams of revenue, which will effectively mitigate the impacts brought about by the regulatory policies in the industry, leading to a sustainable and balanced development of the Group.

The recognized sales and GFA sold of each region in 2018 are set out in the following table:

Name of regions	Amount (RMB'000)	Saleable GFA (sq.m.)	Average Selling Price (after tax) (RMB/sq.m.)
West Strait Economic Zone	3,717,129	317,930	11,692
Yangtze River Delta Region	17,617,571	994,539	17,714
Bohai Rim Region	1,545,696	191,778	8,060
Central China Region	268,681	15,310	17,549
Guangdong-Hong Kong-Macau Big Bay Area	<u>176,484</u>	<u>16,848</u>	<u>10,475</u>
Total sales recognized at a point of time	<u>23,325,561</u>	<u>1,536,405</u>	<u>15,182</u>
Total sales recognized over time	<u>300,296</u>		
Total sales of properties recognized	<u><u>23,625,857</u></u>		

The recognized sales and GFA sold of each region in 2017 are set out in the following table:

Name of regions	Amount (RMB'000)	Saleable GFA (sq.m.)	Average Selling Price (after tax) (RMB/sq.m.)
West Strait Economic Zone	11,479,657	878,007	13,075
Yangtze River Delta Region	9,254,347	570,926	16,209
Bohai Rim Region	373,455	43,256	8,634
Guangdong-Hong Kong-Macau Big Bay Area	<u>105,916</u>	<u>10,422</u>	<u>10,163</u>
Total sales of properties recognized	<u><u>21,213,375</u></u>	<u><u>1,502,611</u></u>	<u><u>14,118</u></u>

Contracted Sales

In 2018, under the strategy of “Leading with locality development”, the Company strove to strengthen its presence in six metropolitan areas, including West Strait Economic Zone, Yangtze River Delta Region, Bohai Rim Region, Central China Region, Southwest Region and Bay Area. As of 31 December 2018, the Group’s accumulated contracted sales amounted to approximately RMB56,002.85 million, representing an increase of 38.94% year-on-year. The contracted sales GFA amounted to 3,702,703 sq.m. and the contracted average selling price was approximately RMB15,125 per sq.m..

Yangtze River Delta Region remained a main force of contracted sales of the Company in 2018 with approximately RMB33,622.38 million, accounting for 60.04% of the Group’s total contracted sales. Amongst, Shanghai, Hefei, Hangzhou, Nanjing and Suzhou were the main contributors of contracted sales in the region with an aggregate contracted sales of RMB29,569.96 million.

2018 marked the 15th year of the Company’s entry into the Shanghai market. Shanghai, where the headquarter of the Group is located, is the core strategic development area and undertakes the mission to achieve striding development of the Company. During the Year, the contracted sales of RMB6,348.23 million from Shanghai accounted for 11.34% of the Group’s total contracted sales. In 2018, Yuzhou Noble Mansion, a prime residential project in Fengxian District, Shanghai, hit a record of contracted sales of RMB3,063.91 million with 158 units sold out on the first day of launch. The number of sold GFA and units of Yuzhou Noble Mansion ranked Top 3 in Fengxian District.

Hefei is one of the major cities of strategic positioning of the Group. Since entering Hefei for 12 years, the Group has been outperforming its peers in terms of contracted sales in Hefei. In 2018, contracted sales of the Group in Hefei amounted to approximately RMB6,614.33 million, ranking among top ten in the market and the contracted GFA in Hefei ranked sixth. In addition, capitalizing on its advantages of quality products and unique locations, Yuzhou Central Town ranked top in Xinzhan District in terms of contracted sales, contracted GFA, contracted units and unit price. Other projects that were launched in the same period, including Yuzhou Langxi Community, Yuzhou Moon Lake Mansion, Yuzhou Royal Seal and Yuzhou Central Plaza, also achieved satisfactory sales performance.

After entering Nanjing for four years, Yuzhou has launched nine projects, creating multiple sophisticated properties in this ancient capital city and ranked top in Nanjing real estate market. In 2018, seven projects were launched in Nanjing together, which contributed aggregate contracted sales of approximately RMB5,384.95 million, accounting for 9.62% of the Group’s total contracted sales.

For over two years after the Group entered Suzhou, Yuzhou launched eight projects along Suzhou's "one horizontal and one vertical" development path, all of which were adjacent to Suzhou Middle Expressway, and built up over 1 million sq.m. land bank in Suzhou. In 2018, the eight projects in Suzhou contributed contracted sales of RMB5,384.25 million, accounting for 9.61% of the Group's total contracted sales and ranking eighth in Suzhou for the fourth quarter. Yuzhou Honor Hill sold 343 units within the first 1.5 hours of its launch and recorded excellent contracted sales of RMB600 million, topped the Suzhou market in September. In October, Yuzhou Honor Hill also topped the market in terms of transaction volume and contracted GFA with 141 units sold, leading the sales boom in Suzhou market.

In addition, Yuzhou Riverside Sapphire in Hangzhou recorded contracted sales of RMB5,838.20 million, accounting for 10.42% of the Group's total contracted sales. Its contracted GFA topped the main city area and the ninth in Hangzhou market. The project also ranked the sixth in terms of contracted sales in the main city area and seventh in Hangzhou market. In Bengbu, the aggregate contracted sales of Yuzhou New Inner City and Yuzhou Prince Lakeshire amounted to RMB2,556.81 million, accounting for 4.57% of the Group's total contracted sales.

With accumulated resources and efforts, West Strait Economic Zone, the cradle of the Group, will adhere to its strategic positioning in order to devote ongoing growth of contracted sales for the Group. During the Year, the contracted sales amounted to approximately RMB10,540.69 million in the West Strait Economic Zone, accounting for 18.82% of the Group's total contracted sales. Yuzhou Radiance Central Mansion in Fuzhou recorded contracted sales of RMB2,270.73 million and was awarded the title of "2018 Best Landmark Real Estate of Fujian" (福建地標名盤).

Based on the philosophy of "In-depth cultivation", the Group prudently expedited its expansion in the Bohai Rim Region by ways of bidding and auction, merger and acquisition as well cooperation. Yuzhou has acquired several quality land parcels in Jinghai District, Binhai New District, Xiqing District and Jinnan District in Tianjin, West Coast in Qingdao and Tangshan in Hebei. During the Year, Bohai Rim Region contributed aggregate contracted sales of over RMB6,760.45 million, accounting for 12.07% of the Group's total contracted sales.

Performances of the Group in other areas were also outstanding. Wuhan and Xinxiang in Central China Region contributed contracted sales for the first time. Thanks to Silo City Project and Lingjiao River No. One Project acquired in early 2018 and Yuzhou Langham City Land in Wuhan and Yuzhou Honor Century in Xinxiang launched in the second half of 2018, Central China Region recorded contracted sales of approximately RMB4,633.87 million, representing 8.27% of the Group's total contracted sales. Moreover, Chongqing, a major commercial center of the Southwest Region, also contributed contracted sales for the first time.

The contracted sales and GFA sold of each project in 2018 are set out in the following table:

Project	City	Total 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	180,734	12,816	14,102
Yuzhou Riverside City Town	Xiamen	600,816	35,168	17,084
Haicang Dream Town	Xiamen	159,680	7,253	22,016
Yuzhou Lucca Town	Xiamen	190,661	8,210	23,223
Chunjiang Central	Xiamen	127,181	8,101	15,699
Yuzhou Gushan No.1	Fuzhou	272,735	10,534	25,891
Yuzhou Oriental Venice	Fuzhou	827,679	54,513	15,183
Yuzhou Cambridge Town	Fuzhou	132,758	8,411	15,784
Yuzhou Radiance Central Mansion	Fuzhou	2,270,729	75,829	29,945
Yuzhou Royale Riverside Mansion	Fuzhou	300,095	13,629	22,019
Joy Center	Fuzhou	456,313	18,567	24,577
Yuzhou City Plaza	Quanzhou	3,173,095	376,435	8,429
Yuzhou Honor Mansion	Quanzhou	160,548	24,268	6,616
Yuzhou Castle above City	Longyan	808,727	146,592	5,517
Yuzhou Royale The Bay	Zhangzhou	130,541	3,751	34,802
Others	Xiamen	748,400	44,413	16,851
Sub-total		10,540,692	848,490	12,423
Yangtze River Delta				
Yuzhou City Plaza	Shanghai	100,537	8,297	12,117
Beautiful Garden Life	Shanghai	202,547	6,793	29,817
Yuzhou Noble Mansion	Shanghai	3,063,911	87,851	34,876
Yuzhou Mansion	Shanghai	2,331,353	51,546	45,229
Yuzhou Dongtan Grace Mansion	Shanghai	219,227	5,955	36,814
Yuzhou The Bustling Center	Shanghai	430,653	13,802	31,202
Yuzhou Central Plaza	Hefei	1,185,839	113,092	10,486
Yuzhou Central Town	Hefei	1,059,659	90,599	11,696
Yuzhou Sky Aqua Mall	Hefei	1,522,999	107,895	14,116
Yuzhou Moon Lake Mansion	Hefei	1,400,841	97,504	14,367
Yuzhou Royal Seal	Hefei	96,634	12,685	7,618
Yuzhou Town	Hefei	46,158	5,132	8,994
Yuzhou Langxi Community	Hefei	643,913	43,924	14,660
Yuzhou Galaxy Park	Hefei	658,286	51,174	12,864
Yuzhou Champion Mansion	Bozhou	155,718	24,735	6,295

Project	City	Total Amount of Contracted Sales (RMB'000)	GFA of Contracted Sales (sq.m.)	Average Contracted Selling Price (RMB/sq.m.)
Yuzhou The Jiqing	Nanjing	224,001	7,046	31,791
Redsun Yuzhou The Times	Nanjing	104,171	7,543	13,810
Redsun Yuzhou The Spring	Nanjing	1,295,599	57,186	22,656
Hechang Golden East	Nanjing	2,360,170	105,944	22,278
Yuzhou Jinning Langham	Nanjing	352,301	27,986	12,588
Yuzhou Cofco Metropolitan 09	Nanjing	247,767	22,107	11,208
Yuzhou Honor Galaxy	Nanjing	800,943	23,912	33,495
Yuzhou Riverside Sapphire	Hangzhou	5,838,204	180,894	32,274
Yuzhou Majestic Mansion	Zhoushan	714,408	41,229	17,328
Pujiang Future Everbright	Jinhua	70,917	4,719	15,028
Jinhua Yuzhou Mansion	Jinhua	38,590	1,643	23,488
Yuzhou Zhaoshang The Absolute	Suzhou	1,879,703	131,962	14,244
Yuzhou Honor Hill	Suzhou	1,338,513	73,549	18,199
Yuzhou Blue Seasons	Suzhou	1,079,019	57,866	18,647
Yuzhou Royale Aqua Mansion	Suzhou	348,995	14,152	24,660
Yuzhou Honor Galaxy	Suzhou	508,019	15,438	32,907
Yuzhou Royal Mansion	Suzhou	129,997	6,104	21,297
Yuzhou Rocker Park	Suzhou	100,002	4,755	21,031
Yuzhou Prince Lakeshire	Bengbu	1,098,134	139,415	7,877
Yuzhou New Inner City	Bengbu	1,458,671	194,189	7,512
Yuzhou Honor Promenade	Yangzhou	515,985	57,327	9,001
Sub-total		<u>33,622,384</u>	<u>1,895,950</u>	<u>17,734</u>
Central Region				
Coastal Silo City	Wuhan	1,904,194	160,555	11,860
Coastal Lingjiao River No. One	Wuhan	1,570,364	62,649	25,066
Yuzhou Langham City Land	Wuhan	755,402	43,655	17,304
Yuzhou Honor Century	Zhengzhou	403,909	46,185	8,745
Sub-total		<u>4,633,869</u>	<u>313,044</u>	<u>14,803</u>

Project	City	Total Amount of Contracted Sales (RMB'000)	GFA of Contracted Sales (sq.m.)	Average Contracted Selling Price (RMB/sq.m.)
Guangdong-Hong Kong-Macao Bay Area				
Yuzhou Wujing The Scenery	Huizhou	194,138	17,877	10,860
Coastal Garden	Foshan	168,238	17,562	9,580
Sub-total		362,376	35,439	10,225
Southwest Region				
Yuzhou Redsun Joy Mansion	Chongqing	83,081	11,670	7,119
Sub-total		83,081	11,670	7,119
Bohai Rim Region				
Lianfa Red Shire	Tianjin	755,620	35,907	21,044
Yuzhou Joy Mansion	Tianjin	1,334,414	120,821	11,045
Yuzhou Blissed Mansion	Tianjin	46,810	1,836	25,496
Yuzhou Fengnan New Town	Tangshan	2,150,314	248,080	8,668
Yuzhou Art Wonderland	Qingdao	976,453	36,085	27,060
Shenyang Yuzhou Plaza	Shenyang	1,496,836	155,381	9,633
Sub-total		6,760,447	598,110	11,303
Total		56,002,849	3,702,703	15,125

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. One	Fuzhou	218,910	8,929	24,517
Yuzhou Oriental Venice Phase III	Fuzhou	2,554,113	133,042	19,198
Yuzhou Cambridge Town	Fuzhou	98,891	8,712	11,351
Yuzhou Radiance 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
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

Investment Properties

During the Year, total income from investment properties of the Group was approximately RMB244.58 million, representing an increase of approximately 74.34% year-on-year, mainly due to the rise in rental area and rental unit price of the properties.

At present, Yuzhou Commercial Company has 27 projects in preparation or operation in Shanghai, Xiamen, Shenyang, Hefei, Quanzhou, Nanjing, Wuhan, Hangzhou and Suzhou, with a total commercial space of more than 2 million sq.m.. Managed by a professional business management team of 607 talents, it has a variety of commercial offerings covering shopping malls, office buildings and community commercial architecture.

Yuzhou Commercial Company adopted innovative measures in operation, business models, designs and financing channels. Efforts were made to integrate its online and offline channels as well as leverage big data, intelligent logistics, supply chain and other new business practices to meet the needs of customers and improve the shopping experience so as to maintain its competitive edges in the highly competitive market. For instance, based on its self-developed intelligent service system 4.1 which enables the integration of technology with business operation, Yuzhou Commercial Company established a big data base for customer analysis and improved the appeal of its shopping malls to consumers.

In addition to developing large shopping malls and exploring community business, Yuzhou Commercial Company made bold forays into long-term rental apartments, shared-offices and other sectors, and made a reasonable layout according to the features of the project so as to generate greater commercial effects. It diversified its business management models through providing external commercial management services and adopting light asset management for some projects. In 2018, Yuzhou Commercial Company explored new business model of commercial properties by setting up a long-term rental apartment business division and a healthcare business financing division. In early September, “Yu + Space” (禹+空間), a pilot project of shared-offices of Yuzhou Group, commenced operation.

In the future, Yuzhou Commercial Company will launch more projects and further enhance the efficiency of its investment, development and operation so as to maintain steady growth of revenue, promote the dual development models of the Group and strengthen its unique competitiveness.

In 2018, with its sound operation, diversified business coverage and quality products, Yuzhou Commercial Company ranked 28th among TOP 100 China Commercial Real Estate Developers of 2018 (2018年度中國商業地產TOP100) in terms of operation capability.

Property Management

During the Year, the Group recorded RMB417.24 million from property management fees, representing an increase of 27.01% year-on-year. Driven by an increase in the delivered property area, they managed a total GFA of approximately 13 million sq.m. in China as at 31 December 2018, and served approximately 100,000 home owners across the country.

Adhering to the concept of “Refinement, Professionalism, Integrity and Harmony” and the philosophy of “Customer First, Service Oriented”, Yuzhou Property Management has been providing its customers with comprehensive and quality services. Its efforts have proven successful as it has obtained high scores in customer satisfaction surveys for years. It also reflected the recognition and approval from the market for its continuous pursuit of quality products and services. A “Yu house-manager model” was launched to carry out online house-keeping management. Each house-manager provides round-the-clock house-keeping services through WeChat. In the future, Yuzhou Property Management will establish a property management certification institution under the “Yu house-manager model”, which will be equivalent to Les Clefs d’Or (translated as The Golden Key), a professional association of hotel concierges in the hotel industry.

Hotel Operation

The Group steadily expanded its hotel business in a prudent manner and strictly controlled risks while establishing diversified property portfolios. These initiatives allowed the Group to derive stable income from hotel operation and enhance its brand image. Revenue for the Year amounted to approximately RMB18.20 million. During the Year, Yuzhou Camelon Hotel Apartment located at the center of Huli District, Xiamen posted an occupancy rate over 80% and has been ranking ahead among the four-star and five-star hotels in Xiamen in terms of customer satisfaction on tourism websites.

In January 2019, Yuzhou Wyndham Grand Plaza Royale Hotel, an international five-star hotel in Wuyuan Bay, Xiamen, commenced its operation. Providing 407 guest rooms with exclusive views of the seaside of Ludao and the executive lounge on the highest floor with breathtaking sea views, the hotel satisfied the needs of elites and high-net-worth families on business trip or for leisure with its high-end quality services.

In addition, Camelon Spa Hotel in Tong’an, Xiamen, which is under construction, is situated near the studio zone at Wuxian Town, Tongan District, enjoying unique access to the natural landscape, cultural ambience and public facilities. Hotels in Hui’an of Quanzhou, Feidong of Hefei and Taizi Lake of Wuhan are in preparation.

Quality and Safety and Product Lines and Design

Committed to enhancing the quality of life of urban residents, the Group has attached great importance to the improvement and innovation of products and put safety and quality in the first priority. The Group has strictly and comprehensively monitored its construction projects. The construction of Yuzhou Mansion in Shanghai, Yuzhou Beautiful Garden Life, Suzhou Honor Hill and other properties were highly recognized by the industry. The Group established comprehensive systems and procedures to guarantee its product quality from the very beginning.

During the Year, Yuzhou Beautiful Garden Life won “the Magnolia Award of Shanghai Construction Projects”, one of the most prestigious awards in the industry, highlighting the high recognition of construction quality of Yuzhou. The stringent product control in the construction of Yuzhou Langham City Land reflected that the Group attached great importance to and provided great support on quality. As sophisticated construction is essential to its projects, the Group strives to cater for customers’ needs in terms of structural quality and construction management and pursue excellence in project quality and safety. The dedication on quality and safety of the Group has received wide recognition from the industry.

In 2018, the Group launched the product philosophy of “Life +” (生活+) and advocated “designing for living and innovation for the future” as the direction of Yuzhou’s product development. In formulating strategies for design, the Group has comprehensively considered factors including the regulations, risks, landscape value, business value and noise, and designed the optimal product portfolio fitting the industry trend in the most cost-effective manner. The Group also continued to modify and update its design philosophy in response to consumers’ demand for housing upgrade. In the first half of 2018, based on the competitive advantages in four aspects including construction planning, landscape, internal decoration and smart electrical and mechanical products, the Group further developed its product offerings and accentuated the features of three product lines, namely Royale, Langham and Honor, under a standardized model.

Over 24 years, adhering to the philosophy of “Building Cities with Heart, Building Homes with Love”, the Group has pursued excellent product quality in a bid to deliver projects that are safer, cozier and more inhabitable. By offering caring and dedicated property services, the Group has endeavored to enhance the quality of life of each property owner.

Land Reserves

Adhering to its strategic deployment of “A Journey to 100 Billion with Nationwide Development”, the Group follows the market dynamics and extensively develops, at reasonable land costs, the six metropolitan areas covering Yangtze River Delta, West Strait Economic Zone, Bohai Rim Region, Bay Area, Central China Region and Southwest Region. In the meantime, fully leveraging its strengths in merger and acquisition, the Group pays close attention to the development of the industry and proactively identifies opportunities of acquisition and cooperation, so as to ensure a sustainable, resilient and quality development of the Group.

In August 2018, to strategically introduce Overseas Chinese Town (Asia) Holdings Limited (Stock code: 03366.HK, “OCT (Asia)”) as the second largest shareholder of the Company, the Company allotted and issued approximately 460 million shares to City Legend International Limited (華昌國際有限公司), a wholly-owned subsidiary of OCT (Asia), at HK\$3.96 per share and received total proceeds of approximately HK\$1,824 million. The introduction of strategic shareholder was based on mutual trust and recognition and the high level of compatibility of future development strategies of both parties. Various forms of cooperation between these two leading real estate developers will be explored. Leveraging the advantages of the Company in respect of property development and management, and the experience of OCT (Asia) in cultural innovation, design of theme parks and operation and management of tourism business and strong brand recognition, the Company and OCT (Asia) will closely cooperate to innovate their business models with the integration of cultural, tourism and real estate features in a bid to explore new growth potential. These efforts will allow them to create new urbanized projects characterized by the combination of cultural, tourism, leisure, entertainment and residential facilities.

As at 31 December 2018, the Group had land reserves amounting to approximately 17.38 million sq.m. of aggregate saleable GFA, with 123 projects located in 28 cities in six metropolitan areas. The average land cost was approximately RMB4,812 per sq.m. The Group believes that its land reserves are sufficient for its development over the next three to four years.

Saleable GFA of Land Reserves (sq.m.)
(As at 31 December 2018)

Region	Number of Projects	Area (sq.m.)
West Strait Economic Zone		
Xiamen	27	1,207,321
Fuzhou	7	462,441
Quanzhou	3	1,034,221
Longyan	1	21,013
Zhangzhou	4	1,029,740
Sub-total	42	3,754,736
Yangtze River Delta Region		
Shanghai	10	659,917
Nanjing	13	1,248,432
Hangzhou	2	230,910
Suzhou	9	1,365,417
Bozhou	1	113,400
Hefei	12	1,723,681
Bengbu	2	812,654
Jinhua	2	177,920
Yangzhou	1	174,100
Zhoushan	1	230,471
Xuzhou	1	203,588
Sub-total	54	6,940,490
Bohai Rim Region		
Beijing	1	39,000
Tianjin	8	1,417,085
Qingdao	1	72,772
Tangshan	1	605,080
Shenyang	2	2,016,076
Sub-total	13	4,150,013
Central Region		
Wuhan	3	850,055
Xinxiang	1	258,370
Sub-total	4	1,108,425

Region	Number of Projects	Area (sq.m.)
Guangdong — Hong Kong — Macao Bay Area		
Hong Kong	1	2,214
Huizhou	4	440,757
Foshan	1	23,137
Zhongshan	1	271,502
Sub-total	7	737,610
South West Region		
Chongqing	3	692,463
Sub-total	3	692,463
Total	<u>123</u>	<u>17,383,737</u>

In 2018, apart from the acquisition of projects from Coastal Greenland Limited (沿海綠色家園有限公司, Stock code: 01124.HK, "Coastal Greenland"), the Group acquired 23 new parcels of quality land, by means of public bidding and auction as well as merge and acquisition, in Quanzhou, Fuzhou, Suzhou, Jinhua, Nanjing, Bozhou, Xuzhou, Hefei, Bengbu, Chongqing, Xinxiang, Huizhou and Zhongshan, with a total GFA of new land reserves of 3,461,017 sq.m., at an average land cost of approximately RMB5,000 per sq.m., with a total attributable land cost of approximately RMB8,052.68 million.

Particulars of the 23 land parcels as at 31 December 2018 are set out in the following table:

Name of Project	City	The Group's Interest %	GFA (sq.m.)	Total Consideration (RMB' 000)	Attributable Consideration (RMB' 000)	Land Cost (RMB/sq.m.)
West Strait Economic Zone						
Quanzhou Nan'an Xiamei 2017P18	Quanzhou	100%	52,419	161,000	161,000	3,071
Anxi Guanqiaozhen 2013-21 Project	Quanzhou	100%	140,365	225,000	225,000	1,603
Fuzhou Gaoxin 2018-01 Project	Fuzhou	100%	58,491	559,080	559,080	9,558
Fuzhou Gaoxin 2018-02 Project	Fuzhou	35%	106,480	810,080	283,528	7,608
Joy Center	Fuzhou	20%	37,270	430,000	86,000	11,537
Yangtze River Delta Region						
Suzhou WG58 Project	Suzhou	20%	76,466	1,032,290	206,458	13,500
Suzhou WG59 Project	Suzhou	19%	201,774	2,753,940	523,249	13,649
Jinhua Pugu 2018-6 Project	Jinhua	17%	122,060	922,163	156,768	7,555
Nanjing Guochun 2018-G02-03 Project	Nanjing	30%	143,901	577,000	173,100	4,010
Nanjing Guochun 2018-G04-06 Project	Nanjing	51%	266,923	972,000	495,720	3,641
Jinhua Shuanglongnan Street Project	Jinhua	49%	55,860	857,445	420,148	15,350
Guoyang GY2017-92 Project	Bozhou	50%	113,400	284,220	142,110	2,506
Xuzhou Jiawang District Panan Lake 2018-35 Project	Xuzhou	70%	203,588	190,860	133,602	937
Heguo Tuzi XZQTD238 Project	Hefei	33%	154,822	838,580	276,731	5,416
Yuzhou New Town	Bengbu	100%	320,381	186,450	186,450	582
Yuzhou Hechang Golden East	Nanjing	8%	132,534	1,490,000	119,200	11,242

Name of Project	City	The Group's Interest %	GFA (sq.m.)	Total Consideration (RMB' 000)	Attributable Consideration (RMB' 000)	Land Cost (RMB/sq.m.)
South West Region						
Chongqing Beibei Project	Chongqing	100%	250,970	1,290,000	1,290,000	5,140
Chongqing Bishan Project	Chongqing	51%	53,816	72,500	36,975	1,347
Chongqing Liangjiang 18040 Project	Chongqing	49%	387,677	1,589,480	778,845	4,100
Central China Region						
Xinxiang 2018-2 Project	Xinxiang	51%	258,370	326,000	166,260	1,262
GMH Bay Area						
Huizhou GZK2018-1 Project	Huizhou	51%	15,775	37,590	19,171	2,383
Huizhou GZK2018-3 Project	Huizhou	51%	36,173	177,020	90,280	4,894
Zhongshan W15-18-0053 Project	Zhongshan	100%	271,502	1,523,000	1,523,000	5,610
Total			<u>3,461,017</u>	<u>17,305,698</u>	<u>8,052,675</u>	<u>5,000</u>

Coastal Greenland Acquisition

In August 2018, the Group completed the acquisition of entire equity interest in Century East Group Limited, a subsidiary of Coastal Greenland, which holds certain project companies carrying on the operations of property development and property investment in the PRC. The acquisition constituted by 7 quality land parcels and projects in Beijing, Foshan, Shenyang, Tianjin and Wuhan, of which the consideration for the acquisition was approximately RMB3.80 billion.

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 2018, the total revenue of the Group was a record high RMB24,305.87 million, up by 12.01% 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 RMB23,625.86 million, up by 11.37% year-on-year, accounting for 97.20% of the total revenue; rental income from investment properties was approximately RMB244.58 million, up by 74.34% year-on-year; property management fee income was approximately RMB417.24 million, up by 27.01% year-on-year; and income from hotel operations was approximately RMB18.20 million, decreased by 1.61% year-on-year.

Cost of Sales

The cost of sales of the Group mainly encompassed land cost, construction cost and capitalized interest. In 2018, the cost of sales of the Group was RMB16,838.63 million, up by 20.12% from RMB14,017.62 million in 2017. The increase in the cost of sales was mainly due to the increase in GFA of properties delivered and increase in cost recognized per GFA.

Gross Profit and Gross Profit Margin

The gross profit of the Group was RMB7,467.25 million in 2018, a decrease of 2.81% year-on-year. Gross profit margin was 30.72%, a decrease of 4.68 percentage points year-on-year. The decrease in gross profit margin was mainly due to change in gross profit margin of properties delivered during the Year.

Fair Value Gain on Investment Properties

In 2018, the Group recorded a fair value gain on investment properties of RMB165.83 million (2017: RMB380.07 million), which was mainly attributable to the fair value gain on investment properties located in Shanghai, Wuhan and Hong Kong.

Other Income and Gains

Other income and gains increased by about 145.77% from RMB202.31 million in 2017 to RMB497.22 million in 2018. The increase in other income and gains was mainly due to increase in bank interest income of RMB242.06 million.

Selling and Marketing Expenses

Selling and marketing expenses of the Group decreased by 6.44% year-on-year from RMB490.77 million in 2017 to RMB459.15 million in 2018, accounting for 0.82% (2017: 1.22%) of total contracted sales, due to the Group's effective cost control measures.

Administrative Expenses

The Group's administrative expenses grew by 21.26% year-on-year from approximately RMB499.88 million in 2017 to approximately RMB606.18 million in 2018, 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 2018, the proportion of administrative expenses to total contracted sales was 1.08% (2017: 1.24%), mainly due to the Group's effective cost control measures.

Other Expenses

Other expenses decreased by 81.40% year-on-year from approximately RMB292.89 million in 2017 to approximately RMB54.48 million in 2018. The decrease was mainly due to no impairment of goodwill (2017: RMB100.40 million) and the decrease in realized and unrealized losses on derivative financial instrument from RMB134.73 million during the prior year to RMB30.32 million during the Year.

Finance Costs

Finance costs of the Group decreased by 68.47% year-on-year from RMB708.34 million in 2017 to RMB223.35 million in 2018. The decrease was mainly due to the increase in the capitalized interest during the Year.

Income Tax

Income tax of the Group decreased by 1.78% year-on-year from approximately RMB3,062.99 million in 2017 to approximately RMB3,008.61 million in 2018. This decrease was mainly attributable to the tax credit arising from recognition of deferred tax assets during the Year.

Profit Attributable to Non-controlling Interests

For the year ended 31 December 2018, the profit attributable to non-controlling interests decreased by 34.38% year-on-year from RMB337.02 million to RMB221.16 million. The decrease was mainly due to the decrease in share of profit arising from non-wholly-owned projects which delivered a portion of properties during the Year.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2018, the profit attributable to owners of the parent was approximately RMB3,504.94 million, an increase of 25.62% compared with RMB2,790.05 million in 2017, mainly due to the above-mentioned factors. Core profit attributable to owners of the parent increased by 16.91% from RMB2,923.99 million in 2017 to RMB3,418.54 million in 2018.

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 core earnings per share is based on the following data:

	2018 (RMB'000)	2017 (RMB'000)
Profit attributable to owners of the parent	3,504,940	2,790,047
Less: Fair value gain on investment properties, net of deferred tax	124,373	285,052
Less: Exchange gain	—	66,262
Plus: Realized fair value gains on investment properties disposed, net of deferred tax	—	16,347
Plus: Equity-settled share option expenses	7,652	4,636
Plus: Loss on redemption of financial liabilities	—	211,664
Plus: Impairment of goodwill	—	100,401
Plus: Fair value loss on derivative financial instruments	30,318	61,549
Plus: Realized 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	<u>3,418,537</u>	<u>2,923,989</u>
Weighted average number of ordinary shares in issue ('000)	<u>4,332,640</u>	<u>3,937,250</u>
Core earnings per share (RMB per share)	<u>0.79</u>	<u>0.74</u>

LIQUIDITY AND FINANCIAL RESOURCES

The Group has adopted a prudent financial policy in an effort to manage financial risk and reduce finance costs. During the Year, the Group successfully issued three-year senior notes in an aggregate amount of US\$375 million with a coupon rate of 6.375% in March 2018; three-year senior notes in an aggregate amount of US\$200 million with a coupon rate of 7.9% in May 2018; three-year senior notes in an aggregate amount of US\$425 million with a coupon rate of 7.9% in July 2018; two one-year senior notes in an aggregate amount of US\$80 million with a coupon rate of 6.9% in August 2018; three-year corporate bonds in an aggregate amount of RMB1,000 million with a coupon rate of 7.85% in August 2018; three-year corporate bonds in an aggregate amount of RMB1,200 million with a coupon rate of 7.8% in September 2018; three-year corporate bonds in an aggregate amount of RMB800 million with a coupon rate of 7.85% in September 2018; and a supply chain asset-backed securities (“ABS”) in an aggregate amount of RMB591 million with a coupon rate of 7.9% in October 2018. The Group has explored new financing channels through the issues. As at 31 December 2018, the Group recorded a weighted average finance cost of 7.23%.

Details of new indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Yuzhou Properties Company Limited	Offshore senior notes	Public	US\$375 million	Three years	6.375%	B+/BB-
Yuzhou Properties Company Limited	Offshore senior notes	Public	US\$200 million	Three years	7.90%	B+/BB-
Yuzhou Properties Company Limited	Offshore senior notes (Tap)	Public	US\$425 million	Three years	7.90%	B+/BB-
Yuzhou Properties Company Limited	Offshore senior notes	Private	US\$40 million	One year	6.9%	N/A
Yuzhou Properties Company Limited	Offshore senior notes	Private	US\$40 million	One year	6.9%	N/A
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate bond	Private	RMB1.0 billion	Three years	7.85%	AA+
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate bond	Private	RMB1.2 billion	Three years	7.80%	AA+
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate bond	Private	RMB0.8 billion	Three years	7.85%	AA+
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore supply chain ABS	Private	RMB591 million	One year	7.90%	AA+

Details of redemption of indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate bond	Private	RMB2.0 billion	Three years	6.70%	AA+

CREDIT RATINGS

As at 31 December 2018, Moody's maintained the Group's issuer's credit rating as "Ba3" ("Stable" outlook); Standard & Poor's maintained the Group's issuer's credit rating as "BB-" ("Stable" outlook); Fitch maintained the Group's issuer's credit rating as "BB-" ("Stable" outlook). During the Year, Lianhe Ratings Global Limited initiated the Group's international long-term issuer's credit rating as "BB" ("Stable" outlook).

Borrowings

As at 31 December 2018, the Group had total bank and other borrowings, corporate bonds and senior notes of RMB43,631.86 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.

Cash Position

As at 31 December 2018, the Group had RMB29,279.35 million of cash and cash equivalents and restricted cash, up by 67.33% from RMB17,498.21 million as at 31 December 2017.

Net Gearing Ratio

As at 31 December 2018, 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 divided by total equity) was 66.97%.

Currency Risk

As at 31 December 2018, among the RMB43,631.86 million of total borrowings, corporate bonds and senior notes of the Group, approximately 61.47% was denominated in RMB and 38.53% 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\$	888,117	2,284,081
RMB	26,822,161	23,300,991
US\$	15,921,577	3,694,215
Others	—	63
Total	<u>43,631,855</u>	<u>29,279,350</u>

* Including restricted cash

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 2018, outstanding buy-back guarantees amounted to RMB9,778.09 million (31 December 2017: RMB12,501.28 million). The Group also provides guarantees to bank and other lenders in connection with facilities granted to joint ventures and associates, which amounted to RMB6,126.80 million (31 December 2017: RMB5,299.68 million) and RMB2,664.52 million (31 December 2017: RMB350.00 million), respectively.

INFORMATION TECHNOLOGY SYSTEMS

The Group attaches great importance to the establishment of information technology systems which are crucial for improving the Group's information technology capability in respect of management optimization, operation automation, cost reduction and efficiency enhancement. In 2018, the information management center was committed to the optimization and upgrading of information technology systems focusing on three major aspects, including authorization and accountability, business management and infrastructure construction. In terms of authorization and accountability, the Group has established a three-tier management system to continuously optimize and adjust its management model and enhance its authorization procedures. The refined information technology system ensured the progressive transformation of the Group's management model and the decentralization of management authority, which has revitalized the operation of its subsidiaries in various cities. In respect of business management, the information management center continued to upgrade system automation. Efforts were also made to improve the efficiency of human resources management, supplier tendering and cost control in order to strengthen overall management and internal communication. Besides, the information management center pushed forward the upgrade and set-up of infrastructures under a more efficient and secured network system in preparation for achieving the contracted sales goal of RMB100 billion.

HUMAN RESOURCES

The Group is led by an experienced and professional management team. Since its establishment in 1994, the Group has been undergoing rapid development under the leadership of the Board. The senior management team has extensive experiences in property development industry with most of the senior executives having over 14 years' experience on average. This strong leadership, global insight and outstanding execution capabilities of the management team, coupled with strict implementation of best international practices according to prevailing circumstances, have enabled the Group to become one of the strongest real estate developers in China.

To provide more solid human resources support to achieving the Group's contracted sales goal of RMB100 billion and implementing the strategy of "leading with locality development", the Group optimized its organization and structure, incentive mechanism and career development path for talents in 2018.

In respect of management structure, the Group has established a three-tier management system designated for coordination among the Group, regional branches and city branches, which functions in conjunction with the two-tier management system designated for coordination between the Group and city branches. The Group's headquarters, regional branches and city branches were restructured in accordance with its strategic development needs. Based on its strategy and resources integration, the Group has strengthened its risk management and support for the entire business value chain. With the establishment of regional branches in three major districts, namely

Shanghai and Suzhou, Zhejiang and Anhui, and South China, the management system of the Group has been further enhanced with clearer division of responsibilities and higher efficiency.

In order to retain and motivate talents, the Group has standardized the general welfare package and increased the benefits for employees of the Group's real estate, commercial, property and hotel businesses. In addition, better benefits for visiting family members and accompanying family members are also provided for dispatched employees. In addition, a multiple incentive mechanism comprising bonuses, options and investments is implemented for its employees, and the salary structure, types of bonus and benefits have been extensively adjusted. Based on the principle of "high standard, high performance and high incentives", the Group has aligned the remuneration of its employees with its business performance. Following the launch of a project co-investment mechanism in 2018, employees can become internal "partners" of co-invested projects, resulting in better project progress and efficiency.

To achieve the Company's strategic goals, the Group has enhanced the abilities of its core management members. Leadership training programs were provided for mid-and-senior management while specific training courses for the management of subsidiaries in various cities were introduced. The "Grow with Yuzhou" (禹化之路) training program has been conducted at the Group level, which has enhanced the cohesion of all of its staff. In line with its strategic human resources deployment, the Group integrated "Yu Yue Program" (禹躍計劃), "Yu Yi Program" (禹翼計劃), "Yu Xiu Program" (禹袖計劃) and "Yu Jiang Program" (禹將計劃) into its talent training system, which effectively supported the cultivation of its talent pool.

In terms of corporate culture, in early 2018, Yuzhou Business School launched the workshop of "Cultural Identity and Vision" (感知文化，共啟願景), through which the core corporate culture was introduced and interpreted in a systematic manner. Moreover, the campaign of "Grow with Yuzhou with a Shared Vision" (禹化之路 — 共啟願景) was carried out in over 20 city branches to promote the core culture of the Group through visual presentation and promotion.

As at 31 December 2018, the Group had 5,384 (2017: 4,190) staff in total.

PAYMENT OF DIVIDEND

The Board recommends the payment of a final dividend of HK20.5 cents per share for the year ended 31 December 2018 to eligible shareholders (the "Eligible Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 21 June 2019 (the "Record Date"), subject to approval by the shareholder at the forthcoming Annual General Meeting ("AGM") of the Company to be held on 3 June 2019.

The proposed final dividend will be payable in cash but Eligible Shareholders will have an option to receive the proposed final dividend in form of new fully paid shares of the Company (the “Scrip Shares”) in lieu of cash, or partly in cash and partly in Scrip Shares (the “Scrip Dividend Scheme”).

The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the Scrip Shares to be issued pursuant thereto.

A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or around 28 June 2019. It is expected that the final dividend warrants or share certificates for the Scrip Shares will be despatched to the Eligible Shareholders on or around 6 August 2019.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the Register of Members will be closed from 29 May 2019 to 3 June 2019, 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 28 May 2019.

Subject to the approval of shareholders at the AGM, the final dividend will be paid on or about 6 August 2019. For determining the entitlement to the proposed final dividend, the Register of Members will be closed from 19 June 2019 to 21 June 2019, 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 18 June 2019.

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

During the Year, the Company purchased 4,000,000 shares of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

Date	No. of Share	Highest price paid (HKD)	Lowest price paid (HKD)	Amount (HKD)
5 October 2018	500,000	2.99	2.98	1,490,000
8 October 2018	500,000	3.00	2.94	1,491,500
19 October 2018	<u>3,000,000</u>	2.80	2.71	<u>8,270,760</u>
Total	<u>4,000,000</u>			<u>11,252,200</u>

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 2018.

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 of Hong Kong Limited 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 25 January 2018, 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 36,860,000 new shares of HK\$0.10 each in the share capital of the Company at the exercise price per share of HK\$5.88.

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 2018.

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 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to 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 forward to 2019, it is expected that the real estate market and related policies will remain stable and there will be more city-specific adjustments rolling out. The land market will continue to show differentiation by cities in the short-term cycle. Real estate enterprises will strategically deploy more resources in cities with loosening regulatory policies, supporting industries, growing population or proactive talents-quest policies.

After experiencing a cycle from peak to trough, the land market is expected to become more rational in 2019 under the policies of “stabilizing land price, housing price and expectation”. Rigid demand and upgrade requirement in the housing market will remain very stable. With the prohibition of speculation on residential housing, city-specific policy adjustments and guidance for different property categories, the local governments of various cities will take the lead in the real estate development. National real estate companies with wider business layout will enjoy more advantages and space of adjustments. In face of market turmoil and industry consolidation, real estate companies with diversified financing channels will have more opportunities in land acquisition, merger and acquisition and business development.

Based on its prudent development philosophy, Yuzhou Properties carries out its business in line with the development trend of the real estate market in China and facilitates the steady and healthy development of the market. As for its development strategy, the Group will continue to adopt the “leading with locality development” strategy and expand its presence in six major metropolitan areas as well as the first- and second-tier cities and their surrounding satellite cities with growth potential. The Group will uphold the philosophy of “in-depth cultivation” in an effort to achieve its contracted sales target of RMB100 billion.

In respect of investment and land acquisition, Yuzhou Properties will continue to pursue prudent development, to control costs, and to maintain its strategy that comprises “mergers and acquisitions” with “public bidding and auctions”. It will remain resilient when preparing for investment in undervalued sites, in a drive to replenish its land reserves and lay a solid foundation for its contracted sales target of RMB100 billion.

On the financing front, Yuzhou Properties will identify more diversified and stable financing channels. It will maintain good relationships with international and domestic capital market participants in order to make the most of market opportunities and establish an effective financing system. In 2018, the Group successfully tapped into the domestic ABS market by transforming assets with low liquidity to securities with high liquidity to fulfill its financing needs and mitigate its risks. In the future, the Group will continue to closely monitor market liquidity and explore new financing opportunities in line with the changes in the market and policies. Yuzhou Properties will have adequate financial resources to support its rapid future growth and strengthen its risk resistance level.

To meet market demand, residential product upgrades are always the top priority of Yuzhou Properties. The Group has built an effective and streamlined management system for product design to increase the competitiveness and brand influences of its residential products. For product innovation, the Group will continue to develop and promote its three product lines, namely Royale, Langham and Honor in 2019. By refining its standards and introducing flexible adjustments, the Group will be able to classify its projects according to their actual conditions. Based on its effective management system,

the Group will ensure the successful launch of its products in an effort to accelerate its development progress, improve efficiency and achieve its contracted sales target of RMB100 billion.

As for its talent pool, in order to achieve its contracted sales target of RMB100 billion, the Group will further upgrade its recruitment strategy and management system. While enhancing the capability of the management through launching specific training programs in order to enhance the cohesion of the Group. In addition, the Group will further optimize its organizational structure. According to its strategic development plan, the Group will further adjust its management positioning, powers and duties between the headquarters and its subsidiaries in various cities and establish a resources integration mechanism to provide support for its rapid business expansion in the future.

As a responsible corporate citizen, the Group will strictly adhere to its philosophy of “maintaining steady operation and creating value” in developing comfortable housing for citizens in a sincere and devoted manner. While creating sophisticated projects with high standards, the Group will also fulfill its social responsibilities as a corporate citizen by participating in educational, environmental protection and public welfare projects as well as other charitable activities for the promotion of a sustainable development of the community.

The Group will continue to adhere to the principle of “the balanced development among three carriages”, namely profits, liabilities and risk control. Efforts will also be made to grasp market opportunities to ensure its healthy and strong development and to maximize the returns for shareholders. The Group will remain committed to its contracted sales target of RMB100 billion.

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 optimized 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, 28 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Lam Lung On (Chairman, JP), Ms. Kwok Ying Lan, Mr. Lin Conghui and Ms. Lam Yu Fong, the non-executive director of the Company is Ms. Xie Mei, and the independent non-executive directors of the Company are Mr. Lam Kwong Siu, Mr. Wee Henny Soon Chiang and Dr. Zhai Pu.