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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)**

# UNAUDITED RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

## FINANCIAL HIGHLIGHTS

1. Contracted sales reached record high. 2019 Contracted sales were up by 34.13% year-on-year to RMB75,115.18 million.

2. Profit reached record high. Profit for the year increased by 6.46% year-on-year to approximately RMB3,966.80 million in 2019.

3. Proposed a second interim dividend of HK21 cents per share and a second special interim dividend of HK4 cents per share (for the 10th anniversary of listing of the Company) for the year ended 31 December 2019, in aggregate with the interim dividend of HK15 cents per share (including special interim dividend of HK3 cents per share), total dividend for 2019 is HK40 cents per share.

4. Cash and bank balances (including restricted cash) amounted to RMB35,511.27 million which increased by 21.28% year-on-year.

5. Average finance cost as at 31 December 2019 was 7.12%, which was down by 0.09 percentage point compared with that of 2019 interim.

6. The net gearing ratio in 2019 of the Group was 65.64%, which was down by 7.06 percentage points and 1.33 percentage points compared with that of 2019 interim and 2018 respectively.

## UNAUDITED ANNUAL CONSOLIDATED RESULTS

For the reasons explained below under "Review of Unaudited Annual Consolidated Results", the auditing process for the annual consolidated results of Yuzhou Properties Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") has not been completed. In the meantime, the board of directors (the "**Board**") of the Company is pleased to announce the unaudited annual consolidated results of the Group for the financial year ended 31 December 2019 ("**2019**"or "**Year**") together with the comparative figures for the previous financial year ("**2018**") as follows:

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2019*

| | *Notes* | **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|---|
| REVENUE | *2* | **23,240,705** | 24,305,871 |
| Cost of sales | | **(17,148,995)** | (16,838,626) |
| Gross profit | | **6,091,710** | 7,467,245 |
| Fair value gain on investment properties, net | | **600,546** | 165,831 |
| Other income and gains | *2* | **2,167,688** | 497,215 |
| Selling and marketing expenses | | **(659,594)** | (459,152) |
| Administrative expenses | | **(1,090,645)** | (606,179) |
| Other expenses | | **(310,739)** | (54,484) |
| Finance costs | *3* | **(181,601)** | (223,352) |
| Loss on early redemption of senior notes | | **(178,744)** | – |
| Share of profits and losses of joint ventures | | **(63,489)** | (74,265) |
| Share of profits and losses of associates | | **229,369** | 21,849 |
| PROFIT BEFORE TAX | *4* | **6,604,501** | 6,734,708 |
| Income tax expense | *5* | **(2,637,705)** | (3,008,605) |
| PROFIT FOR THE YEAR | | **3,966,796** | 3,726,103 |
| Attributable to: | | | |
| Owners of the parent | | **3,605,776** | 3,504,940 |
| Non-controlling interests | | **361,020** | 221,163 |
| | | **3,966,796** | 3,726,103 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | *7* | | |
| – Basic *(RMB per share)* | | **0.71** | 0.78 |
| – Diluted *(RMB per share)* | | **0.71** | 0.78 |

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PROFIT FOR THE YEAR | **3,966,796** | 3,726,103 |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **481,004** | (972,612) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **4,447,800** | 2,753,491 |
| Attributable to: | | |
| Owners of the parent | **4,086,780** | 2,532,328 |
| Non-controlling interests | **361,020** | 221,163 |
| | **4,447,800** | 2,753,491 |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2019*

| | Notes | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **2,802,912** | 934,017 |
| Investment properties | | **12,864,131** | 10,525,825 |
| Land held for property development for sale | | **–** | 215,224 |
| Prepayments, other receivables and other assets | | **–** | 1,029,512 |
| Goodwill | | **725,723** | 1,133,070 |
| Investments in joint ventures | | **4,471,802** | 6,204,784 |
| Investments in associates | | **4,867,561** | 3,807,748 |
| Deferred tax assets | | **906,672** | 742,157 |
| Total non-current assets | | **26,638,801** | 24,592,337 |
| CURRENT ASSETS | | | |
| Land held for property development for sale | | **2,813,172** | 5,680,204 |
| Properties under development | | **25,432,263** | 26,614,206 |
| Properties held for sale | | **20,840,624** | 13,051,659 |
| Prepayments for acquisition of land | | **124,008** | – |
| Prepayments, other receivables and other assets | | **28,805,638** | 14,683,118 |
| Prepaid corporate income tax | | **388,019** | 505,730 |
| Prepaid land appreciation tax | | **885,775** | 656,400 |
| Derivative financial instruments | | **55,627** | – |
| Restricted cash | | **6,102,082** | 2,117,120 |
| Cash and cash equivalents | | **29,409,187** | 27,162,230 |
| Total current assets | | **114,856,395** | 90,470,667 |
| CURRENT LIABILITIES | | | |
| Contract liabilities | | **8,595,355** | 13,752,438 |
| Trade payables | *8* | **9,098,429** | 6,857,073 |
| Other payables and accruals | | **31,782,386** | 22,960,107 |
| Derivative financial instruments | | **–** | 5,884 |
| Corporate bonds | *9* | **6,000,000** | 7,200,000 |
| Senior notes | | **1,658,842** | 550,074 |
| Interest-bearing bank and other borrowings | | **7,612,774** | 8,679,618 |
| Corporate income tax payables | | **2,901,527** | 2,552,345 |
| Provision for land appreciation tax | | **2,263,010** | 1,962,590 |
| Total current liabilities | | **69,912,323** | 64,520,129 |
| NET CURRENT ASSETS | | **44,944,072** | 25,950,538 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **71,582,873** | 50,542,875 |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*31 December 2019*

| | Notes | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | | **9,598,056** | 12,468,045 |
| Corporate bonds | 9 | **3,500,000** | 3,800,000 |
| Senior notes | | **27,298,834** | 10,934,118 |
| Deferred tax liabilities | | **2,458,354** | 1,910,360 |
| Total non-current liabilities | | **42,855,244** | 29,112,523 |
| **Net assets** | | **28,727,629** | 21,430,352 |
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **447,651** | 410,035 |
| Senior perpetual securities | | **1,911,986** | 1,911,986 |
| Reserves | | **20,543,510** | 17,164,569 |
| | | **22,903,147** | 19,486,590 |
| **Non-controlling interests** | | **5,824,482** | 1,943,762 |
| **Total equity** | | **28,727,629** | 21,430,352 |

**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 9 | *Prepayment Features with Negative Compensation* |
| HKFRS 16 | *Leases* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| *Annual Improvements 2015-2017 Cycle* | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

**New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

**As a lessee – Leases previously classified as operating leases**

***Nature of the effect of adoption of HKFRS 16***

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

***Impact on transition***

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets in property, plant and equipment.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applying the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application

Considering that the leasing arrangement is immaterial to the Group, the adoption of HKFRS 16 did not have any significant impact on the Group's financial statements.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The interpretation did not have any impact on the financial position or performance of the Group.

## 2. REVENUE, OTHER INCOME AND GAINS

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

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| *Revenue from contracts with customers* | | |
| Sale of properties | **22,470,173** | 23,625,857 |
| Property management fee income | **447,673** | 417,243 |
| Hotel operation income | **17,721** | 18,196 |
| *Revenue from other sources* | | |
| Rental income from investment properties | **305,138** | 244,575 |
| | **23,240,705** | 24,305,871 |
| **Other income and gains** | | |
| Bank interest income | **385,481** | 337,292 |
| Gain on disposal and deemed disposal of subsidiaries upon loss of control | **1,400,044** | – |
| Gain on bargain purchase of subsidiaries | **255,794** | 58,246 |
| Others | **126,369** | 101,677 |
| | **2,167,688** | 497,215 |

## 3. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans, other loans, corporate bonds and senior notes | **4,338,458** | 3,050,162 |
| Less: Interest capitalized | **(4,156,857)** | (2,826,810) |
| | **181,601** | 223,352 |

## 4. PROFIT BEFORE TAX

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

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of properties sold | **16,631,223** | 16,439,208 |
| Cost of services provided | **517,772** | 399,418 |
| Depreciation | **76,169** | 77,147 |
| Gain on disposal and deemed disposal of subsidiaries upon loss of control | **(1,400,044)** | – |
| Fair value loss on derivative financial instruments, net* | **–** | 30,318 |
| Realized loss on derivative financial instruments* | **399** | – |
| Impairment of goodwill* | **189,292** | – |

* *The amounts are included in "Other expenses" in the consolidated statement of profit or loss.*

## 5. 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:

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current | **2,895,787** | 3,368,044 |
| Deferred | **(258,082)** | (359,439) |
| Total tax charge for the year | **2,637,705** | 3,008,605 |

## 6. DIVIDENDS

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interim – HK12 cents (2018: HK11 cents) per ordinary share | **523,159** | 403,551 |
| Special interim – HK3 cents (2018: Nil) per ordinary share | **130,790** | – |
| Second interim – HK21 cents (2018 final: HK20.5 cents) per ordinary share | **980,294** | 842,506 |
| Second special interim – HK4 cents (2018: Nil) per ordinary share | **186,723** | – |
| | **1,820,966** | 1,246,057 |

The second interim dividend and second special interim 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.

## 7. 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 2019 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 4,913,323,081 (2018: 4,332,639,749) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2019 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:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit attributable to owners of the parent | **3,605,776** | 3,504,940 |
| Distribution related to senior perpetual securities | **(110,743)** | (106,546) |
| Profit used in the basic and diluted earnings per share calculations | **3,495,033** | 3,398,394 |

| | **Number of shares 2019** | Number of shares 2018 |
|---|---|---|
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation | **4,913,323,081** | 4,332,639,749 |
| Effect of dilution of share options – weighted average number of ordinary shares | **25,435,416** | 39,016,251 |
| Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation | **4,938,758,497** | 4,371,656,000 |

## 8. 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:

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Due within 1 year or on demand | **4,663,584** | 3,978,243 |
| Due within 1 to 2 years | **4,434,845** | 2,878,830 |
| | **9,098,429** | 6,857,073 |

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

## 9. CORPORATE BONDS

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Corporate bonds due in 2019 | **–** | 5,000,000 |
| Corporate bonds due in 2020 | **3,000,000** | 3,000,000 |
| Corporate bonds due in 2021 | **3,000,000** | 3,000,000 |
| Corporate bonds due in 2024 | **3,500,000** | – |
| | **9,500,000** | 11,000,000 |
| Portion classified as current liabilities | **(6,000,000)** | (7,200,000) |
| Non-current liabilities | **3,500,000** | 3,800,000 |

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

(i) 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. The 5.1% Corporate Bonds are classified as a current liability as at 31 December 2019.

(ii) 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. During the year, the 6.28% Corporate Bonds were fully repaid.

(iii) 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. During the year, the 5.3% Corporate Bonds were fully repaid.

(iv) 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 and 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. In August 2019, the coupon rate is adjusted to 6.98%. The 7.85% Corporate Bonds I are classified as current liability as at 31 December 2019.

(v) 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 and 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. In September 2019, the coupon rate is adjusted to 6.98%. The 7.8% Corporate Bonds are classified as current liability as at 31 December 2019.

(vi) 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. The 7.85% Corporate Bonds II are classified as current liability as at 31 December 2019.

(vii) RMB2,000,000,000 corporate bonds due in 2024 issued by a subsidiary of the Company in April 2019 (the "6.5% Corporate Bonds"). The 6.5% Corporate Bonds have a term of five years and bear interest at a rate of 6.5% per annum. The 6.5% Corporate Bonds are unsecured. At the end of the second and fourth 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. The 6.5% Corporate Bonds are classified as a non-current liability as at 31 December 2019.

(viii) RMB1,500,000,000 corporate bonds due in 2024 issued by a subsidiary of the Company in April 2019 (the "7.5% Corporate Bonds"). The 7.5% Corporate Bonds have a term of five years and bear interest at a rate of 7.5% per annum. The 7.5% 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. The 7.5% Corporate Bonds are classified as a non-current liability as at 31 December 2019.

## 10. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2020, the Company granted 64,208,000 share options with an exercise price of HK$4.274 per share under its share option scheme to certain directors of the Company and employees of the Group.

(b) On 6 January 2020, the Company issued six-year senior notes with an aggregate principal amount of US$645,000,000 (approximately RMB4,468,915,000) bearing interest at 7.375% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US$638,500,000 (approximately RMB4,423,880,000). The senior notes will mature on 13 January 2026.

(c) On 12 February 2020, the Company issued five-year senior notes with an aggregate principal amount of US$400,000,000 (approximately RMB2,771,420,000) bearing interest at 7.7% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US$396,000,000 (approximately RMB2,743,706,000). The senior notes will mature on 20 February 2025.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market and Business Review

In 2019, the overall sales volume and turnover of China's real estate market were basically the same as those in 2018, reflecting that the long-term mechanism established for the steady development of the real estate market has gradually shown effect. According to the data from the National Bureau of Statistics, the total investment in real estate development in China amounted to RMB13,219.4 billion in 2019, representing an increase of 9.9% year-on-year, which was 0.4 percentage point above that of the previous year. The area of commodity housing sold was 1,715.58 million sq.m., down by 0.1% year-on-year, the first decline in the last four years. However, the residential sales area was still showed positive growth, up by 1.5%. The total contracted sales from commodity housing in China recorded a new high of RMB15,972.5 billion, up by 6.5%, of which the residential sales revenue increased by 10.3% year-on-year.

2019 witnessed overall tightened real estate policies with the introduction of more specific, comprehensive and decisive regulatory measures. The Central Government focused on real estate financial risks and adhered to the principle that "houses are for living", making clear at the Meeting of the Political Bureau of the CPC Central Committee that "real estate shall not be used as a short-term stimulus to the economy" and local governments shall implement specific policies according to different cities, regions and condition, in a bid to maintain the stability of the real estate market. With the tightening of financing channels in the domestic market, the strengthening of overseas financing supervision, the slowdown of industrial growth and the uncertainty of international political situation, China's real estate market has moved forward in a resilient manner amid downward pressure.

With the regulation of "one city, one policy" becoming the new normal of the real estate market, the bifurcation of the real estate market in all-tier cities has been intensified. Specifically, the demand remained strong and the sales amount rose from the same period of 2018 in tier-1 cities; the sales amount remained stable as a whole in tier-2 cities. In particular, constant demand and improvement demand continued to be released in some tier-2 cities with solid fundamentals; and the turnover in the tier-3 and tier-4 cities, where housing sales was booming in the last two years, declined with the real estate market cooling down notably.

Amidst the slowing growth of the industry and the acceleration of a new round of restructuring of the real estate market, there were greater needs for real estate developers to strengthen their internal control and operation. Large-scale real estate developers paid more attention to refined operation, risk management and control and improvement of product quality while expanding their scale, achieving qualitative and quantitative development by continuously meeting more and more customers' needs for improved quality.

## Overall Performance

During the Year, the revenue of the Group was RMB23,240.71 million. The profit for the Year was a record high RMB3,966.80 million, representing an increase of 6.46%. The total equity increased by 34.05% to RMB28,727.63 million and the net asset value per share increased by 8.05% year-on-year to RMB4.39. The Board of Directors proposed a second interim dividend of HK21 cents per share and a second special interim dividend of HK4 cents per share (for the 10th anniversary of listing of the Company) for the year ended 31 December 2019.

## Sale of Properties

During the Year, the Group's revenue from property sales was RMB22,470.17 million, accounting for 96.68% of the total revenue of the Group. The Group delivered a total gross floor area ("**GFA**") of approximately 1,808,347 sq.m., an increase of 17.70% year-on-year. The average selling price of the properties delivered and recognized as property sales in 2019 was RMB12,426 per sq.m..

The Group's recognized revenue from property sales derived from a number of regions across the country, including the Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region, Southwest Region and the Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**"), which contributed 65.47%, 26.46%, 6.65%, 1.02% and 0.40% of the recognized revenue, respectively. Among them, the Yangtze River Delta Region still played a major part on the overall recognized revenue contribution. As the further implementation of the strategy of "locality development" in the future, the Group believes that cities contributing revenue stream will be more diversified, which will bring more recognized revenue from property sales to the Group.

The recognised sales and GFA sold of each region in 2019 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** | 5,945,094 | 516,972 | 11,500 |
| **Yangtze River Delta Region** | 14,710,385 | 1,025,304 | 14,347 |
| **Bohai Rim Region** | 1,494,902 | 217,216 | 6,882 |
| **Southwest Region** | 229,143 | 40,350 | 5,679 |
| **Greater Bay Area** | 90,649 | 8,505 | 10,658 |
| Total sales recognized at a point of time | 22,470,173 | 1,808,347 | 12,426 |
| Total sales recognized over time | – | | |
| Total sales of properties recognized | 22,470,173 | | |

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 |
| **Greater Bay Area** | 176,484 | 16,848 | 10,475 |
| Total sales recognized at a point of time | 23,325,561 | 1,536,405 | 15,182 |
| Total sales recognized over time | 300,296 | | |
| Total sales of properties recognized | 23,625,857 | | |

## Contracted Sales

As at 31 December 2019, the Group's accumulated contracted sales amounted to approximately RMB75,115.18 million, representing a year-on-year increase of 34.13%. The GFA of contracted sales amounted to 4,971,208 sq.m. and the contracted average selling price was approximately RMB15,110 per sq.m..

The Yangtze River Delta Region remained a main force of contracted sales of the Company in 2019, with the total contracted sales of RMB48,772.70 million, accounting for 64.93% of the Group's total contracted sales. Amongst, Suzhou, Hefei, Nanjing, Shanghai and Hangzhou were major contributors to the contracted sales in the Yangtze River Delta Region, with an aggregate contracted sales of RMB42,359.00 million.

The year 2019 marked the 3rd year of the Group's entry into Suzhou market. The Group successfully launched more than 10 projects such as Yuzhou Honor Hill, Yuzhou Honor Galaxy, Yuzhou Honor Promenade, Yuzhou Royale Aqua Mansion, The Absolute, Yuzhou Rocker Park, Yuzhou Royal Mansion, Yuzhou Blue Seasons and Oak Manor. In October 2019, upon the successful signing of the contract in respect of Room 1001, Block 29, Yuzhou Honor Hill, located in Gaoxin District of Suzhou, Suzhou reached a contracted sales over RMB10 billion in 2019, becoming the first city company of the Group achieving a sales of RMB10 billion, and securing the front ranking in the real estate market in Suzhou with ranking fifth in terms of annual contracted sales amongst peers in the city. Since going on sale, Yuzhou Honor Hill has been a regular name on monthly lists of CRIC (China Residence Information Circle) by right of the daily sales of about 5 units and the monthly sales of about 150 units, and has become a popular choice for many house owners. During the Year, Suzhou contributed a contracted sales of RMB15,579.26 million to the Group, accounting for 20.74% of the total contracted sales of the Group, which became the city company contributing the highest contracted sales to the Group.

The Group has been deepening its presence in Hefei for thirteen years, which is another major city in the Group's strategic footprint in the Yangtze River Delta Region, and has always adhered to the philosophy of "Building cities with heart, Building homes with love". Orchid Garden Life Aesthetics Museum has attracted thousands of customers to visit and register within just one hour. In addition, Yuzhou Galaxy Park has been awarded the "Best Commercial Architecture" in the Asia-Pacific Region of the International Property Awards, which is known as the "Oscar" in real estate sector, by virtue of its combination of ancient landscape and the modern architectural style as well as the incorporation of green environmental protection concept, thus creating its unique brand influence. In 2019, Hefei ranked fourth in terms of contracted sales amongst peers in Hefei, with the contracted sales of RMB9,981.69 million, accounting for 13.29% of the Group's total contracted sales.

As the year 2019 marked the fifth year of the Group entering into Nanjing market, the Group has launched 15 projects, which contributed RMB8,077.63 million to the Group's contracted sales, accounting for 10.75% of the Group's total contracted sales. The "15 Projects in 5-Year" demonstrates the Group's determination and confidence to make in-depth development in Nanjing, and the Group firmly believes that through in-depth development, it will be possible for Nanjing to move towards the sales of RMB10 billion in the near future.

In addition, in Hangzhou of the Yangtze River Delta Region, the annual contracted sales reached RMB2,240.15 million in 2019. In addition, the Group tapped into Gongshu District, the main city area of Hangzhou, during the Year, which was another major move of strategic footprint in the Yangtze River Delta Region.

As West Strait Economic Zone is the cradle of the Group's business, the Group continuously consolidated the foundation for its business development in the region, which contributed RMB10,233.63 million to the Group's contracted sales during the Year, accounting for 13.62% of the total contracted sales. Specifically, Fuzhou accounted for the highest proportion of the Group's total contracted sales, accounting for 5.32%, amounting to RMB3,992.81 million. The sixth building of Langham Series products in the country, launched during the Year and located in the West Strait Silicon Valley, the core high-tech district of Fuzhou, was sold out quickly within the first 30 minutes of its launch with the first 100% sell-through rate.

The Group also achieved good results in the Central China Region, which contributed RMB7,068.72 million to the Group's overall contracted sales, accounting for 9.41% of the Group's total contracted sales. Meanwhile, the Group acquired high-quality residential parcel in Zhengzhou, which was a further boost to its development in the Central Plain Area during the Year.

In addition, the Bohai Rim Region contributed RMB6,212.54 million in contracted sales, which accounted for 8.27% of the total contracted sales. During the year, based on the philosophy of "In-depth cultivation", the Group successfully replenished high-quality parcels in Jimo District and Huangdao District of Qingdao. In the future, the Group will base itself on the core cities of Shandong Peninsula and echo with the footprint of Beijing-Tianjin-Hebei Urban Agglomeration to lay a solid foundation for further development in the northern strategic map. In addition, the Greater Bay Area and the Southwest Metropolitan Area also contributed 3.76% of the contracted sales. As the Group acquired certain high-quality residential parcels in the Greater Bay Area during the year, it is believed that the contribution of the region will increase year by year.

The contracted sales and GFA sold of each project in 2019 are set out in the following table:

| | 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** | Xiamen | 2,536,754 | 153,756 | 16,499 |
| | Fuzhou | 3,992,814 | 191,762 | 20,822 |
| | Quanzhou | 1,926,107 | 233,753 | 8,240 |
| | Longyan | 106,431 | 12,908 | 8,245 |
| | Zhangzhou | 1,671,528 | 111,054 | 15,051 |
| **Sub-total** | | **10,233,634** | **703,233** | **14,552** |
| **Yangtze River Delta** | Shanghai | 6,480,281 | 169,138 | 38,314 |
| | Hefei | 9,981,685 | 712,821 | 14,003 |
| | Bozhou | 404,416 | 56,818 | 7,118 |
| | Nanjing | 8,077,626 | 541,403 | 14,920 |
| | Xuzhou | 711,143 | 59,596 | 11,933 |
| | Hangzhou | 2,240,153 | 85,243 | 26,280 |
| | Zhoushan | 1,489,566 | 128,399 | 11,601 |
| | Jinhua | 1,790,561 | 134,996 | 13,264 |
| | Suzhou | 15,579,256 | 818,320 | 19,038 |
| | Bengbu | 626,335 | 84,421 | 7,419 |
| | Yangzhou | 1,391,676 | 103,387 | 13,461 |
| **Sub-total** | | **48,772,698** | **2,894,542** | **16,850** |
| **Central Region** | Wuhan | 3,511,656 | 203,590 | 17,249 |
| | Zhengzhou | 2,788,861 | 341,164 | 8,175 |
| | Kaifeng | 768,207 | 82,305 | 9,334 |
| **Sub-total** | | **7,068,724** | **627,059** | **11,273** |

| | City | Total Amount of Contracted Sales *(RMB'000)* | GFA of Contracted Sales *(sq.m.)* | Average Contracted Selling Price *(RMB/sq.m.)* |
|---|---|---|---|---|
| **Greater Bay Area** | Foshan | 1,287,478 | 79,283 | 16,239 |
| | Huizhou | 455,944 | 51,101 | 8,922 |
| **Sub-total** | | **1,743,422** | **130,384** | **13,371** |
| **Southwest Region** | Chongqing | 1,084,166 | 113,324 | 9,567 |
| **Sub-total** | | **1,084,166** | **113,324** | **9,567** |
| **Bohai Rim Region** | Tianjin | 1,098,786 | 53,688 | 20,466 |
| | Qingdao | 2,128,718 | 123,049 | 17,300 |
| | Shenyang | 167,129 | 21,582 | 7,744 |
| | Tangshan | 2,817,904 | 304,347 | 9,259 |
| **Sub-total** | | **6,212,537** | **502,666** | **12,359** |
| **Total** | | **75,115,181** | **4,971,208** | **15,110** |

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

| | 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** | Xiamen | 2,007,472 | 115,961 | 17,312 |
| | Fuzhou | 4,260,309 | 181,483 | 23,475 |
| | Quanzhou | 3,333,643 | 400,703 | 8,319 |
| | Longyan | 808,727 | 146,592 | 5,517 |
| | Zhangzhou | 130,541 | 3,751 | 34,802 |
| **Sub-total** | | **10,540,692** | **848,490** | **12,423** |

| | City | Total Amount of Contracted Sales *(RMB'000)* | GFA of Contracted Sales *(sq.m.)* | Average Contracted Selling Price *(RMB/sq.m.)* |
|---|---|---|---|---|
| **Yangtze River Delta** | Shanghai | 6,348,228 | 174,244 | 36,433 |
| | Hefei | 6,614,329 | 522,005 | 12,671 |
| | Bozhou | 155,718 | 24,735 | 6,295 |
| | Nanjing | 5,384,952 | 251,724 | 21,392 |
| | Hangzhou | 5,838,204 | 180,894 | 32,274 |
| | Zhoushan | 714,408 | 41,229 | 17,328 |
| | Jinhua | 109,507 | 6,362 | 17,213 |
| | Suzhou | 5,384,248 | 303,826 | 17,721 |
| | Bengbu | 2,556,805 | 333,604 | 7,664 |
| | Yangzhou | 515,985 | 57,327 | 9,001 |
| **Sub-total** | | **33,622,384** | **1,895,950** | **17,734** |
| **Central Region** | Wuhan | 4,229,960 | 266,859 | 15,851 |
| | Zhengzhou | 403,909 | 46,185 | 8,745 |
| **Sub-total** | | **4,633,869** | **313,044** | **14,803** |
| **Greater Bay Area** | Foshan | 168,238 | 17,562 | 9,580 |
| | Huizhou | 194,138 | 17,877 | 10,860 |
| **Sub-total** | | **362,376** | **35,439** | **10,225** |
| **Southwest Region** | Chongqing | 83,081 | 11,670 | 7,119 |
| **Sub-total** | | **83,081** | **11,670** | **7,119** |
| **Bohai Rim Region** | Tianjin | 2,136,844 | 158,564 | 13,476 |
| | Qingdao | 976,453 | 36,085 | 27,060 |
| | Shenyang | 1,496,836 | 155,381 | 9,633 |
| | Tangshan | 2,150,314 | 248,080 | 8,668 |
| **Sub-total** | | **6,760,447** | **598,110** | **11,303** |
| **Total** | | **56,002,849** | **3,702,703** | **15,125** |

## Property Investment

During the year, the income from property investment of the Group was approximately RMB305.14 million, representing an increase of approximately 24.76% year-on-year and accounting for 1.31% of the total income, which was mainly due to the rise in rental area and rental rate of the properties.

Relying on the Group's 25-year regional in-depth cultivation and footprint nationwide, Yuzhou Commercial Company's (禹洲商業) projects currently cover areas of Shenzhen, Shanghai, Hangzhou, Xiamen, Suzhou, Nanjing, Hefei, Wuhan and Quanzhou and in terms of urban entry and site selection, Yuzhou Commercial Company has always focused on the core tier-1 and tier-2 cities and given priority to the convenient rail transit nodes in a bid to realize the perfect connection between consumers and commercial space. The product forms are mainly divided into shopping mall, office building and community business. There were 16 projects under operation and 11 projects in preparation period, 27 projects in total with a commercial area of over 2 million sq.m., where shopping mall, office building and community business accounted for 51%, 31% and 18% respectively. Operational projects covered over 1,000 cooperative brands and approximately 1,600 strategic alliance brands.

In recent years, in response to new reforms and trends of the commercial property industry, Yuzhou Commercial Company has been actively exploring ways to make a breakthrough, refining each project while optimizing product structure in the market segment and improving users' experience with innovations in business type, model, design and capital. At the same time, Yuzhou Commercial Company has made great efforts to develop into a group with large scale and establish the most influential business operation team so as to become a leader in the commercial property sector. We are committed to achieve a steady and rapid development and make business and cities grow together.

In 2019, Yuzhou Commercial Company's industrial position and influence were enhanced with strength growing. During the year, Yuzhou Commercial Company successively won the honors of "China's Top 28 Commercial Property Operators" (中國商業地產運營能力28強), "Demonstration Unit for Green Operation of Shopping Centers" (購物中心綠色運營示範單位) and "Excellent Enterprise in Annual Experiential Business" (年度體驗式商業卓越企業). Hefei Yuzhou Galaxy PARK also won the "Best Commercial Architecture Award" in the Asia-Pacific Region of the International Property Awards, which is an "Oscar" award in the property industry.

## Property Management

During the Year, the Group recorded approximately RMB447.67 million from property management fees. Driven by an increase in the delivered property area of the Group, they managed a total GFA of approximately 13 million sq.m. in China as at 31 December 2019, and served a total of approximately 100,000 home owners across the country.

Established in 1997, Yuzhou Property Management (禹洲物業) is committed to providing satisfactory property services to owners with the vision of becoming "the most reliable property service expert of owners" and pursuing the brand tenet of "merit your life long trust". Over the past two decades, starting from Xiamen, Yuzhou Property Management has been expanding its professional services to new areas, forming a nationwide footprint of six regions, namely, the West Strait Economic Zone, the Yangtze River Delta Region, the Bohai Rim Region, the Greater Bay Area, the Central China Region and the Southwest Region. Driven by the Group's strategy of "Leading with locality development", Yuzhou Property Management introduced the golden key service system and built a smart community through "AI + Internet", which integrated three aspects of property, community and owner as well as four systems of security, environment, maintenance and service based on the principle of "simplicity, practicality and availability", in order to realize flow-based, standardized and intelligent services. Yuzhou Property Management is featured with 4 services, namely pre-service (early intervention service), high-end on-site service ("Royal" service), exclusive housekeeping service (Yu house-manager model) and equipment maintenance service. After years of development and accumulation, it has possessed its own unique advantages and rich experience in the management of various fields. It has won the honor of "China Top 100 Property Service Providers" for consecutive years and served as a council member of China Property Management Institute and a member of the Les clefs d'Or. It was also accredited as "Blue-chip Property Company". During the Year, Yuzhou Property Management ranked 36th on the list of "China Top 100 Property Service Providers in 2019" selected by China Index Academy.

**Hotel Operation**

The Group has 6 hotels in operation or in preparation, which are located in high-quality urban core areas, such as Xiamen, Shanghai, Hefei, Quanzhou. Yuzhou Wyndham Grand Plaza Royale Hotel that commenced its operation in January 2019 located in the core area of Wuyuan Bay of Xiamen and is close to Wuyuan Bridge with sea view and bay, and is only 3 kilometers away from Xiamen Gaoqi Airport, 700 meters away from Wuyuan Bay Station of Metro Line 2, and a 10-minute drive from the CBD of Xiamen. By virtue of its excellent facilities and professional service quality, it has undertaken four national large-scale meetings, such as the China Golden Rooster and Hundred Flowers Film Festival and the 2019 "Belt and Road" Summit Seminar of Fujian Port. It was highly appreciated by relevant government departments and won 16 industry awards in a row. During the Year, the total revenue of the Group's hotel operation was RMB17.72 million.

**Quality & Safety and Product Lines and Design**

Based on the actual operation and the consideration on the situation, the Group takes the improvement of customer satisfaction as the standard for product standardization and is committed to improving the product design efficiency and project operation efficiency through the big operation system. Green building is also an important part of the Group's sustainable development strategy. In 2018, the Group has set up a special working group on sustainable development, whose mission is to actively minimise the impact on the environment, and strive to create ecological communities with harmony between human and nature in respect of design, development, construction and use of the project, as well as different stages of the later maintenance of the property. During the year, the Group's 83 projects with approximately 8 million sq.m. in total were certified as green buildings, and properties with more than 1.5 million sq.m. in total were certified with two stars or above at the domestic or international level. In terms of residential projects, Yuzhou Langham Bay in Tongzhou, Beijing, Yuzhou Lakeside Langham in Xiaoshan, Hangzhou, Yuzhou Langham Mansion in Jimo, Qingdao and other core urban benchmark residence have obtained two-star green building certifications. In terms of commercial office segment, Shanghai Yuzhou Plaza and Xiamen Yuzhou Plaza were awarded the "US LEED CS Certification," and the project at No. 48 Caine Road, Central, Hong Kong Island, Hong Kong was awarded the highest platinum level of BEAM Plus. During the Year, MSCI (Morgan Stanley Capital International) released the ESG (Environmental, Social and Governance) rating report, and the Company was upgraded to BBB, ranking first among all domestic real estate enterprises.

Meanwhile, the Group aims to satisfy the needs of its owners in all aspects by taking into consideration of cultural and caring elements in the design of its projects, so as to enhance the influence of products across the country. In 2019, the Group proposed the concept of "community caring in six fields" for the first time, which emphasizes caring the comprehensive living experience of all owners in product designing, i.e. demands for quality, safety and environment in terms of infrastructures to social living activities for all-ages and further into their spiritual and emotional need, and ultimately creates a pleasant and respectful living environment for each owner.

## Land Reserves

Adhering to its strategic deployment of leading with locality development and following the principle of "In-depth cultivation", the Group extensively develops the six metropolitan areas in the Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region, Greater Bay Area, Central China Region and Southwest Region through the bidding and auction, merger and acquisition, land acquisition by application list system and project cooperation, so as to steadily push forward its goal of "A Journey to 100 Billion".

As of 31 December 2019, the Group had land reserves amounting to approximately 20.12 million sq.m. of aggregate salable GFA, with 156 projects located in 33 cities in the six metropolitan areas. The average land cost was approximately RMB6,074 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.

***Saleable GFA of Land Reserves (sq.m.)***
*(As at 31 December 2019)*

| Region | Number of Projects | Area *(sq.m.)* | As of Total |
|---|---|---|---|
| **West Strait Economic Zone** | | | |
| Xiamen | 27 | 1,173,641 | 5.8% |
| Fuzhou | 8 | 428,713 | 2.1% |
| Quanzhou | 3 | 1,638,552 | 8.2% |
| Longyan | 1 | 21,013 | 0.1% |
| Zhangzhou | 4 | 1,029,740 | 5.1% |
| **Sub-total** | **43** | **4,291,659** | **21.3%** |
| **Yangtze River Delta Region** | | | |
| Shanghai | 15 | 933,051 | 4.6% |
| Nanjing | 15 | 1,162,949 | 5.8% |
| Hangzhou | 4 | 665,934 | 3.3% |
| Ningbo | 1 | 36,428 | 0.2% |
| Suzhou | 10 | 1,381,927 | 6.9% |
| Wuxi | 1 | 237,600 | 1.2% |
| Hefei | 17 | 2,503,590 | 12.5% |
| Bengbu | 1 | 511,989 | 2.5% |
| Bozhou | 1 | 113,400 | 0.6% |
| Jinhua | 2 | 177,920 | 0.9% |
| Yangzhou | 3 | 548,502 | 2.7% |
| Zhoushan | 1 | 230,471 | 1.1% |
| Xuzhou | 1 | 203,588 | 1.0% |
| **Sub-total** | **72** | **8,707,349** | **43.3%** |

| Region | Number of Projects | Area *(sq.m.)* | As of Total |
|---|---|---|---|
| **Bohai Rim Region** | | | |
| Beijing | 2 | 117,434 | 0.6% |
| Tianjin | 10 | 1,434,628 | 7.1% |
| Qingdao | 4 | 398,320 | 2.0% |
| Shijiazhuang | 1 | 41,572 | 0.2% |
| Tangshan | 3 | 612,610 | 3.1% |
| Shenyang | 2 | 1,048,541 | 5.2% |
| **Sub-total** | **22** | **3,653,105** | **18.2%** |
| **Central China Region** | | | |
| Wuhan | 3 | 842,831 | 4.2% |
| Xinxiang | 1 | 258,370 | 1.3% |
| Kaifeng | 1 | 222,844 | 1.1% |
| Zhengzhou | 2 | 237,475 | 1.2% |
| **Sub-total** | **7** | **1,561,520** | **7.8%** |
| **Greater Bay Area** | | | |
| Hong Kong | 1 | 2,214 | 0.0% |
| Huizhou | 2 | 434,314 | 2.2% |
| Foshan | 5 | 542,878 | 2.7% |
| Zhongshan | 1 | 271,502 | 1.3% |
| **Sub-total** | **9** | **1,250,908** | **6.2%** |
| **Southwest Region** | | | |
| Chongqing | 3 | 652,113 | 3.2% |
| **Sub-total** | **3** | **652,113** | **3.2%** |
| **Total** | **156** | **20,116,654** | **100.0%** |

During the year, the Group successfully acquired 35 high-quality parcels at an aggregate attributable reserve land premium of approximately RMB24,440.48 million by ways of bidding and auction for sale as well as merger and acquisition, providing an aggregate attributable GFA of 2,656,905 sq.m. at an average land cost of RMB10,023 per sq.m., of which the proportion of tier-1, tier-2 and tier-3 cities was 18%, 77% and 5% respectively.

Particulars of these 35 parcels of land as at 31 December 2019 are set out in the following table:

| **Region** | **Number of Projects** | **Expected Total GFA** *(sq.m.)* | **As of Total** | **Total Land Costs Attributable to the Company** *(RMB'000)* | **As of Total** |
|---|---|---|---|---|---|
| **West Strait Economic Zone** | | | | | |
| Fuzhou | 1 | 85,257 | 1.8% | 383,160 | 1.6% |
| **Sub-total** | **1** | **85,257** | **1.8%** | **383,160** | **1.6%** |
| **Yangtze River Delta Region** | | | | | |
| Shanghai | 5 | 414,792 | 9.0% | 5,046,450 | 20.7% |
| Hefei | 5 | 938,715 | 20.3% | 4,481,930 | 18.3% |
| Nanjing | 2 | 141,754 | 3.1% | 562,000 | 2.3% |
| Hangzhou | 1 | 187,670 | 4.0% | 2,328,500 | 9.5% |
| Ningbo | 1 | 36,428 | 0.8% | 400,704 | 1.6% |
| Suzhou | 1 | 220,845 | 4.8% | 1,284,500 | 5.3% |
| Wuxi | 1 | 237,600 | 5.1% | 1,375,285 | 5.6% |
| Yangzhou | 2 | 374,402 | 8.1% | 695,849 | 2.9% |
| **Sub-total** | **18** | **2,552,206** | **55.2%** | **16,175,218** | **66.2%** |
| **Bohai Rim Region** | | | | | |
| Beijing | 1 | 78,434 | 1.7% | 912,217 | 3.7% |
| Qingdao | 3 | 325,548 | 7.0% | 1,796,983 | 7.3% |
| Shijiazhuang | 1 | 41,572 | 0.9% | 238,400 | 1.0% |
| Tianjin | 2 | 373,835 | 8.1% | 1,211,220 | 5.0% |
| Tangshan | 2 | 182,998 | 4.0% | 606,061 | 2.5% |
| **Sub-total** | **9** | **1,002,387** | **21.7%** | **4,764,881** | **19.5%** |
| **Central China Region** | | | | | |
| Zhengzhou | 2 | 237,475 | 5.2% | 423,528 | 1.7% |
| Kaifeng | 1 | 222,844 | 4.8% | 601,679 | 2.5% |
| **Sub-total** | **3** | **460,319** | **10.0%** | **1,025,207** | **4.2%** |
| **Greater Bay Area** | | | | | |
| Foshan | 4 | 522,049 | 11.3% | 2,092,011 | 8.5% |
| **Sub-total** | **4** | **522,049** | **11.3%** | **2,092,011** | **8.5%** |
| **Total** | **35** | **4,622,218** | **100.0%** | **24,440,477** | **100.0%** |

## FINANCIAL REVIEW

### Revenue

The revenue of the Group mainly derived from four business categories, including property sales, rental of investment properties, property management and hotel operation. In 2019, the total revenue of the Group was RMB23,240.71 million. Specifically, property sales revenue was approximately RMB22,470.17 million, accounting for 96.68% of the total revenue; rental income from investment properties was approximately RMB305.14 million, up by 24.76% year-on-year; property management fee income was approximately RMB447.67 million, up by 7.29% year-on-year; and hotel operation income was approximately RMB17.72 million.

### Cost of Sales

The cost of sales mainly encompassed land cost, construction cost and capitalized interest of the Group. In 2019, the cost of sales of the Group was RMB17,149.00 million, up by 1.84% from RMB16,838.63 million in 2018. The increase in the cost of sales was mainly due to the increase in GFA of properties delivered and the recognized average GFA cost during the Year.

### Gross Profit and Gross Profit Margin

The gross profit of the Group was RMB6,091.71 million in 2019. The gross profit margin was 26.21%.

### Fair Value Gain on Investment Properties

In 2019, the Group recorded a fair value gain on investment properties of RMB600.55 million (2018: RMB165.83 million), representing an increase of approximately 262.14% as compared to the last year, and the increase was mainly attributable to the increase in fair value gain due to the rising rent of investment properties located in Hefei, Xiamen and Hong Kong.

### Other Income and Gains

Other income and gains increased by about 335.97% year-on-year from approximately RMB497.22 million in 2018 to RMB2,167.69 million in 2019. The increase in other income and gains was mainly due to the gain on disposal and deemed disposal of certain subsidiaries located in Xiamen, Nanjing, Hefei and Tianjin upon loss of control.

### Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by 43.65% year-on-year from approximately RMB459.15 million in 2018 to approximately RMB659.59 million in 2019, accounting for 0.88% (2018: 0.82%) of total contracted sales, which was mainly attributable to the increase in the sales volume and the fact that as the Group began to establish a self-developed sales team with the development of high efficient sales team comprising self-developed and external sale persons, the selling and distribution expenses increased in the early stage.

**Administrative Expenses**

Administrative expenses of the Group grew by 79.92% year-on-year from approximately RMB606.18 million in 2018 to approximately RMB1,090.65 million in 2019, which is mainly due to the business expansion of the Group and the increase in the number of staff, (especially for several new cities the Group entered into during the year) as well as the optimization of remuneration package for employees, thereby to build an outstanding team. In 2019, the proportion of administrative expenses to total contracted sales was 1.45% (2018: 1.08%).

**Other Expenses**

Other expenses increased by 470.33% year-on-year from approximately RMB54.48 million in 2018 to approximately RMB310.74 million in 2019, which was mainly due to an impairment on goodwill of RMB189.29 million incurred during the year (2018: Nil).

**Finance Costs**

Finance costs of the Group decreased by 18.69% year-on-year from approximately RMB223.35 million in 2018 to approximately RMB181.60 million in 2019, which was mainly due to the increase in the portion of interest capitalized during the year.

**Income Tax**

Income tax of the Group decreased by 12.33% year-on-year from approximately RMB3,008.61 million in 2018 to approximately RMB2,637.71 million in 2019, which was mainly due to the decrease of the tax rates of land appreciation tax during the year.

**Profit for the Year**

The profit for the Year was RMB3,966.80 million, representing an increase of 6.46% compared with that of last year due to the aforementioned factors.

**Profit Attributable to Non-controlling Interests**

For the year ended 31 December 2019, the profit attributable to non-controlling interests increased by 63.24% year-on-year from approximately RMB221.16 million to RMB361.02 million, which was mainly due to the share of profit arising from certain non-wholly-owned projects in Fuzhou and Nanjing, which delivered portion of presold properties during the year.

**Basic Earnings per Share**

For the year ended 31 December 2019, basic earnings per share was RMB0.71.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Position

As at 31 December 2019, the Group had cash and cash equivalents and restricted cash of RMB35,511.27 million, increasing by 21.28% from RMB29,279.35 million as at 31 December 2018.

### Borrowings

The Group adopts prudent financial policy for proactively conducting debt management and optimizing debt structure to ensure balance in financial risks and cut-down of finance costs. During the year, the Group has successfully issued multiple offshore senior notes with coupon rate mainly ranging from 6.0% to 8.625% for a maturity mainly of three to six years. The issuance of bond achieved a zero or even negative new issuance premium. It is rare in the new issuance of Chinese real estate developers, and each issuance of bonds was favored by diversified institutional investors, achieving a subscription in excess of up to 7 times. Meanwhile, a five-year corporate bond in an aggregate amount of RMB2 billion and five-year corporate bond in an aggregate amount of RMB1.5 billion were successfully issued by the Group with coupon rate of 6.5% and 7.5%, respectively. In the context of tighter liquidity, during August and September 2019, the Group adjusted twice of the coupon rates of its domestic corporate bonds issued in August and September 2018, with an aggregate amount of RMB2.2 billion. This move also represents the recognition of a good credit record, prudent and self-disciplined financial performance of the Company by domestic institutional investors.

As at 31 December 2019, the Group had total bank and other borrowings, corporate bonds and senior notes of RMB55,668.51 million, of which certain loans were secured by certain investment properties, properties held for sale and properties under development of the Group. However, excluding a portion of the debt amounting to RMB1,301 million with interest portion borne by cooperative partners, the total borrowings amounted to RMB54,367.51 million, representing a decrease of 2.07% as compared with the middle of the Year. This reflected the commitment of the management to deleveraging and the healthy development of the Group. The interest rate of average borrowing cost was 7.12% per annum, decreased by 0.09 percentage point from 7.21% in the period ended 30 June 2019. The debt due within one year was RMB15,271.62 million, accounting for 28.09% of total debt, and the cash short-term debt ratio (cash in hand divided by debt due within one year) was 2.33.

## Details of new indebtedness:

| Issuer | Type | Public/ Private | Principal Amount | Maturity | Coupon Rate | Credit Rating |
|---|---|---|---|---|---|---|
| Yuzhou Properties Company Limited | Offshore senior notes | Public | US$500 million | Three years | 8.625% | B1/BB-/BB |
| Yuzhou Properties Company Limited | Offshore senior notes | Public | US$500 million | Four years | 8.5% | B1/BB-/BB |
| Yuzhou Properties Company Limited | Offshore senior notes | Public | US$500 million | Five years | 8.5% | B1/BB-/BB |
| Yuzhou Properties Company Limited | Offshore senior notes | Private | US$200 million | One year | 5.5% | N/A |
| Yuzhou Properties Company Limited | Offshore senior notes | Public | US$400 million | Four years | 6.0% | B1/BB- |
| Yuzhou Properties Company Limited | Offshore senior notes | Public | US$500 million | Five years | 8.375% | B1/BB-/BB |
| Yuzhou Properties Company Limited | Offshore senior notes | Public | US$500 million | Six years | 8.3% | B1/BB-/BB |
| Xiamen Yuzhou Grand Future Real Estate Development Company Limited | Onshore property management ABS | Private | RMB136 million | One year | 7.4% | AAA |
| Xiamen Yuzhou Grand Future Real Estate Development Company Limited | Onshore property management ABS | Private | RMB576 million | Nine years | 7.9% | AAA |
| Xiamen Yuzhou Grand Future Real Estate Development Company Limited | Onshore corporate Bond | Public | RMB2,000 million | Five years | 6.5% | AA+ |
| Xiamen Yuzhou Grand Future Real Estate Development Company Limited | Onshore corporate Bond | Public | RMB1,500 million | Five years | 7.5% | AA+ |

## Details of tender offers:

| Issuer | Type | Public/ Private | Principal Amount | Repurchase Proportion | Outstanding Principal Amount | Maturity | Coupon Rate |
|---|---|---|---|---|---|---|---|
| Yuzhou Properties Company Limited | Offshore senior notes | Public | US$625 million | 43.60% | Approx. US$352 million | 3 year | 7.90% |
| Yuzhou Properties Company Limited | Offshore senior notes | Public | US$500 million | 51.59% | Approx. US$242 million | 3 year | 8.625% |

## Credit Rating

As of 31 December 2019, Moody's maintained "Ba3" to the issuer's credit rating of the Company; Standard & Poor's and Fitch maintained "BB-" to the issuer's credit rating of the Company; Lianhe Ratings Global Limited maintained "BB" to the issuer's credit rating of the Company.

## Net Gearing Ratio

As at 31 December 2019, the Group's net gearing ratio (calculated as the interest-bearing bank and other borrowings, corporate bonds and senior notes (excluding a portion of the debt amounting to RMB1,301 million with interest portion borne by cooperative partners) less cash and cash equivalents and restricted cash and then divided by total equity) was 65.64%.

The amounts of guarantee to banks and other lenders by the Group in terms of facilities awarded to joint ventures and associates were RMB6,395.55 million (31 December 2018: RMB6,126.80 million) and RMB2,167.15 million (31 December 2018: RMB2,664.52 million), respectively.

## Currency Risk

As of 31 December 2019, the Group had total borrowings, corporate bonds and senior notes (excluding a portion of the debt amounting to RMB1,301 million with interest portion borne by cooperative partners) of approximately RMB54,367.51 million, approximately 36.68% was denominated in RMB and 63.32% was denominated in Hong Kong dollars and United States dollars.

The proportions of bank and other borrowings, corporate bonds, senior notes (excluding a portion of the debt amounting to RMB1,301 million with interest portion borne by cooperative partners) and a cash balance of the Group in terms of the currencies are as follows:

| | **Bank and other borrowings, corporate bonds, and senior notes balance** *(RMB'000)* | **Cash balance*** *(RMB'000)* |
|---|---|---|
| HK$ | 1,239,776 | 843,380 |
| RMB | 19,944,186 | 27,792,412 |
| US$ | 33,183,544 | 6,875,378 |
| Others | – | 99 |
| Total | 54,367,506 | 35,511,269 |

* *Including restricted cash*

### Information Technology System

The Group actively pushed forward and improved the IT level of the Group, built a management + IT management and control system, improved the independent planning and design capability of IT, and adhered to the use of technology to empower enterprises so as to comprehensively raise the operating efficiency and quality. During the Year, the Group focused on building information-based projects in three areas, namely, "decision-making with evidence, business empowerment and technology innovation." In terms of decision-making with evidence, the Group planned to build an operation decision-making platform and oriented to business objectives to support the dynamic monitoring and analysis of all-cycle data from pre-investment to post-investment so as to ensure the achievement of operating income objectives. In terms of business empowerment, the core business process of the real estate industry was managed through the system, and saleable resources management, marketing 4212, marketing fee control, financial intelligent POS collection, online performance evaluation of bidding and procurement, online system collaboration for cost, customer service platform, online house inspection and other projects were built. In addition, the Group relied on information-based means to continuously optimize the process of the rights and responsibilities to ensure efficient operation. The Group also launched the online customer service platform "Yuzhou Club" as the first self-developed project to support the launch of the standardization related to housing repair, customer complaint and customer service management, greatly improving the customer service capability. In terms of scientific and technological innovation, the Group has gradually explored frontier scientific and technological application in order to enhance the integration capacity of diversified industries and build core competitiveness.

## HUMAN RESOURCES

With the rapid improvement of the Group's business, the nationwide footprint and the in-depth cultivation of regions, the Group further consolidated the "2 + 3" management and control system and carried out unified planning for organizational development based on regional and urban development characteristics. It defined the planning path and the specific conditions of fission (upgrading/downgrading) of organizations. During the Year, the contracted sales amount of Suzhou exceeded RMB10 billion, upgraded from city level to regional level company, and became a precedent for stimulating organizations at all levels through organizational upgrading. It is expected that there will be more regional companies in the future. At the same time, the Group further streamlined the respective positioning of the Group, regions, cities and projects, clarified the three major positioning of the Group as the cloud platform, regions and cities as the middle office and projects as the front office, and empowered downward based on their respective roles and positioning, further moving down in terms of the organizational structure, configuration standards and decision-making authority, so as to greatly improve the management efficiency through scientific authorization. In 2019, the Group reviewed the standard position system and title ranking system. At the same time, the standard position system was put into place and the performance template was launched through the EHR (Electronic Human Resources) system, and the system process, process standardization, standard informatization and information automation were finally realized through the information-based management method.

In terms of incentive mechanism, the Group further improved the comprehensive remuneration system, built comprehensive value chains and diversified incentive mechanism, and formed a comprehensive return system with fixed salary, performance-based salary, short-term incentives as well as medium and long-term incentives covering various businesses, which have greatly enhanced the enthusiasm of operation units and employees. In terms of distribution, the management team will be given more autonomy and the income of employees will be more closely linked to their performance.

Taking the 25th anniversary of the Group as an opportunity, the Group strengthened the penetration of the Group's corporate culture through systematic activities, injected vitality into the team from different respects, stimulated staff's enthusiasm and implemented the vision of the enterprise, deeply implementing the values of "responsibility, accountability, achievement and sharing", and further promote the Group's continuously rapid development so as to realize the new leap in 2020.

As at 31 December 2019, the Group had 7,572 staff in total (2018: 5,384).

## PAYMENT OF DIVIDEND

In lieu of a final dividend, the Board recommends the payment of a second interim dividend of HK21 cents per share and a second special interim dividend of HK4 cents per share (for the 10th anniversary of listing of the Company) for the year ended 31 December 2019 (collectively, the "**Total Second Interim Dividend**") to eligible shareholders (the "**Eligible Shareholders**") whose names appear on the register of members of the Company (the "**Register of Members**") on 19 June 2020 (the "**Record Date**").

The Total Second Interim Dividend will be payable in cash but Eligible Shareholders will have an option to receive the Total Second Interim 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 29 June 2020. It is expected that the Total Second Interim Dividend warrants or share certificates for the Scrip Shares will be despatched to the Eligible Shareholders on or around 5 August 2020.

## CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 4 June 2020 and and the notice of AGM will be published and despatched to the shareholders in due course. In order to determine the entitlement to attend and vote at the AGM, the Register of Members will be closed from 1 June 2020 to 4 June 2020, 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 29 May 2020.

The Total Second Interim Dividend will be paid on or about 5 August 2020. For determining the entitlement to the Total Second Interim Dividend, the Register of Members will be closed from 17 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the Total Second Interim 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 16 June 2020.

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

On 23 October 2019, the Company announced that a tender offer was being made (the "2021 II Notes Tender Offer") to purchase for cash outstanding 7.90% senior notes due 2021 in the aggregate principal amount of US$625,000,000 (the "2021 II Notes") prior to maturity. The 2021 II Notes Tender Offer expired at 4:00 p.m. London Time, on 6 November 2019. The Company had accepted for purchase all the 2021 II Notes in an aggregate principal amount of US$272,524,000 validly tendered at or prior to the aforementioned expiration deadline. The 2021 II Notes Tender Offer was completed on 12 November 2019. The Company had completed the repurchase of an aggregate principal amount of US$272,524,000 of the 2021 II Notes, representing 43.60% of the outstanding principal amount of US$625,000,000 prior to the 2021 II Notes Tender Offer. The repurchased 2021 II Notes had been cancelled. After cancellation of the repurchased 2021 II Notes, the aggregate outstanding principal amount of the 2021 II Notes is US$352,476,000. For details of the repurchase, please refer to the announcements of the Company dated 23 October 2019, 24 October 2019, 7 November 2019 and 13 November 2019.

On 21 November 2019, the Company announced that a tender offer was being made (the "2022 II Notes Tender Offer") to purchase for cash outstanding 8.625% senior notes due 2022 in the aggregate principal amount of US$500,000,000 (the "2022 II Notes") prior to maturity. The 2022 II Notes Tender Offer expired at 4:00 p.m. London Time, on 3 December 2019. The Company had accepted for purchase all the 2022 II Notes in an aggregate principal amount of US$257,931,000 validly tendered at or prior to the aforementioned expiration deadline. The 2022 II Notes Tender Offer was completed on 5 December 2019. The Company had completed the repurchase of an aggregate principal amount of US$257,931,000 of the 2022 II Notes, representing 51.59% of the outstanding principal amount of US$500,000,000 prior to the 2022 II Notes Tender Offer. The repurchased 2022 II Notes had been cancelled. After cancellation of the repurchased 2022 II Notes, the aggregate outstanding principal amount of the 2022 II Notes is US$242,069,000. For details of the repurchase, please refer to the announcements of the Company dated 21 November 2019, 4 December 2019 and 6 December 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

## 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 2019.

## 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 24 January 2019, the Company had granted share options under its share option scheme adopted on 24 May 2010 to certain directors of the Company and certain employees of the Group which entitled the grantees to subscribe for an aggregate of 45,270,000 new shares of HK$0.10 each in the share capital of the Company at the exercise price per share of HK$3.65.

## REVIEW OF UNAUDITED ANNUAL CONSOLIDATED RESULTS

The auditing process for the annual consolidated results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. The unaudited annual consolidated results contained herein have not been agreed by the Company’ s auditor. An announcement relating to the annual results as agreed with the Company’s auditor will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the annual consolidated results for the year ended 31 December 2019 as agreed with the Company’s auditor and the material differences (if any) as compared with the unaudited annual consolidated results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

## 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).

**The financial information contained herein in respect of the annual consolidated results of the Group for the year ended 31 December 2019 has not been audited and has not been agreed with the Company’s auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## DEVELOPMENT STRATEGIES AND PROSPECTS

Looking forward to 2020, it is expected that the real estate market and related policies will remain stable and the city specific policies will be thoroughly implemented with more adjustments rolling out by the local governments as leaders. In respect of land market, it is expected to maintain stable at a low level in 2020 under the policies of "stabilizing land price, housing price and expectation" after experiencing a cycle from peak to trough in 2019. The aggressive real estate enterprises with high financing costs will be more cautious in acquiring land under the expectation of fluctuant financing environment, while the real estate enterprises with strong cash flow and diversified financing channels will usher in a better opportunity to replenish their land reserves reasonably. Meanwhile, rigid demand and upgrade requirement in the housing market remain very stable represented by the bright development in tier-1 and tier-2 cities, which make the national real estate companies with wider business layout enjoying more advantages and space of adjustments.

Since the outbreak of COVID-19, the CPC Central Committee and governments at all levels attached great importance and adopted a comprehensive emergency response plan to control COVID-19. The Group also actively responded to the call and set up the "Combat Epidemic Special Fund"（抗疫情專項基金）of RMB15 million at the first time. China's real estate market is under certain pressure caused by COVID-19 in early 2020 which resulted in delayed resumption of work and sales schedule, and the Group's original promotion plan for property sales was also affected in some degree. However, the Group adjusted the pace and structure of its supply timely according to the current situation so as to minimize the risk factors. The management remain confident about the China's real estate industry and the long-term growth of the Group in the future.

Since its establishment in 1994, 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 tier-1 and tier-2 cities, and strong tier-3 cities with a population ranging from 1 to 3 million benefiting from the reform of household registration system. The Group also actively responded to the Outline of the Yangtze River Delta Regional Integrated Development Plan（長三角區域一體化發展規劃綱要）and Outline of the Greater Bay Area Development Plan（粵港澳大灣區發展規劃綱要）and made contribution to the new national urbanization. The Group will uphold the philosophy of "indepth 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 “merger and acquisition”, “public bidding and auctions”, “land acquisition by application mechanism”, “cooperative development” etc.. It will remain resilient when preparing for investment in undervalued sites to lay a solid foundation for its contracted sales target of RMB100 billion and the steady development afterwards.

In respect of financing and capital market, Yuzhou Properties will identify more diversified and stable financing channels. It will maintain good relationships with international and domestic capital market participants and keep sensitive to the capital market so as to make the most of market opportunities and establish an effective financing system. In 2019, the Group further developed the domestic asset-backed securities market by transforming assets with low liquidity to securities with high liquidity to fulfill its financing needs and mitigate its risks. By virtue of active debt management, the Group further optimized its debt structure and reduced finance cost by replacing the USD bonds with high interest, which received widely recognition in the capital market. 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, on the one hand, will have adequate financial resources to support its rapid future growth, on the other hand, will further reduce its finance cost and improve the utilization of the financing proceeds to strengthen its risk resistance capacity.

Yuzhou Properties has always committed to adopting a business model that favors sustainable development, meeting the needs of market consumption upgrading and building a community that integrates human beings and the nature in a harmonious way, through the continuous upgrading of its residential projects. In order to continuously improve the competitiveness and brand influences of its residential projects, in terms of product innovation, the Group will continue to develop and promote its three product lines in 2020, namely Royale, Langham and Honor, and actively cooperate with professional scientific research institutions to facilitate the development of green buildings and the research and popularization of ecological communities. 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 projects in an effort to accelerate its development progress, improve efficiency and promote Yuzhou’s projects to a higher level.

As for its reserve of talents, in order to guarantee the achievement of 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 society.

In the future, the Group will, as always, adhere to the spirit of "building a city with sincerity and building a family with love," firmly follow the principle of "performance first, benefit first, efficiency first and organization first," and actively seize market opportunities to ensure the healthy and strong development of the Company. Staying true to the founding mission and moving forward with honor, the Group will continue to create value for shareholders, customers, employees and the whole society, and and continue to make steady progress towards achieving its contracted sales target of RMB100 billion in a steady pace.

## 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, 31 March 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Lam Lung On (Chairman, J.P.), 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.*