

[For immediately release]



## **Yuzhou Properties (0162.HK) Leading with Locality Development Heading to Hundred Billion Sales Target Yuexiu Securities Initiated "Buy" with Target Price of HKD6.16**

(4 Dec 2017, Hong Kong) One of China's top 40 real estate enterprises, **Yuzhou Properties Company Limited's** ("Yuzhou Properties" or the "Company", together with its subsidiaries referred to as the "Group"; stock code: **01628.HK**) adhered to strategic directives of "Intensive regional development". Yuzhou Properties was able to rank forefront in sales in the new markets within a short time frame. Yuexiu Securities expected the Group will be favored by more investors in the future because of its development in the Yangtze River Delta Economic Zone, and rated "Buy" with a target price of HK\$ 6.16. The following was extracted from Yuexiu Securities' research report:

### **A Stable Management Team**

It has been 23 years since **Mr. Lam Lung On**, the chairman, founded Yuzhou Properties in 1994. Within the period, Yuzhou Properties has gone through several cycles in property market which included the financial tsunami in 2008 when many property enterprises confronted the problem of fund-chain rupture. Yuzhou Properties, due to its steady and sufficient cash flow, was able to further expand and was listed successfully in Hong Kong in November 2009. Yuexiu Securities believed that **Mr. Lam Lung On**, as the chief helmsman of Yuzhou Properties, owned a clear blueprint for the Group's future development. A few measures are undertaken to realize the Group's strategic objectives which included intensive development from Xiamen for 12 years to a national layout and relocating headquarter from Xiamen to Shanghai.

### **Entered Rapid Growth Period**

Yuexiu expected Yuzhou will enter the explosive period of performance growth in the next three years, with compound annual growth rate (CAGR) of contract sales amounted to 36% in 2017-2020 by RMB100 billion strategic target in 2020. In order to secure a sufficient source of salable properties for the future, Yuzhou actively seek opportunities for land acquisition, with merger and acquisition as important channel for expansion on its land bank. As of 30 October this year, Yuzhou owned gross floor area (GFA) of more than 10 million square meters as land reserve, the value of which amounted to more than RMB200 billion, where approximately 53.6% of the land reserves are in Shanghai, Nanjing, Hefei, Suzhou and Hangzhou, the five key cities within the Yangtze River Delta urban agglomeration. At present, Yuzhou Properties has maintained a sufficient land reserve that can cope its properties' demand up to 2021.

### **High Stability in Income and Profit Generation**

As of first half of 2017, Yuzhou's unrecognized revenue (unrecorded pre-sales orders) approximated to RMB34 billion, sufficiently high level of revenue lock-in and an estimated gross profit margin of over 33%. In the second half of 2017, the Group has sufficient salable resources which totaled RMB35.8 billion, while sales target yet to be completed is only RMB18.5 billion in the second quarter of 2017. Therefore, it has become highly probable that annual sales target can be achieved .

Along with expansion in business and increment in projects, Yuzhou Properties had diversified the regions for its properties sales. Apart from the key layout in cities of Fujian province in the earlier years – with the exception of Xiamen and Fuzhou, the six core cities, Shanghai, Nanjing, Hefei, Suzhou, Hangzhou and Tianjin had become an important source of future sales and profits for Yuzhou Properties. With incremental growth in sales regions, Yuzhou Properties could attain stability in earnings.

#### **Praiseworthy Records in Dividend Payout**

Since listed in 2009, Yuzhou has attained an accumulated net profit of RMB10.68 billion yuan and a cumulative dividend payout of RMB3.24 billion for 9 times in total, the average dividend payment ratio (net profit/cash dividend payout) was approximately 30%. The admirable dividend payout record reflected Yuzhou was prepared to share the achievements from its corporate development with shareholders and committed to maximizing shareholders' interests.

#### **Leading Ahead of its Peers in Profitability**

Yuzhou Properties is well-known for its high gross profit margin. Yuexiu Securities put forward that it has accumulated sufficient land reserves before the land price soared and it was opportunistic in land acquisition by avoiding the "Land King" and strictly controlling the land cost. In addition, Yuzhou is good at value adding for its properties projects. Together with the synergic effect of multi-projects in processing in the cities entered, Yuzhou Properties not only could implement the strategy of "Intensive Regional Development", but also enhance premiums yielded from product chain mining and branding by focusing on the demands for first-time buyer and improver. Yuexiu Securities believed that mergers and acquisitions could reduce land cost, and because of the additional sales contribution from the Yangtze River Delta region, the gross profit margin of Yuzhou Properties can be maintained above 30% in the coming three years.

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**Yuzhou Properties Company Limited (01628.HK)**

Established in 1994, Yuzhou Properties is a property developer headquartered in Shanghai with a national foothold. Adhering to its strategy of Cultivating in Regions Leading the Market, Yuzhou Properties strives to develop residential and commercial properties which align with market trends in first-and second-tier cities. As at 30 September 2017, the Company had 79 projects under various stages of development in Xiamen, Fuzhou, Shanghai, Tianjin, Nanjing, Hefei, Hangzhou, Suzhou, Yangzhou, Quanzhou, Zhangzhou, Longyan, Bengbu, Huizhou and Hong Kong. It had over 10.49 million sq.m. in aggregate GFA under development or held for future development, with Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region and Central Region accounting of 53%, 33%, 6%, 6% and 2% respectively, of the total. Renowned for its outstanding product quality, diversified product portfolio, strong brand awareness and seasoned management team, Yuzhou Properties has been named "Top 100 China Real Estate Enterprises" for eleven years in a row; and Top 50 China Real Estate Enterprises from 2011 to 2017.

For more information about Yuzhou Properties, please visit the Company's website:  
<http://www.yuzhou-group.com>.

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