

[For Immediate Release]



Huatai: Yuzhou Properties (1628.HK) 2017 Results Preview Decent Growth Ahead, Raise Target Price to HKD6.8

(8 February 2018, Hong Kong) One of China's top 40 real estate enterprises, **Yuzhou Properties Company Limited** ("Yuzhou Properties" or the "Company", together with its subsidiaries referred to as the "Group"; stock code: **01628.HK**), is pleased to announce that Huatai Financial Holdings (Hong Kong) Limited reiterates the BUY rating and raises the TP by 31% to HKD6.8 (previous: HKD5.2).

Well positioned as fast-growing developer

Huatai Financial Holdings (Hong Kong) Limited believes Yuzhou Properties is well positioned as a fast-growing developer on its recent acquisitions of seven projects from Coastal Greenland (1124 HK) and accelerating pace in M&As. Huatai raises NAV/share estimates to HKD11.3 (previous: HKD8.6) as Huatai factors in: 1) faster sales momentum; 2) the latest land acquisitions; and 3) changes in RMB/HKD exchange rate. With NAV discount rate unchanged at 40%, Huatai reiterates its BUY rating and raise the TP by 31% to HKD6.8 (previous: HKD5.2), implying 6.1x 2018E PE.

2017 preview: decent earnings growth

Huatai lifts their estimates for Yuzhou's 2017E/2018E/2019E earnings by 2.5/3.6/17.8% to RMB2.7bn/3.5bn/4.6bn to reflect its stronger sales and GFA delivery, implying 2017E-2019E CAGR of 33%. GPM is expected to be stable at around 33-34% for 2017-2018 (2016: 36.0%). Given its strong land acquisitions with total attributable land cost of RMB15bn in 2017, Huatai forecasts its net gearing to slightly increase to around 80-85% (end-2016: 72%), which is still a manageable level, in Huatai's view.

Package acquisition bodes well for sales growth

On 15 January, Yuzhou announced that it acquired seven projects from Coastal Greenland with a total attributable GFA of 3.1mn sqm at RMB3.8bn. These projects include four on-sale projects and three yet-to-be developed projects located in Tianjin, Shenyang, Beijing, Suzhou, Wuhan and Foshan. The average land cost is RMB1,208/sqm, representing overall GPM of

above 30%, on Huatai's estimates. Among these projects, four on-sale projects should contribute sales of about RMB3.3bn in 2018 immediately. With the acquisition, Yuzhou's total land bank increased from 12mn sqm to 15mn sqm, and total saleable resources increased from RMB240bn to RMB280bn, which should further boost its sales in the future. Given its abundant landbank and strong execution capabilities, Huatai expects Yuzhou's sales to grow 49% yoy to RMB60bn in 2018E (previous estimate: RMB50bn).

Accelerating pace in M&A

Among 23 newly-acquired land parcels in 2017, nine plots were acquired through M&A (two plots in 1H17 and seven plots in 2H17). Huatai believes Yuzhou is accelerating the pace of its M&As for the sake of quality expansion, and expect this trend will continue in 2018.

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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 84 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 a 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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