

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **禹洲集團控股有限公司**

**YUZHOU GROUP HOLDINGS COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01628)**

### **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

1. Revenue was up by 160.01% year-on-year to RMB27,071.24 million in 2021. Profit for the year increased by 462.15% year-on-year to RMB1,282.99 million.
2. Gross profit amounted to RMB4,060.65 million in 2021, increased by 746.12% year on year. Gross profit margin was 15.00%.
3. As at 31 December 2021, total interest-bearing debt decreased by 11.45% to RMB56,582.44 million, and total equity increased by 20.67% to RMB41,394.64 million.
4. Cash and bank balances (including restricted cash) amounted to RMB17,519.93 million.
5. Contract liabilities reached record high, 2021 contract liabilities were up by 75.36% year-on-year to RMB40,027.62 million.
6. Average finance cost during the year ended 31 December 2021 was 6.96%, which was down by 0.17 percentage point compared with that of 2021 interim.
7. As at 31 December 2021, the asset-liability ratio after excluding advance receipts was 69.19% (which was down by 8.73 percentage points compared with that of 2020). The cash short-term debt ratio was 1.25, and the net gearing ratio in 2021 of the Group was 94.37%.
8. The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2021.

The board of directors (the “**Board**”) of Yuzhou Group Holdings Company Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (the “**Group**” or “**Yuzhou Group**”) for the year ended 31 December 2021, which was prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>REVENUE</b>	3	<b>27,071,241</b>	10,411,604
Cost of sales		<u>(23,010,591)</u>	<u>(9,931,691)</u>
Gross profit		<b>4,060,650</b>	479,913
Fair value gain on investment properties, net		<b>717,888</b>	387,260
Other income and gains	3	<b>414,517</b>	715,235
Selling and distribution expenses		<b>(691,691)</b>	(428,036)
Administrative expenses		<b>(834,442)</b>	(803,737)
Other expenses		<b>(516,893)</b>	(309,615)
Finance costs	5	<b>(276,097)</b>	(124,281)
Share of profits and losses of joint ventures		<b>(38,394)</b>	206,889
Share of profits and losses of associates		<b>326,990</b>	23,371
<b>PROFIT BEFORE TAX</b>	6	<b>3,162,528</b>	146,999
Income tax (expense)/credit	7	<b>(1,879,534)</b>	81,231
<b>PROFIT FOR THE YEAR</b>		<b><u>1,282,994</u></b>	<u>228,230</u>
Attributable to:			
Owners of the parent		<b>862,094</b>	116,992
Non-controlling interests		<b>420,900</b>	111,238
		<b><u>1,282,994</u></b>	<u>228,230</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic (RMB cents per share)	9	<b><u>11.82</u></b>	<u>0.09*</u>
– Diluted (RMB cents per share)	9	<b><u>11.82</u></b>	<u>0.09*</u>

\* Adjusted for the scrip share issue in 2021.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>1,282,994</b>	228,230
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>658,040</b>	1,866,802
Net other comprehensive income that may not be reclassified to profit or loss in subsequent periods	<b>658,040</b>	1,866,802
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	–	445,963
Income tax effect	–	(111,491)
Fair value loss on financial assets at fair value through other comprehensive income	<b>(123,730)</b>	–
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<b>(123,730)</b>	334,472
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,817,304</b>	2,429,504
Attributable to:		
Owners of the parent	<b>1,396,404</b>	2,318,266
Non-controlling interests	<b>420,900</b>	111,238
	<b>1,817,304</b>	2,429,504

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,255,381	2,548,612
Investment properties		15,972,920	14,627,949
Land held for property development for sale		1,401,811	1,401,811
Goodwill		741,202	741,202
Investments in joint ventures		3,308,932	4,478,206
Investments in associates		7,096,217	5,657,286
Financial assets at fair value through profit or loss		5,100	661,492
Financial assets at fair value through other comprehensive income		232,997	–
Deferred tax assets		1,199,409	848,469
		<hr/>	<hr/>
Total non-current assets		32,213,969	30,965,027
<b>CURRENT ASSETS</b>			
Land held for property development for sale		225,891	4,407,408
Properties under development		47,431,370	43,399,851
Properties held for sale		26,170,388	23,739,481
Prepayments for acquisition of land		1,398,564	912,000
Prepayments, other receivables and other assets		47,122,274	38,020,675
Prepaid corporate income tax		1,113,922	819,501
Prepaid land appreciation tax		1,184,599	1,465,298
Restricted cash		968,378	2,743,227
Non-pledged time deposits with original maturity of over three months		2,173,906	8,139,087
Cash and cash equivalents		14,377,647	23,586,502
		<hr/>	<hr/>
Total current assets		142,166,939	147,233,030
<b>CURRENT LIABILITIES</b>			
Contract liabilities		40,027,616	22,825,634
Trade payables	10	6,810,201	8,850,899
Other payables and accruals		20,783,152	40,413,832
Derivative financial instruments		–	67,905
Interest-bearing bank and other borrowings		4,459,782	9,233,514
Corporate bonds	11	4,500,000	5,000,000
Senior notes		5,038,874	4,650,232
Corporate income tax payables		2,773,633	2,029,335
Provision for land appreciation tax		1,994,610	1,944,232
		<hr/>	<hr/>
Total current liabilities		86,387,868	95,015,583
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		55,779,071	52,217,447
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		87,993,040	83,182,474
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2021*

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments		–	19,831
Interest-bearing bank and other borrowings		<b>10,810,277</b>	10,851,905
Corporate bonds	<i>11</i>	<b>2,000,000</b>	4,500,000
Senior notes		<b>29,773,509</b>	29,664,057
Deferred tax liabilities		<b>4,014,617</b>	3,843,751
		<hr/>	<hr/>
Total non-current liabilities		<b>46,598,403</b>	48,879,544
		<hr/>	<hr/>
<b>Net assets</b>		<b>41,394,637</b>	34,302,930
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>559,947</b>	489,142
Senior perpetual securities		<b>1,911,986</b>	1,911,986
Reserves		<b>23,644,069</b>	22,228,346
		<hr/>	<hr/>
		<b>26,116,002</b>	24,629,474
<b>Non-controlling interests</b>		<b>15,278,635</b>	9,673,456
		<hr/>	<hr/>
<b>Total equity</b>		<b>41,394,637</b>	34,302,930
		<hr/> <hr/>	<hr/> <hr/>

**Notes:**

**1. BASIS OF PRESENTATION**

Subsequent to reporting period, the Group has failed to pay interest of the issued senior notes in total of US\$69,250,000 (approximately to RMB437,756,000). The non-payment has caused an event of default pursuant to the terms and conditions of the senior note agreement and would have triggered cross-defaults on all other senior notes. As a result, the holders of the senior notes have right to demand for the immediate repayment on the outstanding principal amount. As at 31 December 2021, the Group had senior notes of approximately RMB34,812,383,000 and cash and cash equivalent of RMB14,377,647,000, the Group also reported a net decrease in cash and cash equivalent of RMB8,924,792,000 for the year ended 31 December 2021. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding this fact, the board of directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months based on its projected cash flow forecasts. The Group's Directors have reviewed the financial position of the Group as at 31 December 2021, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months and the Directors consider that the Group is financially viable to continue as a going concern.

In addition, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

- (a) the Directors are in the process to sell certain subsidiaries, some deals were completed and some deals are in process as at the reporting date;
- (b) the Directors are in the process to renew bank borrowings including but not limit to approach certain stated owned assets management companies; and
- (c) the Directors are considering the feasibility of debt rearrangement of overseas debt.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

**2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The adoption of the above revised HKFRSs has had no significant financial effect on the consolidated financial statements.

### 3. REVENUE, OTHER INCOME AND GAINS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>		
<i>Revenue from contracts with customers</i>		
Sale of properties	26,236,144	9,738,621
Property management fee income	520,035	397,593
Hotel operation income	12,113	13,976
<i>Revenue from other sources</i>		
Rental income from investment properties	302,949	261,414
	<u>27,071,241</u>	<u>10,411,604</u>
<b>Other income and gains</b>		
Bank interest income	234,746	540,503
Gain on disposal and deemed disposal of subsidiaries upon loss of control	99,103	2,372
Gain on bargain purchase of subsidiaries	–	2,292
Exchange differences, net	15,712	46,561
Others	64,956	123,507
	<u>414,517</u>	<u>715,235</u>

### 4. OPERATING SEGMENT INFORMATION

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

- (a) the property development segment engages in the development and sale of properties;
- (b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation;
- (c) the property management segment engages in the provision of property management services;
- (d) the hotel operation segment engages in the operation of hotels; and
- (e) the others segment comprises corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and finance costs are excluded from such measurement. Segment assets and liabilities are not reported to the Group's chief operating decision maker regularly.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

**Year ended 31 December 2021**

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>						
Sales to external customers	26,236,144	302,949	520,035	12,113	–	27,071,241
Other income and gains	153,008	9,153	3,161	21	14,428	179,771
	<u>26,389,152</u>	<u>312,102</u>	<u>523,196</u>	<u>12,134</u>	<u>14,428</u>	<u>27,251,012</u>
Total						
	<u>26,389,152</u>	<u>312,102</u>	<u>523,196</u>	<u>12,134</u>	<u>14,428</u>	<u>27,251,012</u>
<b>Segment results</b>						
	<u>2,744,297</u>	<u>442,260</u>	<u>83,812</u>	<u>(21,292)</u>	<u>(45,198)</u>	3,203,879
<i>Reconciliation:</i>						
Interest income						234,746
Finance costs						(276,097)
						<u>3,162,528</u>
Profit before tax						3,162,528
Income tax expenses						(1,879,534)
						<u>1,282,994</u>
Profit for the year						<u>1,282,994</u>
<b>Other segment information:</b>						
Depreciation	30,510	27,834	6,306	3,121	1,309	69,080
Capital expenditure*	7,931	666,056	2,812	2,963	1,980	681,742
Fair value gain on investment properties, net	–	717,888	–	–	–	717,888
Provision for properties under development	390,000	–	–	–	–	390,000
Share of profits and losses of joint ventures	(38,394)	–	–	–	–	(38,394)
Share of profits and losses of associates	326,990	–	–	–	–	326,990
Investments in joint ventures	3,308,932	–	–	–	–	3,308,932
Investments in associates	7,096,217	–	–	–	–	7,096,217

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



**Year ended 31 December 2020**

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>						
Sales to external customers	9,738,621	261,414	397,593	13,976	–	10,411,604
Other income and gains	166,612	1,034	5,721	296	1,069	174,732
<b>Total</b>	<b>9,905,233</b>	<b>262,448</b>	<b>403,314</b>	<b>14,272</b>	<b>1,069</b>	<b>10,586,336</b>
<b>Segment results</b>	<b>(627,386)</b>	<b>259,154</b>	<b>112,619</b>	<b>(36,070)</b>	<b>22,460</b>	<b>(269,223)</b>
<i>Reconciliation:</i>						
Interest income						540,503
Finance costs						(124,281)
Profit before tax						146,999
Income tax credit						81,231
Profit for the year						<b>228,230</b>
<b>Other segment information:</b>						
Depreciation	34,844	21,602	2,466	2,608	12,501	74,021
Capital expenditure*	98,369	234,620	2,680	232	2,880	338,781
Fair value gain on investment properties, net	–	387,260	–	–	–	387,260
Impairment of goodwill	57,560	–	–	–	–	57,560
Share of profits and losses of joint ventures	206,889	–	–	–	–	206,889
Share of profits and losses of associates	23,371	–	–	–	–	23,371
Investments in joint ventures	4,478,206	–	–	–	–	4,478,206
Investments in associates	5,657,286	–	–	–	–	5,657,286

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank loans, other loans, corporate bonds and senior notes	4,511,248	5,170,018
Less: Interest capitalised	<u>(4,235,151)</u>	<u>(5,045,737)</u>
	<u>276,097</u>	<u>124,281</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of properties sold	22,285,410	9,289,443
Cost of services provided	725,181	642,248
Depreciation	69,080	74,021
Fair value loss on derivative financial instruments, net*	11,194	159,514
Impairment of goodwill*	–	57,560
Provision for properties under development*	390,000	–
Loss on fair value on financial guarantee	<u>27,025</u>	<u>–</u>

\* *These items are included in "Other expenses" in the consolidated statement of profit or loss.*

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made for the current and prior years as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the current and prior years. The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for the year.

An analysis of the income tax charges/(credit) for the year is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current:		
PRC corporate income tax		
– Charge for the year	787,700	270,625
– Under/(over) provision in prior years	433,487	(442,252)
PRC land appreciation tax	<u>666,108</u>	<u>314,582</u>
	<u>1,887,295</u>	<u>142,955</u>
Deferred:		
Current year	<u>(7,761)</u>	<u>(224,186)</u>
Total tax charge/(credit) for the year	<u>1,879,534</u>	<u>(81,231)</u>

## 8. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interim – HK5.3 cents (2020: HK12 cents) per ordinary share	276,940	560,884
Proposed final – Nil (2020: HK21.5 cents)	–	1,030,947
	<u>276,940</u>	<u>1,591,831</u>

## 9. 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 2021 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 6,421,224,000 (2020: 5,385,609,151\*) in issue less the weighted average number of shares of 4,256,611 (2020: 318,759\*) held under the share award scheme during the year.

The calculation of the diluted earnings per share amount is based on the profit 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 less the weighted average number of shares held under the share award scheme 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 calculations of the basic and diluted earnings per share are based on:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to owners of the parent	862,094	116,992
Distribution related to senior perpetual securities	(103,759)	(112,324)
	<u>758,335</u>	<u>4,668</u>
<b>Shares</b>		
	Number of shares 2021	Number of shares 2020
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the year, used in the basic earnings per share calculation	6,416,967,389	5,385,290,392*
Effect of dilution of share options – weighted average number of ordinary shares	203,644	16,086,497
	<u>6,417,171,033</u>	<u>5,401,376,889</u>

\* *Adjusted for the scrip share issue in 2021.*

## 10. 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Due within 1 year or on demand	3,542,944	5,119,825
Due within 1 to 2 years	3,267,257	3,731,074
	<u>6,810,201</u>	<u>8,850,899</u>

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

## 11. CORPORATE BONDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Corporate bonds due in 2021	–	3,000,000
Corporate bonds due in 2024	3,500,000	3,500,000
Corporate bonds due in 2025	3,000,000	3,000,000
	<u>6,500,000</u>	<u>9,500,000</u>
Portion classified as current liabilities	<u>(4,500,000)</u>	<u>(5,000,000)</u>
Non-current liabilities	<u>2,000,000</u>	<u>4,500,000</u>

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

- (i) 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 was adjusted to 6.98% per annum. In August 2020, the coupon rate was adjusted to 5.98% per annum. The 7.85% Corporate Bonds I was classified as a current liability as at 31 December 2020. During the year, the Group has fully repaid the corporate bonds.
- (ii) 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 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% per annum. In September 2020, the coupon rate was adjusted to 5.98% per annum. The 7.8% Corporate Bonds was classified as a current liability as at 31 December 2020. During the year, the Group has fully repaid the corporate bonds.

- (iii) 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. In September 2020, the coupon rate is adjusted to 5.98% per annum. The 7.85% Corporate Bonds II was classified as a current liability as at 31 December 2020. During the year, the Group has fully repaid the corporate bonds.
- (iv) 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 2021 and a current liability as at 31 December 2020.
- (v) 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 current liability as at 31 December 2021 and a non-current liability as at 31 December 2020.
- (vi) RMB1,500,000,000 corporate bonds due in 2025 issued by a subsidiary of the Company in July 2020 (the “**6.5% Corporate Bonds II**”). The 6.5% Corporate Bonds II have a term of five years and bear interest at a rate of 6.5% per annum. The 6.5% Corporate Bonds II 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 II are classified as a current liability as at 31 December 2021 and a non-current liability as at 31 December 2020.
- (vii) RMB1,500,000,000 corporate bonds due in 2025 issued by a subsidiary of the Company in September 2020 (the “**6.5% Corporate Bonds III**”). The 6.5% Corporate Bonds III have a term of five years and bear interest at a rate of 6.5% per annum. The 6.5% Corporate Bonds III 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 III are classified as a current liability as at 31 December 2021 and a non-current liability as at 31 December 2020.

## 12. FINANCIAL GUARANTEE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	18,234,880	16,412,618
Guarantees given to banks and other lenders in connection with facilities granted to joint ventures	2,382,335	6,637,559
Guarantees given to banks and other lenders in connection with facilities granted to associates	471,713	1,040,331
Guarantees given to financial institutions in connection with facilities granted to independent third parties ( <i>Note</i> )	4,226,351	–
	<u>25,315,279</u>	<u>24,090,508</u>

### *Note:*

The Group provided financial guarantee to independent third parties to approximately US\$667,000,000 and the interest rate with guarantee is around 6% to 10.5% per annum and the fair value of US\$4,200,000 for the financial guarantee was valued by Masterpiece Valuation Advisory Limited on 31 December 2021 has been recognised.

Included in the Group's other payables as at 31 December 2021 are amounts due to independent third parties (the "Cooperation Party") of RMB3,047,393,000 (2020: RMB: Nil). These balances are unsecured, interest-free and have no fixed terms of repayment.

During the year ended 31 December 2021, the Company and the Corporate Party ventured into a financing project (the "Project"), in which the Cooperation Party would be the borrower and the Company acted as the guarantor. In the circumstances where the Cooperation Party failed to repay the funds raised from the Project, the Cooperation Party is obliged to indemnify any loss incurred by the Company due to the default of the Cooperation Party.

As at 31 December 2021, the Company and the Cooperation Party has raised the amount of US\$438,212,000 in total. The details of the borrowings are as follows:

Loan	Interest rate	Terms	Loan Amount	Proportion of the proceeds received by the Company	Proportion of the proceeds received by the Cooperation Party
Loan 1	6%	One year	US\$267,000,000	US\$267,000,000	–
Loan 2	8.5%	One year	US\$250,000,000	US\$152,878,000	US\$97,122,000
Loan 3	10.5%	One year	US\$150,000,000	US\$18,334,000	US\$131,666,000
Total			<u>US\$667,000,000</u>	<u>US\$438,212,000</u>	<u>US\$228,788,000</u>

Subsequently, on 31 January 2022, the Company and the Cooperation Party entered into an agreement that the interest rates of the Loan 1, 2 and 3 to the Cooperation Party were 6%, 8.5% and 10.5% respectively, representing the proportion of finance costs incurred by the proceeds received by the Company included in other payables. Up to the date of issue of the financial statements, there has not been default on the Project by the Cooperation Party.

### 13. EVENTS AFTER THE REPORTING PERIOD

- (a) On 22 February 2022, the Company completed a sale and purchase agreement with an independent third party, pursuant to which the Company agreed to dispose of its approximately 85.64% the entire issued share capital of a non-wholly owned subsidiary for a consideration of HK\$305 million. Details are set out in the Company's announcement dated 22 February 2022.
- (b) Subsequent to the end of reporting period on 4 March 2022, 12 March 2022, 20 March 2022 and 26 March 2022, the Group has failed to pay interest of the 8.5%-senior note, 7.85%-senior note, 7.70%-senior note and 8.50%-senior note (the "**Senior Notes**") in total of US\$69,250,000 (approximately to RMB437,756,000) in which the Senior Notes were issued by the Company dated 28 January 2019, 5 August 2020, 12 February 2020 and 18 February 2019 respectively. A failure to pay the interest of the Senior Notes has caused an event of default pursuant to the terms and conditions of the senior note agreements and would have triggered cross-defaults on all other senior notes. As a result, the holders of the senior notes have right to demand for the immediate repayment on the outstanding principal amount.
- (c) On 5 January 2022, an indirect wholly-owned subsidiary of the Company ("**the Vendor**") entered into the framework agreement with an independent third party ("**the Purchaser**"), involving the intended disposal of the entire equity interest of Yuzhou Property Services Co., (the "**Disposal Company**") at a total consideration not exceeding RMB1,060,000,000.

On 8 March 2022, the Purchaser, the Vendor and the Disposal Company entered into the formal agreement, pursuant to which, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell the entire issued share capital of the Disposal Company at the final Consideration of RMB1,058,000,000.

Details of the transaction are set out in the announcement of the Company dated 5 January 2022 and 8 March 2022.

### 14. EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021.

#### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Emphasis of Matter**

##### **Material Uncertainty Related to the Going Concern**

We draw attention to note 1 to the consolidated financial statements which states that, subsequent to the end of reporting period on 4 March 2022, 12 March 2022, 20 March 2022 and 26 March 2022, the Group has failed to pay interest of the 8.5%-senior note, 7.85%-senior note, 7.70%-senior note and 8.50%-senior note (the "**Senior Notes**") in total of US\$69,250,000 (approximately to RMB437,756,000) in which the Senior Notes were issued by the Company dated 28 January 2019, 5 August 2020, 12 February 2020 and 18 February 2019 respectively. A failure to pay the interest of the Senior Notes has caused an event of default pursuant to the terms and conditions of the senior note agreement and would have triggered cross-defaults on all other senior notes. As a result, the holders of the senior notes have right to demand for the immediate repayment on the outstanding principal amount. As at 31 December 2021, the Group has senior notes with an aggregate principal amount of RMB34,812,383,000 and cash and cash equivalent of RMB14,377,647,000, the Group also reported a net decrease in cash and cash equivalent of year ended 31 December 2021.

Although there is no redemption deals with the Senior Notes received up to the date this report, this condition indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market and Business Review

2021 was an unusual year with ups and downs for the real estate industry. On the one hand, the real estate industry indicators were successfully achieved for the first half of 2021, but the real estate market quickly cooled down due to the intensive implementation of a series of meticulous financial control policies in 2021, including “Three Red Lines” for real estate financing, real estate loan concentration management, centralized supply of residential land in 22 major cities, as well as strengthened mortgage loan approval and pre-sale funds supervision. As a result, sales declined, cash collection slowed down and financing was tightened. Operating cash inflow and financing cash inflow were restricted as well. After the prosperous trading in the first round of centralized land supply, the land auction market gradually cooled down during the second and third rounds, which manifested in a lower volume of transactions, higher unsold rate and lower land premium rate.

On the other hand, the worldwide spreading and domestic sporadic outbreak of the COVID-19 epidemic brought a continuous blow to international trade, catering, tourism and other related industries, which resulted in the decline of national purchasing power. Coupled with the exposure of liquidity risks of some real estate companies, home buyers’ wait-and-see sentiments were further intensified.

In previous years, there was a rule of “golden September and silver October” (i.e. a boom in estate trading in September and October) in the real estate industry. However, it turned out to be the absence of both “golden September” and “silver October” in 2021. In the midst of market downturn, since the end of the third quarter of 2021, the keynote of national real estate policy was that of “houses are for living instead of speculation” and the “three stabilisations” of “stabilizing housing price, land premium and expectation”, which supports reasonable and normal financing for real estate enterprises and the reasonable housing needs of home buyers, thereby promoting the healthy development and virtuous cycle of the real estate industry. These policy adjustments have a positive effect on easing the pressure on the real estate industry and improved the rather pessimistic market expectations.

### Overall Performance

During the year, the revenue of the Group was up by 160.01% year-on-year to RMB27,071.24 million. The profit for the year increased by 462.15% year-on-year to RMB1,282.99 million. The total equity increased by 20.67% to RMB41,394.64 million. The Board of Directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2021.

### Sale of Properties

During the year, the Group’s revenue from property sales was RMB26,236.14 million, accounting for 96.92% of the total revenue of the Group. The Group delivered a total gross floor area (“GFA”) of approximately 1,810,502 sq.m.. The average selling price of the properties delivered and recognized as property sales in 2021 was RMB14,491 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, Central China Region, Guangdong – Hong Kong – Macao Great Bay Area (the “**Greater Bay Area**”) and Bohai Rim Region, which contributed 75.12%, 11.56%, 7.35%, 4.98% and 0.99% of the recognized revenue, respectively. Among them, the Yangtze River Delta Region continued to show a significant contribution to the overall recognized revenue. As for the further implementation of the strategy of “Locality Development” in the future, the Group believes that the synergetic development of various regions will bring more recognized diversity into the revenue streams of the Group.

The recognized sales and GFA sold of each region in 2021 are set out in the following table:

<b>Name of regions</b>	<b>Amount</b> <i>(RMB'000)</i>	<b>Saleable GFA</b> <i>(sq.m.)</i>	<b>Average Selling Price</b> <b>(after tax)</b> <i>(RMB/sq.m.)</i>
<b>West Strait Economic Zone</b>	3,032,169	335,642	9,034
<b>Yangtze River Delta Region</b>	19,707,598	1,179,110	16,714
<b>Bohai Rim Region</b>	259,177	20,774	12,476
<b>Central China Region</b>	1,929,642	139,135	13,869
<b>Greater Bay Area</b>	1,307,558	135,841	9,626
Total sales of properties recognized	<u>26,236,144</u>	<u>1,810,502</u>	<u>14,491</u>

The recognized sales and GFA sold of each region in 2020 are set out in the following table:

<b>Name of regions</b>	<b>Amount</b> <i>(RMB'000)</i>	<b>Saleable GFA</b> <i>(sq.m.)</i>	<b>Average Selling Price</b> <b>(after tax)</b> <i>(RMB/sq.m.)</i>
<b>West Strait Economic Zone</b>	1,888,063	131,550	14,352
<b>Yangtze River Delta Region</b>	6,489,375	601,872	10,782
<b>Central China Region</b>	1,318,715	92,968	14,185
<b>Greater Bay Area</b>	42,468	5,174	8,208
Total sales of properties recognized	<u>9,738,621</u>	<u>831,564</u>	<u>11,711</u>

## Contracted Sales

As of 31 December 2021, the Group's accumulated contracted sales amounted to approximately RMB105,021.01 million. The GFA of contracted sales amounted to 5,293,990 sq.m. and the contracted average selling price was approximately RMB19,838 per sq.m.

In 2021, the Yangtze River Delta region remained a key contributor to the contracted sales of the Group, with total contracted sales of RMB65,899.16 million, accounting for 62.75% of the Group's total contracted sales. Specifically, Shanghai, Hangzhou, Hefei, Nanjing, Suzhou and Wuxi constituted the core cities of our footprint in the Yangtze River Delta region, contributing aggregate contracted sales of RMB56,472.89 million, which fully demonstrated the stellar performance of the Group's locality development strategy in the Yangtze River Delta Region. The total contracted sales of the Bohai Rim Region and West Strait Economic Zone amounted to RMB23,813.33 million, accounting for 22.68% of the Group's total contracted sales. The strategic development areas of the Group, which included the Greater Bay Area, Southwest Region and Central China Region, also contributed total contracted sales in the amount of RMB15,308.52 million, accounting for 14.57% of the Group's total contracted sales.

In order to achieve the goal of steady development throughout the year, Yuzhou Group has laid out the annual innovative marketing plan in advance as early as the beginning of the year, and unveiled a number of innovative marketing strategies in combination with the sales node innovation and upgrading marketing strategy. Closely following the market changes, the Group released two innovative marketing modes of online live broadcasting and Vlog operation, launched linkage in 180 sites in 39 cities across the country, made attempt in the cross-border live broadcasting, i.e. "live broadcasting circle + real estate circle", and created a new marketing mode of brand live broadcasting for house selling, which greatly enhanced the brand influence and helped the Group to develop steadily.

Yuzhou Group also released the landscape standardization action of product system to enhance product influence and promote sales with the advantages of product strength, brand and service. Relying on the functions of life scenes and community landscapes, the Group built a standardized three-level system of 9-scene spaces, 25 functional modules and 101 value points, and created a range of community life scenes with warmth with focusing on the Community Entrance, Wind-and-Rain Corridor, Ladies Afternoon Tea, Little Yu's Paradise (小禹兒樂園) and other areas. The scale effect was driven by product strength, and the brand and word-of-mouth were promoted by the scale advantages accumulated over the years, thus realizing a virtuous circle. In 2021, Yuzhou Group's product strength was repeatedly recognized by the industry. Specifically, Shaoxing Yuzhou Yinyue Mansion won the "2021 TITAN Property Awards for Real Estate Design – Gold Winner" for its performance and unique design of residential art space; Foshan Yuzhou Langham Bay won the "2020-2021 GHDA Global Habitat Design Awards – Silver Winner"; both Wuhan Yuzhou Royal Orchid Palace and Chongqing Yuzhou The Explorer won the "MUSE DESIGN AWARDS – Platinum Winner" and other honors.

The contracted sales and GFA sold of each project in 2021 are set out in the following table:

	<b>Total Amount of Contracted Sales</b> <i>(RMB'000)</i>	<b>GFA of Contracted Sales</b> <i>(sq.m.)</i>	<b>Average Contracted Selling Price</b> <i>(RMB/sq.m.)</i>
West Strait Economic Zone	10,959,668	593,079	18,479
Yangtze River Delta Region	65,899,155	2,962,668	22,243
Central China Region	3,143,816	242,258	12,977
Greater Bay Area	5,269,472	380,155	13,861
Southwest Region	6,895,230	457,487	15,072
Bohai Rim Region	12,853,666	658,343	19,524
<b>Total</b>	<b>105,021,007</b>	<b>5,293,990</b>	<b>19,838</b>

The contracted sales and GFA sold of each project in 2020 are set out in the following table:

	<b>Total Amount of Contracted Sales</b> <i>(RMB'000)</i>	<b>GFA of Contracted Sales</b> <i>(sq.m.)</i>	<b>Average Contracted Selling Price</b> <i>(RMB/sq.m.)</i>
West Strait Economic Zone	19,671,334	1,370,923	14,349
Yangtze River Delta Region	64,641,469	3,486,611	18,540
Central China Region	3,529,555	306,027	11,533
Greater Bay Area	2,848,095	219,355	12,984
Southwest Region	2,522,796	221,638	11,382
Bohai Rim Region	11,753,857	660,062	17,807
<b>Total</b>	<b>104,967,106</b>	<b>6,264,616</b>	<b>16,756</b>

### Property Investment

The Group's property investment segment covers a variety of commercial offerings and strives to shape three product lines as the "Yu Yue" brand for shopping centers, "Yuzhou Plaza" brand for office buildings and shopping streets, so as to meet the needs of various consumption groups in cities. The Yuzhou property investment projects, whose business is mainly operated in economically developed areas such as the West Strait Economic Zone and the Greater Bay Area, currently cover areas of Shenzhen, Shanghai, Hangzhou, Xiamen, Suzhou, Nanjing, Hefei, Wuhan and Quanzhou. There were 29 projects under operation and 10 projects in preparation period, 39 projects in total with a commercial area of over 1.52 million sq.m., where shopping mall, office building and community business accounted for 61%, 23% and 16% respectively. Operational projects covered over 1,000 cooperative brands and approximately 1,600 strategic alliance brands.

Over the years, Yuzhou Commercial Company (“**Yuzhou Commercial**”) has focused on tier-1 and tier-2 core cities and has been actively exploring ways to make a breakthrough, improving customers’ experience with innovations in business type, model, design and capital. Driven by the upgrading of consumption structure, Yuzhou Commercial concentrated on ingenuity in 2021 to build comprehensive and ultimate product advantages by means of technology empowerment, service upgrading etc. In addition, by closely following the economic trends, Yuzhou Commercial actively created popular consumption scenarios such as “nighttime economy”, “street-stall economy” and “first store economy”, thereby realizing the co-existing and co-prosperity of business and people and of business and city. In the future, Yuzhou Commercial will be committed to promoting the development of market research and positioning, tenant sourcing, pre-opening services and other diverse value-added services for strengthening brand value and customer satisfaction, driving the rapid growth of the business line.

Yuzhou Commercial won the “2020-2021 Commercial Property Excellence Enterprise” award at the “Golden Coordinate” award ceremony of the 16th China Commercial Real Estate Festival, and the “2021 Excellent Commercial Real Estate Operator” at the “Gold Star” award ceremony of China City Commercial Power Summit Forum. In addition, our projects were on the Mall China Star Awards list, including the “Mall China 2020 Shopping Centre Industry Adjustment Star Award” and “2021 High-Profile Commercial Real Estate Project Award” for Yuyueli in Lingjiao Lake, Wuhan, and the “Mall China 2021 Shopping Centre Industry Potential Star Award” for Yuyue World in Xiamen. The awards fully reflected the high level of industry recognition of the Group.

## **Property Management**

During the year, the scale of the property management services business of the Group continued to expand. As of 31 December 2021, the total GFA of the managed projects of the Group was more than 21.88 million sq.m. and the total contracted area was more than 32.90 million sq.m.. The newly added area under management increased by 3.70 million sq.m., representing a growth rate of 20.35%.

Yuzhou Group has provided property management services since 1997. For more than 20 years, Yuzhou Property Management has been expanding into new fields of professional services starting from Xiamen and has successively deployed its business in more than 30 cities, including Beijing, Shanghai, Hong Kong, Fuzhou, Suzhou, Hefei, Shenzhen, Chongqing, and Chengdu, which formed six regions including the West Strait Economic Zone, the Yangtze River Delta Region, the Bohai Rim Region, the Central China Region, the Southwest Region and the Greater Bay Area, and a diversified project portfolio with a variety of properties. The types of services include villas, high-end residences, high-end office buildings, shopping center complexes, governmental public buildings, urban services, and other formats, providing customers and owners with full life cycle property services. While the service quality has been steadily improved, Yuzhou Property Management has continued to persist in exploring business development models, carrying out value-added services, and providing diversified services for residents, owners and property developers, including pre-sale management services, pre-planning and design consulting services, pre-delivery acceptance services, home living services, parking space management and value added services in public areas, etc., to further enhance profitability.

In 2021, Yuzhou Property Management signed a total of 26 projects contracts during the year through outward expansion, and the newly expanded area exceeded 2 million sq.m.. In terms of business types, schools, banks, and industrial parks have also been added, laying the foundation for developing all business types in the future. In 2021, Yuzhou Property Management focused on community resource management and reached strategic cooperation agreements with more than 20 brand manufacturers, laying a good foundation for the future business cooperation on fully-furnished housing. In addition, Yuzhou Property Management has upgraded its U Butler service and launched Nine Craftsmanship Services to closely connect services with owners' needs and enhance their satisfaction and happiness. In terms of informatization construction, the Group was committed to building "1+3+N" digital capabilities of Yuzhou Group, i.e., building the service capabilities of "N+ scenarios" to connect "three major service systems" based on the construction of "one core platform" (Uplus Smart Property Platform, which includes the four service types of community services, commercial services, office services and intelligence services).

Yuzhou Property Management has won the honor of "China Top 100 Property Service Providers" for six consecutive years, and ranked 28th in "China Top 100 Property Service Providers" in 2021 and 26th in "China Top 30 Property Enterprises in terms of Service Performance" in 2021, and has also been awarded the title of "Leading Enterprises of Satisfaction in Top 100 Property Services Companies". In 2021, Yuzhou Property Management was included in the lists of "China Top 40 Property Enterprises in terms of Comprehensive Strength" and "China Top 20 Property Enterprises in terms of Brand Value", and served as a council member of the China Property Management Institute and a member of "the Les clefs d'Or". It was also accredited as a "Blue-chip Property Company" and won a number of excellent awards for provincial and municipal projects. Yuzhou Property Management will continue to adopt a meticulous service attitude, constantly promote service standardization, upgrade service quality, and grasp the needs of customers under market changes, so as to build a better community and strive to create a better new life for property owners and the society.

## **Hotel Operation**

In 2021, the operational hotels of the Group included Xiamen Yuzhou Camelon Hotel Apartment and Xiamen Yuzhou Wyndham Grand Plaza Royale Hotel, among which the revenue from the Xiamen Yuzhou Wyndham Grand Plaza Royale Hotel was included in joint ventures. During the year, the Group had 4 hotel projects which entered into construction phase, namely Xiamen Yuzhou Camelon Hot Spring Hotel, Hui'an Camelon Business Hotel, Wuhan Taizi Lake Hotel and Shanghai Fengxian Jinhui Hotel. In February 2021, Xiamen Yuzhou Camelon Hotel Apartment completed part of the upgrade and renovation to meet the needs of different customers for conferences, banquets and other receptions in an all-round way. A children's center has also been set up to provide customers with a more comfortable stay. The Group's total hotel operating revenue amounted to approximately RMB12.11 million during the year. Sticking to the service concept of "family-like service for you", the Group will be devoted to bringing high-quality service experience to its customers.

## Quality & Safety and Product Lines and Design

Over the years, Yuzhou Group has always adhered to the concept of low-carbon environmental protection and green development, attached great importance to sustainable development, and taken the initiative to respond to the national goal of “carbon peaking and carbon neutrality” by building green boutique projects with “craftsmanship” and continuously increasing its practice of green building, striving to construct ecological communities where people and nature can coexist in harmony. “Environmental protection and energy saving, building green communities” has always been one of the development philosophies of Yuzhou Group’s projects. As of the end of 2021, 145 property projects of the Group (with a total area of approximately 20 million sq.m.), have achieved green building standards, of which approximately 5.55 million sq.m. have been granted two-star or above green building certification, either nationally or internationally. In 2021, 10 new projects have been granted green building certification with a total area of approximately 1.36 million sq.m.. Shenzhen Yuzhou Plaza, 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, was awarded the highest platinum level of BEAM Plus.

Meanwhile, the Group is committed to enhancing the brand perception of each project. In the design process of its projects, the Group adheres to the principle of being people-oriented and further analyzes the design concept of modern human living, so as to satisfy the needs of its owners in all aspects. The Group also committed to creating the ideal home-living concept, demonstrating the brand concept of “Building Cities with Heart, Building Homes with Love”. Focusing on the Group’s development goal of “Providing Highly Competitive Products”, Yuzhou Group has comprehensively upgraded its three residential product series, namely “Royale”, “Langham” and “Honor”, and proposed an iterative upgrade of “Ucube-Temperature space”, focusing on light, water and air, using new technology and new materials to enhance customers’ healthy living experience and improve the Group’s product influence and brand image. During the year, a number of the Group’s projects were recognized for their design standards by winning many world-renowned industry awards, including the International Property Award, the REARD Global Design Award, the Kinpan Award, and the Idea-King Award. In October 2021, Yuzhou Group was awarded the “Outstanding Enterprises in the Greater Bay Area-Social Sustainability Award (Sustainable Cities and Communities)” and “Green Sustainability Award (Climate Action)” for its efforts to move forward on the path of green development. For the future, Yuzhou Group has also set a series of development goals in green building and ecological protection, comprehensively integrating green technology and green financial tools to reduce carbon emissions, promote carbon neutrality, and create greater value for society.

In terms of product line innovation, the facade of Yuzhou Yinyue Mansion Project adopted the innovative design of yacht-shaped townhouses, the multi-variable unit type was mainly launched, and the public washrooms after taking the door were introduced to meet the needs of sanitation and epidemic prevention. Yuzhou · The Explorer Project offered the stacked unit type to maximize the use of space. Yuzhou Group has continued to innovate and iterate on its products to meet customers’ needs in line with the trend of development of the times and from the company’s strengths. In addition, the improvement of product recognition is also the focus of product upgrade. The Group combined Little Yu (小禹兒) IP to design the background story based on it, blending the outdoor activity needs of children of different ages and interpreting them in children’s activity area with three themes, which is highly recognized by customers and loved by children.

## 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, urban redevelopment, land acquisition by application list system and project cooperation, so as to ensure stable and sustainable development.

As of 31 December 2021, the Group had land reserves amounting to approximately 20.42 million sq.m. of aggregate salable GFA, with 179 projects located in 39 cities in the six metropolitan areas. The average land cost was approximately RMB6,646 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for its development over the next two to three years.

### Saleable GFA of Land Reserves (sq.m.)

(As at 31 December 2021)

Region	Number of projects	Area (sq.m.)	As of Total
<b>West Strait Economic Zone</b>			
Xiamen	27	1,165,072	5.7%
Fuzhou	8	321,930	1.6%
Quanzhou	3	806,831	4.0%
Longyan	1	21,013	0.1%
Zhangzhou	4	927,624	4.5%
<b>Sub-total</b>	<b>43</b>	<b>3,242,470</b>	<b>15.9%</b>
<b>Yangtze River Delta Region</b>			
Shanghai	15	808,603	4.0%
Nanjing	15	570,803	2.8%
Hangzhou	3	479,444	2.3%
Shaoxing	1	127,952	0.6%
Ningbo	2	74,607	0.4%
Suzhou	16	1,069,641	5.2%
Changzhou	1	133,573	0.7%
Wuxi	3	395,875	1.9%
Bozhou	1	24,087	0.1%
Hefei	19	1,965,417	9.6%
Bengbu	1	494,139	2.4%
Jinhua	2	10,357	0.1%
Yangzhou	3	674,868	3.3%
Zhoushan	1	143,922	0.7%
Xuzhou	1	96,485	0.5%
<b>Sub-total</b>	<b>84</b>	<b>7,069,773</b>	<b>34.6%</b>

<b>Region</b>	<b>Number of projects</b>	<b>Area (sq.m.)</b>	<b>As of Total</b>
<b>Bohai Rim Region</b>			
Beijing	2	117,434	0.6%
Tianjin	10	1,291,183	6.3%
Qingdao	4	328,438	1.6%
Shijiazhuang	1	41,572	0.2%
Tangshan	3	945,076	4.6%
Shenyang	2	1,977,085	9.7%
<b>Sub-total</b>	<b>22</b>	<b>4,700,788</b>	<b>23.0%</b>
<b>Central China Region</b>			
Wuhan	4	891,566	4.4%
Xinxiang	1	196,717	1.0%
Kaifeng	1	222,844	1.1%
Zhengzhou	3	481,892	2.3%
<b>Sub-total</b>	<b>9</b>	<b>1,793,019</b>	<b>8.8%</b>
<b>Greater Bay Area</b>			
Hong Kong	1	2,214	0.0%
Shenzhen	1	51,281	0.2%
Huizhou	2	351,583	1.7%
Foshan	5	485,131	2.4%
Zhongshan	1	176,788	0.9%
Jiangmen	1	123,528	0.6%
<b>Sub-total</b>	<b>11</b>	<b>1,190,525</b>	<b>5.8%</b>
<b>Southwest Region</b>			
Chongqing	4	763,345	3.7%
Chengdu	3	749,816	3.7%
<b>Sub-total</b>	<b>7</b>	<b>1,513,161</b>	<b>7.4%</b>
<b>Total</b>	<b>176</b>	<b>19,509,736</b>	<b>95.5%</b>
<b>Urban Redevelopment</b>			
<b>Greater Bay Area</b>			
Shenzhen	1	137,761	0.7%
Zhuhai	1	627,022	3.1%
Huizhou	1	150,308	0.7%
<b>Total</b>	<b>3</b>	<b>915,091</b>	<b>4.5%</b>
<b>Grand total</b>	<b>179</b>	<b>20,424,827</b>	<b>100.0%</b>



During the year, in view of the land auction market, the Group, after thorough research and analysis, obtained 4 high-quality land parcels at attractive prices in Suzhou, Zhengzhou and Jiangmen through public bidding and auction with a total GFA of approximately 547,871 sq.m.. The average land cost was RMB7,847 per sq.m.. All the above new projects were located in tier-1 and tier-2 and tier-2-to-be cities.

Particulars of these 4 parcels of land as at 31 December 2021 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
<b>Yangtze River Delta Region</b>					
Suzhou	2	179,926	32.8%	548,066	25.0%
<b>Sub-total</b>	<b>2</b>	<b>179,926</b>	<b>32.8%</b>	<b>548,066</b>	<b>25.0%</b>
<b>Greater Bay Area</b>					
Jiangmen	1	123,528	22.6%	851,602	38.9%
<b>Sub-total</b>	<b>1</b>	<b>123,528</b>	<b>22.6%</b>	<b>851,602</b>	<b>38.9%</b>
<b>Central China Region</b>					
Zhengzhou	1	244,417	44.6%	789,297	36.1%
<b>Sub-total</b>	<b>1</b>	<b>244,417</b>	<b>44.6%</b>	<b>789,297</b>	<b>36.1%</b>
<b>Total</b>	<b>4</b>	<b>547,871</b>	<b>100.0%</b>	<b>2,188,965</b>	<b>100.0%</b>

## FINANCIAL REVIEW

### REVENUE

The revenue of the Group was mainly derived from four business categories, including property sales revenue, rental income from investment properties, property management fee income and hotel operation income. In 2021, the total revenue of the Group was RMB27,071.24 million, up by 160.01% year-on-year. This was mainly due to an increase in recognized property sales revenue, driven by an increase in aggregate GFA of the properties delivered during the year. Specifically, property sales revenue was approximately RMB26,236.14 million, accounting for 96.92% of the total revenue; rental income from investment properties was approximately RMB302.95 million, up by 15.89% year-on-year; property management fee income was approximately RMB520.04 million, up by 30.80% year-on-year; and hotel operation income was approximately RMB12.11 million.

## **COST OF SALES**

The cost of sales mainly encompassed land cost, construction cost, capitalized interest of the Group and fair value adjustments on properties upon reclassification to subsidiaries from joint ventures and associates in current and prior periods. In 2021, the cost of sales of the Group was approximately RMB23,010.59 million, up by 131.69% from approximately RMB9,931.69 million in 2020. The increase in the cost of sales was mainly due to the increase in GFA of properties delivered by the Group.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

The gross profit of the Group was approximately RMB4,060.65 million in 2021. The gross profit margin was 15.00%. The increase in gross profit margin was mainly due to recognition of profitable projects in Shanghai, Hefei, Nanjing and Xiamen in 2021.

## **FAIR VALUE GAIN ON INVESTMENT PROPERTIES**

In 2021, the Group recorded a fair value gain on investment properties of approximately RMB717.89 million (2020: RMB387.26 million). The increase in fair value gain on investment properties was mainly due to fair value gain of the investment property situated in Shenzhen.

## **OTHER INCOME AND GAINS**

Other income and gains decreased by approximately 42.04% year-on-year from approximately RMB715.24 million in 2020 to approximately RMB414.52 million in 2021, mainly due to the decrease of bank interest income.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses of the Group increased by 61.60% year-on-year from approximately RMB428.04 million in 2020 to approximately RMB691.69 million in 2021, accounting for 0.66% (2020: 0.41%) of total contracted sales. With an effective cost control measures, the Group continued to invest in online marketing and expanded into more diversified marketing channels in 2021.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses of the Group increased by 3.82% year-on-year from approximately RMB803.74 million in 2020 to approximately RMB834.44 million in 2021, which was mainly due to the business expansion of the Group. In 2021, the proportion of administrative expenses to total contracted sales was 0.79% (2020: 0.77%).

## **OTHER EXPENSES**

Other expenses increased by 66.95% year-on-year from approximately RMB309.62 million in 2020 to approximately RMB516.89 million in 2021, which was mainly due to an impairment losses on properties under development of approximately RMB390.00 million.

## **FINANCE COSTS**

Finance costs of the Group increased by 122.16% year-on-year from approximately RMB124.28 million in 2020 to approximately RMB276.10 million in 2021, which was mainly due to the decrease in the portion of interest capitalized during the year.

## **SHARE OF RESULTS OF JOINT VENTURES**

The Group's share of loss of joint ventures was approximately RMB38.39 million in 2021, and the profit in 2020 was RMB206.89 million. The total revenue of joint ventures amounted to RMB10,468.92 million in 2021. The gross profit margin of joint ventures was 18.09%.

## **SHARE OF RESULTS OF ASSOCIATES**

The Group's share of profit of associates was approximately RMB326.99 million in 2021, compared with RMB23.37 million in 2020. The total revenue of associates amounted to RMB11,734.05 million in 2021. The gross profit margin of associates was 18.36%.

## **INCOME TAX**

The Group recorded tax expense of RMB1,879.53 million in 2021. Income tax credit of the Group in 2020 was approximately RMB81.23 million. The increase in income tax expense was mainly due to the increase in profit before tax during the year.

## **PROFIT FOR THE YEAR**

The profit for the year was RMB1,282.99 million, as compared to the profit of RMB228.23 million in 2020. The increase mainly resulted from an increase in revenue during the year.

## **PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**

For the year ended 31 December 2021, the profit attributable to non-controlling interests amounted to RMB420.90 million, as compared to the profit of RMB111.24 million in 2020. The increase was mainly due to the share of profit arising from certain non-wholly-owned projects in Shanghai, Hefei, Xuzhou and Suzhou which delivered certain of presold properties during the year.

## BASIC EARNINGS PER SHARE

For the year ended 31 December 2021, basic earnings per share was RMB11.82 cents.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Position

As at 31 December 2021, the Group had cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months of approximately RMB17,519.93 million, decreased by 49.17% from RMB34,468.82 million as at 31 December 2020.

### 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.

As at 31 December 2021, the Group had total bank and other borrowings, corporate bonds and senior notes balance of RMB56,582.44 million, of which certain loans were secured by certain investment properties, properties held for sale and properties under development of the Group, representing a year-on-year decrease of 11.45%. The interest rate of average borrowing cost was 6.96% per annum, decreased by 0.17 percentage point from 7.13% in the period ended 30 June 2021. The debt due within one year was RMB13,998.66 million, accounting for 24.74% of total debt, and the cash short-term debt ratio (total of cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months divided by debt due within one year) was 1.25. As at 31 December 2021, asset-liability ratio after excluding advance receipts (total liability after excluding contract liabilities divided by total asset after excluding contract liabilities) was 69.19%, which was down by 8.73 percentage points as compared to that as at 31 December 2020.

Details of new indebtedness:

Issuer	Type	Principal Amount	Maturity	Coupon Rate
Yuzhou Group Holdings Company Limited	Offshore senior notes	US\$562 million	6 years	6.35%
Yuzhou Group Holdings Company Limited	Offshore senior notes	US\$100 million	1 year	12%
Yuzhou Group Holdings Company Limited	Offshore senior notes	US\$200 million	1.75 years	9.95%
Yuzhou Group Holdings Company Limited	Offshore senior notes	US\$120 million	1 year	8.5%

## NET GEARING RATIO

As of 31 December 2021, the Group's net gearing ratio (calculated as the interest-bearing bank and other borrowings, corporate bonds and senior notes less cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months and then divided by total equity) was 94.37%.

As at 31 December 2021, the Group provided guarantees to banks amounting to RMB18,234.88 million (31 December 2020: RMB16,412.62 million) in respect of mortgage facilities granted to certain purchasers of the Group's properties. The amounts of guarantee to banks and other lenders by the Group in terms of facilities awarded to joint ventures and associates were RMB2,382.34 million (31 December 2020: RMB6,637.56 million) and RMB471.71 million (31 December 2020: RMB1,040.33 million), respectively.

## CURRENCY RISK

As of 31 December 2021, the Group had total borrowings, corporate bonds and senior notes of approximately RMB56,582.44 million, approximately 32.97% was denominated in RMB and 67.03% was denominated in Hong Kong dollars and United States dollars.

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

	<b>Bank and other borrowings, corporate bonds, and senior notes balance (RMB'000)</b>	<b>Cash balance* (RMB'000)</b>
HK\$	1,251,028	91,838
RMB	18,654,626	15,863,029
US\$	36,676,788	1,565,064
Total	<u>56,582,442</u>	<u>17,519,931</u>

\* Including restricted cash and non-pledged time deposits with original maturity of over three months

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

## **INFORMATION TECHNOLOGY SYSTEM**

With the rapid development of information technology, information-based development has become the foundation and premise of modern management. 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, in order to improve and strengthen information security and ensure operating efficiency and quality, the Group built a data center disaster-recovery system to simulate the operation of the response mechanism of system and data recovery in emergent situations, and implemented full application coverage of the security system. 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 (Point of Sale) 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 terms of supplier management and control, the Group relied on information-based means to improve the online management mechanism of suppliers, realize comprehensive evaluation and grading of suppliers, quickly support bidding and procurement management positions, and comprehensively and quickly understand the cooperation of suppliers. At the same time, the Group conducted regular online surveys on supplier satisfaction, and collected suppliers' suggestions on the bidding process to ensure a more comprehensive dimension of bidding and procurement. For core business, the Group has conducted strict system inspection and diagnosis for several times during the year to consolidate data and system governance, and actively improved its core competitiveness to win competitive advantage through information-based development.

## **HUMAN RESOURCES**

Yuzhou Group always adheres to the sage spirit of “King Yu tamed the flood and making desert an oasis”, and penetrates the core values of responsibility, pragmatism, coordination and win-win into every corner of corporate culture. During the year, the Department of Human Resources carried out a number of corporate culture work around staff activities, staff care and staff behavior norms. In addition, according to the standardized post allocation model, the Group further implemented the special work of optimizing and adjusting the talent structure, and established a full-value-chain and diversified incentive mechanism to improve the team's effectiveness under the guidance of promoting the realization of business objectives.

The Group has always attached great importance to staff care and growth. In terms of staff activities, the Group adheres to the people-oriented principle and effectively organized various recreational activities, in a bid to enrich staff's spare life, relieve their work pressure, awaken their vitality, and enable staff to enjoy their work and life with a relaxed and peaceful attitude. Amongst, Lantern Festival activities and birthday parties for staff were held in the first half of the year to enhance the cohesion of staff and the competitiveness of the Company, which fully mobilized the enthusiasm and creativity of staff, and promoted the long-term, sustainable and healthy development of the Company. In the second half of the year, the Group focused on the semi-annual league construction activity of middle-senior executives under the theme of “making concerted efforts with Yuzhou Group as a leader” and the Mid-Autumn Festival league construction and cake-making activities under the theme of “Brave and Fearless for Greater Ambition”.

In terms of staff training, the Group attaches great importance to talent training, and conducted training programs on leadership, management and generality for staff at different levels. In order to strengthen the communication between the Company and management trainees, the “Yu Talent Plan” Management Trainee Christmas Buffet was held on Christmas Eve. Meanwhile, guided by the talent echelon training system of Yuzhou Business School, the Group actively carried out the Company’s reserve talent training program, focusing on building Yuzhou talent supply chain. Amongst, the training activities such as “Yu Talent Plan” for new managers and “Yu Elite Plan” online training camp for middle managers not only effectively supported the Company’s business development, but also improved the comprehensive ability of staff, thus reserving excellent talents for the Company’s further development.

As of 31 December 2021, the Group had 7,295 staff in total (2020: 7,537).

#### **PAYMENT OF DIVIDEND**

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2021.

#### **SUFFICIENCY OF PUBLIC FLOAT**

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

#### **EVENTS AFTER THE REPORTING PERIOD**

Save as set out in note 13 to the consolidated financial statements of the Group above, there are no important events after the reporting period and up to the date of this announcement.

#### **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company will be held on 27 May 2022 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 24 May 2022 to 27 May 2022, 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 23 May 2022.

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

During the year, the Company redeemed in full the 7.90% senior notes and the 6.375% senior notes due 2021, which were listed on The Stock Exchange of Hong Kong Limited, at a redemption amount of US\$352,476,000 and US\$320,147,000 respectively, both representing 100% of both principal amounts plus accrued and unpaid interest.

During the year, the trustee of the Company's share award scheme (the "**Share Award Scheme**") purchased an aggregate of 5,300,000 Shares on The Stock Exchange of Hong Kong Limited in accordance with the terms of the trust deed under the Share Award Scheme for a total consideration of approximately HK\$13,286,489.

During the year, the Company purchased its 6% guaranteed senior notes due 2022 in the aggregate principal amount of US\$350 million in an aggregate of US\$10 million in the open market; and the Company purchased its 8.5% guaranteed senior notes due 2022 in the aggregate principal amount of US\$120 million in an aggregate of US\$5 million in the open market; and the Company purchased its 9.95% guaranteed senior notes due 2023 in the aggregate principal amount of US\$200 million in an aggregate of US\$21 million in the open market; and the Company purchased its 8.375% guaranteed senior notes due 2024 in the aggregate principal amount of US\$500 million in an aggregate of US\$3 million in the open market; and the Company purchased its 8.3% guaranteed senior notes due 2025 in the aggregate principal amount of US\$500 million in an aggregate of US\$14 million in the open market; and the Company purchased its 7.375% guaranteed senior notes due 2026 in the aggregate principal amount of US\$645 million in an aggregate of US\$8.5 million in the open market; and the Company purchased its 7.85% guaranteed senior notes due 2026 in the aggregate principal amount of US\$300 million in an aggregate of US\$5 million in the open market; and the Company purchased its 6.35% guaranteed senior notes due 2027 in the aggregate principal amount of US\$562 million in an aggregate of US\$5 million in the open market. The repurchased notes will be cancelled in accordance with their respective terms and indenture. For details of the repurchases, please refer to the announcements of the Company dated 31 March 2021, 1 April 2021, 8 July 2021, 9 July 2021, 12 July 2021, 13 July 2021, 13 August 2021 and 6 October 2021, respectively.

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 SECURITIES TRANSACTIONS**

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 2021.



## **CORPORATE GOVERNANCE**

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Group emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

During the year, the Group adopted, applied and complied with the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange except for the following deviation:

Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Lam Lung On has been assuming the roles of both the Chairman and the Chief Executive Officer of the Group since 1 January 2012. Although these two roles are performed by the same individual, certain responsibilities are shared with Executive Directors to balance power and authority. In addition, all major decisions are made in consultation with members of the Board as well as senior management. The Board has three Independent Non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that there are adequate balances of power and safeguards in place. The Board will review and monitor the situation on a regular basis and ensure that the present structure will not impair the balance of power in the Group.

## **SHARE OPTION SCHEME**

The Board announces that on 28 January 2021, the Company granted share options under its share option scheme adopted on 9 June 2020 to certain directors and employees of the Group which entitle the grantees to subscribe for an aggregate of 69,585,000 new shares of HK\$0.10 each in the share capital of the Company at an exercise price of HK\$2.774 per share.

## **REVIEW OF ACCOUNTS**

The Audit Committee of the Company has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2021.

## **SCOPE OF WORK OF UNITAX PRISM (HK) CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Company's auditor, UniTax Prism (HK) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on this preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

This results announcement is published on the website of the Company (<http://yuzhou-group.com/>) and the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 annual report of the Company will be despatched to the shareholders of the Company and be made available on the above websites in due course.

## **DEVELOPMENT STRATEGIES AND PROSPECTS**

Looking forward to 2022, the Central Economic Work Conference pointed out that “China’s economic development is facing triple pressures of demand contraction, supply shock and weakening expectation”, drawing a clear and accurate judgment on the current domestic economic situation. Under this economic situation, the conference clearly stated that the economic work in 2022 should focus on “stability” and “strive for progress while maintaining stability”. Under the general tone of “maintaining stability” in 2022, the state policy will continue to adhere to the stance that “houses are for living instead of speculation”, strengthen the guidance towards the expectation, explore new development models, give equal priority to rent and purchase, accelerate the development of long-term rental housing market, promote the construction of affordable housing, support the commercial housing market to better meet the reasonable housing needs of buyers, and facilitate the virtuous circle and healthy development of the real estate industry based on specific-to-city policies.

Government’s policies insist on “maintaining stability” and “houses are for living instead of speculation”, thus the industry will face demand contraction and increasingly obvious differentiation. In the year of industry change, we can survive by conforming to the general trend. Change requires persistent efforts. In the Bronze-like Age, when the profit rate has dropped sharply, we will implement more refined and precise management. After a great break, we will start from scratch instead of making minor repairs. Therefore, for 2022 rife with challenges and opportunities, Yuzhou Group will rely on its presence in and profound understanding of 1-and 2-tier major cities, to strive for long-term “survival” via a “small and beautiful” development trail, and earnestly achieve “three guarantees” (“guarantee delivery”, “guarantee sales”, “guarantee repayment”), “three stabilities” (stabilizing finance, cash collection and operation”).

**Guarantee delivery:** The Group will continue to implement a strict supervision system for construction progress to ensure that the sold property projects are delivered on schedule with good quality and quantity. On the one hand, it will fulfill the due obligations of real estate development enterprises, and on the other hand, it will ensure the annual revenue recognition and make the finance stable. **Guarantee sales:** Although the current sales environment is weak, the Group will continue to increase sales efforts, adopt all marketing strategies to promote sales, and require all marketing managers of groups, regions and companies to engage in the front line of sales of each project, in a view to identify problems in real time, and formulate marketing strategies. **Guaranteeing sales means guaranteeing cash collection,** and stable cash collection can ensure stable cash to pay debts. **Guarantee repayment:** The Group will continue to strive to find ways to realize cash inflow to meet the Company’s debt repayment obligations, including promoting sales, seeking debt refinancing, project sales, etc., so as to fulfill its debt repayment obligations and enable the Company to operate steadily.

## **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 Group Holdings Company Limited**  
**Lam Lung On**  
*Chairman*

Hong Kong, 31 March 2022

*As at the date of this announcement, the executive Directors are Mr. Lam Lung On (Chairman, J.P.), Ms. Kwok Ying Lan and Mr. Lin Conghui, the non-executive Director is Ms. Xie Mei, and the independent non-executive Directors are Mr. Lam Kwong Siu, Mr. Wee Henny Soon Chiang and Dr. Zhai Pu.*