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## **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)**

### **INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

#### **FINANCIAL HIGHLIGHTS**

1. Contracted sales achieved RMB42,851.15 million for the six-month period ended 30 June 2020, increased by 50.49% year on year, achieved 42.85% of the full year target.
2. Revenue increased by 20.36% from RMB11,637.43 million for the six-month period ended 30 June 2019 to RMB14,006.92 million for the six-month period ended 30 June 2020.
3. Profit for the period (excluding fair value gain on investment properties, net of deferred tax) increased by 4.97% from RMB1,470.48 million for the six-month period ended 30 June 2019 to RMB1,543.60 million for the six-month period ended 30 June 2020.
4. Interim dividend of HK12 cents per share for the six-month period ended 30 June 2020.
5. As at 30 June 2020, net gearing ratio was 63.72%, which was down by 1.92 percentage points as compared to that as of 31 December 2019, and weighted average funding cost was 7.22%.

The board of directors (the “Board”) of Yuzhou Group Holdings Company Limited (the “Company” or “Yuzhou Group”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six-month period ended 30 June 2020 (the “Period”).

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six-month period ended 30 June 2020*

		For the six-month period ended 30 June	
		2020	2019
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)
REVENUE	3	14,006,915	11,637,425
Cost of sales		(10,730,638)	(8,497,003)
Gross profit		3,276,277	3,140,422
Fair value gain on investment properties, net		9,414	582,189
Other income and gains	3	366,342	187,490
Selling and distribution expenses		(205,507)	(180,535)
Administrative expenses		(360,454)	(316,209)
Other expenses		(52,752)	(267,944)
Finance costs	5	(118,000)	(89,963)
Share of profits and losses of joint ventures		(143,123)	133,427
Share of profits and losses of associates		(32,719)	106,126
PROFIT BEFORE TAX	6	2,739,478	3,295,003
Income tax expense	7	(1,188,816)	(1,387,877)
PROFIT FOR THE PERIOD		1,550,662	1,907,126
Attributable to:			
Owners of the parent		1,019,367	1,639,117
Non-controlling interests		531,295	268,009
		1,550,662	1,907,126
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (RMB cents per share)	9	18.43	33.02
– Diluted (RMB cents per share)	9	18.36	32.80

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six-month period ended 30 June 2020*

	<b>For the six-month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
PROFIT FOR THE PERIOD	<b>1,550,662</b>	1,907,126
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u><b>386,306</b></u>	<u>(238,454)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><b>1,936,968</b></u>	<u>1,668,672</u>
Attributable to:		
Owners of the parent	<b>1,405,673</b>	1,400,663
Non-controlling interests	<u><b>531,295</b></u>	<u>268,009</u>
	<u><b>1,936,968</b></u>	<u>1,668,672</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 <b>RMB'000</b> (Unaudited)	31 December 2019 <b>RMB'000</b> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,221,889	2,802,912
Investment properties		13,084,042	12,864,131
Goodwill		661,058	724,147
Investment in joint ventures		3,674,706	4,471,802
Investment in associates		4,585,402	4,867,561
Deferred tax assets		1,124,653	907,607
Total non-current assets		26,351,750	26,638,160
<b>CURRENT ASSETS</b>			
Land held for property development for sale		3,057,314	2,813,172
Properties under development		32,417,580	25,054,430
Properties held for sale		25,077,742	21,220,032
Prepayments for acquisition of land		493,080	124,008
Prepayments, other receivables and other assets		35,650,368	33,744,638
Prepaid corporate income tax		876,144	388,019
Prepaid land appreciation tax		767,929	885,775
Derivative financial instruments		94,567	55,627
Restricted cash		2,307,124	1,866,122
Non-pledged time deposits with original maturity of over three months		5,713,723	5,189,418
Cash and cash equivalents		34,947,420	28,455,729
Total current assets		141,402,991	119,796,970
<b>CURRENT LIABILITIES</b>			
Contract liabilities		14,024,139	8,658,302
Trade payables	10	10,011,091	9,783,041
Other payables and accruals		41,392,389	36,090,052
Interest-bearing bank and other borrowings		8,833,086	7,612,774
Corporate bonds	11	8,000,000	6,000,000
Senior notes		5,417,230	1,658,842
Corporate income tax payables		2,310,221	2,819,745
Provision for land appreciation tax		1,773,996	2,228,566
Total current liabilities		91,762,152	74,851,322
NET CURRENT ASSETS		49,640,839	44,945,648
TOTAL ASSETS LESS CURRENT LIABILITIES		75,992,589	71,583,808

		<b>30 June 2020</b>	31 December 2019
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>10,314,281</b>	9,598,056
Corporate bonds	<i>11</i>	<b>1,500,000</b>	3,500,000
Senior notes		<b>29,963,661</b>	27,298,834
Deferred tax liabilities		<b>3,206,659</b>	2,459,289
		<hr/>	<hr/>
Total non-current liabilities		<b>44,984,601</b>	42,856,179
		<hr/>	<hr/>
Net assets		<b>31,007,988</b>	28,727,629
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>447,817</b>	447,146
Senior perpetual securities		<b>1,911,986</b>	1,911,986
Reserves		<b>20,613,027</b>	20,544,015
		<hr/>	<hr/>
		<b>22,972,830</b>	22,903,147
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>8,035,158</b>	5,824,482
		<hr/>	<hr/>
Total equity		<b>31,007,988</b>	28,727,629
		<hr/>	<hr/>

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group (the “interim financial information”) for the six-month period ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the “HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The Group has considered the Amendments to HKFRS 3 in the determination of a business for the acquisition of subsidiaries in the current period.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the Group's interim financial information.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. The amendments did not have any significant impact on the Group's interim financial information.

### 3. REVENUE, OTHER INCOME AND GAINS

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

	<b>For the six-month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Sales of properties	<b>13,614,149</b>	11,302,843
Rental income from investment properties	<b>97,229</b>	147,513
Property management fee income	<b>289,487</b>	178,518
Hotel operation income	<b>6,050</b>	8,551
	<b>14,006,915</b>	11,637,425
<b>Other income and gains</b>		
Bank interest income	<b>212,679</b>	140,494
Others	<b>153,663</b>	46,996
	<b>366,342</b>	187,490

#### 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.

##### For the six-month period ended 30 June 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>
(Unaudited)						
<b>Segment revenue:</b>						
Sales to external customers	13,614,149	97,229	289,487	6,050	–	14,006,915
Other revenue	37,113	805	816	4	523	39,261
Total	<u>13,651,262</u>	<u>98,034</u>	<u>290,303</u>	<u>6,054</u>	<u>523</u>	<u>14,046,176</u>
<b>Segment results</b>	<u>2,506,137</u>	<u>25,899</u>	<u>4,394</u>	<u>702</u>	<u>107,667</u>	<u>2,644,799</u>
<i>Reconciliation:</i>						
Interest income						212,679
Finance costs						(118,000)
Profit before tax						2,739,478
Income tax expense						(1,188,816)
Profit for the period						<u>1,550,662</u>



For the six-month period ended 30 June 2019

	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>
(Unaudited)						
<b>Segment revenue:</b>						
Sales to external customers	11,302,843	147,513	178,518	8,551	–	11,637,425
Other revenue	45,522	52	718	–	704	46,996
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Total	11,348,365	147,565	179,236	8,551	704	11,684,421
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Segment results</b>	2,683,393	587,248	(6,477)	7,088	(26,780)	3,244,472
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Reconciliation:</i>						
Interest income						140,494
Finance costs						(89,963)
						<hr/>
Profit before tax						3,295,003
Income tax expense						(1,387,877)
						<hr/>
Profit for the period						1,907,126
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### Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of this interim financial information.

### Information about a major customer

During the six-month periods ended 30 June 2020 and 2019, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six-month period ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans, other loans, corporate bonds and senior notes	<b>1,909,688</b>	1,638,737
Less: Interest capitalised	<b>(1,791,688)</b>	(1,548,774)
	<b>118,000</b>	89,963

## 6. PROFIT BEFORE TAX

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

	For the six-month period ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of properties sold	<b>10,422,499</b>	8,315,204
Cost of services provided	<b>308,139</b>	181,799
Depreciation	<b>41,594</b>	19,261
Fair value gain on derivative financial instruments, net	<b>(26,013)</b>	(20,590)
Realized gain on derivative financial instruments	<b>(33,483)</b>	–
Impairment of goodwill	–	187,321
Equity-settled share option expense	<b>7,884</b>	6,298
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<b>37,253</b>	31,546

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made for the period as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period (six-month period ended 30 June 2019: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for each of the six-month periods ended 30 June 2020 and 2019.

An analysis of the income tax charges for the period is as follows:

	<b>For the six-month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current:		
PRC corporate income tax		
Charge for the period	<b>656,970</b>	778,901
Overprovision in prior years	–	(141,009)
PRC land appreciation tax		
Charge for the period	<b>785,355</b>	856,408
Overprovision in prior years	–	(31,510)
	<b>1,442,325</b>	1,462,790
Deferred:		
Current period	<b>(253,509)</b>	(74,913)
Total tax charge for the period	<b>1,188,816</b>	1,387,877

## 8. INTERIM DIVIDEND

	<b>For the six-month period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interim dividend declared – HK12 cents (six-month period ended 30 June 2019: HK12 cents) per ordinary share	<b>560,884</b>	523,159
Special interim dividend declared – Nil (six-month period ended 30 June 2019: HK3 cents) per ordinary share	–	130,790
	<b>560,884</b>	653,949

The board of directors of the Company declared an interim dividend of HK12 cents per share (six-month period ended 30 June 2019: HK12 cents per share and a special interim dividend of HK3 cents per share) for the six-month period ended 30 June 2020. The interim dividend will be either payable in cash or, at the scrip option of the shareholders, in form of new fully paid scrip shares of the Company in lieu of cash, or partly in cash and partly in scrip shares.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the six-month period ended 30 June 2020 is based on the consolidated profit for the period attributable to owners of the parent, adjusted for the distribution related to senior perpetual securities, and the weighted average number of ordinary shares of 5,222,930,998 (six-month period ended 30 June 2019: 4,802,899,947) in issue during the period.

The calculation of the diluted earnings per share amount for the six-month period ended 30 June 2020 is based on the consolidated profit for the period attributable to owners of the parent, adjusted for the distribution related to senior perpetual securities, and the weighted average number of ordinary shares used in the calculation is the total of (i) the weighted average number of ordinary shares in issue during the period, 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:

	For the six-month period ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent	1,019,367	1,639,117
Distribution related to senior perpetual securities	(56,717)	(53,273)
	<u>962,650</u>	<u>1,585,844</u>
Profit used in the basic and diluted earnings per share calculations	<u>962,650</u>	<u>1,585,844</u>
	Number of shares For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	5,222,930,998	4,802,899,947
Effect of dilution – weighted average number of ordinary shares:		
Share options	19,417,144	31,947,568
	<u>19,417,144</u>	<u>31,947,568</u>
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	<u>5,242,348,142</u>	<u>4,834,847,515</u>

## 10. TRADE PAYABLES

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Due within 1 year or on demand	<b>8,688,158</b>	5,205,825
Due within 1 to 2 years	<b>1,322,933</b>	4,577,216
	<b><u>10,011,091</u></b>	<u>9,783,041</u>

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

## 11. CORPORATE BONDS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Corporate bonds due in 2020	<b>3,000,000</b>	3,000,000
Corporate bonds due in 2021	<b>3,000,000</b>	3,000,000
Corporate bonds due in 2024	<b>3,500,000</b>	3,500,000
	<b><u>9,500,000</u></b>	<u>9,500,000</u>
Portion classified as current liabilities	<b><u>(8,000,000)</u></b>	<u>(6,000,000)</u>
Non-current portion	<b><u>1,500,000</u></b>	<u>3,500,000</u>

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

- (i) RMB3,000,000,000 corporate bonds due in 2020 issued by a subsidiary of the Company in December 2015 (the "5.1% Corporate Bonds"). The 5.1% Corporate Bonds have a term of five years and bear interest at a rate of 5.1% per annum. The 5.1% Corporate Bonds are unsecured. In December 2018, the coupon rate is adjusted to 7.5% per annum. The 5.1% Corporate Bonds are classified as a current liability as at 30 June 2020 and 31 December 2019.
- (ii) RMB1,000,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in August 2018 (the "7.85% Corporate Bonds I"). The 7.85% Corporate Bonds I have a term of three years and bear interest at a rate of 7.85% per annum. The 7.85% Corporate Bonds I are unsecured. At the end of the first year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The coupon rate was adjusted to 6.98% in August 2019. The 7.85% Corporate Bonds I are classified as a current liability as at 30 June 2020 and 31 December 2019.

- (iii) 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. The coupon rate was adjusted to 6.98% in September 2019. The 7.8% Corporate Bonds are classified as a current liability as at 30 June 2020 and 31 December 2019.
- (iv) RMB800,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in September 2018 (the “7.85% Corporate Bonds II”). The 7.85% Corporate Bonds II have a term of three years and bear interest at a rate of 7.85% per annum. The 7.85% Corporate Bonds II are unsecured. At the end of the second year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 7.85% Corporate Bonds II are classified as a current liability as at 30 June 2020 and 31 December 2019.
- (v) 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 current liability as at 30 June 2020 and a non-current liability as at 31 December 2019.
- (vi) 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 Bond are classified as a non-current liability as at 30 June 2020 and 31 December 2019.

## 12. EVENTS AFTER THE REPORTING PERIOD

- (a) In July 2020, certain subsidiaries of the Company issued RMB1,043 million two-year asset-backed securities with deduction of certain percentage of upfront fee in the PRC. The asset-backed securities are backed by the right of receipt of the remaining sales proceeds of certain properties to be delivered from a variety of projects of the Group.
- (b) In July 2020, a subsidiary of the Company issued corporate bonds in the PRC with an aggregate principal amount of RMB1,500 million. The corporate Bonds have a term of five years and bear interest at a rate of 6.5% per annum. The 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.
- (c) In July 2020, a company jointly and equally owned by a joint venture of the Company and an independent third party entered into an amendment acquisition agreement with certain independent third parties for the acquisition of the entire equity interest in Hutchison Whampoa Properties (Chengdu) Limited which is principally engaged in the property development in Chengdu, the PRC, comprising residential and commercial units and carparks. The consideration for the acquisition is equal to the aggregate of US\$26,000,000 (approximately RMB181,007,000) and the net assets of the target companies. The acquisition was completed in July 2020.
- (d) In August 2020, the Company issued green senior notes with an aggregate principal amount of US\$300,000,000 (approximately RMB2,088,540,000) bearing interest at 7.85% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US\$296,000,000 (approximately RMB2,060,693,000). The senior notes will mature on 12 August 2026.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET AND BUSINESS REVIEW**

Over the first half of 2020, the COVID-19 epidemic brought a certain degree of shock to the national economy and the real estate sector. Accordingly, local governments adopted proactive measures to address such impact and city-specific policies to ensure stable development of the real estate market. The Two Sessions held in the first half of the year maintained its basic stance that “houses are for living instead of speculation” and “city-specific policies” for the real estate sector, as central and local governments offered lower interest rates and policy published for supply side to give support to the sector. In the Period, the People’s Bank Of China (“PBOC”) released approximately RMB1.75 trillion through reductions of the reserve requirement ratio for three times and Loan Prime Rate (“LPR”) twice. Nationwide, multiple regions properly loosened their pre-sale criteria and offered housing purchase subsidies as a strong gesture to support sales, to actively tap into the pent-up market demand contained by the epidemic.

In respect of development investment and sales support for the real estate sector nationwide, data from the National Bureau of Statistics indicated that total investment in real estate development amounted to RMB6.28 trillion in China for the first half of the year, representing a year-on-year increase of 1.9%. In particular, investment in residential property amounted to RMB4.64 trillion, representing a 2.6% year-on-year rise and accounting for 73.8% of the total investment in real estate development. Land transaction premium amounted to RMB403.6 billion, with a 5.9% increase. During the first half of 2020, the area of commodity housing sold was 694.04 million sq.m., representing a year-on-year decline of 8.4%, of which residential sales area and amount decreased by 7.6% and 2.8% respectively.

Benefiting from the policy support of the central and local governments for the real estate industry, the easy credit, regulation and optimization have gradually taken effect in various regions. Banks in tier-1 and tier-2 cities have adequate quotas for bank mortgage, resulting in stronger recovery of sales amount. In the Yangtze River Delta with key deployment by the Group, there has been a trend of rapid recovery. Cities including Shanghai, Nanjing, Suzhou and Hefei witnessed an obvious month-over-month increase in sales amount, and demands under pandemic situation for house purchase and upgrade were released.

### **Overall Performance**

During the Period, the revenue of the Group amounted to RMB14,006.92 million, representing a year-on-year increase of 20.36% from RMB11,637.43 million for the corresponding period of 2019. Gross profit was RMB3,276.28 million. Profit attributable to the owners of the parent was RMB1,019.37 million. Basic earnings per share were RMB18.43 cents.

## Sale of Properties

During the Period, the Group's revenue from property sales increased by 20.45% year-on-year to RMB13,614.15 million, accounting for 97.20% of the total revenue of the Group. The Group delivered total gross floor area ("GFA") of approximately 1,080,651 sq.m., representing an increase of 23.50% year-on-year. The increase of revenue from property sales was mainly attributable to the growth of delivered areas in the Period. The average selling price of the properties delivered and recognized as property sales in the first half of 2020 was RMB12,531 per sq.m..

By geographic distribution, Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region, Guangdong – Hong Kong – Macau Greater Bay Area (the "Greater Bay Area"), Southwest Region and Central China Region contributed 58.38%, 6.50%, 20.73%, 0.14%, 4.70% and 9.55% of the recognized revenue, respectively. Yangtze River Delta Region, in particular, stood as the principal contributor. Going forward, the Group will continue with its strategy of "Leading with Locality Development", facilitate synergetic development of various regions and inject more diversity into the revenue streams of the Group.

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

Name of regions	Amount (RMB'000)	Saleable GFA (sq.m.)	Average Selling Price (after tax) (RMB/sq.m.)
West Strait Economic Zone	880,609	68,206	12,911
Yangtze River Delta Region	7,905,533	634,835	12,453
Bohai Rim Region	2,807,615	235,261	11,934
Central China Region	1,292,227	80,645	16,024
Greater Bay Area	19,023	1,973	9,642
Southwest Region	636,209	59,731	10,651
Total sales recognized at a point of time	13,541,216	<u>1,080,651</u>	<u>12,531</u>
Total sales recognized over time	<u>72,933</u>		
Total sales of properties recognized	<u>13,614,149</u>		



The recognised sales and GFA sold of each region in the first half of 2019 are set out in the following table:

Name of regions	Amount (RMB'000)	Saleable GFA (sq.m.)	Average Selling Price (after tax) (RMB/sq.m.)
West Strait Economic Zone	3,847,128	384,487	10,006
Yangtze River Delta Region	7,098,577	474,166	14,971
Bohai Rim Region	57,915	10,261	5,644
Central China Region	37,519	2,154	17,418
Greater Bay Area	38,569	3,985	9,679
Total sales recognized at a point of time	11,079,708	875,053	12,662
Total sales recognized over time	223,135		
Total sales of properties recognized	11,302,843		

## CONTRACTED SALES

During the Period, the Group's accumulated contracted sales amounted to RMB42,851.15 million. The GFA of contracted sales amounted to 2,609,482 sq.m. and the contracted average selling price was approximately RMB16,421 per sq.m..

The Yangtze River Delta Region recorded contracted sales of RMB26,767.15 million in the first half of 2020, accounting for 62.47% of the Group's total contracted sales. Specifically, Hefei, Suzhou, Shanghai, Nanjing and Hangzhou constituted the core cities of our footprint in this region, contributing aggregate contracted sales of RMB21,441.14 million, which fully demonstrated the stellar performance of the Group's locality development strategy in the Yangtze River Delta Region.

Regardless of the epidemic ramifications, the Group realized robust growth in sales in Hefei by leveraging on product, brand and service advantages during the Period. The Group in Hefei ranked Number 1 amongst real estate developers by sales performance. According to JGS Real Estate DATA (金剛石房地產雲數據), the Group stood as the champion in the "gross sales amount and attributable sales" list of TOP20 commercial and residential sales (商品住宅銷售總額TOP20流量和權益榜單) and maintained its championship amongst local property developers in Hefei during the first half of the year, thanks to its projects such as Yuzhou Greentown Orchid Garden, Yuzhou Times Life Hight, Yuzhou The Splendid Era and Yuzhou Academical Spring in the city. This keenly manifests the fruitful achievements of the Group's locality development in Hefei for 14 years.

Suzhou was the second largest contributor of contracted sales in the Yangtze River Delta Region. The Group has established a successful presence with high-quality projects such as Yuzhou Honor Hill, Yuzhou Royale Aqua Mansion, Yuzhou Honor Promenade and Yuzhou Oak Manor, and it is expected to reach another milestone in terms of sales this year subsequent to the first ten billion achieved in previous year. Since April 2020, with the epidemic gradually under control in Mainland China and the continuous rollout of favorable policies, Suzhou ranked first nationwide in the city recoverability index with a rebounding local market, as indicated in the City Rankings of Real Estate Market Recoverability Index (《房地產市場復甦力指數城市排行榜》) released by research.ke.com (貝殼研究院).

The Group also performed well in Zhejiang province, securing its performance with Yuzhou Luna Sea Mansion in Ningbo and Yuzhou Majestic Mansion in Zhoushan. According to the data from CRIC (China Residence Information Circle), the Group ranked among top three in the local market of Zhoushan in units of contracted sales and GFA of contracted sales during the first half of 2020, which provided the optimum testimony for the Group's accurate footprint in Eastern China.

In Shanghai where one of dual headquarters of the Group is located, the Group has firmly established itself for 16 years. Presently, its comprehensive footprint covers Fengxian, Minhang, Qingpu and Chongming Districts of Shanghai, with premium projects launched such as Yuzhou Noble Mansion, Yuzhou Luxury Mansion, Yuzhou Jinmao Residence and Yuzhou Modern Mansion. This, together with meaningful execution of the strategic plan of "In-depth Cultivation", has delivered significant contracted sales to the Group. Besides, by leveraging on its research and judgement of urban development and land value in the local markets of Hangzhou and Nanjing in Yangtze River Delta Region, the Group made accurate moves to launch projects such as Yuzhou Polaris Mansion, Yuzhou Ease Mansion and Yuzhou Upper East Side Garden, all of which generated stable contracted sales for the Group.

During the Period, the West Strait Economic Zone also made considerable contribution to the Group's overall contracted sales, which amounted to RMB8,129.32 million and accounted for 18.97% of the overall contracted sales. In particular, Fuzhou and Xiamen were the two main contributors in terms of contracted sales in this area, while Quanzhou and Zhangzhou also recorded satisfied contracted sales amounts. The Group will keep strengthening its market position in West Strait Economic Zone and improving the market recognition to the Group's products in the future.

The Bohai Rim Region, as the third largest contributor of contracted sales, recorded RMB4,837.10 million in total contracted sales and accounted for 11.29% of the Group's contracted sales. Data from ReallyDT.com (銳理數據) indicated that Qingdao Yuzhou Langham Mansion ranked second in amount of contracted sales in west Jimo District in Qingdao during the first half of 2020. In the meantime, Yuzhou Langham projects ranked top at the local real estate market in three indicators, namely GFA of contracted sales, units of contracted sales and contracted sales amount, for the first four months of 2020. The Group presented Yuzhou Fengnan New Town, Yuzhou Phoenix Mansion and Yuzhou Phoenix Seal in Tangshan and Yuzhou Langham Bay in Beijing, Yuzhou Poetic Dwelling in Tianjin, which served as major contributors to its contracted sales in the Bohai Rim Region.

Capitalizing on the development opportunities in the Greater Bay Area, the Group established the other headquarter in Shenzhen under the dual headquarters strategy during the Period, coupled with a number of high-quality projects in Foshan, Zhongshan and Huizhou, all within the area. Among them, Foshan Yuzhou Langham Bay hit top performance in the GFA, amount and units of contracted sales in the local market during the first half of 2020. Going forward, the Group will keep expanding its land reserve and market share in this area.

During the Period, the Group's outstanding performance in various regions all testified to Yuzhou's style and philosophy of "In-depth Cultivation". In the days ahead, Yuzhou will remain committed to its spirit of "Building Cities with Heart, Building Homes with Love", striving to build comfortable houses for all its customers.

The contracted sales amount and GFA of each region in the first half of 2020 are set out in the following table:

<b>Name of regions</b>	<b>Amount of Contracted Sales (RMB'000)</b>	<b>GFA of Contracted Sales (sq.m.)</b>	<b>Average Contracted Selling Price (RMB/sq.m.)</b>
West Strait Economic Zone	8,129,324	579,963	14,017
Yangtze River Delta Region	26,767,150	1,484,573	18,030
Central China Region	1,701,961	151,201	11,256
Greater Bay Area	615,517	51,486	11,955
Southwest Region	800,096	69,178	11,566
Bohai Rim Region	4,837,104	273,081	17,713
<b>Total</b>	<b>42,851,152</b>	<b>2,609,482</b>	<b>16,421</b>

The contracted sales amount and GFA of each region in the first half of 2019 are set out in the following table:

<b>Name of regions</b>	<b>Amount of Contracted Sales (RMB'000)</b>	<b>GFA of Contracted Sales (sq.m.)</b>	<b>Average Contracted Selling Price (RMB/sq.m.)</b>
West Strait Economic Zone	4,322,032	284,190	15,208
Yangtze River Delta Region	19,659,501	1,154,883	17,023
Central China Region	2,383,273	188,039	12,674
Greater Bay Area	130,083	14,786	8,798
Southwest Region	605,046	72,214	8,379
Bohai Rim Region	1,373,825	138,901	9,891
<b>Total</b>	<b>28,473,760</b>	<b>1,853,013</b>	<b>15,366</b>

## **Investment Properties**

During the Period, the total income from investment properties of the Group was approximately RMB97.23 million, representing a decrease of approximately 34.09% year-on-year, mainly due to the reduction or exemption of the rental rate of commercial tenants during the pandemic strike.

As of June 30, 2020, Yuzhou Commercial Company (禹洲商業) has 37 projects in total, 26 projects under operation and 11 projects in preparation period, in Shenzhen, Shanghai, Hangzhou, Xiamen, Suzhou, Nanjing, Hefei, Wuhan and Quanzhou with a variety of commercial offerings covering shopping malls, office buildings and street malls. It has built an urban complex with an area of over 2 million sq.m. with over 1,000 cooperative brands and approximately 1,600 strategic alliance brands. During the severest pandemic strike at the beginning of year, Yuzhou Commercial Company shouldered its social responsibilities and took the initiative to reduce or exempt the rental rate of commercial tenants, in order to enhance people's livelihood and promote the development.

In recent years, Yuzhou Commercial Company has been actively exploring ways to make a breakthrough, improving users' experience and satisfying consumers' diversified demands with innovations in business type, model, design and capital. In terms of innovation in business type, Yuzhou Commercial Company explored the integration of all the online and offline channels to speed up the commercial development, centered on hot topics such as new business, new retail and consumption upgrade. In terms of model innovation, it initiated the model of shared office, and created the park-style commerce by integrating ecology and commerce. In terms of design innovation, it offers splendid shopping experience for consumers with smooth shopping route, internal space with visual impact and vivid display.

In future, Yuzhou Commercial Company will offer excellent service to commercial tenants and more comfortable and competitive shopping experience to customers following the "customer-oriented" principle and operation concept of "sound system, standardized management, flow-based operation and considerate service". Meanwhile, it has made great efforts to develop into a group with large scale and establish the most influential business operation team so as to become a leader in the commercial property sector.

## **HOTEL OPERATION**

Currently, the Group's hotel operations are constantly making achievements. As of June 30, 2020, Yuzhou Camelon Hotel Apartment and Yuzhou Wyndham Grand Plaza Royale Hotel located in Xiamen have been put into operation. During the Period, this segment contributed approximately RMB6.05 million to the Group's revenue. In addition, Camelon Hot Spring Hotel in Tong'an District of Xiamen, Camelon Business Hotel in Hui'an of Quanzhou, and hotels in Feidong of Hefei, Taizi Lake of Wuhan and Jinhui Area of Fengxian District, Shanghai were still under construction. Sticking to the service concept of "family-like service for you", the Group will bring the high-quality service experience to its customers.

## **Property Management**

During the Period, the Group recorded RMB289.49 million from property management fees with an increase of 62.16% as compared to the corresponding period of the previous year. As of June 30, 2020, driven by an increase in the delivered property area of the Group, it managed a total GFA of approximately 13 million sq.m. in Mainland China, contracted area of approximately 22 million sq.m., and served over 100,000 house owners across the country.

In the first half of the year, Yuzhou Management (禹洲物業) had sound development on the whole. It shouldered its social responsibility to prevent and fight against the pandemic with rapid response and scientific measures, which won the recognition among owners and social circles. Among them, Yuzhou Management won the praise of local governments in Hefei, Bengbu and Hangzhou, and also was honored with the title of “Good Faith AA-level Enterprise” by the Trade Association of Shanghai Property Management in Shanghai. In addition, Yuzhou Management won the honor of “2020 Top 100 Chinese Property Service Enterprise” from China Index Academy and continued to rank 36th due to its outstanding performance.

Moving forward with honor and staying true to the founding mission, Yuzhou Management will make great endeavor to guarantee the beautiful life of its house owners with more considerate and professional service.

## **PRODUCT LINES AND DESIGN**

With the concept of low-carbon, environmental protection and green development being paid more and more attention by the market, the Group increased green building and actively applied for green building label during the Period. Since 2020, the Group has raised the design requirements that all newly established residential projects should comply with the one-star green building label. The green construction plan of special residential projects covers both indoor and outdoor environments in an all-round way at the level of specific project design practice, and attaches great importance to creating integration of landscape and environment and overall greening.

Following the “customer-oriented” principle, the Group has constantly refined its products. By virtue of the Group’s resource-saving commitment throughout the lifetime of the buildings, Yuzhou Langham Mansion, as the benchmark building in Jimo District, Qingdao, was granted two-star green building certification during the Period, which demonstrated great recognition to the efforts of Yuzhou Langham Mansion to build green and cultural community as this certification representing the trend of state architectural design. In addition, Yuzhou Phoenix Mansion in Tangshan was honored with the “Honorable Brand Award” of “2019 Urban Real Estate Development Master Work in China in the 6th Annual Summit of Innovative Development of Chinese Enterprise & China Real Estate Huabiao Award with its outstanding product competitiveness and integration of modern design with traditional Chinese oriental esthetics, fully displaying the strong product capabilities of Yuzhou Group.

## Land Reserve

Adhering to its development strategy of “Leading with locality development” and following the development 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 bidding and auction, merger and acquisition in an active and cautious manner to grasp favorable opportunities, so as to steadily push forward its goal of “A Journey to 100 Billion”.

As of June 30, 2020, the Group had land reserves amounting to approximately 20.24 million sq.m. of aggregate salable GFA, with 167 projects located in 37 cities in the six metropolitan areas. The average land cost was approximately RMB6,642 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for its development over the next three to four years.

### SALEABLE GFA OF LAND RESERVES (SQ.M.)

(As at June 30, 2020)

Region	Number of projects	Area (sq.m.)	As of Total
<b>West Strait Economic Zone</b>			
Xiamen	27	1,169,703	5.8%
Fuzhou	8	413,980	2.0%
Quanzhou	3	682,956	3.4%
Longyan	1	21,013	0.1%
Zhangzhou	4	1,012,947	5.0%
Sub-total	43	3,300,599	16.3%
<b>Yangtze River Delta Region</b>			
Shanghai	14	928,446	4.6%
Nanjing	15	1,161,672	5.7%
Hangzhou	3	612,570	3.0%
Shaoxing	1	127,952	0.6%
Ningbo	2	109,298	0.5%
Suzhou	13	1,347,524	6.6%
Wuxi	3	539,754	2.7%
Changzhou	1	133,573	0.8%
Hefei	18	2,350,348	11.6%
Bengbu	1	506,362	2.5%
Bozhou	1	42,932	0.2%
Jinhua	2	177,920	0.9%
Yangzhou	4	743,400	3.7%
Zhoushan	1	153,423	0.8%
Xuzhou	1	203,588	1.0%
Sub-total	80	9,138,762	45.2%

Region	Number of projects	Area (sq.m.)	As of Total
<b>Bohai Rim Region</b>			
Beijing	2	117,434	0.6%
Tianjin	10	1,361,613	6.7%
Qingdao	4	335,777	1.7%
Shijiazhuang	1	41,572	0.2%
Tangshan	3	518,267	2.5%
Shenyang	2	1,978,609	9.8%
Sub-total	22	4,353,272	21.5%
<b>Central China Region</b>			
Wuhan	3	762,186	3.7%
Xinxiang	1	258,370	1.3%
Kaifeng	1	222,844	1.1%
Zhengzhou	2	237,475	1.2%
Sub-total	7	1,480,875	7.3%
<b>Greater Bay Area</b>			
Hong Kong	1	2,214	0.0%
Shenzhen	1	51,281	0.3%
Huizhou	2	434,314	2.1%
Foshan	5	541,237	2.7%
Zhongshan	1	271,502	1.3%
Sub-total	10	1,300,548	6.4%
<b>Southwest Region</b>			
Chongqing	3	592,383	2.9%
Chengdu	2	71,903	0.4%
Sub-total	5	664,286	3.3%
Total	167	20,238,342	100.0%

During the Period, in view of the land auction market, the Group, after thorough study and analysis, obtained 11 high-quality land parcels at attractive prices in Suzhou, Wuxi, Yangzhou, Changzhou, Chengdu, Hefei, Ningbo, Shaoxing and other cities through bidding and auction, merger and acquisition with a total GFA of approximately 1,369,190 sq.m.. The average land cost was approximately RMB12,945 per sq.m.. All the above new projects were located in tier-2 cities.



Particulars of these 11 new parcels of land as at 30 June 2020 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>					
Hefei	1	147,696	10.8%	731,080	6.3%
Suzhou	3	244,924	17.9%	1,488,762	12.7%
Wuxi	2	302,154	22.1%	4,035,515	34.6%
Changzhou	1	133,573	9.8%	837,900	7.2%
Ningbo	1	72,870	5.3%	1,003,420	8.6%
Yangzhou	1	300,466	21.9%	807,481	6.9%
Shaoxing	1	127,952	9.3%	2,628,800	22.5%
Sub-total	10	1,329,635	97.1%	11,532,958	98.8%
<b>Southwest Region</b>					
Chengdu	1	39,555	2.9%	143,980	1.2%
Sub-total	1	39,555	2.9%	143,980	1.2%
Total	11	1,369,190	100.0%	11,676,938	100.0%

## Revenue

The revenue of the Group mainly derived from four business categories, including property sales, rental of investment properties, property management and hotel operation. For the six-month period ended 30 June 2020, the total revenue of the Group was a record high RMB14,006.92 million, up by 20.36% 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 Period. Specifically, property sales revenue was approximately RMB13,614.15 million, up by 20.45% compared to the corresponding period last year, accounting for 97.20% of the total revenue; rental income from investment properties was approximately RMB97.23 million, down by 34.09% compared to the corresponding period last year; property management fee income was approximately RMB289.49 million, up by 62.16% compared to the corresponding period last year; and hotel operation income was approximately RMB6.05 million, down by 29.25% year-on-year.



## **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. For the six-month period ended 30 June 2020, the cost of sales of the Group was RMB10,730.64 million, up by 26.29% from RMB8,497.00 million for the corresponding period in 2019. The increase in the cost of sales was mainly due to the increase in GFA of properties delivered by the Group and release of fair value adjustments on properties upon delivery during the Period.

## **Gross Profit and Gross Profit Margin**

The gross profit of the Group was RMB3,276.28 million in the first half of 2020, gross profit margin was 23.4%. Included in cost of sales are release of fair value adjustments in an aggregate amount of RMB509.50 million on properties, located mainly in Wuhan, Suzhou, Qingdao and Hefei, delivered during the current period. Having excluded the above non-cash adjustments, the gross profit margin was 27.0%.

## **Fair Value Gain on Investment Properties**

During the first half of 2020, the Group recorded a fair value gain on investment properties of RMB9.41 million (first half of 2019: RMB582.19 million), representing a decrease of approximately 98.38% as compared to the corresponding period last year. The decrease was mainly attributable to the fair value gains arising from investment properties located in Hefei and Shanghai being partly offset by fair value losses incurred from investment properties located in Xiamen and Longyan.

## **Other Income and Gains**

Other income and gains increased by about 95.39% from RMB187.49 million in the first half of 2019 to RMB366.34 million in the first half of 2020. The increase in other income and gains was mainly due to an increase in bank interest income of the Group as a result of increase in average bank balance throughout the Period.

## **Selling and Distribution Expenses**

Selling and distribution expenses of the Group increased by 13.83% from approximately RMB180.54 million in the first half of 2019 to approximately RMB205.51 million in the first half of 2020, accounting for 0.48% (first half of 2019: 0.63%) of total contracted sales for the Period, and the decrease was mainly attributable to effective cost control measures taken by the Group.

## **Administrative Expenses**

Administrative expenses of the Group increased by 13.99% from approximately RMB316.21 million in the first half of 2019 to approximately RMB360.45 million in the first half of 2020, mainly due to the business expansion of the Group and the increase in number of staff. In the first half of 2020, the proportion of administrative expenses to total contracted sales for the Period was 0.84% (first half of 2019: 1.11%).

## **Other Expenses**

Other expenses decreased by 80.31% from approximately RMB267.94 million in the first half of 2019 to approximately RMB52.75 million in the first half of 2020, which was mainly due to no impairment on goodwill incurred (first half of 2019: RMB187.32 million) during the Period.

## **Finance Costs**

Finance costs of the Group increased by 31.17% from approximately RMB89.96 million in the first half of 2019 to approximately RMB118.00 million in the first half of 2020. The increase was mainly due to the increase in average balances of total borrowing.

## **Share of Profits and Losses of Joint Ventures**

Share of losses of joint ventures was approximately RMB143.12 million in the first half of 2020, as compared to a share of profits of approximately RMB133.43 million in the first half of 2019.

## **Share of Profits and Losses of Associates**

Share of losses of associates was approximately RMB32.72 million in the first half of 2020, as compared to a share of profits of approximately RMB106.13 million in the first half of 2019.

## **Income Tax**

Income tax of the Group decreased by 14.34% from approximately RMB1,387.88 million in the first half of 2019 to approximately RMB1,188.82 million in the first half of 2020. The decrease in income tax was mainly due to the decrease in profit during the Period.

## **Profit for the Period (excluding Fair Value Gain on Investment Properties, net of Deferred Tax)**

The profit for the Period (excluding fair value gain on investment properties, net of deferred tax) increased by 4.97% from approximately RMB1,470.48 million in the first half of 2019 to RMB1,543.60 million. The increase was mainly resulted from increase in revenue during the Period.

## **Profit Attributable to Non-controlling Interests**

The profit attributable to non-controlling interests increased from approximately RMB268.01 million in the first half of 2019 to RMB531.30 million. The increase was mainly due to the share of profit arising from certain non-wholly-owned projects in Zhoushan, Bozhou, Qingdao, Chongqing and Tianjin which delivered portion of presold properties during the Period.

## **Basic Earnings per Share**

For the Period, basic earnings per share were RMB18.43 cents.

## **Liquidity and Financial Resources**

During the Period, the Group successfully issued the six-year senior notes in an aggregate amount of US\$645 million with a coupon rate of 7.375% in January 2020 and the five-year senior notes in an aggregate amount of US\$400 million with a coupon rate of 7.70% in February 2020. As at 30 June 2020, the Group recorded a weighted average finance cost of 7.22%.

Details of new indebtedness:

Issuer	Type	Public/ Private	Carrying Amount	Maturity	Coupon Rate	Credit Rating
Yuzhou Group Holdings Company Limited	Offshore senior notes	Public	US\$645 million	Six years	7.375%	B1/BB- BB
Yuzhou Group Holdings Company Limited	Offshore senior notes	Public	US\$400 million	Five years	7.70%	B1/BB-

## **Borrowings**

As at 30 June 2020, the Group had total bank and other borrowings, corporate bonds and senior notes of RMB64,028.26 million, in aggregate, of which certain bank loans were secured by certain investment properties, properties held for sale, properties under development, other receivables, property, plant and equipment, bank deposits and equity interests in subsidiaries of the Group. Excluding a portion of the debt amounting to RMB1,301 million with interest portion borne by a cooperative partner, the total borrowing of the Group amounted to RMB62,727.26 million.

## Cash Position

As at 30 June 2020, the Group had RMB42,968.27 million of cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months, up by 21.00% from RMB35,511.27 million as at 31 December 2019, which was sufficient for covering short-term debts. The cash to short-term debts was 1.93 times.

## Net Gearing Ratio

As at 30 June 2020, the Group's net gearing ratio (calculated as the interest-bearing bank and other borrowings, corporate bonds and senior notes, excluding a portion of the debt amounting to RMB1,301 million with interest portion borne by a cooperative partner, less cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months and divided by total equity) was 63.72%.

## Currency Risk

As of 30 June 2020, the Group had total borrowings, corporate bonds and senior notes (excluding a portion of the debt amounting to RMB1,301 million with interest portion borne by a cooperative partner) of approximately RMB62,727.26 million, approximately 35.42% was denominated in Renminbi and 64.58% was denominated in Hong Kong dollars and United States dollars.

The proportions of bank and other borrowings, corporate bonds, senior notes (excluding a portion of the debt amounting to RMB1,301 million with interest portion borne by a cooperative partner) and a 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\$	1,396,446	29,817
RMB	22,216,015	34,397,009
US\$	39,114,797	8,541,390
Others	—	51
	<hr/>	<hr/>
Total	<u>62,727,258</u>	<u>42,968,267</u>

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

## **COMMITMENTS**

As of 30 June 2020, the Group had contracted commitments in respect of development expenditure on real estate of approximately RMB11,109.65 million.

## **CONTINGENT LIABILITIES**

The Group provides buy-back guarantees to banks that offer mortgages to properties buyers in Mainland China of the Group. As at 30 June 2020, outstanding buy-back guarantees amounted to RMB18,680.55 million. As at 30 June 2020, the Group also provided guarantees to bank and other lenders in connection with facilities granted to joint ventures and associates, which amounted to RMB7,356.70 million (31 December 2019: RMB10,020.3 million) and RMB583.49 million (31 December 2019: RMB2,398.29 million), respectively.

## **HUMAN RESOURCE**

With the rapid improvement of the Group's business and the nationwide footprint since 2020, the Group comprehensively optimized and improved the human resource system centered on "selection, cultivation, utilization and retention", and further optimized the talent recruitment and allotment based on the sales target of RMB100 billion and the latest outlook on talents and talent employment strategy. As at June 30, 2020, the Group had 6,913 staff in total.

During the Period, the Group implemented the strategic placement of Shanghai-Shenzhen dual headquarters. HR Center gathered the nationwide human resources through diversified recruitments, which promoted the overall allotment of talent teams and improved the brand influence of the Group in various regions. Meanwhile, the Group built the corporate culture with strong cohesion through various technical training and cultural activities. In terms of organization management, the Group keeps adjusting the organizational structuring with four base regions developed, i.e. East China, Jiangsu, Fujian and Southwest China. Meanwhile, the formal implementation of Project Management Office redefined the rights, responsibilities and benefits of front-line operation units, greatly arousing the vitality of employees.

Following the core values of "responsibility, practicability, synergy and win-win results", the Group will actively reserve talents in line with long-term strategic footprint, in order to provide powerful talent support for the realization of strategic target of "Leading with locality development".

## **INTERIM DIVIDEND**

The Board declared an interim dividend of HK12 cents per share of the Company for the six-month period ended 30 June 2020 to eligible shareholders of the Company (the “Eligible Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) on 25 September 2020 (the “Record Date”). The interim dividend will be payable in cash but Eligible Shareholders will have an option to receive the interim dividend in form of new fully paid shares of the Company (the “Scrip Shares”) in lieu of cash, or partly in cash and partly in Scrip Shares (the “Scrip Dividend Scheme”).

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

A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or around 21 October 2020. It is expected that the interim dividend warrants or share certificates for the Scrip Shares will be despatched to the Eligible Shareholders on or around 27 November 2020.

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

The register of members of the Company will be closed from 23 September 2020 to 25 September 2020 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch register of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens’ Road East, Wan Chai, Hong Kong, for registration not later than 4:30 pm on 22 September 2020.

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

During the Period, the Company redeemed in full the 5.5% senior notes due 2020, which were listed on The Stock Exchange of Hong Kong at a redemption amount of US\$205,438,000, representing 100% of its principal amount plus accrued and unpaid interest.

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

## **MODEL CODE FOR DIRECTORS’ SHARE DEALING**

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 Period.

## **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 emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders of the Company.

During the Period, the Group had 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 the following deviation:

Code provision A.2.1 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 the 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 would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Group.

## **SHARE OPTION SCHEME**

The Board announces that on 22 January 2020, the Company granted share options under its share option scheme adopted on 24 May 2010 to certain directors and employees of the Group which entitles the grantees to subscribe for an aggregate of 64,208,000 new shares of HK\$0.10 each in the share capital of the Company at the exercise price per share of HK\$4.274.

## **REVIEW OF ACCOUNTS**

The Audit Committee of the Company (the “Audit Committee”) consists of three independent non-executive directors, namely Mr. Lam Kwong Siu, Mr. Wee Henny Soon Chiang and Dr. Zhai Pu.

The Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2020.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Company (<http://www.yuzhou-group.com/>) and the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 interim report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.



## DEVELOPMENT STRATEGIES AND PROSPECTS

Looking forward to the second half of 2020, the macro economy will have sound development on the whole with the gradual control of pandemic. It is expected that the stable and loose macro environment will contribute to the development of real estate enterprises. The Central Government will adhere to the principle that “houses are for living instead of speculation” during the regulation of the real estate industry.

In terms of sales, the increased supply will continue to release the market demands and promote the recovery of sales. The Group will, in response to the market demands, continue to maintain stable quantity of house supply, and stably step towards the contracted sales target of RMB100 billion through sales window period and high-turnover strategy. In terms of land market, due to the moderate market response in the second half of the year, the Group will continue to absorb high-quality land reserve by diversified means, and keep the balance among scale, profit and leverage control to realize nationwide expansion and deepen the “Leading with Locality Development” strategy according to actual situations in the market.

The year of 2020 marks the decisive year on the Journey to 100 Billion contracted sales. In the second half of the year, the Group will firmly follow the operating principle of “Performance First, Efficiency First, Benefit First and Organization First” in active response to the national regulation policies and industrial competition pattern. In terms of business, all the centers and business lines of the Group will further strengthen the consciousness of responsibility and service, giving top priority to the “Performance First” principle, in order to realize the “pragmatic and highly efficient” objective, and promote the development of regional companies and city companies. All the regional companies and city companies will strictly control the cost and improve quality and efficiency following the “Performance-Oriented and Profit-Oriented” principle, in order to facilitate the achievement of the contracted sales target of RMB100 billion. As for organization and talent development, the Group will continue to actively mobilize the enthusiasm of managers and employees at various levels, promote the Group’s business development with positive performance management, and make concerted efforts with the Group to realize the contracted sales target of RMB100 billion.

Under the rapidly changing market environment, the Group will firmly grasp new opportunities, taking the initiative with social responsibility, hard working and renewed vigour and make unremitting endeavor to build an evergreen century-old enterprise.

By order of the Board  
**Yuzhou Group Holdings Company Limited**  
**Lam Lung On**  
*Chairman*

Hong Kong, 24 August 2020

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