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 2020

FINANCIAL HIGHLIGHTS

1. Contracted sales reached record high. 2020 contracted sales were up by 39.74% year-on-year to RMB104,967.11 million.

2. Profit for the year decreased by 94.25% year-on-year to approximately RMB228.23 million in 2020.

3. Proposed final dividend of HK21.5 cents per share in aggregate with the interim dividend of HK12 cents per share, total dividend for 2020 is HK33.5 cents per share.

4. Cash and bank balances (including restricted cash) amounted to RMB34,468.82 million which decreased by 2.94% year-on-year.

5. Average finance cost as at 31 December 2020 was 7.19%, which was down by 0.03 percentage point compared with that of 2020 interim.

6. The net gearing ratio in 2020 of the Group was 85.80%, which was increased by 15.63 percentage points compared with that of 2019.

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**") for the year ended 31 December 2020, 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 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*2*	**10,411,604**	23,240,705
Cost of sales		**(9,931,691)**	(17,148,995)
Gross profit		**479,913**	6,091,710
Fair value gain on investment properties, net		**387,260**	600,546
Other income and gains	*2*	**715,235**	2,167,688
Selling and distribution expenses		**(428,036)**	(659,594)
Administrative expenses		**(803,737)**	(1,090,645)
Other expenses		**(309,615)**	(310,739)
Finance costs – interest expenses	*4*	**(124,281)**	(181,601)
Finance costs – loss on early redemption of senior notes		**–**	(178,744)
Share of profits and losses of joint ventures		**206,889**	(63,489)
Share of profits and losses of associates		**23,371**	229,369
PROFIT BEFORE TAX	*5*	**146,999**	6,604,501
Income tax credit/(expense)	*6*	**81,231**	(2,637,705)
PROFIT FOR THE YEAR		**228,230**	3,966,796
Attributable to:			
Owners of the parent		**116,992**	3,605,776
Non-controlling interests		**111,238**	361,020
		228,230	3,966,796
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic *(RMB cents per share)*		**0.09**	71.13
– Diluted *(RMB cents per share)*		**0.09**	70.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
PROFIT FOR THE YEAR	**228,230**	3,966,796
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods –		
Exchange differences on translation of foreign operations	**1,866,802**	289,672
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods –		
Gain on property revaluation	**445,963**	–
Income tax effect	**(111,491)**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**334,472**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,429,504**	4,256,468
Attributable to:		
Owners of the parent	**2,318,266**	3,895,448
Non-controlling interests	**111,238**	361,020
	2,429,504	4,256,468

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,548,612**	2,802,912
Investment properties		**14,627,949**	12,864,131
Land held for property development for sale		**1,401,811**	–
Goodwill		**741,202**	724,147
Investments in joint ventures		**4,478,206**	4,471,802
Investments in associates		**5,657,286**	4,867,561
Financial assets at fair value through profit or loss		**661,492**	–
Deferred tax assets		**848,469**	907,607
Total non-current assets		**30,965,027**	26,638,160
CURRENT ASSETS			
Land held for property development for sale		**4,407,408**	2,813,172
Properties under development		**43,399,851**	25,054,430
Properties held for sale		**23,739,481**	21,220,032
Prepayments for acquisition of land		**912,000**	124,008
Prepayments, other receivables and other assets		**38,020,675**	33,744,638
Prepaid corporate income tax		**819,501**	388,019
Prepaid land appreciation tax		**1,465,298**	885,775
Derivative financial instruments		**–**	55,627
Restricted cash		**2,743,227**	1,866,122
Non-pledged time deposits with original maturity of over three months		**8,139,087**	5,189,418
Cash and cash equivalents		**23,586,502**	28,455,729
Total current assets		**147,233,030**	119,796,970
CURRENT LIABILITIES			
Contract liabilities		**22,825,634**	8,658,302
Trade payables	*9*	**8,850,899**	9,783,041
Other payables and accruals		**40,413,832**	36,090,052
Derivative financial instruments		**67,905**	–
Corporate bonds	*10*	**5,000,000**	6,000,000
Senior notes		**4,650,232**	1,658,842
Interest-bearing bank and other borrowings		**9,233,514**	7,612,774
Corporate income tax payables		**2,029,335**	2,819,745
Provision for land appreciation tax		**1,944,232**	2,228,566
Total current liabilities		**95,015,583**	74,851,322
NET CURRENT ASSETS		**52,217,447**	44,945,648
TOTAL ASSETS LESS CURRENT LIABILITIES		**83,182,474**	71,583,808

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2020

	Note	**2020** *RMB'000*	2019 *RMB'000*
NON-CURRENT LIABILITIES			
Derivative financial instruments		**19,831**	–
Interest-bearing bank and other borrowings		**10,851,905**	9,598,056
Corporate bonds	*10*	**4,500,000**	3,500,000
Senior notes		**29,664,057**	27,298,834
Deferred tax liabilities		**3,843,751**	2,459,289
Total non-current liabilities		**48,879,544**	42,856,179
Net assets		**34,302,930**	28,727,629
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**489,142**	447,146
Senior perpetual securities		**1,911,986**	1,911,986
Reserves		**22,228,346**	20,544,015
		24,629,474	22,903,147
Non-controlling interests		**9,673,456**	5,824,482
Total equity		**34,302,930**	28,727,629

Notes:

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements:

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material of 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 statement. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any impact on the financial position or performance of the Group.

2. REVENUE, OTHER INCOME AND GAINS

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

	2020	2019
	RMB'000	*RMB'000*
Revenue		
Revenue from contracts with customers		
Sale of properties	**9,738,621**	22,470,173
Property management fee income	**397,593**	447,673
Hotel operation income	**13,976**	17,721
Revenue from other sources		
Rental income from investment properties	**261,414**	305,138
	10,411,604	23,240,705
Other income and gains		
Bank interest income	**540,503**	385,481
Gain on disposal and deemed disposal of subsidiaries upon loss of control	**2,372**	1,400,044
Gain on bargain purchase of subsidiaries	**2,292**	255,794
Exchange differences, net	**46,561**	–
Others	**123,507**	126,369
	715,235	2,167,688

3. 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 2020

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue						
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
Total	9,905,233	262,448	403,314	14,272	1,069	10,586,336
Segment results	(627,386)	259,154	112,619	(36,070)	22,460	(269,223)
Reconciliation:						
Interest income						540,503
Finance costs – interest expenses						(124,281)
Profit before tax						146,999
Income tax credit						81,231
Profit for the year						228,230
Other segment information:						
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
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.*

Year ended 31 December 2019

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue						
Sales to external customers	22,470,173	305,138	447,673	17,721	–	23,240,705
Other income and gains	1,756,381	241	6,109	219	19,257	1,782,207
Total	24,226,554	305,379	453,782	17,940	19,257	25,022,912
Segment results	5,950,561	592,428	(3,685)	(13,755)	53,816	6,579,365
Reconciliation:						
Interest income						385,481
Finance costs – interest expenses						(181,601)
Finance costs – loss on early redemption of senior notes						(178,744)
Profit before tax						6,604,501
Income tax						(2,637,705)
Profit for the year						3,966,796
Other segment information:						
Depreciation	45,498	21,627	1,790	3,139	11,134	83,188
Capital expenditure*	21,152	1,311,088	2,558	478	1,478,632	2,813,908
Fair value gain on investment properties, net	–	600,546	–	–	–	600,546
Share of profits and losses of joint ventures	(63,489)	–	–	–	–	(63,489)
Share of profits and losses of associates	229,369	–	–	–	–	229,369
Investments in joint ventures	4,471,802	–	–	–	–	4,471,802
Investments in associates	4,867,561	–	–	–	–	4,867,561

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

4. FINANCE COSTS – INTEREST EXPENSES

An analysis of finance costs – interest expenses is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans, other loans, corporate bonds and senior notes	**5,170,018**	4,338,458
Less: Interest capitalised	**(5,045,737)**	(4,156,857)
	124,281	181,601

5. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of properties sold	**9,289,443**	16,631,223
Cost of services provided	**642,248**	517,772
Depreciation	**74,021**	83,188
Gain on disposal and deemed disposal of subsidiaries upon loss of control	**(2,372)**	(1,400,044)
Fair value loss on derivative financial instruments, net*	**159,514**	–
Realized loss on derivative financial instruments*	**–**	399
Impairment of goodwill*	**57,560**	189,292

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

6. 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:

	2020	2019
	RMB'000	*RMB'000*
Current:		
PRC corporate income tax		
– Charge for the year	**270,625**	1,553,096
– Overprovision in prior years	**(442,252)**	–
PRC land appreciation tax	**314,582**	1,342,691
	142,955	2,895,787
Deferred:		
Current year	**(224,186)**	(258,082)
Total tax (credit)/charge for the year	**(81,231)**	2,637,705

7. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Interim – HK12 cents (2019: HK12 cents) per ordinary share	**560,884**	523,159
Special interim – Nil (2019: HK3 cents) per ordinary share	**–**	130,790
Second interim – Nil (2019: HK21 cents) per ordinary share	**–**	980,294
Second special interim – Nil (2019: HK4 cents) per ordinary share	**–**	186,723
Proposed final – HK21.5 cents (2019: Nil) per ordinary share	**1,030,947**	–
	1,591,831	1,820,966

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final dividend will be payable in form of new fully paid scrip shares of the Company in lieu of cash.

8. 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 2020 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 5,383,935,586 (2019: 4,913,323,081) in issue less the weighted average number of shares of 316,383 (2019: Nil) 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:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent	**116,992**	3,605,776
Distribution related to senior perpetual securities	**(112,324)**	(110,743)
Profit used in the basic and diluted earnings per share calculations	**4,668**	3,495,033

	Number of shares 2020	Number of shares 2019
Shares		
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	**5,383,619,203**	4,913,323,081
Effect of dilution of share options – weighted average number of ordinary shares	**16,086,497**	25,435,416
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**5,399,705,700**	4,938,758,497

9. 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:

	2020 ***RMB'000***	2019 *RMB'000*
Due within 1 year or on demand	**5,119,825**	5,205,825
Due within 1 to 2 years	**3,731,074**	4,577,216
	8,850,899	9,783,041

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

10. CORPORATE BONDS

	2020 ***RMB'000***	2019 *RMB'000*
Corporate bonds due in 2020	**–**	3,000,000
Corporate bonds due in 2021	**3,000,000**	3,000,000
Corporate bonds due in 2024	**3,500,000**	3,500,000
Corporate bonds due in 2025	**3,000,000**	–
	9,500,000	9,500,000
Portion classified as current liabilities	**(5,000,000)**	(6,000,000)
Non-current liabilities	**4,500,000**	3,500,000

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

(i) RMB3,000,000,000 corporate bonds due in 2020 issued by a subsidiary of the Company in December 2015 (the "**5.1% Corporate Bonds**"). The 5.1% Corporate Bonds have a term of five years and bear interest at a rate of 5.1% per annum. The 5.1% Corporate Bonds are unsecured. In December 2018, the coupon rate is adjusted to 7.5% per annum. During the year, the Group has fully repaid the corporate bonds.

(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 and second year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. In August 2019, the coupon rate is adjusted to 6.98% per annum. In August 2020, the coupon rate is adjusted to 5.98% per annum. The 7.85% Corporate Bonds I are classified as a current liability as at 31 December 2020.

(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. In September 2019, the coupon rate is adjusted to 6.98% per annum. In September 2020, the coupon rate is adjusted to 5.98% per annum. The 7.8% Corporate Bonds are classified as a current liability as at 31 December 2020.

(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. In September 2020, the coupon rate is adjusted to 5.98% per annum. The 7.85% Corporate Bonds II are classified as a current liability as at 31 December 2020.

(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 31 December 2020.

(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 Bonds are classified as 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 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 non-current liability as at 31 December 2020.

(viii) 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 non-current liability as at 31 December 2020.

11. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2021, the Company granted 69,585,000 share options with an exercise price of HK$2.774 per share under its share option scheme to certain directors of the Company and employees of the Group.

(b) On 13 January 2021, the Company issued six-year senior notes with an aggregate principal amount of US$562,000,000 (approximately RMB3,635,232,000) bearing interest at 6.35% per annum. The net proceeds, after deducting the issuance costs, amounted to approximately US$557,947,000 (approximately RMB3,609,016,000). The senior notes will mature on 13 January 2027.

(c) On 23 February 2021, the Company entered into a facility agreement with a group of financial institutions whereby a United States dollar term loan facility in the amount of US$238,500,000 (approximately RMB1,542,861,000) and a Hong Kong dollar term loan facility in the amount of HK$234,000,000 (approximately RMB195,229,000) have been granted to the Company for a term of 42 months from the date of the facility agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In 2020, the overall sales volume and turnover of China's real estate market were affected by the COVID-19 epidemic, and the trading of real estate even came to a sudden halt at the beginning of the year. With the active deployment of the state and governments at all levels, the efforts of the people all over the country to actively fight against the epidemic have laid a solid foundation for the orderly resumption of work and production since the second quarter. The market has gradually recovered and the demand suppressed by the epidemic has also steadily revived. At the same time, in active response to the unified deployment of the state, local governments have implemented city-specific policies and introduced preferential policies such as talent settlement policy, which has further boosted the recovery of market sentiment.

In 2020, the outbreak of the COVID-19 epidemic has had a significant impact on China's economic development. In the face of the epidemic, on the one hand, the state has made nationwide efforts to assist disaster-stricken areas and rescue people suffering from epidemic, which kept the large-scale outbreak of the epidemic under control. At the same time, the joint prevention and control mechanism against the epidemic were established and implemented, which effectively supported the recovery of the domestic market; on the other hand, in the face of downward economic pressure, the Central People's Government of the People's Republic of China (the "**Central Government**") has emphasized that the fiscal policy should be more proactive and the prudent monetary policy should be more flexible and moderate so as to ensure ample liquidity. In terms of the real estate market in 2020, the Central Government continued to adhere to the policy keynote of "houses are for living instead of speculation" and repeatedly stressed that real estate shall not be used as a short-term stimulus to the economy, and that land prices, housing prices and expectations should be kept stable to ensure the steady and healthy development of the real estate market. The Central Government attaches great importance to real estate financial risks, adheres to the principle that "houses are for living", maintains the continuity, consistency and stability of real estate financial policies, and strengthens the long-term management system of real estate finance.

With the "one city, one policy" regulation becoming the new normal of the real estate market, the differentiation of cities in different tiers has intensified. In 2020, city-specific policies from local governments showed a trend of loosening first and then tightening due to market conditions. Affected by the epidemic in the first half of the year, local governments flexibly controlled and introduced supportive policies from both ends of supply and demand to promote the steady recovery of the industry. In the second half of the year, several local governments upgraded their property market regulation to ensure the overall stability of the market, and the overall tone of city-specific policies was moderate throughout the year. In terms of cities of different tiers, tier-1 and tier-2 cities showed strong resilience under the epidemic. After the resumption of work and production, the market recovered rapidly, especially in tier-1 and tier-2 cities in the Yangtze River Delta Region and the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"). Most of these cities achieved positive growth in terms of sales volume throughout the year; in tier-3 and tier-4 cities, by contrast, sales volume has declined, both volume and price have dropped, and the cooling of the real estate market becomes more obvious with significant pressure of de-inventory. In terms of land market, in order to alleviate the negative impact of the epidemic on the economic development in 2020, most cities have increased the supply of high-quality land in the second quarter, and the land market has recovered as a result. However, with the "Three Red Lines" policy's precise regulation on the financing side in the second half of the year, the popularity of the land market has declined, showing a low operating status in the fourth quarter. The overall land market transactions of the whole year increased slightly compared with that of 2019, and the average land price recorded a new high under the influence of increased supply in popular cities.

Amidst the slowing growth of the industry, the rising price of the land bidding and auction in the public market, the further refining and tightening of domestic and foreign financing, and the guidance of the "Three Red Lines" policy on financing and liabilities of real estate enterprises, a new round of restructuring of the real estate market will be accelerated, and higher requirements are imposed for real estate enterprises to strengthen their internal control and operation. Large-scale real estate enterprises paid more attention to refined operation, risk management and improvement of product quality while expanding their scale, achieving qualitative and quantitative development by continuously meeting more and more customers' needs for improved quality.

Overall Performance

During the year, the revenue of the Group amounted to RMB10,411.60 million. The profit for the year was RMB228.23 million. The total equity increased by 19.41% to RMB34,302.93 million. The Board of Directors proposed the final dividend of HK21.5 cents per share for the year ended 31 December 2020.

Sale of Properties

During the year, the Group's revenue from property sales was RMB9,738.62 million, accounting for 93.54% of the total revenue of the Group. The Group delivered a total gross floor area (GFA) of approximately 831,564 sq.m.. The average selling price of the properties delivered and recognized as property sales in 2020 was RMB11,711 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 and the Greater Bay Area, which contributed 66.64%, 19.39%, 13.54% and 0.43% of the recognized revenue, respectively. Among them, the Yangtze River Delta Region still played a major part on the overall recognized revenue contribution. As the further implementation of the strategy of "Locality Development" in the future, the Group believes that cities contributing revenue stream will be more diversified, which will bring more recognized revenue from property sales to the Group.

The recognized sales and GFA sold of each region in 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	1,888,063	131,550	14,352
Yangtze River Delta Region	6,489,375	601,872	10,782
Central China Region	1,318,715	92,968	14,185
Greater Bay Area	42,468	5,174	8,208
Total sales recognized at a point of time	9,738,621	831,564	11,711
Total sales recognized over time	–		
Total sales of properties recognized	9,738,621		

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

Name of regions	Amount *(RMB'000)*	Saleable GFA *(sq.m.)*	Average Selling Price (after tax) *(RMB/sq.m.)*
West Strait Economic Zone	5,912,822	516,972	11,437
Yangtze River Delta Region	14,671,431	1,025,304	14,309
Bohai Rim Region	1,494,903	217,216	6,882
Southwest Region	229,142	40,350	5,679
Greater Bay Area	90,649	8,505	10,658
Total sales recognized at a point of time	22,398,947	1,808,347	12,386
Total sales recognized over time	71,226		
Total sales of properties recognized	22,470,173		

Contracted Sales

As of 31 December 2020, the Group's accumulated contracted sales amounted to approximately RMB104,967.11 million, representing a year-on-year increase of 39.74%. The GFA of contracted sales amounted to 6,264,616 sq.m. and the contracted average selling price was approximately RMB16,756 per sq.m., increased by 10.90% year-on-year.

In 2020, despite the negative impacts that the COVID-19 epidemic has brought to the real estate market in China, and temporary suspension of real estate sales during the first quarter, resumption of work and production in China since the second quarter has laid a solid foundation for the recovery of real estate sales, and demands for house purchase suppressed by the epidemic have been released gradually as a result of rapid control of the epidemic nationwide and the implementation of the joint prevention and control mechanism. Throughout the year, thanks to the positive response and rapid decision-making of Yuzhou Group for the unexpected events and adjustment of certain saleable resources at the beginning of the year, we seized the trend of the market recovery in tier-1 and tier-2 core cities, so as to embrace a brighter future, and finally achieved the contracted sales target of RMB100 billion. Benefited from economic development, population inflow, as well as better infrastructure and medical resources in the Yangtze River Delta Region, the region kept the strongest recovery trend after the resumption of work and production, and remained a main force of contracted sales of Yuzhou with the total contracted sales of RMB64,641.47 million, accounting for 61.58% of the Group's total contracted sales. Amongst, Suzhou, Hefei, Nanjing, Shanghai, Hangzhou, Ningbo and Wuxi were major contributors to the contracted sales in the Yangtze River Delta Region. During the year, numerous of new projects were launched one after another, most of which were sold out upon initial launch. Both the visit rate and the subscription rate recorded excellent performance, demonstrating that the Group's strategy of deep cultivation in key cities in the Yangtze River Delta Region is extremely forward-looking.

The year 2020 marked the 4th year of the Group's entry into Suzhou market. In view of the fact that the Suzhou Branch stood out in 2019 and achieved a sales performance of more than RMB10 billion in a single year, the Group has become one of the most eye-catching stars of real estate enterprises in the Suzhou market, and Suzhou Branch also meets the requirements of the Group for the establishment of a regional company. At the beginning of the year, the Group established a regional company in Jiangsu with Suzhou as the core in order to better manage the work in the region. Under the continuous drive of outstanding projects, the Group continued to develop benchmark projects with regional influence in the Suzhou market during the year, such as Yuzhou Oak Manor, Yuzhou Genius Leading, Yuzhou Galaxy Four Season, etc.. Amongst, as a benchmark product that lays out the high-end market in Suzhou and integrates ancient ideas into design, Yuzhou Genius Leading awarded the "The Best Pre-sale Property of the Year in the 15th Kinpan Award in South Jiangsu", "TOP 5 of China's Real Estate Landscape in 2020", "Meishang Award – Architectural Design Award" and "LONDON Design Awards 2020 Nomination Award" upon its initial launch. Yuzhou's high-end design products are fully demonstrated through Yuzhou Genius Leading. As the Yuzhou brand continues to attract attention in the Jiangsu market, in the future, Yuzhou is expected to further consolidate its existing advantages in the market, strengthen the depth and breadth of development, and realize a scale effect driven by the product and enhanced brand power promoted by scale advantages.

The Group has been developing its presence in Hefei for fourteen years, and expects to make a great breakthrough after 14 years' hard work. As one of the first national real estate enterprises to tap into the Hefei market, Yuzhou has always adhered to the philosophy of "Building Cities with Heart, Building Homes with Love" and continues to develop Hefei market to attract local customers with outstanding products and services. During the year, Yuzhou achieved great milestone through in-depth development. Yuzhou's total amounts of contracted sales and GFA have been ranked first in the Hefei market for twelve consecutive months since January 2020, becoming a well-deserved "industry leader" in the Hefei market. A new batch of projects such as Yuzhou Orchid Garden, Yuzhou Times Life Hight, Yuzhou The Splendid Era, Yuzhou Town of Sky and Yuzhou Honor Orient, have become celebrity products in the Hefei market with excellent product design, interactive community experience, and creative children's theme park – Little Yu（小禹兒）Theme Park. Amongst, Yuzhou Town of Sky, as Yuzhou's first industrial-city cooperation project, was launched initially in the middle of the year and was sold out within one day. The subsequent additional launches were also continuing in popularity and were sold out again. Yuzhou Town of Sky also successfully awarded the "The Best Pre-sale Property in the Kinpan Award in Anhui and Jiangxi Province", and the industrial-city cooperative development model has achieved great success. During the year, Hefei Branch continued to make contributions with its contracted sales exceeding RMB10 billion, becoming another branch with contracted sales achieving over RMB10 billion within a single-year in Yuzhou Group after the Suzhou Branch.

In addition, other popular cities in the Yangtze River Delta Region such as Shanghai, Nanjing, Hangzhou and Yangzhou have also continued to make new achievements through continuous additional launches. Relying on years of deep cultivation in local markets, each of Shanghai and Nanjing is expected to become the next single city branch with a sales volume of over RMB10 billion in the future. During the year, popular cities such as Wuxi, Changzhou and Ningbo, which the Group has just entered, made a contribution to contracted sales for the first time, further strengthening the strategic layout of the Group in key tier-2 cities in the Yangtze River Delta Region. In the future, the Group will continue to take root in the cities and embrace the markets in the Yangtze River Delta Region, and be committed to continuously creating comfortable urban living spaces for customers with highly competitive services.

As West Strait Economic Zone being the cradle of the Group's business, the Group continuously consolidated the foundation for its business development in this region, which contributed RMB19,671.33 million to the Group's contracted sales during the year, accounting for 18.74% of the total contracted sales.

The contracted sales of the Bohai Rim Region amounted to RMB11,753.86 million, accounting for 11.20% of the total contracted sales. After several years of market research and layout, the Group has entered the markets in key tier-1 and tier-2 cities of the Bohai Rim Region such as Beijing, Tianjin, Shijiazhuang, Tangshan, Qingdao and Shenyang. Among them, the performance of many projects in Qingdao is outstanding and they have become famous projects with local influence on social media. By virtue of wonderful design, Yuzhou Langham Mansion won several international awards including "Gold Award of Architecture of A DESIGN AWARD of Italy", "ICONIC AWARDS 2020 of Germany: Iconic Innovative Architectural Design Award", "OUTSTANDING PROPERTY AWARD LONDON", quickly showing Yuzhou's design capability to the Bohai Rim Region. In the future, the Group will continue to further develop and fully capture the market opportunities in the advantageous cities it has entered in the region, to optimize multiple business lines such as customer research, investment, marketing and property management, so as to make steady progress and create further achievements.

The Group has maintained a positive growth trend since its entry into Central China Region. Although Wuhan, as a leading city in Central China Region, was greatly affected by COVID-19 epidemic in 2020, with the continuous support from the Central Government and society, Wuhan's economy is recovering rapidly. During the year, the overall contracted sales of the Group from Central China Region amounted to RMB3,529.56 million, accounting for 3.36% of the total contracted sales of the Group.

In addition, the Greater Bay Area is becoming another dynamic economic area for the Group's major layout in the future. During the year, as a relatively new layout area, the Greater Bay Area contributed RMB2,848.10 million to the contracted sales, accounting for approximately 2.71% of the Group's total contracted sales. In June 2020, the Group officially launched the dual headquarters strategy of Shanghai-Shenzhen. As a leading city in the Greater Bay Area and the city with the fastest economic development in China, Shenzhen is bound to make new contributions during the development process of the Group in the future. Currently, the Group has entered into cities such as Shenzhen, Foshan, Zhongshan, Zhuhai, Huizhou and Hong Kong in the Greater Bay Area. With the constant acceleration and deepening of the integration progress of Guangdong-Hong Kong-Macau, more opportunities for bidding and auction, merger and acquisition and urban construction are emerging successively, which provides a steady stream of resources for the Group's further development after achieving its goal of "A Journey to 100 Billion".

During the year, the Southwest Region also contributed a total of RMB2,522.80 million of the contracted sales, accounting for approximately 2.40% of the Group's total contracted sales. With the acquisition of a number of high-quality land parcels in the Southwest Region and the establishment of the regional company during the year, the Group is going to focus on the layout of the leading cities such as Chengdu and Chongqing with strong regional radiation, it is believed that the proportion of contribution of this region will increase year by year in the future.

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

	Total Amount of Contracted Sales *(RMB'000)*	**GFA of Contracted Sales** *(sq.m.)*	**Average Contracted Selling Price** *(RMB/sq.m.)*
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
Total	**104,967,106**	**6,264,616**	**16,756**

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

	Total Amount of Contracted Sales *(RMB'000)*	**GFA of Contracted Sales** *(sq.m.)*	**Average Contracted Selling Price** *(RMB/sq.m.)*
West Strait Economic Zone	10,233,634	703,233	14,552
Yangtze River Delta Region	48,772,698	2,894,542	16,850
Central China Region	7,068,724	627,059	11,273
Greater Bay Area	1,743,422	130,384	13,371
Southwest Region	1,084,166	113,324	9,567
Bohai Rim Region	6,212,537	502,666	12,359
Total	**75,115,181**	**4,971,208**	**15,110**

Property Investment

The Group's property investment segment with a variety of commercial offerings covers shopping center, shopping streets and office buildings, to shape two product lines as the "Yu Yue" brand for shopping centers and "Yuzhou Plaza" brand for office building. 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 28 projects under operation and 11 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 61.3%, 23.0% and 15.7% respectively. Operational projects covered over 1,000 cooperative brands and approximately 1,600 strategic alliance brands. It is worth mentioning that the Group has implemented a comprehensive digital upgrade of the enterprise resource planning systems (ERP systems) in commercial properties under management, which has significantly improved the efficiency of management communication and coordination, and made a qualitative leap in operation capacity.

Over the years, Yuzhou Commercial Company has focused on core tier-1 and tier-2 core cities and has been actively exploring ways to make a breakthrough, refining each project and improving customers' experience with innovations in business type, model, design and capital. In the future, Yuzhou Commercial Company will be committed to promoting the development of market research and positioning, tenant sourcing and pre-opening services and other diverse value-added services for strengthening brand value and customer satisfaction and driving the rapid growth of the business line.

Property Management

During the year, the scale of property management business of the Group continued to expand. As of December 31 2020, the total GFA of the managed projects of the Group was more than 17.5 million sq.m. and the total contracted area was more than 26 million sq.m.. In particular, the proportion of GFA under management from third parties was more than 15%. The managed projects (in terms of GFA) accounted for more than 50% in the Yangtze River Delta Region, and more than 30% in the West Strait Economic Zone.

Yuzhou Group has provided property management service since 1997. Over the past two decades, starting from Xiamen, Yuzhou Property Management has been expanding its professional services to new fields, forming a diversified project portfolio with various kinds of property. Currently, Yuzhou Property Management mainly focuses on the West Strait Economic Zone and the Yangtze River Delta Region, and establishes the solid market position in four key areas including the Bohai Rim Region, the Central China Region, the Southwest Region and the Greater Bay Area and mainly provides residential management services for middle and high-end communities, villas, bungalows and apartments. With the constant growth of land reserve and diverse project portfolios of the Group, the property management segment will rely on the Group's leading market position in China and its long-term strategic partnership with the Group to continually realizing the strong endogenous advantage of project resources, and focusing on the development of diversified value-added services, to further improve profitability.

Leveraging on its own strong executive ability, Yuzhou Property Management made a major breakthrough on external expansion in 2020. During the year, it obtained the contracted GFA of more than 3 million sq.m. through parallel external expansion mode combining the award of the tender for the project developed by the third-party property developer with mergers and acquisitions. In the future, Yuzhou Property Management will positively improve its external expansion ability, by virtue of the good reputation of the Group, and will expand the property management services into the properties developed by the third-party developers and reasonably allocate the cash flow in hand for mergers and acquisitions to achieve sustainable growth of project portfolios.

Yuzhou Property Management has won the honor of "China Top 100 Property Service Providers" for many years, served as a council member of China Property Management Institute and joined in "the Les clefs d'Or". It was also accredited as "Blue-chip Property Company". During the year, it was listed in the list of "China Top 100 Property Service Providers in 2020" selected by China Index Academy, and continued to rank 36th.

Hotel Operation

The Group currently operates Xiamen Yuzhou Camelon Hotel Apartment and Xiamen Yuzhou Wyndham Grand Plaza Royale Hotel, among which, the revenue of Xiamen Yuzhou Wyndham Grand Plaza Royale Hotel was presented in joint ventures. The Group positively puts 4 projects into construction such as Xiamen Yuzhou Camelon Hot Spring Hotel (Tong'an), Hui'an Camelon Business Hotel, and Taizi Lake of Wuhan and Jinhui Area of Fengxian District, Shanghai, etc. In 2020, Xiamen Yuzhou Camelon Hotel Apartment was fully upgraded to meet the reception needs of different customers, such as conferences and banquets, so as to improve the residential experience of customers. During the year, the total revenue of the Group's hotel operation was approximately RMB13.98 million.

Quality & Safety and Product Lines and Design

With regards to operations, the Group is committed to using international standards for product development, improving product design and project operation efficiency through the grand operation system. Green building is also an important part of the Group's sustainable development strategy. In 2018, the Group has set up a sustainability taskforce, whose mission is to actively minimise the impact on the environment, and strive to create ecological communities with harmony between human and nature in respect of design, development, construction and use of the project, as well as different stages of the later maintenance of the property. In November 2020, the Group upgraded its governance structure and established a sustainability committee, so as to raise the sustainable development to the level of strategic decision-making. As of the end of the year, the Group's 135 projects with approximately 18 million sq.m. in total had met the green building standard, and properties with more than 5 million sq.m. in total were certified with two stars or above at the domestic or international level. 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. In addition, MSCI (Morgan Stanley Capital International) released the ESG (Environmental, Social and Governance) rating report, and the Group was rated as BBB again, ranking first among all domestic real estate enterprises.

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 principal of being people-oriented and further researches and judges 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". During the year, multiple project designs of the Group won many world-renowned industry awards, including the International Property Awards, the REARD Global Design Award, the Kinpan Awards and Idea-King Awards, with the design capability being well recognized.

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 after achieving its goal of "A Journey to 100 Billion".

As of 31 December 2020, the Group had land reserves amounting to approximately 23.10 million sq.m. of aggregate salable GFA, with 177 projects located in 38 cities in the six metropolitan areas. The average land cost was approximately RMB6,876 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for its development over the next three to four years.

Saleable GFA of Land Reserves (sq.m.)
(As at 31 December 2020)

Region	Number of projects	Area *(sq.m.)*	As of Total
West Strait Economic Zone			
Xiamen	27	1,170,873	5.1%
Fuzhou	8	379,241	1.6%
Quanzhou	3	1,005,744	4.4%
Longyan	1	21,013	0.1%
Zhangzhou	4	1,002,087	4.3%
Sub-total	**43**	**3,578,958**	**15.5%**
Yangtze River Delta Region			
Shanghai	15	985,757	4.3%
Nanjing	15	1,064,559	4.6%
Hangzhou	3	612,570	2.7%
Shaoxing	1	127,952	0.6%
Ningbo	2	109,298	0.5%
Suzhou	15	1,296,466	5.6%
Changzhou	1	133,573	0.6%
Wuxi	3	539,754	2.3%
Bozhou	1	32,583	0.1%
Hefei	19	2,665,553	11.5%
Bengbu	1	511,875	2.2%
Jinhua	2	49,986	0.2%
Yangzhou	4	743,314	3.2%
Zhoushan	1	163,091	0.7%
Xuzhou	1	203,588	0.9%
Sub-total	**84**	**9,239,919**	**40.0%**

Region	Number of projects	Area *(sq.m.)*	As of Total
Bohai Rim Region			
Beijing	2	117,434	0.5%
Tianjin	10	1,363,159	5.9%
Qingdao	4	365,904	1.6%
Shijiazhuang	1	41,572	0.2%
Tangshan	3	962,610	4.2%
Shenyang	2	1,978,609	8.5%
Sub-total	**22**	**4,829,288**	**20.9%**
Central China Region			
Wuhan	4	969,048	4.2%
Xinxiang	1	258,370	1.1%
Kaifeng	1	222,844	1.0%
Zhengzhou	2	237,475	1.0%
Sub-total	**8**	**1,687,737**	**7.3%**
Greater Bay Area			
Hong Kong	1	2,214	0.0%
Shenzhen	1	51,281	0.2%
Huizhou	2	433,916	1.9%
Foshan	5	538,639	2.3%
Zhongshan	1	271,502	1.2%
Sub-total	**10**	**1,297,552**	**5.6%**
Southwest Region			
Chongqing	4	804,696	3.5%
Chengdu	3	765,727	3.3%
Sub-total	**7**	**1,570,423**	**6.8%**
Total	**174**	**22,203,877**	**96.1%**
Urban Redevelopment			
Greater Bay Area			
Shenzhen	1	119,234	0.5%
Zhuhai	1	627,022	2.7%
Huizhou	1	150,308	0.7%
Total	**3**	**896,564**	**3.9%**
Grand total	**177**	**23,100,441**	**100.0%**

During the year, in view of the land auction market, the Group, after thorough research and analysis, obtained 18 high-quality land parcels at attractive prices in Shanghai, Chengdu, Wuhan, Chongqing, Hefei, Suzhou, Wuxi, Yangzhou, Ningbo and other cities through bidding and auction, merger and acquisition with a total GFA of approximately 2,847,431 sq.m.. The average land cost was RMB11,852 per sq.m.. All the above new projects were located in tier-1 and tier-2 cities.

At the same time, Yuzhou Group has always been paying close attention to urban construction and economic development of the Greater Bay Area, deeply understanding the local policies, industries and urban planning of the Greater Bay Area, and actively following up the urban redevelopment projects, so as to explore a new way for diversified land reserves of the Group. During the year, the Group has acquired three high-quality urban redevelopment projects in the core cities of the Greater Bay Area, i.e. Shenzhen, Zhuhai and Huizhou, with a total GFA of about 896,564 sq.m.. In the future, the Group will continue to vigorously promote the implementation of urban redevelopment projects, and continuously transform them into high-quality saleable resources, which will become an important way for the Group to acquire land resources in the Greater Bay Area.

Particulars of these 21 parcels of land as at 31 December 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**
Bidding & Auction/Merger & Acquisition					
Yangtze River Delta Region					
Shanghai	1	59,120	1.6%	976,920	3.3%
Hefei	2	264,181	7.1%	1,586,371	5.3%
Suzhou	5	406,032	10.8%	2,584,406	8.6%
Wuxi	2	302,154	8.1%	4,035,515	13.4%
Changzhou	1	133,573	3.6%	837,900	2.8%
Ningbo	1	72,870	1.9%	1,003,420	3.3%
Yangzhou	1	300,466	8.0%	807,481	2.7%
Shaoxing	1	127,952	3.4%	2,628,800	8.8%
Sub-total	**14**	**1,666,348**	**44.5%**	**14,460,813**	**48.2%**
Southwest Region					
Chengdu	2	734,904	19.6%	3,404,780	11.3%
Chongqing	1	226,994	6.1%	1,460,000	4.9%
Sub-total	**3**	**961,898**	**25.7%**	**4,864,780**	**16.2%**

Region	Number of Projects	Expected Total GFA *(sq.m.)*	As of Total	Total Land Costs Attributable to the Company *(RMB'000)*	As of Total
Central China Region					
Wuhan	1	219,185	5.9%	2,850,000	9.5%
Sub-total	**1**	**219,185**	**5.9%**	**2,850,000**	**9.5%**
Total	**18**	**2,847,431**	**76.1%**	**22,175,593**	**73.9%**
Urban Redevelopment Greater Bay Area					
Shenzhen	1	119,234	3.2%	807,930	2.7%
Zhuhai	1	627,022	16.7%	6,688,569	22.3%
Huizhou	1	150,308	4.0%	322,420	1.1%
Total	**3**	**896,564**	**23.9%**	**7,818,919**	**26.1%**
Grand total	**21**	**3,743,995**	**100.0%**	**29,994,512**	**100.0%**

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 2020, the total revenue of the Group was RMB10,411.60 million. The decrease in revenue was mainly attributable to delay in the development progress of certain property projects in Shanghai and the delivery of properties in Wuhan and Tangshan as affected by the COVID-19 outbreak, leading to deferred recognition of revenue. Specifically, property sales revenue was approximately RMB9,738.62 million, accounting for 93.54% of the total revenue; rental income from investment properties was approximately RMB261.41 million, decreased by 14.33% year-on-year; property management fee income was approximately RMB397.59 million, decreased by 11.19% year-on-year; and hotel operation income was approximately RMB13.98 million.

COST OF SALES

The cost of sales mainly encompassed land cost which including the release of fair value adjustment, construction cost and capitalized interest of the Group. In 2020, the cost of sales of the Group was approximately RMB9,931.69 million, decreased by 42.09% from approximately RMB17,149.00 million in 2019. The decrease in the cost of sales was mainly due to the lesser GFA of properties delivered by the Group during the year.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group was approximately RMB479.91 million in 2020. The gross profit margin was 4.61%. The fluctuations of gross profit margin for the year were mainly affected by (i) the thin gross profit margin due to local price limit policies of certain property projects, namely Yuzhou Moon Lake Mansion in Hefei, Yuzhou Honor Hill in Suzhou, Yuzhou Champion Mansion in Bozhou and Yuzhou Noble Mansion in Shanghai; and (ii) release of fair value adjustments in an aggregate amount of RMB738.80 million on properties, located mainly in Suzhou, Yangzhou and Hefei, delivered during the year. Having excluded the above non-cash adjustments, the gross profit margin was 18.19%.

FAIR VALUE GAIN ON INVESTMENT PROPERTIES

In 2020, the Group recorded a fair value gain on investment properties of approximately RMB387.26 million (2019: RMB600.55 million), representing a decrease of approximately 35.52% as compared to that of the last year.

OTHER INCOME AND GAINS

Other income and gains decreased by approximately 67.00% year-on-year from approximately RMB2,167.69 million in 2019 to approximately RMB715.24 million in 2020, mainly due to the additional gains on disposal and deemed disposal of certain subsidiaries upon loss of control recorded in 2019, however there was no such gain in 2020.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group decreased by 35.11% year-on-year from approximately RMB659.59 million in 2019 to approximately RMB428.04 million in 2020, accounting for 0.41% (2019: 0.88%) of total contracted sales, which was mainly attributable to the fact that the Group began to establish a self-developed dual-mode sales team comprising distribution agents and self-developed sellers since last year, which contributed to the reduction of sales costs.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group decreased by 26.31% year-on-year from approximately RMB1,090.65 million in 2019 to approximately RMB803.74 million in 2020, which was mainly due to the stable implementation of the strategy that the Group established its presence in six regions and dual headquarters, and related administrative expenses have been better controlled than in the past. In 2020, the proportion of administrative expenses to total contracted sales was 0.77% (2019: 1.45%).

OTHER EXPENSES

Other expenses decreased by 0.36% year-on-year from approximately RMB310.74 million in 2019 to approximately RMB309.62 million in 2020, which was mainly due to fair value loss on derivative financial instruments of approximately RMB159.51 million and an impairment on goodwill decreased by 69.59% year-on-year from approximately RMB189.29 million in 2019 to approximately RMB57.56 million in 2020.

FINANCE COSTS

Finance costs of the Group decreased by 31.56% year-on-year from approximately RMB181.60 million in 2019 to approximately RMB124.28 million in 2020, which was mainly due to the increase in the portion of interest capitalized during the year.

SHARE OF RESULTS OF JOINT VENTURES

The Group's share of profit and loss of joint ventures amounted to profits of RMB206.89 million in 2020, and the loss in 2019 was RMB63.49 million. The total revenue of joint ventures amounted to RMB6,300.15 million in 2020, the Group's attributable share of revenue of joint ventures amounted to RMB2,202.76 million. The gross profit margin of joint ventures was 21.87%. The total contract liabilities of joint ventures amounted to RMB37,667.98 million at the end of 2020.

SHARE OF RESULTS OF ASSOCIATES

The Group's share of profit and loss of associates amounted to profits of RMB23.37 million in 2020, compared with RMB229.37 million in 2019. The total revenue of associates amounted to RMB4,526.84 million in 2020, the Group's attributable share of revenue of associates amounted to RMB1,392.63 million in 2020. The gross profit margin of associates was 5.83%. The total contract liabilities of associates amounted to RMB11,932.33 million at the end of 2020.

INCOME TAX

The Group recorded tax credit of RMB81.23 million in 2020. Income tax expense of the Group in 2019 was approximately RMB2,637.71 million. The decrease in income tax expense and record of tax credit were mainly due to the overprovision of corporate income tax in prior years.

PROFIT FOR THE YEAR

The profit for the year was RMB228.23 million, representing a decrease of 94.25% compared with that of last year due to the aforementioned factors.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

For the year ended 31 December 2020, the profit attributable to non-controlling interests decreased by 69.19% year-on-year from approximately RMB361.02 million to approximately RMB111.24 million, which was mainly due to the decrease in revenue and net profit from non-wholly-owned projects.

BASIC EARNINGS PER SHARE

For the year ended 31 December 2020, basic earnings per share was RMB0.09 cents.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2020, the Group had cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months of approximately RMB34,468.82 million, decreased by 2.94% from RMB35,511.27 million as at 31 December 2019.

Borrowings

The Group adopts prudent financial policy for proactively conducting debt management and optimizing debt structure to ensure balance in financial risks and cut-down of finance costs. During the year, the Group has successfully issued multiple offshore US$ senior notes with coupon rate mainly ranging from 7.375% to 7.85% for a maturity mainly of five to six years. Meanwhile, a five-year corporate bond in an aggregate amount of RMB3.0 billion was successfully issued by the Group in domestic with a coupon rate of 6.5% in July and September 2020, respectively, which represents the recognition of a good credit record, prudent and self-disciplined financial performance of the Company by domestic institutional investors.

As at 31 December 2020, the Group had total bank and other borrowings, corporate bonds and senior notes balance of RMB63,899.71 million, of which certain loans were secured by certain investment properties, properties held for sale and properties under development of the Group, representing an increase of 14.79% as compared to the last year. The interest rate of average borrowing cost was 7.19% per annum, decreased by 0.03 percentage point from 7.22% in the period ended 30 June 2020. The debt due within one year was RMB18,883.75 million, accounting for 29.55% 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 1.83.

Details of new indebtedness:

Issuer	Type	Public/ Private	Principal 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	7.7%	B1/BB–
Yuzhou Group Holdings Company Limited	Offshore senior notes	Public	US$300 million	Six years	7.85%	B1/BB–
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate Bond	Private	RMB1,500 million	Five years	6.5%	N/A
Xiamen Yuzhou Grand Future Real Estate Development Company Limited	Onshore corporate Bond	Private	RMB1,500 million	Five years	6.5%	N/A

NET GEARING RATIO

As of 31 December 2020, 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 85.80%.

As at 31 December 2020, the Group provided guarantees to banks amounting to RMB16,429.49 million (31 December 2019: RMB16,967.36 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 RMB6,637.56 million (31 December 2019: RMB10,020.30 million) and RMB1,040.33 million (31 December 2019: RMB2,398.29 million), respectively.

CURRENCY RISK

As of 31 December 2020, the Group had total borrowings, corporate bonds and senior notes of approximately RMB63,899.71 million, approximately 39.13% was denominated in RMB and 60.87% 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:

	Bank and other borrowings, corporate bonds, and senior notes balance *(RMB'000)*	**Cash balance*** *(RMB'000)*
HK$	1,265,420	525,193
RMB	25,002,481	28,619,636
US$	37,631,807	5,323,897
Others	–	90
Total	63,899,708	34,468,816

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

INFORMATION TECHNOLOGY SYSTEM

The Group actively pushed forward and improved the IT level of the Group, built a management + IT management and control system, improved the independent planning and design capability of IT, and adhered to the use of technology to empower enterprises so as to comprehensively raise the operating efficiency and quality. During the year, the Group focused on building information-based projects in three areas, namely, "decision-making with evidence, business empowerment and technology innovation". In terms of decision-making with evidence, the Group planned to build an operation decision-making platform and oriented to business objectives to support the dynamic monitoring and analysis of all-cycle data from pre-investment to post-investment so as to ensure the achievement of operating income objectives. In terms of business empowerment, the core business process of the real estate industry was managed through the system, and saleable resources management, marketing 4212, marketing fee control, financial intelligent POS (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 addition, the Group relied on information-based means to continuously optimize the process of the rights and responsibilities to ensure efficient operation. In terms of scientific and technological innovation, the Group has gradually explored frontier scientific and technological application to focus on the customer system of "house purchasers, resident households and commercial tenants", establish a variety of customer operation service platform and business applet to improve service quality and efficiency, enhance customer satisfaction, explore the digital operation system of major members and build core competitiveness.

HUMAN RESOURCES

With the achievement of the Group's contracted sales target of RMB100 billion, the nationwide footprint and the in-depth cultivation of regions, the Group further consolidated the "2 + 3" management and control system and carried out unified planning for organizational development based on regional and urban development characteristics. It defined the planning path and the specific conditions of fission (upgrading/downgrading) of organizations. During the year, the Group settled in Shenzhen headquarter, launched Shanghai-Shenzhen dual headquarters strategy, further strengthened the all-round talent recruitment and training plan, and improved the full coverage of outstanding talents. At the same time, the Group further streamlined the respective positioning of the Group, regions, cities and projects, clarified the three major positioning of the Group as the cloud platform, regions and cities as the middle office and projects as the front office, and empowered downward based on their respective roles and positioning, further moving down in terms of the organizational structure, configuration standards and decision-making authority, so as to greatly improve the management efficiency through scientific authorization.

During the year, the Group officially launched the employee Share Award Scheme-"Yuzhou Share Award Scheme", which will allocate no more than 10% of the issued share capital for employee incentive. The employees who participate in the Share Award Scheme mainly cover middle-to-high level personnel, outstanding employees and key business members of the Company. It is also the most extensive and most motivating Share Award Scheme since the listing of the Group. It will benefit the establishment and improvement of the development sharing mechanism between employees and shareholders, further improving and enhancing the level of corporate governance, strengthening the cohesion of employees and the competitiveness of the Company, fully stimulating the enthusiasm and creativity of employees, and promoting the long-term, sustainable and healthy development of the Company.

The Group has always attached great importance to staff care and growth. In 2020, the Group streamlined the existing activities of staff care and growth systematically and formulated "the employee care programs", covering employees at all levels of the Group, such as the induction training, excellent staff seminars, Yuzhou Fluorescent night running sprint for 40 days, "Learn with a constant perseverance and application" training sessions, celebration and social events, which promotes the rapid integration of new staff, enhances the loyalty of the old staff, effectively spreads the corporate culture of the Company. Since the outbreak of COVID-19, the Group paid immediate attention to the physical and mental health of employees, organized employees returned to work in accordance with the relevant government requirements, collected information of newly returned employees, purchased epidemic prevention materials, measured the temperature of employees and disinfected public areas every day, issued guidelines on epidemic prevention in time, and held a series of lectures on mental health for employees. A variety of initiatives reflect the Group's in-depth implementation of the values of "responsibility, accountability, achievement and sharing", and further promote the Group's continuously rapid development so as to mark another achievement in 2021.

As at 31 December 2020, the Group had 7,537 staff in total (2019: 7,572).

PAYMENT OF DIVIDEND

The Board recommends the payment of the final dividend of HK21.5 cents per share for the year ended 31 December 2020 to eligible shareholders (the "**Eligible Shareholders**") whose names appear on the register of members of the Company (the "**Register of Members**") on 21 June 2021 (the "**Record Date**"), subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("**AGM**") which will be held on 28 May 2021.

The proposed final dividend will be payable wholly in form of new fully paid shares of the Company (the "**Scrip Shares**") in lieu of cash (the "**Scrip Dividend Scheme**").

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

A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or around 29 June 2021. It is expected that the Final Dividend warrants or share certificates for the Scrip Shares will be despatched to the Eligible Shareholders on or around 28 July 2021.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on 28 May 2021 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 25 May 2021 to 28 May 2021, 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 24 May 2021.

The proposed final dividend will be paid on or about 28 July 2021. For determining the entitlement to the proposed final dividend, the Register of Members will be closed from 17 June 2021 to 21 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 16 June 2021.

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

On 5 August 2020, the Company announced that a tender offer was being made (the "**2021 Notes Tender Offer**") to purchase for cash outstanding 6.375% senior notes due 2021 in the aggregate principal amount of US$375,000,000 (the "**2021 Notes**") prior to maturity. The 2021 Notes Tender Offer expired at 4:00 p.m. London Time, on 12 August 2020. The Company had accepted for purchase all the 2021 Notes in an aggregate principal amount of US$54,853,000 validly tendered at or prior to the aforementioned expiration deadline. The 2021 Notes Tender Offer was completed on 14 August 2020. The Company had completed the repurchase of an aggregate principal amount of US$54,853,000 of the 2021 Notes, representing 14.63% of the outstanding principal amount of US$375,000,000 prior to the 2021 Notes Tender Offer. The repurchased 2021 Notes had been cancelled. After cancellation of the repurchased 2021 Notes, the aggregate outstanding principal amount of the 2021 Notes is US$320,147,000. For details of the repurchase, please refer to the announcements of the Company dated 5 August 2020, 13 August 2020, 14 August 2020 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 DIRECTORS' SHARE DEALINGS

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listing Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors have confirmed that they have complied with the requirements set out in the Securities Code throughout the year ended 31 December 2020.

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 announced that on 22 January 2020, the Company had granted share options under its share option scheme adopted on 24 May 2010 to certain directors of the Company and certain employees of the Group which entitled the grantees to subscribe for an aggregate of 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 has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF ERNST & YOUNG

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 2020 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, 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).

DEVELOPMENT STRATEGIES AND PROSPECTS

Looking forward to 2021, there are still many uncertain and unsteady factors under politics, economy, diplomacy and COVID-19 in the international environment. While the domestic economy recovers steadily after resuming work and production, uneven and insufficient development of economic structure still needs to be focused on, and the dynamic balance between epidemic prevention and economic development will become a material issue in the coming period. In terms of the macro economy, it is expected that the Central Government will continue to implement various measures for completing and improving domestic circulation, stimulating the domestic potential demand; meanwhile, the Central Government will actively support the development of the real economy, reduces the actual finance costs from society and continues to enforce prudent monetary policy focusing on keeping balance among stable growth, structural adjustments, risk prevention and inflation control. As for the real estate market, it is expected that the related policies will remain stable, the long-term management mechanism of real estate finance will continue to be accelerated to establish, and the supervision of real estate finance will continue to be strengthened as well as avoiding excessive financialization so as to defuse systemic financial risks. In terms of policies, with the publication of "Proposals of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035" (《中共中央關於制定國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標的建議》), which proposed the philosophy "Following the principal of houses are for living instead of speculation. Encourage both housing purchase and renting, city-specific policies and advance steady and healthy development of the real estate market", its basic stance is consistent in regulatory of real estate market in the past few years. Thus it can be seen that in the next few years, the overall real estate market regulatory policies in PRC will keep on being consistent and stable under "houses are for living instead of speculation", further implement the policy of "city-specific policies" and strengthen the principal responsibility of urban governments. Under the policies of "stabilizing land price, housing price and expectation" regulatory policies, whereas restrictions on purchases, loans and sales may all be implemented as the long term property control tools. In respect of the land market, it is expected to maintain stable at a low level since the end of 2020. Certain cities may begin to loosen their phased control according to the "city-specific policies" policy. However, it is a general tendency that the overall land market is relatively tight. Especially under the premise that the financial regulatory environment on real estate is expected to be tight for a long time, enterprises will be more cautious in the land acquisition in 2021 and the popular lands with high-quality will continue to be warm-welcome in the competitive market. Real estate enterprises with long-term steady cash flow, diversified and smooth financing channels and qualified indicators will rationally in a better opportunity to replenish their land reserves. Meanwhile, rigid demand and upgrade requirements in the housing market in the core cities of hot areas remain very stable, which make the national real estate enterprises with wider business layout in these areas enjoying more advantages and space of adjustments.

Since the outbreak of COVID-19 at the beginning of 2020, the CPC Central Committee and governments at all levels attached great importance and adopted a comprehensive emergency response plan to control COVID-19. People all over the country united as one and worked closely together to prevent the spread of the epidemic. The Group also actively responded to the call and immediately set up the "Combat Epidemic Special Fund" (抗疫專項基金) of RMB15 million and supported local epidemic prevention in various ways. Although China's real estate market is still under pressure caused by COVID-19 in 2020, China's epidemic prevention and control, as well as research & development of vaccines are in the optimal state during this century of great changes in the world, and China's economic recovery and market development are bound to become the main driving force to lead the world economic recovery. The management remains confident about China's economic growth and the health, steady and orderly development of the real estate industry.

Since its establishment in 1994, based on its prudent development philosophy, Yuzhou Group carries out its business in line with the development trend of the real estate market in China, facilitates the steady and healthy development of the market and contributes to the urbanization development of multiple regions. As for its development strategy, the Group will continue to adopt the "Leading with Locality Development" strategy and expand its presence in six major metropolitan areas as well as tier-1 and tier-2 cities. The Group also actively responded to the Outline of the Yangtze River Delta Regional Integrated Development Plan (長三角區域一體化發展規劃綱要) and Outline of the Greater Bay Area Development Plan (粵港澳大灣區發展規劃綱要) and made contribution to the new national urbanization. The Group will further improve its product strength and development quality and promote the deepening of the industry for steady development after the contracted sales target of RMB100 billion.

In respect of investment and land acquisition, Yuzhou Group will continue to pursue prudent development, to control costs, and to maintain its strategy that comprises merger and acquisition, public bidding and auctions, land acquisition by industry cooperation, project cooperative development etc.. The Group will continue to chase the high-quality land parcels with relatively low costs to lay a solid foundation for Yuzhou's steady development after the contracted sales target of RMB100 billion.

In respect of financing and capital market, Yuzhou Group will identify more diversified and stable financing channels. It will maintain good relationships with international and domestic capital market participants and keep sensitive to the capital market so as to seize the best opportunities. In 2020, based on the long-term and active debt management in the past, Yuzhou followed up with international leading trend of green environmental protection. During the year, Yuzhou issued Green US$ Bond for the first time in the history, which not only reduced the financing costs, but had also been oversubscribed by nearly 10 times globally. It also further optimized its debt structure and extended the debt duration, which was widely recognized by the capital market. In the future, Yuzhou will further develop domestic financing channels and synergize construction loans, equity financing, corporate bonds, US$ bonds, syndicated loans and green bonds on the basis of ensuring stable operations. Meanwhile, Yuzhou will continue to closely monitor market liquidity and explore new financing opportunities in line with the changes in the market and policies. Yuzhou Group, on the one hand, will have adequate financial resources to support its rapid growth, on the other hand, will further reduce its finance cost and improve the risk resistance capacity.

By refining its standards and combining effective management system, Yuzhou Group has always committed to ensuring the successful launch of its projects to improve efficiency of the development. In recent years, Yuzhou has vigorously committed to adopting a business model that favors sustainable development, integrating advanced and sustainable technologies such as green technology and green assembly into the full life cycle of the product, meeting the needs of market consumption upgrading and building a community that integrates human beings and nature in a harmonious way. In order to continuously improve the competitiveness and brand influences of its residential projects, in terms of product innovation, Yuzhou will continue to develop and promote its three product lines in 2021, namely Royale, Langham and Honor. Besides, Yuzhou will optimize the standard configuration and classification in product research and development system, and conduct in-depth research of the five professional standardization manuals of architecture, landscape, refined decoration, electromechanical product and structure, to ensure the effective support of the closed loop and rapid implementation of development. Meanwhile, Yuzhou actively cooperates with professional scientific research institutions to facilitate the development of green buildings and ecological communities, and promote the application of green environmental protection technologies such as BIM technology, fabricated buildings, sponge cities, and air quality monitoring in accordance with local conditions, promoting Yuzhou's projects to a higher level.

As for its reserve of talents, in the face of higher-level development in the future, the corresponding talent supporting facilities are also required to be upgraded after successfully achieving the contracted sales target of RMB100 billion. Looking forward, the Group, on the one hand, will further upgrade its talent strategy, strategically introduce talents in the industry, and continuously train endogenous talents to ensure that the right people are selected, used, and retained, as well as platforms and opportunities would be provided for outstanding talents who realize their own value in Yuzhou. On the other hand, the Group will proactively create spiritual resources for corporate development, enhance the abilities of management personnel and launch specific training programs to enhance the cohesion of the Group through integrating family-state ideal, incorruptible atmosphere with corporate culture. In addition, the Group will further optimize its organizational structure. According to its strategic development plan, the Group will further adjust its management positioning and duties between the headquarters, regional companies and its subsidiaries in various cities and establish a resources integration mechanism to provide support for its rapid business expansion in the future.

As a responsible corporate citizen, the Group will strictly adhere to its philosophy of "Maintaining Steady Operation and Creating Value" in developing comfortable housing for customers in a sincere and devoted manner. While creating projects with high standards, the Group will also fulfill its social responsibilities as a corporate citizen by participating in educational, environmental protection and public welfare projects as well as other charitable activities. As a result, Yuzhou has been recognized by MSCI at the BBB rating, which demonstrates its significant contributions in social responsibility.

In the future, Yuzhou will, as always, adhere to the spirit of "Building Cities with Heart, Building Homes with Love", firmly follow its goal of "Developing Products, Optimizing Services and Improving Operations", and pay much attention to the products and services by retaining talents, enhancing financing and refining management to maintain high-quality growth. Based on the belief of "Provide Highly Competitive Products and Sincere Services", firmly follow the principle of "Combatant Spirit, Aggressive Innovation, Prompt Action, Family-state Ideal, Incorruptible Atmosphere", and actively seize market opportunities to ensure healthy and strong development of the Company. Staying true to the founding mission and moving forward with honor, the Group will continue to create value for shareholders, customers, employees and the whole society, and continue to make steady progress towards creating another new record.

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, 30 March 2021

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.