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

禹洲集團控股有限公司
YUZHOU GROUP HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01628)

RESTATEMENT OF THE INTERIM RESULTS AND THE INTERIM REPORT OF THE COMPANY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

Reference is made to the unaudited consolidated results (the "**2020 Interim Period Results**") of Yuzhou Group Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 (the "**2020 Interim Period**") published on 24 August 2020 and the interim report of the Company published on 27 September 2020. The Company announces that it has restated the 2020 Interim Period Results.

Reasons for restatement

The re-statement is a result of the following.

(1) the re-classification (the "**Re-classification**") of three entities from "subsidiaries" in the 2020 Interim Period to "joint ventures" or "associate" for the year ended 31 December 2020 (the "**2020 Full Year**"), with the deferral of revenue in the amount of RMB1,668,921,000 initially recognised in the 2020 Interim Period for two entities subject to the Re-classification; and

(2) the deferral (the "**Deferral**") of certain revenue initially recognised in the 2020 Interim Period.

Effect on the published 2020 annual results

The restatement does not affect the published financial statements (the "**2020 Full-Year Results**") of the Company for the 2020 Full Year. The 2020 Full-Year Results have already taken into account the Re-classification and the Deferral.

Restated interim results and interim report

The restated financial information for the 2020 Interim Period is attached to this announcement. The restatement has been reviewed and approved by the audit committee of the board of the Company.

A revised 2020 interim report containing the restated financial information will also be despatched to those shareholders who had received the 2020 interim report around 19 August 2021.

The Company will use the figures from the restated financial information for the 2020 Interim Period in calculating and reporting on the half-year to half-year comparisons which will be part of the Company's interim condensed consolidated financial information for the six-month period ended 30 June 2021.

The Re-classification and the Deferral

The background and circumstances which resulted in the Re-classification and the Deferral are set out below.

The First Entity

The First Entity is wholly owned by a holding company (the "**First Holding Company**"), which is beneficially held as to 50%, 46.43% and 3.57% by the Company, and two other independent third parties, respectively. The Company acquired its interest in the First Holding Company in October 2017.

The First Entity is the holding company of a project located in Qingdao.

The First Holding Company was classified as a joint venture of the Company as at 31 December 2019.

Given that, pursuant to amendments to the articles of the First Holding Company of May 2020, important decisions related to the financial and operational development of the First Holding Company are controlled by the Company, the Group considered that it had control over the First Holding Company. Accordingly, the Company accounted for the First Holding Company and the First Entity as subsidiaries of the Company in the 2020 Interim Period Results.

In the audit of the 2020 Full-Year Results:

(a) in response to the auditor's audit requests, the finance and accounting personnel of the Company attempted to collate further supporting information and documentation in respect of the amended articles of the First Holding Company; and

(b) having considered that, among other things, the amended articles of the First Holding Company had not been registered with the State Administration of Industry and Commerce of China (the "**SAIC**"), the Company is of the view, which was agreed with the auditor, that the amended articles have not taken effect and as such, the First Holding Company and the First Entity should be accounted for as joint ventures of the Company throughout the 2020 Full Year.

Upon Reclassification of the First Entity, for the reasons set out in the section headed "The Deferral" below, revenue initially recognised in the 2020 Interim Period in the amount of RMB1,329,914,000 was deferred.

The Second Entity

The Second Entity is held as to 49% by the Company and as to 51% by a third party. The Company acquired its interest in the Second Entity in June 2018.

The Second Entity is the holding company of a project located in Chongqing.

The Second Entity was classified as a joint venture of the Company as at 31 December 2019.

Given that, pursuant to amendments to the articles of the Second Entity of June 2020, important decisions related to the financial and operational development of the Second Entity are controlled by the Company, the Company considered that it had control over the Second Entity. Accordingly, the Company accounted for the Second Entity as a subsidiary of the Company in the 2020 Interim Period Results.

In the audit of the 2020 Full-Year Results:

(a) in response to the auditor's audit requests, the finance and accounting personnel of the Company attempted to collate further supporting information and documentation in respect of the amended articles of the Second Entity; and

(b) having considered that, among other things, the amended articles of the Second Entity had not been registered with the SAIC, the Company is of the view, which was agreed with the auditor, that the amended articles have not taken effect and as such, the Second Entity should have been accounted for as a joint venture of the Company throughout the 2020 Full Year.

Upon Reclassification of the Second Entity, for the reasons set out in the section headed "The Deferral" below, revenue initially recognised in the 2020 Interim Period in the amount of RMB339,007,000 was deferred.

The Third Entity

The Third Entity is beneficially held as to 49% by the Company and 51% by a third party. The Company acquired its interest in the Third Entity on 8 June 2017.

The Third Entity is the holding company of a project located in Tianjin.

The Third Entity was classified as an associate of the Company as at 31 December 2019.

Given that, pursuant to amendments to the articles of the Third Entity of May 2020, important decisions related to the financial and operational development of the Third Entity are controlled by the Company, the Company considered that it had control over the Third Entity. Accordingly, the Company accounted for the Third Entity as a subsidiary of the Company in the 2020 Interim Period Results.

In the audit of the 2020 Full-Year Results:

(a) in response to the auditor's audit requests, the finance and accounting personnel of the Company attempted to collate further supporting information and documentation in respect of the amended articles of the Third Entity; and

(b) having considered that, among other things, the amended articles of the Third Entity had not been registered with the SAIC, the Company is of the view, which was agreed with the auditor, that the amended articles have not taken effect and as such, the Third Entity should have been accounted for as an associate of the Company throughout the 2020 Full Year.

The Deferral

Eleven property projects (the "**Projects**") of the Company in the PRC located at Tangshan（唐山）, Hefei（合肥）, Wuhan（武漢）, Zhoushan（舟山）, Yangzhou（揚州）, Zhangzhou（漳州）, Bozhou（亳州）and Suzhou（蘇州）were subject to the Deferral. Among the eleven property projects, six of them are held by wholly-owned subsidiaries of the Company, four of them are held by non-wholly-owned subsidiaries of the Company and one of them is held by a joint venture of the Company.

During the preparation of the 2020 Interim Period Results, the Company was given to understand that the status of the Projects had reached the requisite degree of completion for the purposes of revenue recognition as at 30 June 2020.

Not least due to travel restrictions occasioned by the COVID-19 pandemic, unlike the Company's preparation of half-year interim results in previous years, the accounting and finance personnel of the Company based in Hong Kong were not able to travel freely to Mainland China to perform site visits of property projects in Mainland China and to conduct field-work to help verify materials and reports collated for financial reporting purposes:

(a) When the Company prepared the 2020 Interim Period Results, the Hong Kong-based accounting and finance personnel of the Company (who were responsible for inspecting the Projects and confirming the status of the Projects) were not able to travel to Mainland China and perform on-site visits to the Projects due to the then lock-down measures in force. They were therefore not able to conduct field-work to help verify materials and reports collated for financial reporting purposes in accordance with the standard procedures adopted by the Company.

(b) The Company's Hong Kong-based accounting and finance personnel therefore relied on the information provided by regional project managers on Mainland China that the Projects had reached the requisite degree of completion for the purposes of revenue recognition, without the benefit of being able to conduct on-site verificatory checks.

(c) The relevant regional project managers were then fairly new to the Group or recently transferred to their posts.

During the on-site visits conducted by the auditor personnel, accompanied by representatives of the Group, in late February to early March 2021, and after the inspection of the construction and renovation (if any) completion documents, the senior management of the Group was of the view, which was agreed with the auditor, that certain properties of such Projects had not reached all the conditions for the purposes of revenue recognition as at 30 June 2020.

Relevant Accounting Policy

The Company adopted Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers" as its accounting policy to recognise revenue from sales of properties, pursuant to which revenue is recognised when or as the control of the asset is transferred to the customer.

Enhancements

The Company takes its compliance obligations very seriously and continuously looks to enhance its policies and procedures designed towards compliance.

Relevant Enhancements in respect of the classification of entities

As relevant to the classification of entities, the Group's Hong Kong-based finance and business administration personnel have:

(i) commenced a systematic verificatory review of the classification of project entities in the Group's projects which involve co-operation with third parties;

(ii) arranged for the following to be reiterated and explained to relevant on-the-ground personnel, not least in Mainland China (the "**Classification Briefings**"):

(a) the relevant Hong Kong accounting standards and requirements thereof (including factual matters which are to be considered), in the determination of whether or not the Group has "control" over a particular project entity for the entity to be classified as a "subsidiary";

(b) the relevant requirements for amendments to the articles of project entities or agreements with third-party shareholders to vary the control over project entities or property projects;

(iii) arranged for the Classification Briefings to be:

(a) given to relevant Group personnel when they first commence work in, or transfer to, a relevant role; and

(b) reiterated periodically, at least once every six months.

Relevant Enhancements in respect of the completion of property projects, including on-the-ground assessments

With regard to assessments of the completion of property projects, the Group has implemented the Relevant Enhancements comprised of:

(i) enhanced staff training; and

(ii) fortifying relevant internal controls and the structures thereof, including in adjusting relevant incentives/penalties regime, increasing the frequency and depth of on-the-ground follow-up, enhancing cross-departmental oversight.

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

Hong Kong, 12 August 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2020

	As previously reported *RMB'000* (Unaudited)	**Re-classification** *(Note)* *RMB'000* (Unaudited)	**Deferral** *RMB'000* (Unaudited)	**Restated** *RMB'000* (Unaudited)
REVENUE	14,006,915	(2,749,425)	(9,238,851)	2,018,639
Cost of sales	(10,730,638)	1,852,227	6,905,848	(1,972,563)
Gross profit	3,276,277	(897,198)	(2,333,003)	46,076
Fair value gain on investment properties, net	9,414	30,000	–	39,414
Other income and gains	366,342	(24,118)	–	342,224
Selling and distribution expenses	(205,507)	13,582	92,446	(99,479)
Administrative expenses	(360,454)	6,466	–	(353,988)
Other expenses	(52,752)	(47,122)	–	(99,874)
Finance costs	(118,000)	(16,304)	6,884	(127,420)
Share of profits and losses of joint ventures	(143,123)	111,566	(19,937)	(51,494)
Share of profits and losses of associates	(32,719)	39,818	–	7,099
PROFIT/(LOSS) BEFORE TAX	2,739,478	(783,310)	(2,253,610)	(297,442)
Income tax (expense)/credit	(1,188,816)	346,915	911,388	69,487
PROFIT/(LOSS) FOR THE PERIOD	1,550,662	(436,395)	(1,342,222)	(227,955)
Attributable to:				
Owners of the parent	1,019,367	(205,130)	(1,031,820)	(217,583)
Non-controlling interests	531,295	(231,265)	(310,402)	(10,372)
	1,550,662	(436,395)	(1,342,222)	(227,955)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
– Basic *(RMB cents per share)*	18.43			(4.70)
– Diluted *(RMB cents per share)*	18.36			(4.70)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

	As previously reported	**Re-classification**	**Deferral**	**Restated**
		(Note)		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	1,550,662	(436,395)	(1,342,222)	(227,955)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	386,306	–	–	386,306
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	1,936,968	(436,395)	(1,342,222)	158,351
Attributable to:				
Owners of the parent	1,405,673	(205,130)	(1,031,820)	168,723
Non-controlling interests	531,295	(231,265)	(310,402)	(10,372)
	1,936,968	(436,395)	(1,342,222)	158,351

Note: Two of the entities subject to the Re-classification are also subject to the deferral of revenue. Please refer to the paragraph headed "The First Entity" and "The Second Entity" of this announcement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	As previously reported *RMB'000* (Unaudited)	Re-classification *RMB'000* (Unaudited)	Deferral *RMB'000* (Unaudited)	Restated *RMB'000* (Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	3,221,889	(262)	–	3,221,627
Investment properties	13,084,042	30,000[(1)]	–	13,114,042
Goodwill	661,058	–	–	661,058
Investment in joint ventures	3,674,706	417,259	(19,937)[(2)]	4,072,028
Investment in associates	4,585,402	176,573	–	4,761,975
Deferred tax assets	1,124,653	(2,391)	(29,111)	1,093,151
Total non-current assets	26,351,750	621,179	(49,048)	26,923,881
CURRENT ASSETS				
Land held for property development for sale	3,057,314	(965,156)	–	2,092,158
Properties under development	32,417,580	(1,089,098)	4,099,648	35,428,130
Properties held for sale	25,077,742	(829,108)	1,450,190	25,698,824
Prepayment for acquisition of land	493,080	–	–	493,080
Prepayments, other receivables and other assets	35,650,368	73,016[(3)]	50,942	35,774,326
Prepaid corporate income tax	876,144	(2,163)	238,059	1,112,040
Prepaid land appreciation tax	767,929	(20,263)	430,213	1,177,879
Derivative financial instruments	94,567	–	–	94,567
Restricted cash	2,307,124	–	–	2,307,124
Non-pledged time deposits with original maturity of over three months	5,713,723	–	–	5,713,723
Cash and cash equivalents	34,947,420	(710,758)	–	34,236,662
Total current assets	141,402,991	(3,543,530)	6,269,052	144,128,513
CURRENT LIABILITIES				
Contract liabilities	14,024,139	(398,566)	9,267,004	22,892,577
Trade payables	10,011,091	(765,378)	(1,432,551)	7,813,162
Other payables and accruals	41,392,389	34,897[(4)]	–	41,427,286
Interest-bearing bank and other borrowings	8,833,086	(367,426)	–	8,465,660
Corporate bonds	8,000,000	–	–	8,000,000
Senior notes	5,417,230	–	–	5,417,230
Corporate income tax payables	2,310,221	(172,903)	(138,439)	1,998,879
Provision for land appreciation tax	1,773,996	(178,717)	(169,228)	1,426,051
Total current liabilities	91,762,152	(1,848,093)	7,526,786	97,440,845
NET CURRENT ASSETS	49,640,839	(1,695,437)	(1,257,734)	46,687,668
TOTAL ASSETS LESS CURRENT LIABILITIES	75,992,589	(1,074,258)	(1,306,782)	73,611,549

	As previously reported *RMB'000* (Unaudited)	Re-classification *RMB'000* (Unaudited)	Deferral *RMB'000* (Unaudited)	Restated *RMB'000* (Unaudited)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	10,314,281	–	–	10,314,281
Corporate bonds	1,500,000	–	–	1,500,000
Senior notes	29,963,661	–	–	29,963,661
Deferred tax liabilities	3,206,659	(115,352)	35,440	3,126,747
Total non-current liabilities	44,984,601	(115,352)	35,440	44,904,689
Net assets	31,007,988	(958,906)	(1,342,222)	28,706,860
EQUITY				
Equity attributable to owners of the parent				
Issued capital	447,817	–	–	447,817
Senior perpetual securities	1,911,986	–	–	1,911,986
Reserves	20,613,027	(205,130)	(1,031,820)	19,376,077
	22,972,830	(205,130)	(1,031,820)	21,735,880
Non-controlling interests	8,035,158	(753,776)	(310,402)	6,970,980
Total equity	31,007,988	(958,906)	(1,342,222)	28,706,860

Notes:

(1) It represents a fair value change of RMB30,000,000 of an investment property in Hefei, which is a misstatement being considered not material by management and thus not adjusted in the 2020 Interim Period Results published on 24 August 2020. The aforesaid fair value change is considered material by management within the context of the restated financial information for the 2020 Interim Period and thus adjusted in the restated financial information.

(2) It represents the reversal of share of profits from a project company in Suzhou, which part of the revenue has been deferred as the status of project had not reached the requisite degree of completion for the purposes of revenue recognition as at 30 June 2020.

(3) It represents the net effect of (i) reclassification of prepayment, other receivables and other assets of RMB59,850,000; and (2) recording the amount due from joint ventures of RMB132,866,000 of certain companies under "Re-classification".

(4) It represents the net effect of (i) reclassification of other payables and accruals of RMB776,261,000; and (2) recording the amount due to joint ventures of RMB811,158,000 of certain companies under "Re-classification".

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

	As previously reported	Reclassification	Deferral	Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	2,739,478	(783,310)	(2,253,610)	(297,442)
Adjustments for:				
Finance costs	118,000	16,304	(6,884)[1]	127,420
Bank interest income	(212,679)	727	–	(211,952)
Depreciation	41,594	(225)	–	41,369
Fair value gain on derivative financial instruments	(26,013)	–	–	(26,013)
Realised gain on derivative financial instruments	(33,483)	–	–	(33,483)
Share of profits and losses of joint ventures	143,123	(111,566)	19,937	51,494
Share of profits and losses of associates	32,719	(39,818)	–	(7,099)
Fair value gain on investment properties, net	(9,414)	(30,000)	–	(39,414)
Equity-settled share option expense	7,884	–	–	7,884
	2,801,209	(947,888)	(2,240,557)	(387,236)
(Increase)/decrease in properties under development	(1,175,210)	10,756,497	(4,099,648)	5,481,639
Decrease/(increase) in properties held for sale	8,985,671	(11,590,263)	(1,450,190)	(4,054,782)
Increase in prepayment for acquisition of land	(493,080)	–	–	(493,080)
Increase in prepayment, deposits and other receivables	(2,671,476)	(480,249)	(50,942)	(3,202,667)
(Decrease)/increase in contract liabilities	(2,229,623)	2,663,914	9,267,004	9,701,295
Increase/(decrease) in trade payables	527,277	(595,466)	(1,432,551)	(1,500,740)
Increase in other payable and accruals	1,134,730	846,368	–	1,981,098
Cash generated from operations	6,879,498	652,913	(6,884)	7,525,527
Interest received	212,679	(727)	–	211,952
Interest paid	(1,909,688)	–	6,884	(1,902,804)
PRC corporate income tax paid	(774,770)	–	–	(774,770)
PRC land appreciation tax paid	(704,842)	–	–	(704,842)
Net cash flows from operating activities	3,702,877	652,186	–	4,355,063

	As previously reported	Reclassification	Deferral	Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES				
Advance of loan to joint ventures	(4,170,910)	(146,095)	–	(4,317,005)
Repayment of loan from associates	853,102	(532,682)	–	320,420
Purchases of items of property, plant and equipment	(27,840)	–	–	(27,840)
Proceeds from disposal of property, plant and equipment	3,348	–	–	3,348
Investments in joint ventures	(1,122,718)	–	–	(1,122,718)
Investments in associates	(23,654)	–	–	(23,654)
Acquisitions of subsidiaries	1,893,214	(684,167)	–	1,209,047
Disposal of subsidiaries	1,528,984	–	–	1,528,984
Additions to investment properties	(280,761)	–	–	(280,761)
Proceeds from disposal of investment properties	17,776	–	–	17,776
Settlements of structured forward contracts	21,763	–	–	21,763
Increase in restricted cash	(441,002)	–	–	(441,002)
Increase in non-pledged time deposits with original maturity of over three months	(524,305)	–	–	(524,305)
Net cash flows used in investing activities	(2,273,003)	(1,362,944)	–	(3,635,947)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from non-controlling shareholders	49,000	–	–	49,000
Acquisition of non-controlling interest	(161,276)	–	–	(161,276)
Increase in amounts due to non-controlling shareholders	209,457	–	–	209,457
Dividends paid to a non-controlling shareholder	(294,000)	–	–	(294,000)
Distribution to holders of senior perpetual securities	(56,717)	–	–	(56,717)
New bank and other borrowings	3,998,633	–	–	3,998,633
Repayment of bank and other borrowings	(5,183,140)	–	–	(5,183,140)
Proceeds from issue of senior notes	7,582,202	–	–	7,582,202
Repayment of senior notes	(1,658,842)	–	–	(1,658,842)
Proceeds from issuance of shares in connection with the exercise of share options	14,191	–	–	14,191
Net cash flows from financing activities	4,499,508	–	–	4,499,508

	As previously reported	Reclassification	Deferral	Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,929,382	(710,758)	–	5,218,624
Cash and cash equivalents at beginning of period	28,455,729	–	–	28,455,729
Effect of foreign exchange rate changes, net	562,309	–	–	562,309
Cash and cash equivalents at end of period	34,947,420	(710,758)	–	34,236,662
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	32,170,404	(710,758)	–	31,459,646
Non-pledged time deposits with original maturity of no more than three months	2,777,016	–	–	2,777,016
Cash and cash equivalents included in the condensed consolidated statement of financial position	34,947,420	(710,758)	–	34,236,662

Notes:

(1) It represents the finance costs of RMB6,884,000 which were incurred for certain property projects which had not reached the requisite degree of completion as at 30 June 2020, and expensed off in the 2020 Interim Period Results published on 24 August 2020. Such finance costs were capitalised as part of the project costs of the relevant property projects according to the Group's accounting policy.