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禹洲集團控股有限公司

YUZHOU GROUP HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01628)

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

The board of directors (the “Board”) of Yuzhou Group Holdings Company Limited (the “Company” or “Yuzhou Group”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six-month period ended 30 June 2021 (the “Period”). These interim results have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and reviewed by Ernst & Young, the independent auditor of the Company (the “Auditor”), in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. These interim results have also been reviewed by the Audit Committee of the Company.

FINANCIAL HIGHLIGHTS

1. Contracted sales achieved RMB52,714.07 million for the six-month period ended 30 June 2021, increased by 23.02% year on year, achieved 47.92% of the full year target.
2. Revenue increased by 494.86% from RMB2,018.64 million for the six-month period ended 30 June 2020 to RMB12,008.10 million for the six-month period ended 30 June 2021.
3. Profit (loss) for the period changed from loss of RMB227.96 million for the six-month period ended 30 June 2020 to profit of RMB1,201.81 million for the six-month period ended 30 June 2021.
4. Core profit* amounted to RMB1,136.28 million in the first half of 2021. Core profit attributable to owners of the parent amounted to RMB791.26 million in the first half of 2021.
5. Interim dividend of HK5.3 cents per share for the six-month period ended 30 June 2021, representing 35% of core profit attributable to owners of the parent.
6. As at 30 June 2021, net gearing ratio was 80.42%, which was down by 5.38 percentage points as compared to that as at 31 December 2020, and weighted average funding cost was 7.13%.
7. The cash over short-term debt ratio was 1.85. As at 30 June 2021, asset-liability ratio after excluding advance receipts was 73.98%, which was down by 3.94 percentage points as compared to that as at 31 December 2020.

* *excluding non-recurring profit and loss items and their related tax expenses, comprising fair value gain on investment properties, net exchange difference, etc.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2021

	Notes	For the six-month period ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
REVENUE	3	12,008,100	2,018,639
Cost of sales		<u>(9,595,902)</u>	<u>(1,972,563)</u>
Gross profit		2,412,198	46,076
Fair value gain on investment properties, net		672,261	39,414
Other income and gains	3	205,932	342,224
Selling and distribution expenses		(286,363)	(99,479)
Administrative expenses		(411,734)	(353,988)
Other expenses		(30,103)	(99,874)
Finance costs	5	(127,657)	(127,420)
Share of profits and losses of joint ventures		(380,862)	(51,494)
Share of profits and losses of associates		79,548	7,099
PROFIT/(LOSS) BEFORE TAX	6	2,133,220	(297,442)
Income tax (expense)/credit	7	(931,411)	69,487
PROFIT/(LOSS) FOR THE PERIOD		<u>1,201,809</u>	<u>(227,955)</u>
Attributable to:			
Owners of the parent		856,783	(217,583)
Non-controlling interests		345,026	(10,372)
		<u>1,201,809</u>	<u>(227,955)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
– Basic (<i>RMB cents per share</i>)	9	<u>12.78</u>	<u>(4.70)</u>
– Diluted (<i>RMB cents per share</i>)	9	<u>12.77</u>	<u>(4.70)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2021

	For the six-month period ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited) (Restated)
PROFIT/(LOSS) FOR THE PERIOD	1,201,809	(227,955)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>342,735</u>	<u>386,306</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,544,544</u>	<u>158,351</u>
Attributable to:		
Owners of the parent	<u>1,199,518</u>	168,723
Non-controlling interests	<u>345,026</u>	<u>(10,372)</u>
	<u>1,544,544</u>	<u>158,351</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,672,407	2,548,612
Investment properties		15,869,588	14,627,949
Land held for property development for sale		1,401,811	1,401,811
Goodwill		741,202	741,202
Investments in joint ventures		4,133,403	4,478,206
Investments in associates		6,990,523	5,657,286
Financial assets at fair value through profit or loss		5,100	661,492
Deferred tax assets		931,680	848,469
		32,745,714	30,965,027
CURRENT ASSETS			
Land held for property development for sale		225,891	4,407,408
Properties under development		52,678,461	43,399,851
Properties held for sale		25,700,368	23,739,481
Prepayments for acquisition of land		1,607,235	912,000
Prepayments, other receivables and other assets		35,041,087	38,020,675
Prepaid corporate income tax		882,544	819,501
Prepaid land appreciation tax		1,745,560	1,465,298
Non-pledged time deposits with original maturity of over three months		7,127,867	8,139,087
Cash and cash equivalents		20,943,652	26,329,729
		145,952,665	147,233,030
CURRENT LIABILITIES			
Contract liabilities		25,258,615	22,825,634
Trade payables	10	11,649,990	8,850,899
Other payables and accruals		33,669,728	40,413,832
Derivative financial instruments		–	67,905
Corporate bonds	11	6,500,000	5,000,000
Senior notes		3,812,673	4,650,232
Interest-bearing bank and other borrowings		4,857,883	9,233,514
Corporate income tax payables		2,184,929	2,029,335
Provision for land appreciation tax		1,872,994	1,944,232
		89,806,812	95,015,583
NET CURRENT ASSETS		56,145,853	52,217,447
TOTAL ASSETS LESS CURRENT LIABILITIES		88,891,567	83,182,474

	30 June 2021	31 December 2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Derivative financial instruments	–	19,831
Interest-bearing bank and other borrowings	12,931,043	10,851,905
Corporate bonds	3,000,000	4,500,000
Senior notes	29,084,003	29,664,057
Deferred tax liabilities	3,944,995	3,843,751
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Total non-current liabilities	48,960,041	48,879,544
	<hr/>	<hr/>
Net assets	39,931,526	34,302,930
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	489,142	489,142
Senior perpetual securities	1,911,986	1,911,986
Reserves	23,373,990	22,228,346
	<hr/>	<hr/>
	25,775,118	24,629,474
Non-controlling interests	14,156,408	9,673,456
	<hr/>	<hr/>
Total equity	39,931,526	34,302,930
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1. CORPORATE AND GROUP INFORMATION

Yuzhou Group Holdings Company Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in property development, property investment, property management and hotel operations in the mainland of the People’s Republic of China (the “PRC” or “Mainland China”) and Hong Kong.

In the opinion of the directors, Mr. Lam Lung On and Ms. Kwok Ying Lan, both being directors of the Company, are considered as the controlling shareholders of the Company.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information of the Group (the “interim financial information”) for the six-month period ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

This interim financial information has been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. This interim financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the “HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, *Interest Rate Benchmark Reform – Phase 2*
HKFRS 7, HKFRS 4 and HKFRS 16

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

2.2 PRIOR PERIOD RESTATEMENT

There is a restatement of the interim results for the six-month period ended 30 June 2020 (“2020 Interim Period”) dated 24 August 2020 published on 17 September 2020. The restatement is a result of the following:

- 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, with the deferral of certain revenue initially recognised in the 2020 Interim Period; and
- the deferral of certain revenue initially recognised in the 2020 Interim Period.

Details of the restatement are set out in the announcement and the restated interim financial information in the restated interim report dated 12 August 2021.

Accordingly, the comparative information for the six-month period ended 30 June 2020 have been restated in the condensed consolidated financial information as follow:

Condensed consolidated statement of profit or loss for the six-month period ended 30 June 2020

	As previously reported (Unaudited) RMB'000	Restated (Unaudited) RMB'000
REVENUE	14,006,915	2,018,639
Cost of sales	<u>(10,730,638)</u>	<u>(1,972,563)</u>
Gross profit	3,276,277	46,076
Fair value gain on investment properties, net	9,414	39,414
Other income and gains	366,342	342,224
Selling and distribution expenses	(205,507)	(99,479)
Administrative expenses	(360,454)	(353,988)
Other expenses	(52,752)	(99,874)
Finance costs	(118,000)	(127,420)
Share of profits and losses of joint ventures	(143,123)	(51,494)
Share of profits and losses of associates	<u>(32,719)</u>	<u>7,099</u>
PROFIT/(LOSS) BEFORE TAX	2,739,478	(297,442)
Income tax (expense)/credit	<u>(1,188,816)</u>	<u>69,487</u>
PROFIT/(LOSS) FOR THE PERIOD	<u>1,550,662</u>	<u>(227,955)</u>
Attributable to:		
Owners of the parent	1,019,367	(217,583)
Non-controlling interests	<u>531,295</u>	<u>(10,372)</u>
	<u>1,550,662</u>	<u>(227,955)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
– Basic (<i>RMB cents per share</i>)	<u>18.43</u>	<u>(4.70)</u>
– Diluted (<i>RMB cents per share</i>)	<u>18.36</u>	<u>(4.70)</u>

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The Group has changed its accounting policy of the classification of the interest paid in the consolidated statement of cash flows from operating activities to financing activities during the current year (the “Policy Change”) so as to provide reliable and more relevant information of cash flows generated from financial liabilities. In the opinion of the directors of the Company, it is more appropriate to reflect all cash flows of the Group’s borrowings as financing activities in the consolidated statement of cash flows and the Policy Change can result in a consistent presentation which is beneficial to users of the financial statements to understand all the related cash flows of the same financial liabilities and provides more comparable information with industry peers.

Set out below are the amounts by which each financial statement line item was affected for the six-month periods ended 30 June 2021 and 2020 as a result of the Policy Change:

	For the six-month period ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
	Decrease/ (increase)	Decrease/ (increase)
	RMB’000	RMB’000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	<u>2,264,876</u>	<u>1,902,804</u>
Net cash flows (used in)/from operating activities	<u>2,264,876</u>	<u>1,902,804</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	<u>(2,264,876)</u>	<u>(1,902,804)</u>
Net cash flows (used in)/from financing activities	<u>(2,264,876)</u>	<u>(1,902,804)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u><u>-</u></u>	<u><u>-</u></u>

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss, comprehensive income, financial position and changes in equity.

3. REVENUE, OTHER INCOME AND GAINS

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

	For the six-month period ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Revenue		
Sales of properties	11,677,048	1,625,873
Rental income from investment properties	96,928	97,229
Property management fee income	227,273	289,487
Hotel operation income	6,851	6,050
	<u>12,008,100</u>	<u>2,018,639</u>
Other income and gains		
Bank interest income	183,724	211,952
Others	22,208	130,272
	<u>205,932</u>	<u>342,224</u>

4. OPERATING SEGMENT INFORMATION

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

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

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

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

For the six-month period ended 30 June 2021

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)						
Segment revenue:						
Sales to external customers	11,677,048	96,928	227,273	6,851	–	12,008,100
Other revenue	18,512	155	3,425	97	19	22,208
Total	<u>11,695,560</u>	<u>97,083</u>	<u>230,698</u>	<u>6,948</u>	<u>19</u>	<u>12,030,308</u>
Segment results	<u>1,223,630</u>	<u>691,854</u>	<u>78,211</u>	<u>2,008</u>	<u>81,450</u>	<u>2,077,153</u>
<i>Reconciliation:</i>						
Interest income						183,724
Finance costs						(127,657)
Profit before tax						2,133,220
Income tax expense						(931,411)
Profit for the period						<u>1,201,809</u>

For the six-month period ended 30 June 2020

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)						
Segment revenue:						
Sales to external customers	1,625,873	97,229	289,487	6,050	–	2,018,639
Other revenue	35,019	805	816	4	523	37,167
Total	<u>1,660,892</u>	<u>98,034</u>	<u>290,303</u>	<u>6,054</u>	<u>523</u>	<u>2,055,806</u>
Segment results	<u>(520,636)</u>	<u>25,899</u>	<u>4,394</u>	<u>702</u>	<u>107,667</u>	<u>(381,974)</u>
<i>Reconciliation:</i>						
Interest income						211,952
Finance costs						(127,420)
Loss before tax						(297,442)
Income tax credit						69,487
Loss for the period						<u>(227,955)</u>

Geographical information

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

Information about a major customer

During the six-month periods ended 30 June 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six-month period ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Interest on bank loans, other loans, corporate bonds and senior notes	2,267,278	1,919,108
Less: Interest capitalised	(2,139,621)	(1,791,688)
	<u>127,657</u>	<u>127,420</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six-month period ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Cost of properties sold	9,339,704	1,664,424
Cost of services provided	256,198	308,139
Depreciation	41,053	41,369
Fair value gain on derivative financial instruments, net*	–	(26,013)
Realised loss/(gain) on derivative financial instruments**/*	11,194	(33,483)
Loss on disposal of a subsidiary**	6,724	–
Equity-settled share option expense	7,879	7,884
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<u>30,237</u>	<u>37,253</u>

* These items are included in "Other income and gains" in the condensed consolidated statement of profit or loss.

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

7. INCOME TAX

No provision for Hong Kong profits tax has been made for the period as the Group has no assessable profits generated during the period (six-month period ended 30 June 2020: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for each of the six-month periods ended 30 June 2021 and 2020.

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

	For the six-month period ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Current:		
PRC corporate income tax	654,217	102,234
PRC land appreciation tax	144,235	27,460
	<u>798,452</u>	<u>129,694</u>
Deferred:		
Current period	132,959	(199,181)
Total tax charge/(credit) for the period	<u>931,411</u>	<u>(69,487)</u>

8. INTERIM DIVIDEND

	For the six-month period ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Interim dividend declared – HK5.3 cents (six-month period ended 30 June 2020: HK12 cents) per ordinary share	<u>276,940</u>	<u>560,884</u>

The board of directors of the Company declared an interim dividend of HK5.3 cents per share (six-month period ended 30 June 2020: HK12 cents per share) for the six-month period ended 30 June 2021. The interim dividend will be payable in form of new fully paid scrip shares of the Company in lieu of cash.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount for the six-month periods ended 30 June 2021 and 30 June 2020 is based on the profit/(loss) for the period attributable to owners of the parent, adjusted for the distribution related to senior perpetual securities, and the weighted average number of ordinary shares of 6,304,553,381 (six-month period ended 30 June 2020: 5,833,782,121) in issue (adjusted to reflect the scrip shares issued) less the weighted average number of shares of 6,827,514 (six-month period ended 30 June 2020: Nil) held under the share award scheme. On 28 May 2021, the shareholders of the Company approved the final dividend of HK21.5 cents per share for the year ended 31 December 2020 which was paid wholly in form of new and fully paid shares of the Company. As the issue of the 610,851,123 scrip shares in July 2021 occurred before this interim financial information was approved and authorised for issue, the weighted average number of ordinary shares in issue has been adjusted retrospectively to reflect the scrip shares issued.

The calculation of the diluted earnings per share amount for the six-month periods ended 30 June 2021 is based on the profit for the period attributable to owners of the parent, adjusted for the distribution related to senior perpetual securities, and the weighted average number of ordinary shares used in the calculation is the total of (i) the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares (see below).

The calculations of the basic and diluted earnings/(loss) per share are based on:

	For the six-month period ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Earnings/(loss)		
Profit/(loss) attributable to owners of the parent	856,783	(217,583)
Distribution related to senior perpetual securities	(52,070)	(56,717)
	<hr/>	<hr/>
Profit/(loss) used in the basic and diluted earnings/(loss) per share calculations	804,713	(274,300)
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	Number of shares for the six-month period ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited) (Restated)
Shares		
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the period, used in the basic earnings/(loss) per share calculation	6,297,725,867	5,833,782,121
Effect of dilution of share options – weighted average number of ordinary shares	5,047,699	19,417,144
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	6,302,773,566	5,853,199,265

No adjustment for dilution has been made to the basic loss per share presented for the six-month period ended 30 June 2020 as the Company's share options outstanding had an anti-dilutive effect on the basic loss per share presented.

10. TRADE PAYABLES

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

	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Due within 1 year or on demand	7,520,604	5,119,825
Due within 1 to 2 years	4,129,386	3,731,074
	11,649,990	8,850,899

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

11. CORPORATE BONDS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
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	3,000,000
	9,500,000	9,500,000
Portion classified as current liabilities	(6,500,000)	(5,000,000)
Non-current portion	3,000,000	4,500,000

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

- (i) RMB1,000,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in August 2018 (the “7.85% Corporate Bonds I”). The 7.85% Corporate Bonds I have a term of three years and bear interest at a rate of 7.85% per annum. The 7.85% Corporate Bonds I are unsecured. At the end of the first and second year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. In August 2019, the coupon rate was adjusted to 6.98% per annum. In August 2020, the coupon rate was adjusted to 5.98% per annum. The 7.85% Corporate Bonds I are classified as a current liability as at 30 June 2021 and 31 December 2020.
- (ii) RMB1,200,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in September 2018 (the “7.8% Corporate Bonds”). The 7.8% Corporate Bonds have a term of three years and bear interest at a rate of 7.8% per annum. The 7.8% Corporate Bonds are unsecured. At the end of the first and second year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. In September 2019, the coupon rate was 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 30 June 2021 and 31 December 2020.
- (iii) RMB800,000,000 corporate bonds due in 2021 issued by a subsidiary of the Company in September 2018 (the “7.85% Corporate Bonds II”). The 7.85% Corporate Bonds II have a term of three years and bear interest at a rate of 7.85% per annum. The 7.85% Corporate Bonds II are unsecured. At the end of the second year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. In September 2020, the coupon rate was adjusted to 5.98% per annum. The 7.85% Corporate Bonds II are classified as a current liability as at 30 June 2021 and 31 December 2020.

- (iv) RMB2,000,000,000 corporate bonds due in 2024 issued by a subsidiary of the Company in April 2019 (the “6.5% Corporate Bonds”). The 6.5% Corporate Bonds have a term of five years and bear interest at a rate of 6.5% per annum. The 6.5% Corporate Bonds are unsecured. At the end of the second, third and fourth year (31 December 2020: 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. In April 2021, the coupon rate was adjusted to 6.98% per annum. The 6.5% Corporate Bonds are classified as a current liability as at 30 June 2021 and 31 December 2020.
- (v) RMB1,500,000,000 corporate bonds due in 2024 issued by a subsidiary of the Company in April 2019 (the “7.5% Corporate Bonds”). The 7.5% Corporate Bonds have a term of five years and bear interest at a rate of 7.5% per annum. The 7.5% Corporate Bonds are unsecured. At the end of the third year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 7.5% Corporate Bond are classified as a current liability as at 30 June 2021 and a non-current liability as at 31 December 2020.
- (vi) RMB1,500,000,000 corporate bonds due in 2025 issued by a subsidiary of the Company in July 2020 (the “6.5% Corporate Bonds II”). The 6.5% Corporate Bonds II have a term of five years and bear interest at a rate of 6.5% per annum. The 6.5% Corporate Bonds II are unsecured. At the end of the second and fourth year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 6.5% Corporate Bonds II were classified as a non-current liability as at 30 June 2021 and 31 December 2020.
- (vii) RMB1,500,000,000 corporate bonds due in 2025 issued by a subsidiary of the Company in September 2020 (the “6.5% Corporate Bonds III”). The 6.5% Corporate Bonds III have a term of five years and bear interest at a rate of 6.5% per annum. The 6.5% Corporate Bonds III are unsecured. At the end of the second and fourth year, the subsidiary of the Group shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Group. The 6.5% Corporate Bonds III were classified as a non-current liability as at 30 June 2021 and 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

Looking back at the first half of 2021, as the negative impact of the COVID-19 epidemic gradually faded away, and coupled with a series of proactive fiscal policies and prudent monetary policies adopted by the state and governments at all levels, the post-pandemic real estate market continued to be recovered, and the scale of commodity housing sales increased significantly. In the first half of 2021, the policy keynote of “stabilizing housing price, land premium and expectation” in the real estate market remained unchanged and the principle of “houses are for living instead of speculation” were always adhered to, which emphasized the continuity and stability of real estate regulatory policies. Compared with 2020, the Central People’s Government of the People’s Republic of China (the “Central Government”) further focused its regulation logic on the supply side and the real estate finance regulation continued to be more stringent. At the same time, it strengthened the regulation efforts on the second-hand housing market to ensure the stable and healthy development of the real estate market.

In the post-pandemic era, along with the continuous adjustment of real estate industry by the Central Government and local governments, the core tier-1 and tier-2 cities in the PRC, especially in the Yangtze River Delta Region (including Suzhou, Hefei, Nanjing, Shanghai, Ningbo and other deep-cultivated cities), which is the focus of the Group, showed a steady trend after a fast recovery. The sales volume in these cities remained a higher growth rate, which reflects relatively sustained and strong market demand in the major core tier-1 and tier-2 cities.

In terms of land market, the policy of “centralized supply of residential land in 22 major cities” introduced by the Ministry of Housing and Urban-Rural Development enhanced the transparency and predictability of the supply side of land, which is beneficial to the healthy and steady development of the industry. For the real estate industry, companies with sufficient capital and steady operations will be the fastest players to adapt to the new policy, benefiting large-scale real estate companies. In the future, in addition to participating in land bidding, auctions and listings in the public market, the Group will vigorously explore the non-public market resources and acquire quality land resources reserve through mergers and acquisitions, urban renewal and industrial city and other approaches.

Under the policies of continuous adjustment by the Central Government and local governments, 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 shall pay 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 Period, the revenue of the Group amounted to RMB12,008.10 million. Core profit amounted to RMB1,136.28 million in the first half of 2021. Core profit attributable to the owners of the parent amounted to RMB791.26 million in the first half of 2021. The total equity amounted to RMB39,931.53 million. The Board declared an interim dividend of HK5.3 cents per share.

SALE OF PROPERTIES

During the Period, the Group's revenue from property sales increased by 618.20% year-on-year to RMB11,677.05 million, accounting for 97.24% of the total revenue of the Group. The Group delivered total GFA of approximately 904,804 sq.m., representing a year-on-year increase of 702.74%. The increase of revenue from property sales was mainly attributable to the growth of delivered areas in the Period. The average selling price of the properties delivered and recognized as property sales in the first half of 2021 was RMB12,452 per sq.m..

By geographic distribution, Yangtze River Delta Region, West Strait Economic Zone, Greater Bay Area, Central China Region and Bohai Rim Region contributed 66.86%, 21.18%, 7.53%, 3.22% and 1.21% of the recognized revenue, respectively. Yangtze River Delta Region, in particular, stood as the principal contributor. Going forward, the Group will stick to its strategy of "Leading with Locality Development", facilitate synergetic development of various regions and inject more diversity into the revenue streams of the Group.

The recognized sales and GFA sold in each region in the first half of 2021 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	2,386,296	255,435	9,342
Yangtze River Delta Region	7,533,037	525,090	14,346
Bohai Rim Region	135,791	20,774	6,537
Central China Region	363,010	24,101	15,062
Greater Bay Area	848,419	79,404	10,685
Total sales recognized at a point of time	11,266,553	<u>904,804</u>	<u>12,452</u>
Total sales recognized over time	<u>410,495</u>		
Total sales of properties recognized	<u><u>11,677,048</u></u>		

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

Name of regions	Amount <i>(RMB'000)</i>	Saleable GFA <i>(sq.m.)</i>	Average Selling Price (after tax) <i>(RMB/sq.m.)</i>
West Strait Economic Zone	208,316	24,370	8,548
Yangtze River Delta Region	1,051,947	87,197	12,064
Greater Bay Area	12,022	1,148	10,472
Total sales recognized at a point of time	1,272,285	<u>112,715</u>	<u>11,288</u>
Total sales recognized over time	<u>353,588</u>		
Total sales of properties recognized	<u>1,625,873</u>		

CONTRACTED SALES

During the Period, the Group's accumulated contracted sales amounted to RMB52,714.07 million. The GFA of contracted sales amounted to 2,845,342 sq.m. and the contracted average selling price was approximately RMB18,526 per sq.m..

The Yangtze River Delta Region recorded contracted sales of RMB34,503.02 million in the first half of 2021, accounting for 65.45% of the Group's total contracted sales. Specifically, Hefei, Suzhou, Shanghai, Nanjing and Hangzhou constituted the core cities of our footprint in this region, contributing aggregate contracted sales of RMB22,896.40 million, which fully demonstrated the stellar performance of the Group's locality development strategy in the Yangtze River Delta Region.

The Group realized robust growth in sales in Hefei Branch by leveraging on product, brand and service advantages during the Period, and ranked among the top real estate developers by sales performance. In the first half of 2021, Hefei Yuzhou Honor Times (合肥禹洲·嘉譽尚里) consistently maintained a leading position as the most popular property project of the Group, with a legend of receiving over 300 groups of visitors in only 3 hours from the opening of the sales center, and 90% of the properties sold-out within two hours after initial launch, which once again demonstrated Yuzhou's position as a trendsetter in quality properties of the city. In addition, 90% of Hefei Yuzhou Town of Sky was sold out immediately upon initial launch, and Hefei Yuzhou Orchid Garden also created an excellent record of selling out 56 additionally launched units within 43 minutes. The continuous emergence of quality projects keenly manifests the fruitful achievements of the Group's locality development in Hefei for 15 years.

In the first half of 2021, the Hangzhou Branch also became one of the highlights in terms of the Group's sales. Among them, Hangzhou Yuzhou Wanglin Mansion ranked Top 1 in the local market of Gongshu District in terms of contracted sales amount, GFA of contracted sales and units of contracted sales during the first half of 2021, and Top 10 in Hangzhou in terms of contracted sales. In addition, Yuzhou Lakeside Langham in Hangzhou, another popular property of the Hangzhou Branch, also hit top performance in contracted sales amount, units of contracted sales, GFA of contracted sales in Xiaoshan District during the Period, respectively. The Company in Ningbo constantly reported a great success during the Period. For instance, in March of this year, Ningbo Yuzhou Jade Mansion (寧波禹洲·朗玥府) under the Group sold out 393 units at initial launch, with sell through rate of 90%, which provided the optimum testimony for the Group's accurate footprint in Eastern China.

Suzhou Branch was the second largest contributor of contracted sales in the Yangtze River Delta Region. Since the Group entered the core regions of the Yangtze River Delta in 2016, it quickly made accurate moves to launch projects in Suzhou and became the "Top real estate enterprises in Suzhou" by reaching the sales target of \$10 billion in a single city in three years. After four years of intensive efforts, the Group has established 15 projects in Suzhou, the core city of Jiangsu. In addition to continually deepening the development of the projects in Suzhou, Nanjing and Yangzhou, the Group also started to expand its business coverage to Wuxi, Changzhou and other regions, and focused on the development and planning of cities so as to strengthen and promote its position. In the local market of Suzhou, there are a number of local benchmark projects with a great influence, such as Yuzhou Genius Leading, Yuzhou Oak Manor and Yuzhou Immortal Seasons.

The contracted sales of the Bohai Rim Region amounted to RMB4,518.40 million, accounting for 8.57% 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, Yuzhou Langham Bay, located in the Central Business District Block of sub-centre canal in Tongzhou District, Beijing, was the Group's first exemplary residential project in Beijing. The project led the first position in the sales of regional market in the first half of the year and continued to be the top-selling project in the region. Yuzhou Phoenix Mansion, located in Tangshan, deduces the traditional oriental aesthetics by a mean of neo-Chinese style, namely the combination of modern aesthetics with oriental elements, and the traditional culture with the philosophical thinking, in a bid to create the ideal housing for the owners. Furthermore, Qingdao Yuzhou Beyond the Sea, which won the "Gold Award of Huading Design Award", introduced the concept of gardening in its spatial design for the first time, looking for breakthrough in the tradition and forming an interlocking relationship with the building to present the contemporary aesthetics of the spatial details. The Group's efforts in product design not only achieved a good performance of contracted sales, but also was in line with its philosophy of "Achieving Ingenuity with Original Intention" to create products with the commitment of duty and quality.

The Greater Bay Area is another dynamic economic area for the Group's major layout in the future. In addition to the establishment of Shenzhen headquarters in 2020, which is, one of the dual headquarters of the Group, various high-quality projects have been deployed in cities in the region such as Foshan, Zhongshan, Zhuhai, Huizhou, Jiangmen and Hong Kong. Amongst, Yuzhou Lang Garden, an ingeniously crafted work jointly developed by CMSK and the Group in Zhongshan, the units of contracted sales exceeding 1,000, upon boasting six successful sales sessions during eight months since October 2020. The project has become the hot sale property in Torch Development Zone with the highest unit price of contracted sales, units of contracted sales and GFA of contracted sales. In the future, the Group will continue to increase its land reserves and expand its market share in the Greater Bay Area to continue to provide products with quality and strengths and live up to the expectations of the customers.

During the Period, the Southwest Region also contributed a total of RMB4,064.80 million of the contracted sales, accounting for approximately 7.71% of the Group's total contracted sales. During the Period, Chongqing Yuzhou Luxury Mansion, located in the South New Zone, Beibei District, Chongqing, has hit top performance in amount, units and GFA of contracted sales in Xiema Area for consecutive eleven months. In the future, the Group will continue 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 improve year by year in the future.

During the Period, the Group continued to pursue the strategic policy of deep cultivation in the market intensification, further consolidated the geographical advantages, strengthened the intensity of development, realised the scale effect by product quality and enhanced our brand profile and word of mouth through accumulated scale advantages over the years, thereby achieving virtuous cycle of locality development.

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

	Total Amount of Contracted Sales <i>(RMB'000)</i>	GFA of Contracted Sales <i>(sq.m.)</i>	Average Contracted Selling Price <i>(RMB/sq.m.)</i>
West Strait Economic Zone	5,502,837	350,343	15,707
Yangtze River Delta Region	34,503,019	1,649,337	20,919
Central China Region	1,233,327	101,166	12,191
Greater Bay Area	2,891,688	216,676	13,346
Southwest Region	4,064,800	274,326	14,817
Bohai Rim Region	4,518,403	253,494	17,824
Total	52,714,074	2,845,342	18,526

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

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

PROPERTY INVESTMENT

The Group's property investment segment with a variety of commercial offerings covers shopping centers, shopping streets and office buildings, to shape two product lines as the "Yu Yue" brand for shopping centers and "Yuzhou Plaza" brand for office buildings. 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 center, office building and community business accounted for 61%, 23% and 16%, respectively. Operational projects covered over 1,000 cooperative brands and approximately 1,600 strategic alliance brands. During the Period, Yuzhou Commercial Company ("Yuzhou Commercial") won the "2020-2021 Commercial Property Excellence Enterprise" award at the "Golden Coordinate" award ceremony of the 16th China Commercial Real Estate Festival. In addition, our projects were on the Mall China Star Awards list, including the "Mall China 2020 Shopping Centre Industry Adjustment Star Award" for Yuyueli in Lingjiao Lake, Wuhan, and the "Mall China 2021 Shopping Centre Industry Potential Star Award" for Yuyue World in Xiamen. The awards fully reflected the high level of recognition from the industry to the Group.

Over the years, Yuzhou Commercial has focused on tier-1 and tier-2 core cities and has been actively exploring methods 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 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, 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 30 June 2021, the total GFA of the managed projects of the Group was more than 20 million sq.m. and the total contracted area was more than 27 million sq.m.. In particular, the proportion of GFA under management from third parties was more than 14%. The managed projects (in terms of GFA) accounted for more than 55% in the Yangtze River Delta Region, and more than 26% in the West Strait Economic Zone.

Yuzhou Management has won the honor of “China Top 100 Property Service Providers” for six consecutive years, and ranked 28th in “China Top 100 Property Service Providers” in 2021 and 26th in “China TOP 30 Property Enterprises in terms of Service Performance” in 2021, and has also been awarded the title of “Leading Enterprises of Satisfaction in Top 100 Property Services Companies”. In 2020, Yuzhou Management ranked in the lists of “China TOP 40 Property Enterprises in terms of Comprehensive Strength” and “China Top 20 Property Enterprises in terms of Brand Value”, and served as a council member of China Property Management Institute and a member of “the Les clefs d’Or”. It was also accredited as “Blue-chip Property Company” and won a number of provincial and municipal excellent project awards. As property services are entering a new era of value services, Yuzhou Management will continue to adopt a meticulous service attitude, strive for excellence, continue to promote service standardization, upgrade service quality, and grasp the needs of customers under market changes, so as to build a better community and strive to create a better new life for property owners and the society.

HOTEL OPERATION

As of 30 June 2021, the Group’s Yuzhou Camelon Hotel Apartment and Yuzhou Wyndham Grand Plaza Royale Hotel located in Xiamen have been put into operation, among which the revenue from the Xiamen Yuzhou Wyndham Grand Plaza Royale Hotel was presented in joint ventures. During the Period, Xiamen Yuzhou Camelon Hotel Apartment completed part of the upgrade and renovation in this February of the year, with restaurants and conference rooms being fully upgraded to meet the reception needs of different customers in an all-round way. A children’s center has also been set up to provide customers with a more comfortable stay. During the Period, this segment contributed approximately RMB6.85 million to the Group’s revenue. In addition, Camelon Hot Spring Hotel in Tong’an District of Xiamen, Camelon Business Hotel in Hui’an of Quanzhou, and hotels in Feidong of Hefei, Taizi Lake of Wuhan and Jinhui Area of Fengxian District, Shanghai, etc. were still under construction in an orderly manner. Sticking to the service concept of “family-like service for you”, the Group will bring high-quality service experience to its customers.

QUALITY, SAFETY AND PRODUCT LINE DESIGN

In the current era, the green economy and the low carbon economy with the business philosophy of “carbon neutrality” have attracted more and more attention from the market, the outbreak of the epidemic has also highlighted the importance of green circular economy and sustainable development. Green buildings, as one of the Group’s future development priorities, are increasing in size. As of 30 June 2021, the Group has 145 property projects with approximately 20 million sq.m. that have achieved green building standards, of which over 5 million sq.m. have been granted two-star or above green building certification, either nationally or internationally. In the future, the Group will continue to fully integrate green technologies and green financial instruments to promote low-carbon transformation and create greater value for the community.

In 2021, we have proposed a new theme, “Ingenuity”, with a comprehensive focus on products and services. In the first half of the year, the Group has not only comprehensively updated its three residential product series, namely “Royale”, “Langham” and “Honor”, but also launched a more advanced “Future Community” building plan and “Wisdom Ingenuity” project improvement plan. Relying on the value concept of “civilization for the years and temperature for the space”, through the structure reconstruction of the ternary space theory of “physics, information and society”, the Group brings the property owner a warm, emotional and intelligent living experience. Starting from the various elements of product quality, focusing on every detail from the selection of suppliers and materials to construction techniques and process management, the Group has developed a strict, systematic and complete quality control system to achieve the overall improvement of the Group’s engineering quality and offer exquisite products with sincerity and integrity, which also indicates a direction for the Group’s future featured products. In addition, the improvement of product recognition is also the focus of product upgrade. In addition to the differentiated research, development and design of product appearance, combined with the release of the Little Yu (小禹兒) IP, Yuzhou’s designers utilized its background story to blend the outdoor activity needs of children of different ages, and interpret them in children’s activity area with three themes, which is highly recognized by customers and loved by children.

During the Period, Suzhou Yuzhou Genius Leading was awarded the titles of “2020 Design Innovation Property” and “TOP 5 of China’s Real Estate Landscape in 2020” for its innovative design and perfect integration with the surrounding mountain scenery resources, as making one of the industry’s masterpieces in landscape design. In addition, Yuzhou Jiusong Oriental Mansion won the “AHLA Asia Habitat Landscape Award” in the category of Excellence in Realistic Display. While being widely recognized by the market, Yuzhou has never appeared missing to improve capabilities, putting the creation and control of quality at the top of its core spirit. During the Period, Yuzhou Yongjiang Mansion and Yuzhou Coastal Mansion located in Zhangzhou were awarded the “2020 Zhangzhou City ‘Shui Xian Cup’ Quality Engineering Award” by the Zhangzhou Engineering Construction Quality and Safety Association, which also demonstrated that the Group has always been adhering to the philosophy of “Building Cities with Heart, Building Homes with Love”.

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 30 June 2021, the Group had land reserves amounting to approximately 22.00 million sq.m. of aggregate saleable GFA, with 179 projects located in 39 cities in the six metropolitan areas. The average land cost was approximately RMB6,854 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 30 June 2021)

Region	Number of projects	Total GFA (sq.m.)	As of Total
West Strait Economic Zone			
Xiamen	27	1,112,834	5.0%
Fuzhou	8	366,805	1.7%
Quanzhou	3	880,588	4.0%
Longyan	1	14,600	0.1%
Zhangzhou	4	919,909	4.2%
Sub-total	43	3,294,736	15.0%
Yangtze River Delta Region			
Shanghai	15	865,584	3.9%
Nanjing	15	776,261	3.5%
Hangzhou	3	612,570	2.8%
Shaoxing	1	127,952	0.6%
Ningbo	2	109,298	0.5%
Suzhou	16	1,319,648	6.0%
Changzhou	1	133,573	0.6%
Wuxi	3	539,754	2.4%
Bozhou	1	24,087	0.1%
Hefei	19	2,313,341	10.5%
Bengbu	1	496,156	2.3%
Jinhua	2	12,796	0.1%
Yangzhou	3	674,868	3.1%
Zhoushan	1	142,620	0.6%
Xuzhou	1	109,197	0.5%
Sub-total	84	8,257,705	37.5%

Region	Number of projects	Total GFA (sq.m.)	As of Total
Bohai Rim Region			
Beijing	2	117,434	0.5%
Tianjin	10	1,360,929	6.2%
Qingdao	4	328,438	1.5%
Shijiazhuang	1	41,572	0.2%
Tangshan	3	943,360	4.3%
Shenyang	2	1,977,085	9.0%
Sub-total	22	4,768,818	21.7%
Central China Region			
Wuhan	4	944,947	4.3%
Xinxiang	1	258,370	1.2%
Kaifeng	1	222,844	1.0%
Zhengzhou	3	481,892	2.2%
Sub-total	9	1,908,053	8.7%
Greater Bay Area			
Hong Kong	1	2,214	0.0%
Shenzhen	1	51,281	0.2%
Huizhou	2	354,512	1.6%
Foshan	5	538,639	2.5%
Zhongshan	1	246,998	1.1%
Jiangmen	1	123,528	0.6%
Sub-total	11	1,317,172	6.0%
Southwest Region			
Chongqing	4	795,793	3.6%
Chengdu	3	757,393	3.4%
Sub-total	7	1,553,186	7.0%
Total	176	21,099,670	95.9%
Urban Redevelopment			
Greater Bay Area			
Shenzhen	1	119,234	0.5%
Zhuhai	1	627,022	2.9%
Huizhou	1	150,308	0.7%
Total	3	896,564	4.1%
Grand total	179	21,996,234	100.0%

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

Particulars of these 4 parcels of land as at June 30, 2021 are set out in the following table:

Region	Number of projects	Expected total GFA (sq.m.)	As of Total	Total land costs (attributable to the Company) (RMB'000)	As of Total
Yangtze River Delta Region					
Suzhou	2	179,926	32.8%	548,066	25.0%
Sub-total	2	179,926	32.8%	548,066	25.0%
Greater Bay Area					
Jiangmen	1	123,528	22.6%	851,602	38.9%
Sub-total	1	123,528	22.6%	851,602	38.9%
Central China Region					
Zhengzhou	1	244,417	44.6%	789,297	36.1%
Sub-total	1	244,417	44.6%	789,297	36.1%
Total	4	547,871	100.0%	2,188,965	100.0%

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. For the six-month period ended 30 June 2021, the total revenue of the Group was a record high RMB12,008.10 million, up by 494.86% year-on-year. This was mainly due to an increase in recognized property sales revenue, driven by an increase in aggregate GFA of the properties delivered during the Period. Specifically, property sales revenue was approximately RMB11,677.05 million, up by 618.20% compared to the corresponding period last year, accounting for 97.24% of the total revenue; rental income from investment properties was approximately RMB96.93 million, decreased by 0.31% year-on-year; property management fee income was approximately RMB227.27 million, up by 25.92% year-on-year (after deducting collection of utility fees and rent of RMB109.00 million in first half of 2020); and hotel operation income was approximately RMB6.85 million, up by 13.24% year-on-year.

COST OF SALES

The cost of sales mainly encompassed land cost, construction cost, capitalized interest of the Group and fair value adjustments on properties upon reclassification to subsidiaries from joint ventures and associates in current and prior periods. For the six-month period ended 30 June 2021, the cost of sales of the Group was RMB9,595.90 million, up by 386.47% from RMB1,972.56 million in the corresponding period in 2020. The increase in the cost of sales was mainly due to the increase in GFA of properties delivered by the Group and release of fair value adjustments on properties upon delivery during the Period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group was RMB2,412.20 million in the first half of 2021, and the gross profit margin was 20.09%. The increase in gross profit margin was mainly due to recognition of profitable projects in Shanghai, Hefei, Nanjing and Xiamen in the first half of 2021. Included in cost of sales are release of fair value adjustments in an aggregate amount of RMB193.39 million on properties, located mainly in Wuhan, Suzhou, Qingdao and Hefei, delivered during the current period. Having excluded the above non-cash adjustments, the gross profit margin was 21.70%.

FAIR VALUE GAIN ON INVESTMENT PROPERTIES

During the first half of 2021, the Group recorded a fair value gain on investment properties of RMB672.26 million (first half of 2020: RMB39.41 million). The increase in fair value gain on investment properties was mainly due to fair value gain of the investment property situated in Shenzhen.

OTHER INCOME AND GAINS

Other income and gains decreased by approximately 39.83% from RMB342.22 million in the first half of 2020 to RMB205.93 million in the first half of 2021. The decrease in other income and gains was mainly due to decrease in exchange gain and fair value of derivative financial instruments and realised loss on derivative financial instruments in the first half of 2021 (first half of 2020: realised gain on derivative financial instruments).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group increased by 187.86% from approximately RMB99.48 million in the first half of 2020 to approximately RMB286.36 million in the first half of 2021, accounting for 0.54% (first half of 2020: 0.23%) of total contracted sales for the Period. With an effective cost control measures, the Group continued to invest in online marketing and expanded into more diversified marketing channels in the first half of 2021.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by 16.31% from approximately RMB353.99 million in the first half of 2020 to approximately RMB411.73 million in the first half of 2021, mainly due to the business expansion of the Group and the increase in number of staff. In the first half of 2021, the proportion of administrative expenses to total contracted sales for the Period was 0.78% (first half of 2020: 0.83%).

OTHER EXPENSES

Other expenses decreased by 69.86% from approximately RMB99.87 million in the first half of 2020 to approximately RMB30.10 million in the first half of 2021, which was mainly due to no impairment on inventory incurred during the Period (first half of 2020: RMB36.79 million).

FINANCE COSTS

Finance costs of the Group increased by 0.19% from approximately RMB127.42 million in the first half of 2020 to approximately RMB127.66 million in the first half of 2021.

SHARE OF PROFITS AND LOSSES OF JOINT VENTURES

The Group's share of losses of joint ventures was approximately RMB380.86 million in the first half of 2021, as compared to a share of losses of approximately RMB51.49 million in the first half of 2020. In the first half of 2021, the total revenue of joint ventures amounted to RMB2,536.72 million, and the Group's attributable share of revenue of joint ventures amounted to RMB847.76 million. The gross profit margin of joint ventures was 18.96%. The Group's attributable share of impairment of properties under development of joint ventures amounted to RMB143.97 million. The total contract liabilities of joint ventures amounted to RMB41,443.71 million in the first half of 2021.

SHARE OF PROFITS AND LOSSES OF ASSOCIATES

The Group's share of profits of associates was approximately RMB79.55 million in the first half of 2021, as compared to a share of profits of approximately RMB7.10 million in the first half of 2020. In the first half of 2021, the total revenue of associates amounted to RMB2,918.21 million, and the Group's attributable share of revenue of associates amounted to RMB970.61 million. The gross profit margin of associates was 17.84%. The total contract liabilities of associates amounted to RMB17,467.96 million in the first half of 2021.

INCOME TAX

Income tax credit of the Group was approximately RMB69.49 million in the first half of 2020, as compared to income tax expense of approximately RMB931.41 million in the first half of 2021. The increase in income tax expense was mainly due to the increase in profit before tax during the Period.

PROFIT FOR THE PERIOD

In the first half of 2021, the profit for the Period of the Group amounted to RMB1,201.81 million, as compared to the loss for the Period in the first half of 2020 of RMB227.96 million. The increase mainly resulted from an increase in revenue during the Period.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

In the first half of 2021, the profit attributable to non-controlling interests of the Group amounted to RMB345.03 million, as compared to the loss for the Period in the first half of 2020 of RMB10.37 million. The increase was mainly due to the share of profit arising from certain non-wholly-owned projects in Shanghai, Xuzhou and Huizhou which delivered certain of presold properties during the Period.

BASIC EARNINGS PER SHARE

For the Period, basic earnings per share were RMB12.78 cents.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group successfully issued the six-year senior notes in an aggregate amount of US\$562 million with a coupon rate of 6.35% in January 2021. The Group recorded a weighted average finance cost of 7.13%.

Details of new indebtedness:

Issuer	Type	Public/Private	Principal Amount	Maturity	Coupon Rate
Yuzhou Group Holdings Company Limited	Offshore senior notes	Public	US\$562 million	Six years	6.35%

CASH POSITION

As at 30 June 2021, the Group had cash and cash equivalents and non-pledged time deposits with original maturity of over three months of approximately RMB28,071.52 million, which was sufficient for covering short-term debts.

BORROWINGS

The Group adopts prudent financial policy for proactively conducting debt management and optimizing debt structure to ensure balance in financial risks and cut-down of finance costs.

As at 30 June 2021, the Group had total bank and other borrowings, corporate bonds and senior notes balance of RMB60,185.60 million, of which certain loans were secured by certain investment properties, properties held for sale and properties under development of the Group, representing a decrease of 5.81% as compared to RMB63,899.71 million as at 31 December 2020. The interest rate of average borrowing cost was 7.13% per annum, decreased by 0.06 percentage point from 7.19% for the year ended 31 December 2020. The debt due within one year was RMB15,170.56 million, accounting for 25.21% of total debt, and the cash short-term debt ratio (total of cash and cash equivalents and non-pledged time deposits with original maturity of over three months divided by debt due within one year) was 1.85 increased by 1.09% from 1.83 as at 31 December 2020. As at 30 June 2021, asset-liability ratio after excluding advance receipts (total liability after excluding contract liabilities divided by total asset after excluding contract liabilities) was 73.98%, which was down by 3.94 percentage points as compared to that as at 31 December 2020.

NET GEARING RATIO

As of 30 June 2021, the Group's net gearing ratio (calculated as the interest-bearing bank and other borrowings, corporate bonds and senior notes less cash and cash equivalents and non-pledged time deposits with original maturity of over three months and then divided by total equity) was 80.42%, decreased by 5.38 percentage points from 85.80% as at 31 December 2020.

As at 30 June 2021, the Group provided guarantees to banks amounting to RMB22,118.45 million (31 December 2020: RMB16,429.49 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 respect of facilities granted to joint ventures and associates were RMB5,726.66 million (31 December 2020: RMB6,637.56 million) and RMB616.39 million (31 December 2020: RMB1,040.33 million), respectively.

CURRENCY RISK

As of 30 June 2021, the Group had total bank and other borrowings, corporate bonds and senior notes of approximately RMB60,185.60 million, of which approximately 39.79% was denominated in RMB and 60.21% was denominated in Hong Kong dollars and United States dollars.

As at 30 June 2021, the proportions of bank and other borrowings, corporate bonds, senior notes and cash balance of the Group in terms of the currencies were as follows:

	Bank and other borrowings, corporate bonds, and senior notes balance RMB'000	Cash balance* RMB'000
HK\$	1,202,547	305,252
RMB	23,946,200	26,654,868
US\$	35,036,855	1,110,938
Others	—	461
	<hr/>	<hr/>
Total	<u>60,185,602</u>	<u>28,071,519</u>

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

HUMAN RESOURCES

Since 2021, under the guidance of the theme of “Ingenuity”, the Group continued to optimize the organizational structure of city companies, clearly defined setting of standard departments and improved the organizational capabilities and efficiency. It enhanced the adaptability between the position functions and requirements to corporate operation and group development, and clearly defined the allocation standard for key positions in the city companies. For standardization, the interviewer handbook was compiled to improve the recruitment experience, and further optimized and implemented the talent recruitment and deployment. For internal shift of quality employees, the Group carried out an “internal transfer plan” to promote internal competitive selection, recruitment and transfer of employees. With taking account of the development stage of the Company, the Group’s HR Center has further improved the compensation incentive system, and established a whole value chain and diversified incentive mechanism, which formed a comprehensive reward system covering all businesses with fixed salary, performance bonus, short-term incentive (special award, immediate reward and punishment, appraisal), and medium and long-term incentive (business co-creation, benefit co-creation, equity incentive). Marketing premium, cost optimization, development and creating values and other special incentives were formulated to enhance the centripetal force and cohesion of the core team and key members, stimulate the sense of ownership and responsibility of employees and realize risk sharing and benefit sharing. As of 30 June 2021, the Group had 7,271 staff in total.

As a model of the private enterprises to cooperate with central enterprises, Yuzhou Group adheres to the corporate culture of family-state ideal. During the Period, the Party Branch of Yuzhou Group officially upgraded to a Party Committee, and the first party member meeting was held, which marked the party construction work of Yuzhou Group has entered into a new journey. The Group released its first MV related to party building culture, namely “the 100-Year-Old Communist Party of China Shares its Glory with ‘Yuzhou’”. The Group also organized 23 subsidiaries to carry out Party building activities, such as Singing Red Song Contest, which recorded nearly 300,000 direct-broadcast views, and the online activity of Re-enactment of The Long March, which attracted owners from 29 cities to attend. The Group actively promoted the construction of the Party organization and enriched the corporate culture.

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

EMPLOYMENT AND REMUNERATION POLICIES

The emolument of the employees of the Group is mainly determined based on the prevailing market level of remuneration and the individual performance and work experience of the employees. Bonuses are also distributed based on the performance of the employees.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the reporting period.

INTERIM DIVIDEND

The Board declared an interim dividend of HK5.3 cents per share of the Company for the six-month period ended 30 June 2021 to eligible shareholders of the Company (the “Eligible Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) on 10 September 2021 (the “Record Date”). All the interim dividend will be received 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 will be sent to the Eligible Shareholders on or around 6 October 2021. It is expected that the share certificates for the Scrip Shares will be despatched to the Eligible Shareholders on or around 12 November 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 September 2021 to 10 September 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 pm on 7 September 2021.

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

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

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

During the Period, the trustee of the Company's share award scheme (the "Share Award Scheme") purchased an aggregate of 4,300,000 Shares on The Stock Exchange of Hong Kong Limited in accordance with the terms of the trust deed under the Share Award Scheme for a total consideration of approximately HK\$11,586,532.

During the Period, the Company purchased its 8.3% guaranteed senior notes due 2025 in the aggregate principal amount of US\$500 million (the "2025 Notes") in an aggregate of US\$5 million in the open market; and the Company purchased its 7.375% guaranteed senior notes due 2026 in the aggregate principal amount of US\$645 million (the "2026 Notes I") in an aggregate of US\$5 million in the open market; and the Company purchased its 7.85% guaranteed senior notes due 2026 in the aggregate principal amount of US\$300 million (the "2026 Notes II") in an aggregate of US\$5 million in the open market; and the Company purchased its 6.35% guaranteed senior notes due 2027 in the aggregate principal amount of US\$562 million (the "2027 Notes") in an aggregate of US\$5 million in the open market. The repurchased notes will be cancelled in accordance with their respective terms and indenture. For details of the repurchases, please refer to the announcements of the Company dated 31 March 2021 and 1 April 2021.

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

MODEL CODE FOR DIRECTORS' SHARE DEALING

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

CORPORATE GOVERNANCE

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

During the Period, the Group had adopted, applied and complied with the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following deviation:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Lam Lung On has been assuming the roles of both the Chairman and the Chief Executive Officer of the Group since 1 January 2012. Although these two roles are performed by the same individual, certain responsibilities are shared with executive directors to balance the power and authority. In addition, all major decisions are made in consultation with members of the Board as well as senior management. The Board has three independent non-executive directors who offer different independent perspectives. Therefore, the Board is of the view that there are adequate balances of power and safeguards in place. The Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Group.

SHARE OPTION SCHEME

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

REVIEW OF ACCOUNTS

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

The Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2021. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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). The 2021 interim report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

DEVELOPMENT STRATEGIES AND PROSPECTS

2021 is the first year of the 14th Five-Year Plan of China. Based on the present and looking forward to the future, we acknowledge that we need to lay a solid foundation for better development and growth. We shall first deepen our understanding of business logic on the most basic business and enhance the internal capabilities of operation and management, so as to lay a more solid foundation for an enduring company.

As Yuzhou people know, the journey will never be short of frustrations and setbacks, and the road will always belong to unremitting explorers. Looking back on the 27-year history of Yuzhou, we finally came here step-by-step by relying on the introspection and innovation under the sense of crisis, and the challenges and adventures we have experienced together. We believe that after each insurmountable gap is crossed, it is our new step forward. After crossing the changeable sea areas, there is a new continent. After each seemingly deserted desert passes through, it will usher in a vast oasis. In the future, we will continue to adhere to the business philosophy of “Achieving Ingenuity with Original Intention”, change the way of thinking, overcome difficulties and move forward, so as to generate more value, achieve qualitative and quantitative development, and realise the maximum value and the best return for shareholders and investors.

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.