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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Yuzhou Group Holdings Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**MAJOR TRANSACTION IN RELATION TO THE  
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE  
DISPOSAL COMPANY**

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Unless the context otherwise requires, all capitalized terms used on this cover page and in this circular have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 5 to 15 of this circular.

The Disposal has been approved by written Shareholders’ approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

28 April 2022

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## DEFINITIONS

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*In this circular, unless the context states otherwise, the following expressions have the following meaning:*

“Board”	the board of Directors
“China Resources Mixc”	China Resources Mixc Lifestyle Services Limited (華潤萬象生活有限公司), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange (stock code: 1209)
“Company”	Yuzhou Group Holdings Company Limited (禹洲集團控股有限公司), an exempted company incorporated in the Cayman Islands on 23 April 2008 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Formal Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Shares of RMB1,058,000,000
“Contracted Area”	the area of the properties which the Target Group shall provide property management services pursuant to the preliminary property management agreements entered into between the Target Group and the relevant property developers, but pending the completion of the delivery of the relevant properties from the respective property developers
“CRCL”	China Resources Company Limited* (中國華潤有限公司), a company incorporated in the PRC with limited liability
“CRL”	China Resources Land Limited (華潤置地有限公司), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange (stock code: 1109)
“Delivered Area”	the actual delivery of the areas managed by the Target Group pursuant to the Formal Agreement
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Formal Agreement
“Disposal Company”	Yuzhou Property Services Co., Ltd.* (禹洲物業服務有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries, namely Fujian Wanlong, Shanghai Yujia, Yuzhou Star City and Zhoushan Zhixin
“Formal Agreement”	the formal sale and purchase agreement dated 8 March 2022 entered into between the Vendor, the Purchaser and the Disposal Company in relation to the Disposal
“Framework Agreement”	the framework sale and purchase agreement dated 5 January 2022 entered into between the Vendor and the Purchaser in relation to the Disposal, and which has been superseded upon the entering into of the Formal Agreement
“Fujian Wanlong”	Fujian Wanlong Property Management Service Co., Ltd.* (福建萬龍物業管理服務有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (or any successor body) or any committee of it or body recognised by it
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“independent third party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates

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## DEFINITIONS

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“Latest Practicable Date”	27 April 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-competition Undertaking”	the non-competition undertaking provided by the Vendor and/or the Group (where applicable) to the Purchaser pursuant to the Formal Agreement
“Purchaser”	Runying Property Technology Service Co., Ltd.* (潤楹物業科技服務有限公司), a company incorporated in the PRC and an independent third party of the Company
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	representing the entire issued share capital of the Disposal Company
“Secured Area”	the area under the corresponding property projects which the Target Group had not entered into any preliminary property service agreements with the respective property developers
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai Yujia”	Shanghai Yujia Life Property Development Co., Ltd.* (上海禹家生活物業發展有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Account”	the supervisory account under the name of the Purchaser set up pursuant to the Formal Agreement
“Vendor”	Tianjin Yujia Life Service Co., Ltd.* (天津禹佳生活服務有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Yuzhou Star City”	Yuzhou Star City (Zhoushan) Property Service Co., Ltd.* (禹洲星城(舟山)物業服務有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company
“Zhoushan Zhixin”	Zhoushan Zhixin Property Management Co., Ltd.* (舟山之信物業管理有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company
“%”	per cent

\* For identification purpose only. The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words. In the event of any inconsistency, the Chinese name prevails.

*For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1 to RMB0.81101. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Lam Lung On (*Chairman, J.P.*)

Kwok Ying Lan (*Vice Chairman*)

Lin Conghui

*Non-executive Director:*

Xie Mei

*Independent Non-executive Directors:*

Lam Kwong Siu

Wee Henny Soon Chiang

Zhai Pu

*Registered Address:*

Cricket Square, Hutchins Drive,

P.O. Box 2681,

Grand Cayman KY1-1111,

Cayman Islands

*Principal place of business*

*in Hong Kong:*

Units 5801-02, 58/F

The Center,

99 Queen's Road Central,

Central

Hong Kong

28 April 2022

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE DISPOSAL COMPANY**

#### **INTRODUCTION**

Reference is made to the announcements of the Company dated 5 January 2022 and 8 March 2022 in relation to, among others, the entering into of the Framework Agreement and the Formal Agreement in relation to the Disposal subject to the terms and conditions therein.

The purpose of this circular is to provide you with, among other things, (i) details of the Formal Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules.

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## LETTER FROM THE BOARD

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### THE DISPOSAL

The principal terms of the Formal Agreement are set out below:

Date: 8 March 2022 (after trading hours)

Parties: (1) the Purchaser;  
(2) the Vendor; and  
(3) the Disposal Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

#### **Assets to be disposed of:**

The Sale Shares, being the entire issued share capital of the Disposal Company. The excess of the consideration over or under the book value of the Disposal Company was approximately RMB923,588,696.

#### **Financial Effect of the Disposal**

Upon Completion, each member of the Disposal Group will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Disposal Group will no longer be consolidated into the Group's financial statements. Based on the Consideration, the Group expects to recognize a gain on disposal of the Disposal Company of approximately RMB692,691,522 before costs and expenses from the Disposal in the financial year ending 31 December 2022. The actual gain on disposal of the Disposal Company to be recorded by the Company is subject to audit and may be different from the estimated amount. The disposal will not have a significant impact on the Company's assets and liabilities due to the Disposal Group was an asset-light company.

The net proceeds arising from the Disposal are expected to be used as general working capital or financing for future business opportunities of the Group.



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## LETTER FROM THE BOARD

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### Consideration and the relevant basis

The Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Shares at the Consideration of RMB1,058,000,000, which is based on the fulfillment of, among others, the following:

- (i) on the basis that the relevant laws and regulations are fully complied, the Vendor shall ensure that the construction units of the secured projects of the Disposal Group appoints the companies designated by the Purchaser as the early-stage property service units of the secured projects, and that the construction units and the designated companies shall enter into the relevant property service agreements with the approval or filing of the relevant departments and authorities;
- (ii) the Vendor shall ensure that the construction units of the contracted projects and secured projects complete the work and obtain the approval or permission documents issued by the competent departments of planning, fire protection, environmental protection, etc.;
- (iii) the Vendor shall ensure that, from the date of Completion, the construction units shall pay the required vacant property fees for vacant flats and vacant parking spaces to the Target Company in accordance with the relevant property service contracts;
- (iv) the Vendor shall ensure that, save for the arrangements stipulated under the Formal Agreement, the Target Company shall not pay dividend prior to the date of Completion;
- (v) the Vendor shall ensure that, except with the written consent of the Purchaser or otherwise stipulated in the Formal Agreement, the Target Company does not incur any new debts or quasi-debt compared with the base date of 31 October 2021; and
- (vi) the Vendor shall ensure that the stability of the projects under management shall be maintained in accordance with the terms of the Formal Agreement.

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## LETTER FROM THE BOARD

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The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the financial position of the Disposal Company as at 31 October 2021; (ii) the due diligence work in relation to the finance, legal, business and human resources of the Disposal Company being completed by the Purchaser and that no issue relating to these areas which has or may have an impact on the valuation of the Disposal Company was identified; and (iii) the unaudited consolidated financial information of the Disposal Company prepared in accordance with the HKFRS for the two years ended 2019 and 2020.

Based on the financial results of the Disposal Company for the year ended 31 December 2020, the Consideration derives a P/E ratio of 22 which is close to the average level of the P/E ratios of recent acquisition and disposal transactions in the property management service industry.

The following sets forth the recent acquisition and disposal transactions in the property management service industry which the Company took into consideration of:

Date of Transaction	Company (Stock Code)	Description of Acquisition and Disposal	Consideration (RMB in million)	P/E Ratio
March 2021	Country Garden Services Holdings Company Limited (6098)	Acquisition of 71% of equity interests in Sichuan Languang Justbon Services Group Co., Ltd.	5,432	13.91
March 2021	Yida China Holdings Limited (3639)	Disposal of entire equity interest in Yida Property Service Company Limited	1,273	20.48
April 2021	Sunac Services Holdings Limited (1516)	Acquisition of 80% equity interests in Zhangtai Services Group Co., Ltd.	730	10.99
September 2021	Country Garden Services Holdings Company Limited (6098)	Acquisition of the entire equity interest in Wealth Best Global Limited	10,000	41.67
September 2021	Country Garden Services Holdings Company Limited (6098)	Acquisition of the entire equity interest in Link Joy Holdings Group Co., Limited	3,300	10.68
Average P/E Ratio				19.55

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## LETTER FROM THE BOARD

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### Payment Terms

Unless otherwise agreed between the parties, the Consideration shall be payable by the Purchaser in cash in the following manner:

- (i) The first-phase Consideration (the “**First-Phase Consideration**”) representing 67% of the Consideration after deducting, among others, the relevant rectification fees of RMB15,000,000 stipulated under the Formal Agreement and the consideration of RMB5,372,753 corresponding to the contracts of sales offices property management services which shall be signed and executed within 90 days after the Completion, and reaching an approximate amount of RMB688,487,247, shall be paid by the Purchaser to the Supervisory Account within 3 business days after the Formal Agreement becomes effective and subject to the following conditions having been satisfied or waived by the Purchaser:
  - a) the due execution of the Formal Agreement and that the Vendor and the Company have completed and obtained all the necessary internal and external approval procedures or approvals in accordance with the articles of association and the Listing Rules;
  - b) the due execution of the supervisory agreement and the setting up of the Supervisory Account;
  - c) each of the members of the Target Group has obtained the necessary internal approvals required and completed the stamping and filing of the relevant industrial and commercial registration procedures;
  - d) the guarantees provided by the Target Company to the Vendor and its related parties have been terminated;
  - e) the Purchaser having entering into the relevant documents as stipulated under the Formal Agreement;
  - f) there does not exist any event or fact unrelated to the Purchaser that causes or may cause any material adverse change to the Vendor and the Target Company; and
  - g) there does not exist any lawsuit, arbitration, government investigation, coercive measure or other similar proceeding that have been or may be brought against any party or the Target Company and have a material impact on the Disposal, and that there is no legal or any right to any order, judgment, decree or notice of any governmental authority which hinders or prohibits the completion of any part of the Disposal or otherwise renders the Completion unlawful.

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## LETTER FROM THE BOARD

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Unless otherwise agreed by the parties to the Formal Agreement in a written manner, each of the parties undertakes that they shall prompt the fulfillment of the conditions precedent to the First-Phase Consideration as soon as practicable within twenty business days after the date of the Formal Agreement or obtain the waiver from the Purchaser, who shall be entitled to claim against the Vendor the liability for breach of the Formal Agreement.

- (ii) The remaining balance of 33% of the Consideration, i.e. RMB349,140,000, shall be settled by the Purchaser every six months on 30 June and 31 December respectively after the date of Completion based on the actual delivery of the Secured Area and the Contracted Area, which shall be calculated by dividing the Delivered Area with 9,740,000 square meters (being the total of the Secured Area and the Contracted Area expected to be delivered to the Target Group) and multiplying it with the Consideration and 33% respectively. In any event, the aggregate amount to be paid by the Purchaser shall not exceed the total amount of the remaining balance of 33% of the Consideration and the payment obligation of the Purchaser of the remaining balance of the Consideration shall be conditional upon, among others, the annual basic property service fees for the Secured Area and the Contracted Area being not less than the price per square meter as agreed between the parties and that all the requisite approvals have been obtained.

### **Completion**

The Completion of the Formal Agreement, which essentially includes the change of business registration and verification of handover (the “**Completion Process**”), shall commence after the fulfillment to the abovementioned conditions to the First-Phase Consideration and the First-Phase Consideration being paid to the Supervisory Account in accordance with the Formal Agreement and the Completion shall take place within 3 business days after the Completion Process have been completed. The Completion subsequently took place on 23 March 2022.

### **Transitional Period**

During the transitional period between the asset evaluation date, audit base date and the date of Completion, the Vendor shall procure the Disposal Company to perform proper management obligations, operate and use the assets and business of the Disposal Company honestly, prudently, properly and reasonably, and ensure that the assets, business and financial situation of the Disposal Company will not undergo any major adverse change.

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## LETTER FROM THE BOARD

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### **Non-competition Undertaking**

Within three years after the date of Completion, the Vendor shall ensure that the Vendor and its related parties do not provide external property management services, and ensure that no new property management companies or new institutions or organizations providing similar services are established within the Group to avoid competition with the Disposal Company.

The Group shall not compete with the Disposal Company in any way for the management property right of the same property project (including but not limited to properties under management and properties self-developed and by third parties in the future) and that the Group shall not engage in, directly or indirectly, any business that competes with the Target Company by taking advantage of any information obtained through the Target Company.

During the aforementioned three years' period after the date of Completion, Xiamen Yuzhou Commercial Investment & Management Co., Ltd., being a wholly-owned subsidiary of the Company, and its subsidiaries (collectively, "**Xiamen Yuzhou**") will not be under the restriction of the Non-competition Undertaking and will continue to provide property management services to commercial buildings such as shopping malls, office buildings and storefronts under the management of Xiamen Yuzhou.

As the Group has always been a comprehensive group that focuses on high-quality and refined development, the Group intends to concentrate more on areas such as business development, business operation and management and hotel management in the future. The Board considers that while the Disposal facilitates the Group in achieving the goal of decreasing the scale of debt and curbing leverage as well as optimising the existing debt structure of the Group, the implementation of the Non-competition Undertaking allows the Group to redeploy its financial resources and fully utilise its expertise and strength to focus on the future development of its business segment and enhance the market influence and brand reputation of the Group.

In addition, the Formal Agreement entered into between the Disposal Company, the Vendor and the Purchaser, being a wholly-owned subsidiary of China Resources Mixc, indicates the bright blueprint for the future commercial cooperation between the Company and the China Resources Mixc in the area of residential sales and community services, where both listed companies will integrate their respective resource advantages to provide more comprehensive quality services to the property owners and in turn promote the sales performance and service level as well as the competitiveness of the property projects of the Group in the future.

As such, the Board is of the opinion that the Disposal and the Non-competition Undertaking are in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE DISPOSAL GROUP

#### **The Disposal Company**

The Disposal Company is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services.

#### **Fujian Wanlong**

Fujian Wanlong is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services. As at the Latest Practicable Date, Fujian Wanlong is 100% held by the Disposal Company.

#### **Shanghai Yujia**

Shanghai Yujia is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services. As at the Latest Practicable Date, Shanghai Yujia is 100% held by the Disposal Company.

#### **Yuzhou Star City**

Yuzhou Star City is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services. As at the Latest Practicable Date, Yuzhou Star City is 70% held by the Disposal Company.

#### **Zhoushan Zhixin**

Zhoushan Zhixin is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services. As at the Latest Practicable Date, Zhoushan Zhixin is 70% held by the Disposal Company.

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## LETTER FROM THE BOARD

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### Financial information of the Disposal Company

The unaudited consolidated financial information prepared in accordance with the HKFRS of the Disposal Company are as follows:

	For the year ended 31 December 2019 (unaudited) RMB'000	For the year ended 31 December 2020 (unaudited) RMB'000	For the year ended 31 December 2021 (unaudited) RMB'000
Profit before tax	55,669	66,449	101,161
Profit after tax	40,881	48,802	75,870

The unaudited net asset value of the Disposal Company as at 31 October 2021 and 31 December 2021 was approximately RMB101,357,841 and RMB134,411,304.30 respectively.

### INFORMATION ON THE PARTIES TO THE FORMAL AGREEMENT

The Group is principally engaged in property development, property investment, property management and hotel operations in the PRC and Hong Kong.

The Vendor is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of property management in the PRC.

The Purchaser is a company incorporated in the PRC with limited liability and principally engages in the business of property consulting service. As at the Latest Practicable Date, it is a wholly-owned subsidiary of China Resources Mixc, which is in turn held as to approximately 72.29% by CRL, and is in turn ultimately owned by CRCL, a state-owned enterprise in the PRC under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its delegate.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Group is principally engaged in property development, property investment, property management and hotel operations in the PRC and Hong Kong, it is the Group's strategy to make good use and manage its resources to better develop the portfolio of the Group's properties. The Group believes that the Disposal will enable the Company to reallocate more financial resources to the other businesses and for the future development of the Group. In essence, the Group intends to use a part of the net proceeds from the Disposal in the expansion of the commercial management business of the Group through Xiamen Yuzhou where such amount will be used on the block letting of shops or office units, and improve rental gains through the optimization management of these assets. Meanwhile, the Group also intends to use the remaining part of the net proceeds to project development on sales promotion or project delivery.

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## LETTER FROM THE BOARD

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The Directors, including the independent non-executive Directors, are of the view that the terms of the Formal Agreement is entered into and the Consideration is determined on normal commercial terms on arm's length basis in the ordinary and usual course of business of the Group with terms which are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. None of the Directors attended the Board meeting has a material interest in the Disposal and the Formal Agreement and had to abstain from voting in the Board meeting.

### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal as contemplated under the Formal Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

### **WRITTEN SHAREHOLDERS' APPROVAL**

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, the Company has obtained the written Shareholders' approval for the Disposal from the controlling Shareholders, Mr. Lam Lung On and Ms. Kwok Ying Lan who are the Directors and spouse to each other and are directly holding 3,866,886,700 shares of the Company in aggregate, representing approximately 59.09% of the issued share capital of the Company as at the date of the Formal Agreement. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Disposal.

If the Company were to convene an extraordinary general meeting for the approval of the Disposal and voting was required, the Directors would have recommended the Shareholders to vote in favour of such resolution based on the reasons set out in this letter as the Directors, including the independent non-executive Directors, are of the view that the entering into of the Formal Agreement is fair and reasonable and in the interests of the Shareholders as a whole.

### **WAIVER GRANTED BY THE STOCK EXCHANGE**

As additional time is required to prepare and finalise certain information included in this circular, the Company has applied for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules to extend the deadline for despatch of this circular to a date more than 15 business days after publication of the relevant announcement. As disclosed in the announcements of the Company dated 31 January 2022 and 1 April 2022, the Stock Exchange has granted such waivers to extend the deadline for despatch of this circular to 31 March 2022 and 30 April 2022, respectively.



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## LETTER FROM THE BOARD

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### GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 were set out in the relevant annual reports of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.yuzhou-group.com>). Please also see below quick links to the relevant interim report and annual reports:

- Annual report of the Company for the year ended 31 December 2021 (pages 99 to 296) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100011.pdf>)
- Annual report of the Company for the year ended 31 December 2020 (pages 164 to 354) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300005.pdf>)
- Annual report of the Company for the year ended 31 December 2019 (pages 156 to 330) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042402872.pdf>)

**2. STATEMENT OF INDEBTEDNESS**

As at 31 March 2022, the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness of RMB53,479.169 million, consisting of bank and other borrowings of RMB11,526.859 million, corporate bonds of RMB6.5 billion and senior notes of RMB35,452.310 million. The bank and other borrowings were secured by (i) certain properties under development, investment properties, and properties held for sales of the Group; (ii) corporate guarantees executed by certain subsidiaries of the Group; and (iii) guarantee bank deposits.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. The guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchaser and then passed to the bank. As at 31 March 2022, the guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to RMB18,121.138 million.

As at 31 March 2022, the guarantees in respect of banking and other facilities to joint ventures and an associate provided by the Group were RMB2,382.335 million and RMB471.713 million, respectively, and the guarantees given to financial institutions in connection with facilities granted to independent third parties was RMB4,234.249 million.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 March 2022, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

### **3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, taking into account the internal financial resources and credit facilities available to the Group and the effect of the Disposal, and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this circular. The Company has also obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules from UniTax Prism (HK) CPA Limited.

### **4. MATERIAL ADVERSE CHANGE**

As at the date of this circular, the Group has failed to pay interest of the issued senior notes in total of US\$69,250,000 (approximately to RMB437,756,000). The non-payment has caused an event of default pursuant to the terms and conditions of the senior note agreement and would have triggered cross-defaults on all other senior notes. As a result, the holders of the senior notes have right to demand for the immediate repayment on the outstanding principal amount. As at 31 December 2021, the Group had senior notes of approximately RMB34,812,383,000 and cash and cash equivalent of RMB14,377,647,000, the Group also reported a net decrease in cash and cash equivalent of RMB8,924,792,000 for the year ended 31 December 2021. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Apart from the above condition, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

### **5. FINANCIAL AND TRADING PROSPECTS**

The Group will rely on the layout of first-and second-tier core cities and the deep cultivation effect, strive for long-term “survival” with the development route of “small but beautiful”, and earnestly achieve “three guarantees” (“guarantee delivery of houses”, “guarantee sales” and “guarantee repayment”) and “three stabilities” (“stable finance”, “stable payment” and “stable operation”).

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

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

### a) Long positions in the ordinary shares of the Company

Name of Director	Directly beneficially owned	Interest of Controlled Corporation	Through spouse	Total	Percentage of the Company's issued share capital
Mr. Lam Lung On <i>(Note 1)</i>	27,729,929	1,919,109,051 <i>(Note 2)</i>	1,920,047,720	3,866,886,700	59.09%
Ms. Kwok Ying Lan <i>(Note 1)</i>	1,384,239	1,918,663,481 <i>(Note 3)</i>	1,946,838,980	3,866,886,700	59.09%
Mr. Lin Conghui	10,265,697	–	–	10,265,697	0.16%

*Note:*

- (1) Ms. Kwok Ying Lan and Mr. Lam Lung On are married to each other.
- (2) These 1,919,109,051 Shares were registered in the name of Studios Profits Limited (“**Studios Profits**”). Mr. Lam Lung On held 100% of the entire issued share capital of Studios Profits and was deemed to be interested in the 1,919,109,051 Shares held by Studios Profits pursuant to the SFO.
- (3) These 1,918,663,481 Shares were registered in the name of Plentiful Wise Developments Limited (“**Plentiful Wise**”). Ms. Kwok Ying Lan held 100% of the entire issued share capital of Plentiful Wise and was deemed to be interested in the 1,918,663,481 Shares held by Plentiful Wise pursuant to the SFO.

**b) Long positions in the underlying shares – options under share option schemes**

On May 24, 2010, a share option scheme (the “**2010 Scheme**”) was adopted and approved by the then Shareholders for a period of 10 years commencing on the adoption date. The 2010 Scheme expired on May 23, 2020, but the share options already granted under the 2010 Scheme before its expiration remain valid. On June 9, 2020, a new share option scheme (the “**2020 Scheme**”, together with the 2010 Scheme, the “**Schemes**”) was adopted and approved by the Shareholders for a period of 10 years commencing from the adoption date. Pursuant to the Schemes, the Board may, at its discretion, invite any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the respective Schemes.

As at the Latest Practicable Date, details of the interests of the Directors in the share options granted under the Schemes are set out below:

<b>Director</b>	<b>Nature of interest</b>	<b>Share options outstanding as at the Latest Practicable Date</b>	<b>Approximate percentage of issued Shares as at the Latest Practicable Date</b>
<b>Executive Director</b>			
Mr. Lam Lung On ( <i>Note 1</i> )	Beneficial owner	9,200,000	0.14%
	Interest of spouse	9,476,000	0.14%
Ms. Kwok Ying Lan ( <i>Note 1</i> )	Beneficial owner	9,476,000	0.14%
	Interest of spouse	9,200,000	0.14%
Mr. Lin Conghui	Beneficial owner	6,674,000	0.10%

*Note:*

- (1) Ms. Kwok Ying Lan and Mr. Lam Lung On are married to each other, so they are deemed to be interested in the share options the other person holds.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any of the Directors, the following persons (other than a person who is a Director or chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company (the “**Register**”) under section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Number of shares	Percentage of the Company's issued share capital
Overseas Chinese Town (Asia) Holdings Limited ( <i>Note 1</i> )	Interest of controlled corporation	650,729,098	9.94%
City Legend International Limited ( <i>Note 1</i> )	Beneficial owner	650,729,098	9.94%

*Note:*

- (1) City Legend International Limited (華昌國際有限公司) is a wholly-owned subsidiary of Overseas Chinese Town (Asia) Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 03366).

Save as disclosed above, as at the Latest Practicable Date, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, other than a Director or the chief executive of the Company, none of the Shareholders had any interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

**4. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- a) the Framework Agreement; and
- b) the Formal Agreement.

**5. MATERIAL LITIGATION**

As at the Latest Practicable Date, saved as disclosed in this circular, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Group.

**6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into a service agreement with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**7. DIRECTORS INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

**8. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any asset which have been since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Group.



**9. EXPERTS AND CONSENTS**

- a) The following are the qualifications of the experts who have provided advice referred to or contained in this circular:

<b>Name</b>	<b>Qualification</b>
UniTax Prism (HK) CPA Limited	Certified Public Accountants

- b) As at the Latest Practicable Date, each of the experts named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.
- c) Each of the experts named above has given and has not withdrawn their written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which the respectively appear.
- d) As at the Latest Practicable Date, each of the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up).

**10. GENERAL**

- a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- b) The Company's head office is located at Yuzhou Plaza, 299 Jingang Road, Pudong New District, Shanghai, the People's Republic of China.
- c) The principal place of business of the Company in Hong Kong is located at Units 5801-02, 58/F, The Center, 99 Queen's Road Central, Central, Hong Kong.
- d) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

- f) The company secretary of the Company is Mr. Chiu Yu Kang (“**Mr. Chiu**”). Mr. Chiu holds a Bachelor Degree in Business Administration in Accounting and Finance from the University of Hong Kong and a Master of Economics from the University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.
- g) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

#### **11. DOCUMENTS ON DISPLAY**

Electronic copies of the following documents are published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://www.yuzhou-group.com>) for a period of 14 days from the date of this circular (both days inclusive):

- a) the Framework Agreement;
- b) the Formal Agreement;
- c) the letter from the Board, the text of which is set out in pages 5 to 15 of this circular;
- d) the written consents from each of the experts referred to in the paragraph headed “9. Experts and Consents” in this Appendix;
- e) the annual reports of the Company for each of the three financial years ended 31 December 2019, 2020 and 2021; and
- f) this circular.