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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 2022

The board of directors (the “Board”) of Yuzhou Group Holdings Company Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group” or “Yuzhou Group”) for the six-month period ended 30 June 2022 (the “Period”). These interim results have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and reviewed by UniTax Prism (HK) CPA Limited, the independent auditor of the Company, 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 RMB20,948.70 million for the six-month period ended 30 June 2022, decreased by 60.26% year on year.
2. Revenue increased by 3.21% from RMB12,008.10 million for the six-month period ended 30 June 2021 to RMB12,393.09 million for the six-month period ended 30 June 2022.
3. Profit for the period changed from RMB1,201.81 million for the six-month period ended 30 June 2021 to RMB352.59 million for the six-month period ended 30 June 2022.
4. The Board resolved not to recommend the payment of interim dividend for the six-month period ended 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2022

	Notes	For the six-month period ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	3	12,393,085	12,008,100
Cost of sales		(11,050,592)	(9,595,902)
Gross profit		1,342,493	2,412,198
Fair value gain on investment properties, net		158,674	672,261
Other income and gains	3	504,399	205,932
Selling and distribution expenses		(254,056)	(286,363)
Administrative expenses		(320,541)	(411,734)
Other expenses		(340,739)	(30,103)
Finance costs	5	(256,384)	(127,657)
Share of profits and losses of joint ventures		(22,411)	(380,862)
Share of profits and losses of associates		(81,709)	79,548
PROFIT BEFORE TAX	6	729,726	2,133,220
Income tax expense	7	(377,137)	(931,411)
PROFIT FOR THE PERIOD		352,589	1,201,809
Attributable to:			
Owners of the parent		59,085	856,783
Non-controlling interests		293,504	345,026
		352,589	1,201,809
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
– Basic (<i>RMB cents per share</i>)	9	0.11	12.78
– Diluted (<i>RMB cents per share</i>)	9	0.11	12.77

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2022

	For the six-month period ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	352,589	1,201,809
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(433,246)</u>	<u>342,735</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(80,657)</u>	<u>1,544,544</u>
Attributable to:		
Owners of the parent	<u>(374,161)</u>	1,199,518
Non-controlling interests	<u>293,504</u>	<u>345,026</u>
	<u>(80,657)</u>	<u>1,544,544</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	30 June 2022	31 December 2021
<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	2,516,954	2,255,381
Investment properties	16,185,960	15,972,920
Land held for property development for sale	1,401,811	1,401,811
Goodwill	686,635	741,202
Investments in joint ventures	3,286,521	3,308,932
Investments in associates	7,014,508	7,096,217
Financial assets at fair value through profit or loss	6,051	5,100
Financial assets at fair value through other comprehensive income	243,708	232,997
Deferred tax assets	1,402,937	1,199,409
Total non-current assets	32,745,085	32,213,969
CURRENT ASSETS		
Land held for property development for sale	1,624,455	225,891
Properties under development	48,513,366	47,431,370
Properties held for sale	25,891,505	26,170,388
Prepayments for acquisition of land	–	1,398,564
Prepayments, other receivables and other assets	49,560,847	47,122,274
Prepaid corporate income tax	1,119,945	1,113,922
Prepaid land appreciation tax	1,442,053	1,184,599
Restricted cash	606,614	968,378
Non-pledged time deposits with original maturity of over three months	1,102,778	2,173,906
Cash and cash equivalents	7,777,701	14,377,647
Total current assets	137,639,264	142,166,939
CURRENT LIABILITIES		
Contract liabilities	39,366,365	40,027,616
Trade payables	10 8,704,242	6,810,201
Other payables and accruals	18,733,609	20,783,152
Corporate bonds	11 5,000,000	4,500,000
Senior notes	36,449,948	5,038,874
Interest-bearing bank and other borrowings	7,620,920	4,459,782
Corporate income tax payables	2,465,675	2,773,633
Provision for land appreciation tax	2,012,215	1,994,610
Total current liabilities	120,352,974	86,387,868
NET CURRENT ASSETS	17,286,290	55,779,071
TOTAL ASSETS LESS CURRENT LIABILITIES	50,031,375	87,993,040

		30 June	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		5,508,983	10,810,277
Corporate bonds	<i>11</i>	–	2,000,000
Senior notes		–	29,773,509
Deferred tax liabilities		3,880,701	4,014,617
		<hr/>	<hr/>
Total non-current liabilities		9,389,684	46,598,403
		<hr/>	<hr/>
Net assets		40,641,691	41,394,637
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		559,947	559,947
Senior perpetual securities		1,911,986	1,911,986
Reserves		23,220,830	23,644,069
		<hr/>	<hr/>
		25,692,763	26,116,002
Non-controlling interests		14,948,928	15,278,635
		<hr/>	<hr/>
Total equity		40,641,691	41,394,637
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1. CORPORATE AND GROUP INFORMATION

Yuzhou Group Holdings Company Limited 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 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 PRESENTATION

The interim condensed consolidated financial statements for the period ended 30 June 2022 has been prepared under the going concern basis. The Group was not able to make payments of interest on certain senior notes when they became due and upon the expiry of the relevant grace period, and as a result an event of default has occurred in respect of such senior notes. The holders of such senior notes may, subject to the conditions under the relevant indentures governing such senior notes, demand immediate redemption of the senior notes, which may further trigger cross default of the Group's other senior notes and indebtedness. Hence, the Group has reclassified all senior notes to current liabilities as at the period ended date. The Group has senior notes with an aggregate principal amount of RMB36,449,948,000 and cash and cash equivalent of RMB7,777,701,000, the Group also reported a net decrease in cash and cash equivalent of RMB6,599,946,000 for the period ended 30 June 2022. In the opinion of the directors, the Group will have sufficient working capital to finance its obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into consideration that the Group exchanged the senior notes.

The Company is working with its financial advisors to explore all feasible options for a holistic solution to its current liquidity issue, details of which are set out in the announcements of the Company dated 1 April 2022 and 13 May 2022.

2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 and methods of computation adopted in the interim condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the adoption of the following revised to Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA for the first time for the current period's financial information.

2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Example accompanying HKFRS 16 and HKAS 41

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue		
Sales of properties	12,038,507	11,677,048
Rental income from investment properties	144,882	96,928
Property management fee income	205,030	227,273
Hotel operation income	4,666	6,851
	<u>12,393,085</u>	<u>12,008,100</u>
Other income and gains		
Bank interest income	8,027	183,724
Gain on disposal of subsidiaries	481,064	–
Exchange gain, net	–	10,533
Others	15,308	11,675
	<u>504,399</u>	<u>205,932</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 2022

	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	12,038,507	144,882	205,030	4,666	–	12,393,085
Other revenue	8,933	2,465	461,137	9	23,828	496,372
Total	<u>12,047,440</u>	<u>147,347</u>	<u>666,167</u>	<u>4,675</u>	<u>23,828</u>	<u>12,889,457</u>
Segment results	<u>499,680</u>	<u>150,570</u>	<u>353,885</u>	<u>572</u>	<u>(26,624)</u>	978,083
<i>Reconciliation:</i>						
Interest income						8,027
Finance costs						<u>(256,384)</u>
Profit before tax						729,726
Income tax expense						<u>(377,137)</u>
Profit for the period						<u>352,589</u>

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
	<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>
Total	11,695,560	97,083	230,698	6,948	19	12,030,308
	<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>
Segment results	1,223,630	691,854	78,211	2,008	81,450	2,077,153
<i>Reconciliation:</i>						
Interest income						183,724
Finance costs						<u>(127,657)</u>
Profit before tax						2,133,220
Income tax expense						<u>(931,411)</u>
Profit for the period						<u>1,201,809</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 2022 and 2021, 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans, other loans, corporate bonds and senior notes	2,221,431	2,267,278
<i>Less:</i> Interest capitalised	<u>(1,965,047)</u>	<u>(2,139,621)</u>
	<u>256,384</u>	<u>127,657</u>

6. PROFIT BEFORE TAX

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

	For the six-month period ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of properties sold	10,838,003	9,339,704
Cost of services provided	212,589	256,198
Depreciation	34,646	41,053
Realised loss on derivative financial instruments**	–	11,194
(Gain)/loss on disposal of subsidiaries*/**	(481,064)	6,724
Employee benefit expense (including directors' and chief executive officer's remuneration):		
– Wages and salaries	144,964	178,172
– Equity-settled share option expense	2,626	7,879
	<u>147,590</u>	<u>186,051</u>
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	24,820	30,237
Impairment of properties under development**	159,387	–
Impairment of goodwill**	40,376	–
Exchange loss/(gain)**/*	139,995	(10,533)

* 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 2021: 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 2022 and 2021.

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

	For the six-month period ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current:		
PRC corporate income tax	613,017	654,217
PRC land appreciation tax	109,385	144,235
	<u>722,402</u>	<u>798,452</u>
Deferred:		
Current period	(345,265)	132,959
Total tax charge for the period	<u>377,137</u>	<u>931,411</u>

8. INTERIM DIVIDEND

	For the six-month period ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Interim dividend declared – Nil (six-month period ended 30 June 2021: HK5.3 cents) per ordinary share	–	276,940

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

The calculation of the basic earnings per share amount for the six-month periods ended 30 June 2022 and 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 of 6,543,909,500 (six-month period ended 30 June 2021: 6,304,553,381) in issue (adjusted to reflect the scrip shares issued) less the weighted average number of shares of 10,324,504 (six-month period ended 30 June 2021: 6,827,514) held under the share award scheme.

The calculation of the diluted earnings per share amount for the six-month periods ended 30 June 2022 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.

The calculations of the basic and diluted earnings per share are based on:

	For the six-month period ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Earnings		
Profit attributable to owners of the parent	59,085	856,783
Distribution related to senior perpetual securities	(51,704)	(52,070)
Profit used in the basic and diluted earnings per share calculations	7,381	804,713

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

	Number of shares for the six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
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 per share calculation	6,533,584,996	6,297,725,867
Effect of dilution of share options – weighted average number of ordinary shares	–	5,047,699
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	<u>6,533,584,996</u>	<u>6,302,773,566</u>

No adjustment for dilution has been made to the basic earnings per share presented for the six-month period ended 30 June 2022 as the Company's share options has an anti-dilutive effect on the basic earnings 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 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Due within 1 year or on demand	4,951,438	3,542,944
Due within 1 to 2 years	3,752,804	3,267,257
	<u>8,704,242</u>	<u>6,810,201</u>

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

11. CORPORATE BONDS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Corporate bonds due in 2024	2,000,000	3,500,000
Corporate bonds due in 2025	3,000,000	3,000,000
	5,000,000	6,500,000
Portion classified as current liabilities	(5,000,000)	(4,500,000)
Non-current portion	–	2,000,000

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

- (i) 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, 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 2022 and non-current liability as at 31 December 2021.
- (ii) 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 was repaid during the period.
- (iii) 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 current liability as at 30 June 2022 and 31 December 2021.
- (iv) 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 current liability as at 30 June 2022 and 31 December 2021.

Extract of independent review report

Material Uncertainty Related to Going Concern

Subsequent to reporting period, we draw attention to the unaudited interim condensed consolidated financial statements which states that, the Group has failed to pay interest of the senior note, 12%-senior notes, 8.5%-senior notes, 5.375%-senior notes, 7.8125%-senior notes, 8.5%-senior notes, 9.95%-senior notes, 6%-senior notes, 8.5%-senior notes, 8.375%-senior notes, 7.7%-senior notes, 8.3%-senior notes, 7.375%-senior notes, 7.85%-senior notes and 6.35%-senior notes (the “Senior Notes”) in total of US\$284,251,000 (approximately to RMB1,843,048,000) in which the Senior Notes were issued by the Company dated 8 July 2021, 23 September 2021, 29 September 2019, 20 January 2022, 4 February 2019, 8 September 2021, 25 October 2016, 25 April 2019, 26 February 2019, 30 October 2019, 20 February 2020, 27 November 2019, 13 January 2020, 12 August 2020 and 13 January 2021 respectively. The Group was not able to make payments of interest on certain senior notes when they became due and upon the expiry of the relevant grace period, and as a result an event of default has occurred in respect of such senior notes. The holders of such senior notes may, subject to the conditions under the relevant indentures governing such senior notes, demand immediate redemption of the senior notes, which may further trigger cross default of the Group’s other senior notes and indebtedness. Hence, the Group has reclassified all senior notes to current liabilities as at the period ended 30 June 2022. As at 30 June 2022, the Group has senior notes with an aggregate principal amount of RMB36,449,948,000 and cash and cash equivalent of RMB7,777,701,000, the Group also reported a net decrease in cash and cash equivalent of RMB6,599,946,000 for the six-month period ended 30 June 2022. Although there is no redemption received up to the reporting date, 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. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In the first half of 2022, affected by the unexpected rebound of the COVID-19 epidemic in many cities, our GDP's growth for the second quarter of this year fell to 0.4% from 4.8% for the first quarter, and the real estate market saw a downward trajectory as well, with the national sales of commodity housing falling 28.9% on a year-on-year basis. To stabilize the real estate industry, the Central Government and local governments have introduced relevant policies to loosen restrictions on the property market, which was conducive to boosting certain rigid housing and housing upgrade demands. As a result, the real estate sales in May and June 2022 showed a pick-up momentum, but the overall performance was less satisfactory than expectation.

Market demands were not as strong as expected, although the Central Government has made positive remarks on promoting the development of the real estate market and lowered the loan prime rate, and local governments have also made active responses by formulating relevant incentives to support the recovery of the property market, such as loosening or removing restrictions on house purchase, raising the loan quota for housing provident fund and exempting purchasers who have registered their real estate for five years from property-purchasing limitations. Due to the pessimistic expectations about the epidemic and the sustainability of future income, residents tend to be more prudent about spending on big-ticket items. According to information released by the Central Bank, in the first half of 2022, the deposits increased by RMB18.82 trillion, representing a period-on-period increase of RMB4.77 trillion. Among them, household deposits increased by RMB10.33 trillion, representing a period-on-period increase of RMB2.88 trillion, which exceeded recent levels and further indicated residents' preference to saving over consumption. In terms of supply, due to the cash flow pressure, enterprises in the real estate sector increased the number of recommended properties and enhanced promotional incentives in the first half of 2022, which pushed up the market supply in the short term and intensified the industry competition, resulting in a short-term oversupply in the market, thereby further deteriorating the market.

From the perspective of sales performance of various regions across the country in the first half of the year, the differentiation trend of the real estate market is increasingly obvious. The tier-1 and tier-2 cities with higher economic development and net population inflow significantly outperform than that of the tier-3 and tier-4 cities, which is more favorable for the real estate enterprises that conduct in-depth cultivation in tier-1 and tier-2 cities. From the perspective of product landscape, the consumption of large housing products for improvement needs has increased significantly, which will have an impact on the current market where the product for rigid demand is dominated and serious product homogeneity. In the future, real estate enterprises will carry out further upgrade and iteration in product quality, housing design, marketing strategy, brand management and quality service.

Overall Performance

During the Period, the revenue of the Group amounted to RMB12,393.09 million. The profit amounted to RMB352.59 million in the first half of 2022. The total equity amounted to RMB40,641.69 million. The Board does not recommend the payment of an interim dividend for the period ended 30 June 2022.

Sale of Properties

During the Period, the Group's revenue from property sales increased by 3.10% on a period-on-period basis to RMB12,038.51 million, accounting for 97.14% of the total revenue of the Group. The Group delivered a total gross floor area ("GFA") of approximately 653,146 sq.m.. The increase of revenue from property sales was mainly attributable to the growth of average selling price of the properties delivered during the Period. The average selling price of the properties delivered and recognized as property sales in the first half of 2022 was RMB18,432 per sq.m..

By geographic distribution, Yangtze River Delta Region, Central China Region, West Strait Economic Zone, Bohai Rim Region and Guangdong – Hong Kong – Macao Greater Bay Area (the "Greater Bay Area") contributed 59.13%, 17.24%, 16.31%, 6.38% and 0.94% 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 2022 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	1,963,581	170,251	11,533
Yangtze River Delta Region	7,117,855	300,959	23,651
Bohai Rim Region	768,129	53,702	14,304
Central China Region	2,075,204	116,241	17,853
Greater Bay Area	113,738	11,993	9,484
Total sales of properties recognized	<u>12,038,507</u>	<u>653,146</u>	<u>18,432</u>

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 <i>(RMB'000)</i>	Saleable GFA <i>(sq.m.)</i>	Average Selling Price (after tax) <i>(RMB/sq.m.)</i>
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>11,677,048</u>		

Contracted Sales

During the Period, the Group's accumulated contracted sales amounted to RMB20,948.70 million. The GFA of contracted sales amounted to 1,145,177 sq.m. and the contracted average selling price was approximately RMB18,293 per sq.m..

The Yangtze River Delta Region recorded contracted sales of RMB10,118.66 million in the first half of 2022, accounting for 48.30% of the Group's total contracted sales. Specifically, Shanghai, Nanjing, Suzhou, Hefei and Wuxi constituted the core cities of our footprint in this region, contributing aggregate contracted sales of RMB8,658.44 million, which fully demonstrated the stellar performance of the Group's locality development strategy in the Yangtze River Delta Region. The total contracted sales of the Bohai Rim Region and West Strait Economic Zone amounted to RMB5,646.13 million, accounting for 26.95% of the Group's total contracted sales. The Greater Bay Area, Southwest Region and Central China Region, also contributed total contracted sales in the amount of RMB5,183.91 million, accounting for 24.75% of the Group's total contracted sales.

During the Period, due to the repeated COVID-19 epidemic and the slowdown of domestic economic growth, the real estate market has suffered from weak demand and continuous low sales. In the face of the severe environment of the industry, Yuzhou Group rose to the occasion to concentrate marketing and was keen to capture the trend of the real estate market, pursuant to which the Group innovatively created a set of coherent topical sales actions by focusing on the real estate market dynamics and boosting the consumer sentiment of home buyers. From “Settling Down at Hometown Festival” in Spring Festival, “Yu Neighbor Fun Festival” and “Yu Neighbor Promotion Price Festival” to “6•18 Online Mid-Year Festival”, the Group continued to implement topic marketing and constantly released favorable market information, therefore enhancing brand awareness of Yuzhou and boosting market confidence, so as to lay the foundation for customer transaction. At present, the development of the Internet is becoming more and more mature. Under the operation concept of “viewership data dominating everything”, diversified and innovative marketing methods are constantly spawned. Live streaming and short video marketing are becoming important vehicles to acquire customers. Yuzhou Group has been attempting to adopt various live streaming methods, including immersive live streaming of house viewing in the form of “on-site live streaming” and bustling “introduction-like streaming” in the live streaming room, which enhanced the stickiness with the audience, promoted popularity and attracted viewership data, and in turn increased the number of customers to facilitate sales.

The contracted sales and GFA sold in each region in the first half of 2022 are set out in the following table:

Name of regions	Total Amount of Contracted Sales (RMB'000)	GFA of Contracted Sales (sq.m.)	Average Contracted Selling Price (RMB/sq.m.)
West Strait Economic Zone	3,048,164	172,352	17,686
Yangtze River Delta Region	10,118,656	495,864	20,406
Central China Region	969,770	65,353	14,839
Greater Bay Area	2,296,457	143,970	15,951
Southwest Region	1,917,685	133,671	14,346
Bohai Rim Region	2,597,969	133,967	19,393
Total	20,948,701	1,145,177	18,293

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

Name of regions	Total Amount of Contracted Sales (RMB'000)	GFA of Contracted Sales (sq.m.)	Average Contracted Selling Price (RMB/sq.m.)
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

Property Investment

The Group's property investment segment covers a variety of commercial offerings and strives to shape three product lines as the "Yu Yue" brand for shopping centers, "Yuzhou Plaza" brand for office buildings and shopping streets, so as to meet the needs of various consumption groups in cities. 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 29 projects under operation and 12 projects in preparation period, 41 projects in total with a commercial area of over 1.74 million sq.m., where shopping center, office building and community business accounted for 62%, 20% and 18%, respectively. Operational projects covered over 1,000 cooperative brands and approximately 1,600 strategic alliance brands.

In the first half of 2022, while strictly complying with the government's epidemic prevention policies and actively cooperating with epidemic prevention and control measures, Yuzhou Commercial Company ("Yuzhou Commercial") attached great importance to creating a sense of experience in shopping scenes based on the mature development of the Internet with its full understanding of the market demand, thereby continuously improving its business competitiveness. During the Period, in respond to the atmosphere of major festivals, Yuzhou Commercial carried out a series of offline activities with pleasant shopping experience such as "Yu Yue New Year" (禹悦新禧), "Lunar New Year Market of Traditional Chinese Style with Hanfu Club" (攜手漢服社·打造國風年味市集), "Yu Yue 5•1 Shopping Festival" (禹悦5•1嗨購節), "Children's Day and Dragon Boat Festival Theme Activities" (Uyo一夏·清涼fun粽), and "Let's Smile" (微笑吧生活節). Numerous customers participated in such exciting activities, and the consumption experience therein was widely recognized and praised by the customers. At the same time, Yuzhou Commercial integrated the philosophy of Environmental, Social and Governance ("ESG") sustainable development into its business operation and management. The property department of the shopping mall strictly implemented the requirements for garbage classification, educated the concepts of green consumption, environmental protection and energy saving to consumers, and vigorously promoted the use of environmentally friendly cloth bags, paper bags and other non-plastic products as well as degradable shopping bags. We actively promoted the application

of energy-saving facilities and equipment to reduce energy consumption. Charging piles were set up to serve new energy vehicles for the public service infrastructure of parking lots, thereby encouraging green travel for consumers. In addition, in terms of greening garden beds, the original manual watering method is replaced with the greening automatic irrigation system, which can not only control the amount of water sprayed and the uniformity of water flow, expand the watering area, but also save the cost of water and electricity. This ensures that plants can fully absorb water and greatly improves water utilization. In the future, Yuzhou Commercial will continue to add more green technologies to the planning and development of office buildings and shopping malls, use more energy-saving equipment and facilities to respond to the call for green environmental protection, and actively combine green buildings with commercial projects to continuously enhance energy conservation and emission reduction capabilities, with a view to building green homes.

In terms of digitalization construction, Yuzhou Commercial was committed to building “1+3+N” digital capabilities of Yuzhou Group, i.e., building the service capabilities of “N+ scenarios” to connect “three major service systems” based on the construction of “one core platform” (Uplus Smart Property Platform, which includes the four service types of community services, commercial services, office services and intelligence services). Yuzhou Commercial, always being committed to the concept of “customer service is the essence of business operations”, has adhered to optimized member services and consumer experience upgrading of the core, while understanding and meeting consumer needs based on big data, in a bid to provide full life cycle customer service and create new consumer experience. With focus on tier-1 and tier-2 core cities, Yuzhou Commercial has been actively exploring methods to make breakthroughs and tapped innovations in business type, model, design and capital to improve customers’ experience.

Hotel Operation

As of 30 June 2022, the Group’s Yuzhou Camelon Hotel Apartment and Yuzhou Wyndham Grand Plaza Royale Hotel (“Yuzhou 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. In the first half of 2022, Yuzhou Hotel promoted the hotel brand through a variety of events such as a vintage-inspired American wedding salon, incorporating elements of spring wedding month product promotion, on-site extreme makeover and wedding planning class, to kick off its spring luxury wedding season. In addition, Yuzhou Hotel launched an afternoon tea tasting event to organize a light social gathering, improve office efficiency and enjoy wonderful life, which was well received. During the Period, this segment contributed approximately RMB4.67 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

Over the years, Yuzhou Group has always adhered to the concept of low-carbon environmental protection and green development, attached great importance to sustainable development, and taken the initiative to respond to the national goal of “carbon peaking and carbon neutrality” by building green boutique projects with “craftsmanship” and continuously increasing its practice of green building, striving to construct ecological communities where people and nature can coexist in harmony. “Environmental protection and energy saving, building green communities” has always been one of the development philosophies of Yuzhou Group’s projects. As of 30 June 2022, 145 property projects of the Group (with a total area of over 21 million sq.m.), have achieved green building standards, of which approximately 5.55 million sq.m. have reached two-star or above green building standards, either nationally or internationally.

During the Period, while passing on the establishments of the three residential product series, namely “Royale”, “Langham” and “Honor”, Yuzhou Group also made certain improvements with the product system further standardized and top-level design concept of products more clarified to fully demonstrate the products’ values and orientation, so as to satisfy the changing market demand at this stage. Committing to “Providing Highly Competitive Products”, Yuzhou Group has been unremittingly improving the research and development of over ten standards for the iterative research and development of major apartments, facades of high-rise, facades of stacked villa, modules of sales centre, landscape of delivery areas, C+ standards for refined decoration in batches, etc.. Meanwhile, its product recognition had also been established and consolidated with the combination of distinctive buildings, landscape, and refined decoration. Yuzhou Group has been remaining true to the original aspiration and striving to provide better products based on our understanding of customers’ needs by focusing efforts on the outlook of buildings, landscape, grey space, refined decoration, layout, experience areas and other aspects. A perfect “home” is all Yuzhou Group devotes to build with craftsmanship.

Land Reserves

Adhering to its strategic deployment of leading with locality development and following the principle of “In-depth Cultivation”, the Group 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. As of 30 June 2022, the Group had land reserves amounting to approximately 19.44 million sq.m. of aggregate saleable GFA, with 178 projects located in 39 cities in the six metropolitan areas. The average land cost was approximately RMB6,563 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for its development over the next two to three years.

Saleable GFA of Land Reserves (sq.m.)*(As at 30 June 2022)*

Region	Number of projects	Area (sq.m.)	As of Total
West Strait Economic Zone			
Xiamen	27	1,109,723	5.7%
Fuzhou	8	298,730	1.5%
Quanzhou	3	784,834	4.1%
Longyan	1	21,013	0.1%
Zhangzhou	4	821,130	4.2%
Sub-total	43	3,035,430	15.6%
Yangtze River Delta Region			
Shanghai	15	713,840	3.7%
Nanjing	15	438,091	2.2%
Hangzhou	3	479,205	2.5%
Shaoxing	1	127,952	0.7%
Ningbo	2	74,607	0.4%
Suzhou	16	1,023,480	5.3%
Changzhou	1	133,573	0.7%
Wuxi	3	395,875	2.0%
Bozhou	1	24,087	0.1%
Hefei	19	1,829,267	9.4%
Bengbu	1	494,139	2.5%
Jinhua	2	10,357	0.1%
Yangzhou	3	572,708	2.9%
Zhoushan	1	143,922	0.7%
Xuzhou	1	96,485	0.5%
Sub-total	84	6,557,588	33.7%
Bohai Rim Region			
Beijing	2	117,434	0.6%
Tianjin	10	1,284,031	6.6%
Qingdao	4	277,557	1.4%
Shijiazhuang	1	41,572	0.2%
Tangshan	2	924,798	4.8%
Shenyang	2	1,977,085	10.2%
Sub-total	21	4,622,477	23.8%

Region	Number of projects	Area (sq.m.)	As of Total
Central China Region			
Wuhan	4	775,325	4.0%
Xinxiang	1	196,717	1.0%
Kaifeng	1	222,844	1.1%
Zhengzhou	3	481,892	2.5%
Sub-total	9	1,676,778	8.6%
Greater Bay Area			
Hong Kong	1	2,214	0.0%
Shenzhen	1	51,281	0.3%
Huizhou	2	348,277	1.8%
Foshan	5	469,006	2.4%
Zhongshan	1	133,590	0.7%
Jiangmen	1	123,528	0.6%
Sub-total	11	1,127,896	5.8%
Southwest Region			
Chongqing	4	759,812	3.9%
Chengdu	3	749,816	3.9%
Sub-total	7	1,509,628	7.8%
Total	175	18,529,797	95.3%
Urban Redevelopment			
Greater Bay Area			
Shenzhen	1	137,761	0.7%
Zhuhai	1	627,022	3.2%
Huizhou	1	150,308	0.8%
Total	3	915,091	4.7%
Grand total	178	19,444,888	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 2022, the total revenue of the Group was RMB12,393.09 million, up by 3.21% on a period-on-period basis. This was mainly due to an increase in recognized property sales revenue, driven by an increase in average selling price of the properties delivered during the Period. Specifically, property sales revenue was approximately RMB12,038.51 million, up by 3.10% compared to the corresponding period last year, accounting for 97.14% of the total revenue; property management fee income was approximately RMB205.03 million, decreased by 9.79% on a period-on-period basis; rental income from investment properties was approximately RMB144.88 million, increased by 49.47% on a period-on-period basis; and hotel operation income was approximately RMB4.67 million.

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 2022, the cost of sales of the Group was RMB11,050.59 million, up by 15.16% from RMB9,595.90 million in the corresponding period in 2021. 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 RMB1,342.49 million in the first half of 2022, and the gross profit margin was 10.83%. The decrease in gross profit margin was mainly due to the fact that the release of fair value adjustments from the recognition of properties in Wuhan, Suzhou, Quanzhou and Zhangzhou of RMB827.87 million were included in cost of sales. The gross profit margin after excluding the above non-cash adjustments was 17.51%.

Fair Value Gain on Investment Properties

During the first half of 2022, the Group recorded a fair value gain on investment properties of RMB158.67 million (first half of 2021: RMB672.26 million). The fair value gain on investment properties was mainly due to fair value gain of the investment property situated in Shanghai and Hefei.

Other Income and Gains

Other income and gains increased by approximately 144.93% from RMB205.93 million in the first half of 2021 to RMB504.40 million in the first half of 2022. The increase in other income and gains was mainly due to gain on disposal of subsidiaries of Yuzhou Property Services Co. Limited (“Yuzhou Property”) in the first half of 2022 (first half of 2021: Nil) of which the details are set out in the section of “MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES” below.

Selling and Distribution Expenses

Selling and distribution expenses of the Group decreased by 11.28% from approximately RMB286.36 million in the first half of 2021 to approximately RMB254.06 million in the first half of 2022, accounting for 1.21% (first half of 2021: 0.54%) of total contracted sales for the Period. With an effective cost control measure, the Group reduced the marketing and promoting expenses in the first half of 2022.

Administrative Expenses

Administrative expenses of the Group decreased by 22.15% from approximately RMB411.73 million in the first half of 2021 to approximately RMB320.54 million in the first half of 2022, mainly due to the decrease in number of staff of the Group. In the first half of 2022, the proportion of administrative expenses to total contracted sales for the Period was 1.53% (first half of 2021: 0.78%).

Other Expenses

Other expenses increased from approximately RMB30.10 million in the first half of 2021 to approximately RMB340.74 million in the first half of 2022, which was mainly due to the impairment on properties under development and goodwill of RMB199.76 million during the Period (first half of 2021: Nil) and exchange losses of RMB140.00 million during the Period (exchange gains in the first half of 2021: RMB10.53 million).

Finance Costs

Finance costs of the Group increased from approximately RMB127.66 million in the first half of 2021 to approximately RMB256.38 million in the first half of 2022, which was mainly due to expenses incurred by the exchange offer in relation to the offshore senior notes amounted to RMB108.80 million.

Share of Profits and Losses of Joint Ventures

The Group's share of losses of joint ventures was approximately RMB22.41 million in the first half of 2022, as compared to a share of losses of approximately RMB380.86 million in the first half of 2021. In the first half of 2022, the total revenue of joint ventures amounted to RMB1,407.99 million, the gross profit margin of joint ventures was 7.00%.

Share of Profits and Losses of Associates

The Group's share of losses of associates was approximately RMB81.71 million in the first half of 2022, as compared to a share of profits of approximately RMB79.55 million in the first half of 2021. In the first half of 2022, the total revenue of associates amounted to RMB2,951.51 million, the gross profit margin of associates was 3.38%.

Income Tax

Income tax expense of the Group was approximately RMB931.41 million in the first half of 2021, as compared to income tax expense of approximately RMB377.14 million in the first half of 2022. The decrease in income tax expense was mainly due to the decrease in profit before tax during the Period.

Profit for the Period

In the first half of 2022, the profit for the Period of the Group amounted to RMB352.59 million, as compared to the profit for the Period in the first half of 2021 of RMB1,201.81 million. The decrease mainly resulted from a decrease in gross profit and an increase in finance costs and other expenses during the Period.

Profit Attributable to Non-Controlling Interests

In the first half of 2022, the profit attributable to non-controlling interests of the Group amounted to RMB293.50 million, as compared to the gain in the first half of 2021 of RMB345.03 million. Such decrease was mainly due to a decrease in profit arising from the properties delivered during the Period. The increase in the proportion of the profit attributable to non-controlling interests of the Period was mainly due to the fact that the wholly-owned development properties delivered during the Period were included the impairment on inventory and goodwill.

Basic Earnings per Share

For the Period, basic earnings per share were RMB0.11 cents.

Liquidity and Financial Resources

During the Period, the Group successfully finished exchange offer of the 366-day senior notes in an aggregate amount of US\$528.07 million with a coupon rate of 7.8125% in January 2022. The Group recorded a weighted average finance cost of 7.34%.

Details of new indebtedness of exchange offer:

Issuer Type	Issuer Type	public/private	Principal Amount Maturity	Principal Amount Maturity	Principal Amount Maturity
Yuzhou Group Holdings Company Limited	Offshore senior notes	public	US\$528.07 million	366-day	7.8125%

Cash Position

As at 30 June 2022, the Group had cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months of approximately RMB9,487.09 million.

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 2022, the Group had total bank and other borrowings, corporate bonds and senior notes balance of RMB54,579.85 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 3.54% as compared to RMB56,582.44 million as at 31 December 2021. The interest rate of average borrowing cost was 7.34% per annum, increased by 0.38 percentage point from 6.96% for the year ended 31 December 2021. As at 30 June 2022, asset-liability ratio after excluding advance receipts (total liability after excluding contract liabilities divided by total asset after excluding contract liabilities) was 68.98%, which was down by 0.21 percentage points as compared to that as at 31 December 2021.

Net Gearing Ratio

As of 30 June 2022, 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 110.95%.

As at 30 June 2022, the Group provided guarantees to banks amounting to RMB23,839.26 million (31 December 2021: RMB18,234.88 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 RMB2,527.82 million (31 December 2021: RMB2,382.34 million) and RMB684.25 million (31 December 2021: RMB471.71 million), respectively. The amounts of guarantee to banks and other lenders by the Group in respect of facilities granted to certain contractors for construction cost were RMB7.06 million (31 December 2021: RMB8.95 million). The amounts of guarantees to banks and other lenders in respects of facilities granted to independent third parties, net of the principal and interest of RMB2,671.37 million (31 December 2021: Nil) included in the Group's interest-bearing bank and other borrowings, were RMB1,796.27 million (31 December 2021: RMB4,226.35 million). The Group provided guarantees to banks and other lenders in respects of facilities granted to independent third parties amounting to RMB4,467.64 million (31 December 2021: RMB4,226.35 million).

Currency Risk

As of 30 June 2022, the Group had total bank and other borrowings, corporate bonds and senior notes of approximately RMB54,579.85 million, of which approximately 24.41% was denominated in RMB and 75.59% was denominated in Hong Kong dollars and United States dollars.

As at 30 June 2022, 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\$	790,232	14,787
RMB	13,323,579	8,412,545
US\$	40,466,040	1,059,761
Total	<u>54,579,851</u>	<u>9,487,093</u>

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

Human Resources

Yuzhou Group always adheres to the sage spirit of “King Yu tamed the flood and making desert an oasis”, and penetrates the core values of responsibility, pragmatism, coordination and win-win into every corner of corporate culture. In the first half of 2022, the Human Resources Department carried out a number of corporate culture initiatives around key themes such as overcoming difficulties, making concerted efforts to strive for success, and being honest and sincere. As of 30 June 2022, the Group had 2,544 staff in total.

In the first half of 2022, under the direction of streamlined and efficient organizational management, the Group carried out and gradually realized the flat organizational adjustment of the group headquarters through decentralization and the removal of secondary departments, which has strengthened the functions of the headquarters. The Group also implemented a channel down model of management to promote the efficient solution of front-line business. At the same time, according to the current industry situation, the Group has formulated the corresponding organizational management and post-fixing model to achieve the effective control of organization, business and personnel. Yuzhou Group carried out an “internal transfer action” to promote internal recommendation and transfer of employees. Through a series of measures such as a 360° questionnaire survey on the management, communication and interviews with staff of each line, and management reform of employees’ special performance, it fully implemented the employment philosophy of “promoting the able, demoting the mediocre, and dismissing the incompetent”. Furthermore, combined with the personal development will of employees, it strived to achieve win-win and common development of employees and the Company, forming an optimal allocation model of human resources.

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.

PAYMENT OF DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six-month period ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 22 February 2022, a wholly-owned subsidiary of the Company (as the vendor) (the “Vendor”), the Company and Ms. Kwok Ying Lan (both as the Vendor’s guarantors), and Tai Chiap Company Limited (as the purchaser) (the “Purchaser”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which (i) the Vendor agreed to sell, and the Purchaser agreed to purchase 85.64% of the entire issued share capital of Keen Choice Limited (the “Target Company”), and (ii) the Vendor agreed to procure, and the Purchaser agreed to take the assignment from the Company of the shareholder’s loan owed by the Target Company. The total consideration under the Sale and Purchase Agreement is HK\$305.0 million. Further details in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder are set out in the announcement of the Company dated 22 February 2022.

On 8 March 2022, an indirect wholly-owned subsidiary of the Company (as the vendor) (the “Vendor”), Runying Property Technology Service Co., Ltd. (as the purchaser) (the “Purchaser”), and Yuzhou Property (as the target company) (the “Target Company”) entered into a formal sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell the entire issued share capital of the Target Company at the consideration of RMB1,058 million. Further details in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder are set out in the announcements of the Company dated 5 January 2022 and 8 March 2022 respectively, and the circular of the Company dated 28 April 2022.

Save for the above, the Company did not enter into other material acquisitions and disposals during the Period.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the Period.

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

During the Period, the Group finished an exchange offer of one-year senior notes, of which the details are set out in the paragraph headed “Liquidity and Financial Resources” under the section of “MANAGEMENT DISCUSSION AND ANALYSIS” above.

During the Period, the Company purchased the 8.375% senior notes due 2024, 8.5% senior notes due 2024, and the 6% senior notes due 2022, which were listed on The Stock Exchange of Hong Kong Limited, at the purchase amount of US\$700,000, US\$500,000, and US\$200,000, representing approximately 0.14%, 0.10% and 0.06% of the respective principal amounts.

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 of the Listing Rules. Directors have complied with the requirements set out in the Securities Code.

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 the Shareholders.

During the Period, the Company had adopted, applied and complied with the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules except the following deviation:

Code Provision C.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 from 1 January 2012 to 24 June 2022. On 24 June 2022, Ms. Kwok Ying Lan (郭英蘭) was appointed as the Chairman and the Chief Executive Officer of the Company. Although these two roles are performed by the same individual, certain responsibilities are shared with the 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 Company did not grant any share options for the six-month period ended 30 June 2022.

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 Mr. Yu Shangyou.

The Audit Committee has reviewed the suitability of 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 2022. 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 2022 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

In the second half of 2022, China is expected to retain the primary stance that “houses are for living in instead of speculation” for its national policy, as local governments continue to deliver city-specific policies, in order to guide markets to restore confidence, and promote the sound and stable development of the real estate sector. Effective epidemic control will mitigate the impact of COVID-19 and usher in gradual recovery of normal life and work in China. This, together with successive local implementation of “policies for economic stability”, will result in waning concerns over uncertainty among home buyers. Pent-up demand of consumers, including home buyers, is set to be further unleashed and possibly revive the real estate sector in the second half of the year.

Faced by the uncertainty from epidemic relapses and macroeconomic environment, Yuzhou Group surmounted challenges and met its goals with efficient work resumption, project completion and delivery in the first half of 2022. This laid solid groundwork for its development in the second half of the year. Over the next six months, Yuzhou Group will primarily work to ensure its survival, based on which it will further reflect on and carry out its mid- to long-term strategies in terms of product, service, investment, sustainable development and corporate culture. Yuzhou Group will stay true to its commitment and ensure housing delivery, people’s well-being, debt repayment and stability. It will also maintain stable strategies, cohesion and resilience, continue to achieve breakthroughs amidst difficulties, and pursue fresh development opportunities.

By order of the Board
Yuzhou Group Holdings Company Limited
Kwok Ying Lan
Chairman

Hong Kong, 31 August 2022

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