禹洲集團控股有限公司
YUZHOU GROUP HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Equity Stock Code: 01628)
(Debt Security Stock Codes: 05830, 05798, 40043, 40159, 40079, 40112, 40343, 40517 and 05287)

INTERIM RESULTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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 2023 (the "Period"). These interim results have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". These interim results have also been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

1. Contracted sales achieved RMB11,674.82 million for the six-month period ended 30 June 2023, decreased by 44.27% on a period-on-period basis.

2. Revenue increased by 0.75% from RMB12,393.09 million for the six-month period ended 30 June 2022 to RMB12,486.36 million for the six-month period ended 30 June 2023.

3. Loss attributable to owners of the parent was RMB6,362.95 million for the six-month period ended 30 June 2023 compared to profit attributable to owners of the parent of RMB59.09 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 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six-month period ended 30 June 2023

	Notes	For the six-month period ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	*3*	**12,486,364**	12,393,085
Cost of sales		**(12,286,399)**	(11,050,592)
Gross profit		**199,965**	1,342,493
Fair value (loss)/gain on investment properties, net		**(2,290,225)**	158,674
Other income and gains	*3*	**57,631**	504,399
Selling and distribution expenses		**(157,977)**	(254,056)
Administrative expenses		**(377,907)**	(320,541)
Other expenses		**(561,088)**	(181,352)
Write-down of properties under development to net realisable value		**(3,123,369)**	(159,387)
Impairment of investments in joint ventures and associates		**(70,392)**	–
Impairment of other receivables		**(1,024,538)**	–
Remeasurement of financial guarantee contracts		**(187,113)**	–
Finance costs	*5*	**(1,635,835)**	(256,384)
Share of profits and losses of joint ventures		**29,764**	(22,411)
Share of profits and losses of associates		**(43,083)**	(81,709)
(LOSS)/PROFIT BEFORE TAX	*6*	**(9,184,167)**	729,726
Income tax credit/(expense)	*7*	**150,702**	(377,137)
(LOSS)/PROFIT FOR THE PERIOD		**(9,033,465)**	352,589
Attributable to:			
Owners of the parent		**(6,362,952)**	59,085
Non-controlling interests		**(2,670,513)**	293,504
		(9,033,465)	352,589
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB cents per share)*	*9*	**(99.38)**	0.11
Diluted *(RMB cents per share)*	*9*	**(99.38)**	0.11

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2023

	For the six-month period ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(9,033,465)**	352,589
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,801,148)**	(433,246)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in financial assets at fair value through other comprehensive income	**(30,154)**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(1,831,302)**	(433,246)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(10,864,767)**	(80,657)
Attributable to:		
Owners of the parent	**(8,194,254)**	(374,161)
Non-controlling interests	**(2,670,513)**	293,504
	(10,864,767)	(80,657)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

	Notes	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,218,414**	2,814,333
Investment properties		**13,071,700**	15,499,619
Land held for property development for sale		**1,401,811**	1,401,811
Goodwill		**65,963**	65,963
Investments in joint ventures		**2,176,347**	2,234,897
Investments in associates		**6,175,824**	6,189,766
Financial assets at fair value through profit or loss		**8,332**	5,100
Financial assets at fair value through other comprehensive income		**24,429**	55,288
Deferred tax assets		**1,833,514**	1,858,268
Total non-current assets		**26,976,334**	30,125,045
CURRENT ASSETS			
Land held for property development for sale		**225,891**	1,624,455
Properties under development		**33,182,464**	33,564,654
Properties held for sale		**16,016,656**	26,116,239
Prepayments, other receivables and other assets		**41,147,636**	43,041,371
Prepaid corporate income tax		**711,929**	732,252
Prepaid land appreciation tax		**998,250**	1,110,326
Restricted cash		**794,318**	1,108,558
Non-pledged time deposits with original maturity of over three months		**–**	400,000
Cash and cash equivalents		**4,864,889**	5,630,872
Total current assets		**97,942,033**	113,328,727
CURRENT LIABILITIES			
Contract liabilities		**19,498,228**	28,177,504
Trade payables	*10*	**9,874,290**	9,179,611
Other payables and accruals		**19,932,689**	18,537,002
Interest-bearing bank and other borrowings		**7,425,740**	7,037,893
Corporate bonds	*11*	**4,250,000**	4,850,000
Senior notes		**39,424,061**	37,964,733
Corporate income tax payables		**2,101,551**	2,215,571
Provision for land appreciation tax		**1,541,921**	1,661,061
Total current liabilities		**104,048,480**	109,623,375
NET CURRENT (LIABILITIES)/ASSETS		**(6,106,447)**	3,705,352
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,869,887**	33,830,397

	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**4,100,082**	5,267,866
Deferred tax liabilities	**2,837,402**	3,487,174
Total non-current liabilities	**6,937,484**	8,755,040
Net assets	**13,932,403**	25,075,357
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**559,947**	559,947
Senior perpetual securities	**1,911,986**	1,911,986
Reserves	**1,181,670**	9,501,680
	3,653,603	11,973,613
Non-controlling interests	**10,278,800**	13,101,744
Total equity	**13,932,403**	25,075,357

1. CORPORATE AND GROUP INFORMATION

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

During the period, the Company and its subsidiaries 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 six months ended 30 June 2023 has been prepared under the going concern basis. At 30 June 2023 and up to the date of approval of the condensed consolidated financial statements, 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 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 30 June 2023. The Group's current borrowings and senior notes with an aggregate principal amounted to RMB55,199,883,000 while cash and cash equivalent of RMB4,864,889,000 only, the Group also reported a net decrease in cash and cash equivalent of RMB765,983,000 for the period ended 30 June 2023. For the six month ended 30 June 2023, the Group incurred a loss attributable to owners of the parent of RMB6,362,952,000 and reported net current liabilities of RMB6,106,447,000 as at 30 June 2023. In view of the above, the Group is implementing a debt restructuring plan, which includes the following plans and measures, to enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due:

(a) the Group has proposed an asset disposition for selling its equity interest in certain property development projects and investment properties to generate additional cash inflows and/or reduce cash outflows. In addition, the Group has implemented cost control measures and eliminated unnecessary capital expenditures to preserve liquidity for on-going development of its existing property development projects;

(b) the Group is actively in discussion with its existing lenders to renew and/or refinance the Group's certain borrowings. The Group has engaged in constructive dialogue with prospective financiers, including but not limited to certain state-owned asset management companies, to explore possible refinancing options but may require additional time to formulate and implement in light of the weak market conditions; and

(c) the Group has been proactively communicating with its lenders to explore possible restructuring options. Restructuring term sheet in relation to the Group's senior notes was circulated to the advisers of the ad hoc group of senior note holders for discussion and consideration. All parties are working together closely towards a mutually acceptable restructuring solution and endeavor to complete the restructuring of debt in 2023. Further details in relation to the preliminary restructuring proposal are set out in the announcement of the Company dated 6 August 2023.

Accordingly, the Directors consider that, taking into account the above-mentioned plans and measures and their progress, it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to cure its default on payment of its debt and have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months from the date of approval the consolidated financial statements.

2.2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. The accounting policies and methods of computation used in the preparation of those condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2022.

2.3 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The application of those new and revised HKFRSs did not result in significant changes the Group's accounting policies presentation of the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not applied the new HKFRSs that have been issued but not yet affective. The application of these new HKFRSs will not have material impact on the condensed consolidated statements of the Group.

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers:		
Sales of properties	**12,142,886**	12,038,507
Rental income from investment properties	**127,700**	144,882
Property management fee income	**208,771**	205,030
Hotel operation income	**7,007**	4,666
	12,486,364	12,393,085
Other income and gains		
Bank interest income	**24,685**	8,027
Gain on disposal of subsidiaries	**–**	481,064
Others	**32,946**	15,308
	57,631	504,399

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 (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit 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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six-month period ended 30 June 2023

	Property development *RMB'000* (Unaudited)	Property investment *RMB'000* (Unaudited)	Property management *RMB'000* (Unaudited)	Hotel operation *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue						
Sales to external customers	**12,142,886**	**127,700**	**208,771**	**7,007**	**–**	**12,486,364**
Other income and gains	**32,046**	**638**	**167**	**32**	**63**	**32,946**
Total	**12,174,932**	**128,338**	**208,938**	**7,039**	**63**	**12,519,310**
Segment results	**(7,658,290)**	**44,237**	**68,295**	**1,510**	**(28,769)**	**(7,573,017)**
Reconciliation:						
Interest income						**24,685**
Finance costs						**(1,635,835)**
Loss before tax						**(9,184,167)**
Income tax credit						**150,702**
Loss for the period						**(9,033,465)**

For the six-month period ended 30 June 2022

	Property development *RMB'000* (Unaudited)	Property investment *RMB'000* (Unaudited)	Property management *RMB'000* (Unaudited)	Hotel operation *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue						
Sales to external customers	12,038,507	144,882	205,030	4,666	–	12,393,085
Other income and gains	8,933	2,465	461,137	9	23,828	496,372
Total	12,047,440	147,347	666,167	4,675	23,828	12,889,457
Segment results	499,680	150,570	353,885	572	(26,624)	978,083
Reconciliation:						
Interest income						8,027
Finance costs						(256,384)
Profit before tax						729,726
Income tax expense						(377,137)
Profit for the period						352,589

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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 these financial statements.

Information about a major customer

During the six-month periods ended 30 June 2023 and 2022, 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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans, other loans, corporate bonds and senior notes	**1,889,769**	2,221,431
Less: Interest capitalised	**(253,934)**	(1,965,047)
	1,635,835	256,384

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six-month period ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**12,134,777**	10,838,003
Cost of services provided	**151,622**	212,589
Depreciation	**26,840**	34,646
Loss on disposal of a joint venture*	**30,742**	–
Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	**95,590**	154,572
Equity-settled share option expenses	**4,440**	2,626
Retirement benefit scheme contributions	**12,620**	28,869
Less: amount capitalised	**(19,122)**	(38,477)
	93,528	147,590
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**21,151**	24,820
Impairment of goodwill*	**–**	40,376
Exchange loss*	**498,336**	139,995

* 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 2022: 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 2023 and 2022.

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

	For the six-month period ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current:		
PRC corporate income tax	**273,099**	613,017
PRC land appreciation tax	**193,637**	109,385
	466,736	722,402
Deferred:		
Current period	**(617,438)**	(345,265)
Total tax (credit)/charge for the period	**(150,702)**	377,137

8. DIVIDENDS

The directors did not recommend the payment of an interim dividend for the six-month period ended 30 June 2023 and 2022.

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

The calculation of the basic (loss)/earnings per share amount for the period ended 30 June 2023 and 2022 is based on the (loss)/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 2022: 6,543,909,500) in issue less the weighted average number of shares of 10,324,504 (six-month period ended 30 June 2022:10,324,504) held under the share award scheme.

The calculation of the diluted (loss)/earnings per share amount for the six-month periods ended 30 June 2023 is based on the (loss)/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 (loss)/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 (loss)/earnings per share are based on:

	For the six-month period ended 30 June 2023 ***RMB'000*** **(Unaudited)**	For the six-month period ended 30 June 2022 *RMB'000* (Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the parent	**(6,362,952)**	59,085
Distribution related to senior perpetual securities	**(130,196)**	(51,704)
(Loss)/profit used in the basic and diluted (loss)/earnings per share calculations	**(6,493,148)**	7,381

	Number of shares For the six-month period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the diluted (loss)/earnings per share calculation	**6,533,584,996**	6,533,584,996

10. TRADE PAYABLES

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

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Due within 1 year or on demand	**4,081,468**	5,711,349
Due within 1 to 2 years	**5,792,822**	3,468,262
	9,874,290	9,179,611

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

11. CORPORATE BONDS

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Corporate bonds due in 2024	**2,000,000**	2,000,000
Corporate bonds due in 2025	**2,250,000**	2,850,000
	4,250,000	4,850,000
Portion classified as current liabilities	**4,250,000**	4,850,000

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 2023 and 31 December 2022.

(ii) 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. During the period, the Group has repaid RMB300,000,000 of the corporate bonds and the remaining balance is RMB1,125,000,000 as at 30 June 2023 and the Group has agreed to change of repayment terms with respective bondholders in which the remaining balance of 6.5% Corporate Bonds II are becoming due in 2023 and therefore classified as current liability as at 30 June 2023 and 31 December 2022. In July 2023, the Group obtained approval from the respective bondholders for the extension of the maturity date for 36 months (to be due in 2026). According to the related extension arrangement, the Group is required to settle 5% of the outstanding principal in 2023, 15% of the outstanding principal in 2024 and the remaining 80% outstanding principal will be repaid semi-annually in 2025 and 2026.

(iii) 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. During the period, the Group has repaid RMB300,000,000 of the corporate bonds and the remaining balance is RMB1,125,000,000 as at 30 June 2023 and the Group has agreed to change of repayment terms with respective bondholders in which the remaining balance of 6.5% Corporate Bonds II are becoming due in 2023 and therefore classified as current liability as at 30 June 2023 and 31 December 2022. In July 2023, the Group obtained approval from the respective bondholders for the extension of the maturity date for 36 months (to be due in 2026). According to the related extension arrangement, the Group is required to settle 5% of the outstanding principal in 2023, 15% of the outstanding principal in 2024 and the remaining 80% outstanding principal will be repaid semi-annually in 2025 and 2026.

12. EVENTS AFTER THE REPORTING PERIOD

In July 2023, the Group obtained approval from the respective bondholders of the 6.5% Corporate Bonds II and the 6.5% Corporate Bonds II for the extension of the maturity date for 36 months. According to the related extension arrangement, the Group is required to settle 5% of the outstanding principal in 2023, 15% of the outstanding principal in 2024 and the remaining 80% outstanding principal will be repaid semi-annually in 2025 and 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

Market And Business Review

Looking back at the first half of 2023, property sales recorded a "fast then sluggish" growth trend, representing a weak recovery. In the first quarter, benefiting from the complete abolishment of COVID-19 pandemic control policy, consumers were able to travel and conduct investment, consumption and other activities without restrictions. Coupled with the continuous policies easing, both the number of potential home buyers and transaction volume in property sales have significantly increased compared with that before the pandemic. As a result of such increased housing demand from residents, the real estate market saw a "short-lived resurgence". In the second quarter, the economy underperformed market expectations, coupled with the distinct decline in policy support, resulted in a significant decrease in both transaction volume and price of the real estate market on a period-on-period basis. This revealed that the subsequent growth would be lack of support after the backlog of demand due to the epidemic was released in the early period, and the market would continue to evolve into a buyer's market, while the trend of differentiation among cities remains increasing, all of which exerts pressure on the recovery and adjustment of the national real estate market.

From the prospective of demand side, the failure of market to continue the "short-lived resurgence" in February and March in the second quarter of this year was mainly due to the macroeconomic recovery falling short of expectation and the rising urban and rural youth unemployment rate. Residents still hold pessimistic expectations about their future income, resulting in continued suppression on the consumption of big-ticket consumer goods such as properties and automobiles, and continued growth of household deposits. According to the People's Bank of China, RMB deposits increased by RMB20.1 trillion in the first half of 2023, representing an increase of RMB1.3 trillion on a period-on-period basis. In particular, household deposits increased by RMB11.91 trillion, which indicated that the willingness of residents to make deposit has been on the rise. Secondly, since the second quarter, the government's public concern on real estate market has declined, which weakened the policy stimulus. Also, there was no introduction of relevant substantive stimulus policies on improving the demand side, such as loosing purchase restrictions, loan restrictions and other policies, which has reduced market expectations, increased consumers' wait-and-see sentiment, and further inhibited the release of demand. Thirdly, buyers' concerns about the delivery of new houses have also diverted some of the potential demand to the second-hand housing market. On the other hand, property enterprises' convergence on early-stage investment strategies led to similar market research, product demand positioning and product design, which offered more choices to consumers in the same region and enhanced the buyer's market. Moreover, subject to the cash flow pressure, all property enterprises were endeavoring to adopt active marketing strategies to promote sales as well as facilitating sales payment collection and alleviating cash flow shortage. Therefore, the competition was more fierce and various disguised price-off promotion measures were introduced, which would further intensify downward trend of the market in addition to lower profits.

Sales recovery was less than expected, thus property enterprises were in lack of enthusiasm in acquiring land and commencing new construction projects. Under the "guaranteeing housing delivery" policy, guaranteeing project completion and housing delivery will be given priority in the allocation of financial resources of property enterprises, and thus the shortage of funds and financing constraints have become the biggest obstacle to the current investment and commencement of new construction projects by property enterprises. Besides, the trend of investment concentration was obvious, as evidenced by the fact that high-quality plots in the core tier-1 and tier-2 cities attracted more attention and biddings from property enterprises in auctions, while rare interests were laid in plots in the tier-3 and tier-4 cities or non-core locations. The land auctions across market also showed a polarization pattern featured with "several areas flourishing under an overall sluggish market".

Overall Performance

During the Period, the revenue of the Group amounted to RMB12,486.36 million. The loss amounted to RMB9,033.47 million in the first half of 2023. The total equity amounted to RMB13,932.40 million. The Board does not recommend the payment of an interim dividend for the period ended 30 June 2023.

Sale of Properties

During the Period, the Group's revenue from property sales increased by 0.87% on a period-on-period basis to RMB12,142.89 million, accounting for 97.25% of the total revenue of the Group. The Group delivered a total gross floor area ("GFA") of approximately 844,529 sq.m.. The increase of revenue from property sales was mainly attributable to the growth of the GFA delivered during the Period. The average selling price of the properties delivered and recognized as property sales in the first half of 2023 was RMB14,378 per sq.m..

By geographic distribution, Yangtze River Delta Region, Bohai Rim Region, Southwest Region, Guangdong – Hong Kong – Macao Greater Bay Area (the "Greater Bay Area"), West Strait Economic Zone and Central China Region contributed 44.97%, 32.04%, 8.25%, 7.53%, 4.43% and 2.78% 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 2023 are set out in the following table:

Name of regions	**Amount**	**Saleable GFA**	**Average Selling Price (after tax)**
	(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
West Strait Economic Zone	538,255	68,638	7,842
Yangtze River Delta Region	5,460,457	350,734	15,569
Bohai Rim Region	3,890,752	162,362	23,963
Central China Region	337,723	44,960	7,512
Greater Bay Area	914,049	125,404	7,289
Southwest Region	1,001,650	92,431	10,837
Total sales of properties recognized	12,142,886	844,529	14,378

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**	**Saleable GFA**	**Average Selling Price (after tax)**
	(RMB'000)	*(sq.m.)*	*(RMB/sq.m.)*
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	12,038,507	653,146	18,432

During the Period, the Group's accumulated contracted sales amounted to RMB11,674.82 million. The GFA of contracted sales amounted to 694,220 sq.m. and the contracted average selling price was approximately RMB16,817 per sq.m..

The Yangtze River Delta Region recorded contracted sales of RMB5,244.42 million in the first half of 2023, accounting for 44.92% of the Group's total contracted sales and remained the region with a larger share with contracted sales of the Group. In particular, Shanghai, Hangzhou, Nanjing, Suzhou, Wuxi, Yangzhou and Hefei constituted the core cities of our footprint in this region, contributing aggregate contracted sales of RMB4,221.37 million, which fully demonstrated the Group's stellar performance in its deep engagement in the Yangtze River Delta Region. The total contracted sales of the Bohai Rim Region and West Strait Economic Zone amounted to RMB2,949.95 million, accounting for 25.26% of the Group's total contracted sales. The total contracted sales of the Greater Bay Area amounted to RMB2,180.51 million, accounting for 18.68% of the Group's total contracted sales, such gradually increasing sales proportion reflected the advantage and achievement of Yuzhou Group's strategic footprint in the Greater Bay Area. The Southwest Region and Central China Region also contributed total contracted sales in the amount of RMB1,299.94 million, accounting for 11.14% of the Group's total contracted sales.

During the Period, with the release of pandemic control policies, smooth travel of consumers, and stimulation polices to the real estate market, the market experienced a "short-lived resurgence" in the first quarter; while the real estate sales showed a downward trend in the second quarter due to the lack of growth momentum, affected by factors such as a weaker-than-expected macroeconomic recovery. Confronting with the continued sluggish market situation, Yuzhou Group made every effort to respond in an active way, and timely seized the fleeting opportunity from the "short-lived resurgence" in the real estate market by relying on its improving skills to keenly capture the market trend. In the fiercely competitive sales market, Yuzhou Group overcame difficulties to strive for its market share, and put more efforts to achieve its sales goals. In addition, in line with its "moderate and excellent" operation philosophy, Yuzhou Group actively adapted to the changes of market and customers' consumption habits by initiating the "Yuzhou New Momentums Initiative". In particular, by constantly exploring Wechat, Weibo and TikTok and other platforms, Yuzhou Group actively expanded its digital marketing channels and reconsidered its "Brand+Efficiency" sales strategy, in a view to facilitate the achievement of sales targets.

The contracted sales and GFA sold in each region in the first half of 2023 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	1,527,648	99,245	15,393
Yangtze River Delta Region	5,244,420	274,616	19,097
Central China Region	919,673	64,721	14,210
Greater Bay Area	2,180,507	129,358	16,856
Southwest Region	380,273	32,154	11,827
Bohai Rim Region	1,422,300	94,126	15,111
Total	**11,674,821**	**694,220**	**16,817**

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**

Property Investment

The Group's property investment segment covers a variety of commercial properties and strives to shape three product lines, namely "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, Yangtze River Delta Region and the Greater Bay Area, currently cover areas of Shenzhen, Shanghai, Hangzhou, Xiamen, Suzhou, Nanjing, Hefei, Wuhan and Quanzhou. There were a total of 41 projects, consisting of 32 projects under operation and 9 projects in the preparation period. These projects covered 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. We also cooperated with over 1,000 brands and were in strategic cooperation with approximately 1,600 brands.

With the full release of pandemic control, people's daily life such as travel, consumption and shopping has recovered gradually, and the passenger flow of major shopping malls and supermarkets across the country has also showed a recovery and growth trend. According to the National Bureau of Statistics, in the first half of 2023, retail sales of goods increased by 6.8% on a period-on-period basis, consumer demand for services was gradually released, and the consumer market recovered rapidly. After three years of pandemic control, consumers' consumption habits, demands and preferences have undergone new changes, and commercial real estate market has also moved from the incremental era to an era of stable development. Amid the new market challenges, Yuzhou Commercial actively adopted differentiated strategies through diverse perspectives such as scenario upgrades, marketing activities and operational services, and initiated self-transformation and upgrades to cope with new changes in the market and growing consumer demand. In the first half of 2023, Yuzhou Commercial responded positively to market changes and carried out brand renewal and upgrade of Hefei Yuyue Hui. After the upgrade and renovation, the project is positioned as a "family life and parent-child center", and has created a diversified business scene combination, including quality commerce, education and entertainment bases, catering clusters, pan-entertainment blocks and trendy parks, which helped to establish a new image of regional business benchmark. In addition to upgrading and improving the shopping environment to provide customers with comfortable and valuable shopping experience, Yuzhou Commercial also continuously created more original and abundant planning activities, thereby driving the shopping atmosphere of the entire commercial project. During the Spring Festival of the Year of the Rabbit, Yuzhou Commercial cooperated with various projects across the country to carry out a variety of marketing activities such as Quanzhou Yuyue Hui's "Yuyue Light Show", Xiamen Yuyue Hui's "Hanfu Themed Preliminary Eve", and Hefei Yuyue Li's "New Year Shopping Market" with the theme of "to be better-Uyo Temple Fair". During the five-day May Day holiday, Yuzhou Commercial took "Instant Love" as the theme, combined sports, food, markets and other elements as well as the special activities of each project, to boost the holiday-economy. Xiamen Yuyue Hui and Fujian Fighting Association jointly organized the "King of Fighters Tournament", the atmosphere at which was fervent. As compared with the same period of the previous year, passenger flow increased by 147%, and sales increased by 110%. Such increase represented a new high in the first half of the year.

Faced with the general trend of shopping malls entering a stock era and the consumer market entering a new period of transformation, Yuzhou Commercial will continue to take "stable revenue, strong operation, emphatic experience" as its strategic goal. Adhering to profit-oriented principle, Yuzhou Commercial will conduct strong control on revenue and cost efficiency to support revenue growth with quality, thereby strengthening the development of its own value system with innovation. Looking ahead, Yuzhou Commercial will also follow the new trends of industry development such as strengthening the role of financing in commercial field, refining consumer groups, reconstructing business scenarios and transforming existing businesses, so as to strive to achieve new breakthroughs in terms of asset price optimization, brand effect enhancement and efficient transformation of resources.

Hotel Operation

In the first half of 2023, the Group's hotels adopted a diversified and innovative model of operation and management by continuously optimizing the existing operation and management system as well as upgrading the brand with a focus on the improvement of service quality, consumer experience and customer reputation, so as to create more space for the revenue growth of the Group on an ongoing basis. During the Period, this segment contributed approximately RMB7.01 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 2023, 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 even reached two-star or above green building standards, either nationally or internationally.

During the Period, while carrying forward the three residential product series, namely "Royale", "Langham" and "Honor", Yuzhou Group also made certain improvements by further standardizing the product system and clarifying top-level design concept of products, so as to fully demonstrate the products' values and orientation and satisfy the changing market demand at this stage. Yuzhou Group continued to iteratively upgrade its product standards in the spirit of unremitting efforts. With focus on "1 core, 3 spaces, 5 product principles, 6 product values", Yuzhou Group constantly optimized and improved its product system – "Temperature Space". Rooting on the needs of people, Yuzhou Group strived to create a warm daily life for home buyers. By innovatively adding design units named "Variable Space", new products deriving from new design programs broke the original space limitations and created more practical, easy-to-execute and diversified living functions, which could meet the ideas of different groups of people for a warm home, and also make the living space more diversified and more selective. Yuzhou Group is committed to providing a more inclusive and diversified lifestyle, so that the owners can enjoy a comprehensive and fulfilling life.

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 2023, the Group had land reserves amounting to approximately 13.91 million sq.m. of aggregate saleable GFA, with 170 projects located in 38 cities in the six metropolitan areas. The average land cost was approximately RMB6,556 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 2023)

Region	Number of projects	Area (sq.m.)	As of Total
West Strait Economic Zone			
Xiamen	26	837,029	6.0%
Fuzhou	7	155,697	1.1%
Quanzhou	3	751,151	5.4%
Longyan	1	21,013	0.2%
Zhangzhou	4	798,550	5.7%
Sub-total	**41**	**2,563,440**	**18.4%**
Yangtze River Delta Region			
Shanghai	15	636,718	4.6%
Nanjing	15	320,580	2.3%
Hangzhou	3	440,726	3.2%
Shaoxing	1	127,952	0.9%
Ningbo	2	73,394	0.5%
Suzhou	16	808,514	5.8%
Changzhou	1	133,573	1.0%
Wuxi	3	236,857	1.7%
Hefei	18	1,232,462	8.9%
Bengbu	1	483,083	3.5%
Jinhua	1	3,316	0.0%
Yangzhou	3	548,881	3.9%
Zhoushan	1	59,256	0.4%
Xuzhou	1	53,713	0.4%
Sub-total	**81**	**5,159,025**	**37.1%**
Bohai Rim Region			
Beijing	1	31,846	0.2%
Tianjin	10	1,179,562	8.5%
Qingdao	4	100,518	0.7%
Shijiazhuang	1	41,572	0.3%
Tangshan	2	924,798	6.7%
Shenyang	1	95,818	0.7%
Sub-total	**19**	**2,374,114**	**17.1%**

Region	Number of projects	Area (sq.m.)	As of Total
Central China Region			
Wuhan	4	773,456	5.5%
Xinxiang	1	151,984	1.1%
Kaifeng	1	222,844	1.6%
Zhengzhou	3	485,246	3.5%
Sub-total	**9**	**1,633,530**	**11.7%**
Greater Bay Area			
Hong Kong	1	2,214	0.0%
Shenzhen	1	51,281	0.4%
Huizhou	2	343,844	2.5%
Foshan	5	206,192	1.5%
Zhongshan	1	69,654	0.5%
Jiangmen	1	127,387	0.9%
Sub-total	**11**	**800,572**	**5.8%**
Southwest Region			
Chongqing	4	525,751	3.8%
Chengdu	2	14,495	0.1%
Sub-total	**6**	**540,246**	**3.9%**
Total	**167**	**13,070,927**	**94.0%**
Urban Redevelopment			
Greater Bay Area			
Shenzhen	1	66,170	0.5%
Zhuhai	1	627,022	4.5%
Huizhou	1	150,308	1.0%
Total	**3**	**843,500**	**6.0%**
Grand total	**170**	**13,914,427**	**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 2023, the total revenue of the Group was RMB12,486.36 million, up by 0.75% on a period-on-period basis. This was mainly due to an increase in recognized property sales revenue, driven by an increase in GFA delivered during the Period. Specifically, property sales revenue was approximately RMB12,142.89 million, up by 0.87% compared to the corresponding period last year, accounting for 97.25% of the total revenue; property management fee income was approximately RMB208.77 million, increased by 1.82% on a period-on-period basis; rental income from investment properties was approximately RMB127.70 million, decreased by 11.86% on a period-on-period basis; and hotel operation income was approximately RMB7.01 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 2023, the cost of sales of the Group was RMB12,286.40 million, up by 11.18% from RMB11,050.59 million in the corresponding period in 2022. 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 RMB199.97 million in the first half of 2023, and the gross profit margin was 1.60%. 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 Hefei, Shanghai, Beijing and Qingdao of RMB1,053.10 million were included in cost of sales. The gross profit margin after excluding the above non-cash adjustments was 10.04%.

Fair Value Loss on Investment Properties

During the first half of 2023, the Group recorded a fair value loss on investment properties of RMB2,290.23 million (fair value gain on investment properties in first half of 2022: RMB158.67 million). The fair value loss on investment properties was mainly due to fair value loss of the investment property situated in Shenzhen, Xiamen and Quanzhou.

Other Income and Gains

Other income and gains decreased by approximately 88.57% from RMB504.40 million in the first half of 2022 to RMB57.63 million in the first half of 2023. The decrease in other income and gains was mainly due to the decrease in gain on disposal of subsidiaries in the first half of 2023.

Selling and Distribution Expenses

Selling and distribution expenses of the Group decreased by 37.82% from approximately RMB254.06 million in the first half of 2022 to approximately RMB157.98 million in the first half of 2023, accounting for 1.35% (first half of 2022: 1.21%) 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 2023.

Administrative Expenses

Administrative expenses of the Group increased by 17.90% from approximately RMB320.54 million in the first half of 2022 to approximately RMB377.91 million in the first half of 2023, which was mainly due to the amortisation of transaction fees of senior notes of the Group. In the first half of 2023, the proportion of administrative expenses to total contracted sales for the Period was 3.24% (first half of 2022: 1.53%).

Other Expenses

Other expenses increased from approximately RMB181.35 million in the first half of 2022 to approximately RMB561.09 million in the first half of 2023, which was mainly due to the increase in exchange loss of RMB498.34 million (first half of 2022: RMB140.00 million) during the Period.

Finance Costs

Finance costs of the Group increased from approximately RMB256.38 million in the first half of 2022 to approximately RMB1,635.84 million in the first half of 2023, which was mainly due to the decrease in the portion of interest capitalized during the Period.

Share of Profits and Losses of Joint Ventures

The Group's share of profits of joint ventures was approximately RMB29.76 million in the first half of 2023, as compared to a share of losses of approximately RMB22.41 million in the first half of 2022. In the first half of 2023, the total revenue of joint ventures amounted to RMB5,058.55 million, the gross profit margin of joint ventures was 10.89%.

Share of Profits and Losses of Associates

The Group's share of losses of associates was approximately RMB43.08 million in the first half of 2023, as compared to a share of losses of approximately RMB81.71 million in the first half of 2022. In the first half of 2023, the total revenue of associates amounted to RMB2,992.68 million, the gross profit margin of associates was 5.38%.

Income Tax

Income tax expense of the Group was approximately RMB377.14 million in the first half of 2022, as compared to income tax credit of approximately RMB150.70 million in the first half of 2023. The decrease in income tax expense and record of tax credit was mainly due to the decrease in profit before tax during the Period.

Loss for the Period

In the first half of 2023, the loss for the Period of the Group amounted to RMB9,033.47 million, as compared to the profit for the Period in the first half of 2022 of RMB352.59 million. The loss mainly resulted from a decrease in gross profit, fair value loss on investment properties, an increase in finance costs and provision for impairment losses during the Period.

Loss Attributable to Non-Controlling Interests

In the first half of 2023, the loss attributable to non-controlling interests of the Group amounted to RMB2,670.51 million, as compared to the profit for the Period in the first half of 2022 of RMB293.50 million. The loss was mainly attributable to impairment of properties under development, fair value loss on investment properties and losses on certain non-wholly-owned projects.

Basic Loss per Share

For the Period ended 30 June 2023, basic loss per share were RMB0.99.

Liquidity and Financial Resources

During the Period, the Group did not issue any new senior notes and recorded a weighted average finance cost of 7.42 %.

Cash Position

As at 30 June 2023, the Group had cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months of approximately RMB5,659.21 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 2023, the Group had total bank and other borrowings, corporate bonds and senior notes balance of RMB55,199.88 million, of which certain loans were secured by certain investment properties, properties held for sale and properties under development of the Group, representing an increase of 0.14% as compared to RMB55,120.49 million as at 31 December 2022. Such increase was due to foreign exchange rate changes for the Period. The interest rate of average borrowing cost was 7.42% per annum, increased by 0.19 percentage point from 7.23% for the year ended 31 December 2022. As at 30 June 2023, asset-liability ratio after excluding advance receipts (total liability after excluding contract liabilities divided by total asset after excluding contract liabilities) was 86.78%, which was up by 8.53 percentage points as compared to that as at 31 December 2022.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk, and will consider hedging significant interest rate risk should the need arise.

Net Gearing Ratio

As of 30 June 2023, 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 355.58%.

As at 30 June 2023, the Group provided guarantees to banks amounting to RMB23,212.06 million (31 December 2022: RMB25,946.75 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 RMB374.30 million (31 December 2022: RMB819.15 million) and RMB1,023.63 million (31 December 2022: RMB1,288.56 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 RMB6.18 million (31 December 2022: RMB58.59 million). The amounts of guarantees to banks and other lenders in respects of facilities granted to independent third parties, net of the principal of RMB2,836.45 million (31 December 2022: 2,717.49 million) included in the Group's interest-bearing bank and other borrowings, and the provision of expected credit loss on the financial guarantee of RMB1,920.01 million (31 December 2022: RMB1,744.05 million), were RMB64.83 million (31 December 2022: RMB185.94 million). The Group provided guarantees to banks and other lenders in respects of facilities granted to independent third parties amounting to RMB4,821.29 million (31 December 2022: RMB4,647.48 million).

Currency Risk

As of 30 June 2023, the Group had total bank and other borrowings, corporate bonds and senior notes of approximately RMB55,199.88 million, of which approximately 19.57% was denominated in RMB and 80.43% was denominated in Hong Kong dollars and United States dollars.

As at 30 June 2023, 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$	683,215	13,815
RMB	10,804,334	5,629,216
US$	43,712,334	16,176
Total	55,199,883	5,659,207

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

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

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 mutual benefit into every corner of corporate culture. In the first half of 2023, the Human Resources Department carried out a number of corporate culture initiatives around annual theme "Cooperation, Cohesion and Creativity". As of 30 June 2023, the Group had 1,330 staff in total.

During the first half of 2023, guided by the annual theme "Cooperation, Cohesion and Creativity", Yuzhou Group persistently refined the organizational structure of its regional companies. This involved streamlining the division of authority and responsibility and dynamically coordinating human resources with the existing industry climate and regional business scale, in a bid to achieve practical supervision over organizations, businesses and personnel, and effectively strengthen organizational efficiency. Yuzhou Group also endeavored to build a resilient, cohesive and competent staff team through a series of activities, thereby laying a solid foundation for the Company's sustainable growth. At the beginning of the year, the Group held the 2023 Work Initiation and Mobilization Meeting with the theme "Fearless to Overtake and Ready to Rise（無畏向上　蓄勢而發）", aiming to fully formulate strategic plans for each business line in the new year. In March, a 10KM hiking event was held in Xiamen with the theme of "Pursuing the Future with Yuzhou Amidst the Surging Mountains and Sea（山海澎湃 禹健未來）" to inspire all employees to strive and progress with greater enthusiasm and cohesion. Through a series of "moderate and excellent" care and warmth activities, Yuzhou Group expressed its tenderness to employees and built team cohesiveness. Despite the challenging industry environment, Yuzhou Group remained persistent in employee care by providing welfare and gifts for festivals such as Chinese New Year, Lantern Festival and Women's Day, as well as organizing featured celebration activities. During the difficult period of urgent project delivery, Yuzhou Group organized condolence visits to offer bread, milk and other caring replenishment. As summer arrived, Yuzhou Group provided our colleagues who worked on the site or ran projects with scented tea and fruit to relieve the summer heat and facilitate productive work under the Group's care.

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 by the Group based on the performance of the employees.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 12 to the interim condensed consolidated financial statement, there have been no other material events which would affect the Group after the reporting period and up to the date of this announcement.

INTERIM DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six-month period ended 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company did not enter into any 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.

NO MATERIAL CHANGE

Since the publication of the latest annual report for the year ended 31 December 2022, there have been no material changes to the Company's business.

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

During the Period, the Company purchased senior notes issued by the Company in an aggregate principal amount of USD72,411,000 on the open market. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities.

MODEL CODE FOR DIRECTORS' SHARE DEALING

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

CORPORATE GOVERNANCE

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

During the reporting period, the Group had adopted, applied and complied with the Corporate Governance Code contained in Part 2 of Appendix 14 to the Rules Governing the Listing Rules on The Stock Exchange of Hong Kong Limited 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. 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 authority. In addition, all major decisions are made in consultation with 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 2023.

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 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 2023. 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 2023 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

The meeting of the Political Bureau of the Central Committee of the CPC convened in July 2023 is the first to clarify the significant changes in the supply-demand relationship of the real estate industry. The market expects that the focus of adjusting and optimizing the prevention and control policies for the real estate industry may shift from “preventing overheating” to “preventing overcooling” in the future. During the second half of 2023, relevant policies including loosening restrictions on housing sales, lowering the down payment, cutting bank lending rates and reducing the purchase tax on housing are expected to spring up to stimulate the market, and to prevent and dissolve the short-term risks. The real estate market is poised for a new round of recovery. With rapid development in the real estate market over twenty years, the demand structure has changed, that is to say, the peak time of consumers’ demand for new housing has elapsed and the future demand will see a year-by-year downward trend. Consequently, tuning adjustments have been made to the national macro policies to mainly support rigid and improved housing needs. In line with such demands, product portfolios in the market will also gradually evolve in the future. In addition, under the backdrop that the economy returned to normal development, local governments will gradually increase efforts to execute "city-specific policies", thus the development of real estate industry will differentiate in terms of city, segment, clientele and product. Therefore, real estate enterprises will constantly carry out further upgrade and iteration in respect of product design, quality enhancement and brand effect, in a bid to satisfy the continually upgraded demand of home buyers. Great waves sweep away sand, only the fittest can survive in the challenging period. Integration and differentiation in the industry certainly will raise significant changes.

Yuzhou Group has forged ahead for nearly thirty years. Looking back on the journey, we have weathered storms and challenges. Since the launch of our first project developed in Xiamen-Yuzhou New Manor project, which offering residents "A Green View from the Window of Yuzhou's House", we have moved forward step by step through expanding business into around 40 cities including Hefei, Shanghai, Tianjin, Chongqing, Wuhan, Nanjing, Beijing, Shenzhen, Zhuhai, etc. successively, with more than 170 projects constructed and developed. While contributing our efforts to city modernization, we also dedicated to building high-quality and ideal homes for customers one after another. We honoured our delivery commitments all the time and stuck to our initial aspiration of "Building Cities with Heart, Building Homes with Love". Yuzhou Group always attaches great importance to protecting investors' interests, adheres to the operational orientation to maximizing the interests of its shareholders and faithfully performs its debt repayment obligations. In addition to saving costs and expenses and reducing the expenditure on land acquisition, Yuzhou Group also used its best endeavours to promote sales, revitalize assets and continuously expand financing channels, so as to increase corporate cash flow and alleviate the Company's cash flow pressure, enabling the Company to continue operating and strive for long-term and healthy development and growth. Going forward, Yuzhou Group will continue to strictly control risks, pay high attention to cash flow management, step up efforts to promote sales and revitalize assets, and strengthen its core competitiveness. Against the backdrop of incoming radical change in the industry, we will actively change our philosophy and make continuous breakthroughs and innovation despite the difficulties, as a century-old company does not mean never change. We will make a concerted effort to forge ahead.

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

Hong Kong, 31 August 2023

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 Mr. Song Jiajun, and the independent non-executive directors of the Company are Mr. Lam Kwong Siu, Mr. Wee Henny Soon Chiang and Mr. Yu Shangyou.