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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)**

### **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **FINANCIAL HIGHLIGHTS**

1. Revenue was slightly decreased by 1.23% year-on-year to RMB26,737.24 million in 2022.
2. Loss attributable to owners of the parent was RMB12,014.86 million in 2022, compared to profit attributable to owners of the parent of RMB862.09 million in 2021.
3. Gross profit amounted to RMB725.00 million in 2022, decreased by 82.15% year on year. Gross profit margin was 2.71%.
4. As at 31 December 2022, total interest-bearing debt decreased by 2.58% to RMB55,120.49 million, and total equity decreased by 39.42% to RMB25,075.36 million.
5. Cash and bank balances (including restricted cash) amounted to RMB7,139.43 million.
6. Average finance cost during the year ended 31 December 2022 was 7.23%, which was increased by 0.27 percentage point as compared with 2021.
7. The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2022.

The board of directors (the “**Board**”) of Yuzhou Group Holdings Company Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (the “**Group**” or “**Yuzhou Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the audit committee of the Board.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	3	26,737,240	27,071,241
Cost of sales		<u>(26,012,243)</u>	<u>(23,010,591)</u>
Gross profit		724,997	4,060,650
Fair value (loss)/gain on investment properties, net		(315,413)	717,888
Other income and gains	3	330,515	414,517
Selling and distribution expenses		(655,295)	(691,691)
Administrative expenses		(1,130,874)	(834,442)
Other expenses		(871,622)	(99,868)
Write-down of properties under development to net realisable value		(3,208,465)	(390,000)
Impairment of investments in joint ventures and associates		(407,585)	–
Impairment of other receivables		(4,151,208)	–
Remeasurement of financial guarantee contracts		(1,650,167)	(27,025)
Finance costs	5	(674,450)	(276,097)
Share of profits and losses of joint ventures		(890,813)	(38,394)
Share of profits and losses of associates		<u>(257,127)</u>	<u>326,990</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(13,157,507)</b>	3,162,528
Income tax expense	7	<u>(111,683)</u>	<u>(1,879,534)</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b><u>(13,269,190)</u></b>	<b><u>1,282,994</u></b>
Attributable to:			
Owners of the parent		(12,014,860)	862,094
Non-controlling interests		<u>(1,254,330)</u>	<u>420,900</u>
		<b><u>(13,269,190)</u></b>	<b><u>1,282,994</u></b>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic (RMB cents per share)	9	<u>(186.10)</u>	<u>11.82</u>
– Diluted (RMB cents per share)	9	<u>(186.10)</u>	<u>11.82</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<u><b>(13,269,190)</b></u>	<u>1,282,994</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(1,489,067)</b>	658,040
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	<u><b>(193,932)</b></u>	<u>(123,730)</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>(1,682,999)</b></u>	<u>534,310</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<u><b>(14,952,189)</b></u>	<u><b>1,817,304</b></u>
Attributable to:		
Owners of the parent	<b>(13,697,859)</b>	1,396,404
Non-controlling interests	<u><b>(1,254,330)</b></u>	<u>420,900</u>
	<u><b>(14,952,189)</b></u>	<u><b>1,817,304</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,814,333	2,255,381
Investment properties		15,499,619	15,972,920
Land held for property development for sale		1,401,811	1,401,811
Goodwill		65,963	741,202
Investments in joint ventures		2,234,897	3,308,932
Investments in associates		6,189,766	7,096,217
Financial assets at fair value through profit or loss		5,100	5,100
Financial assets at fair value through other comprehensive income		55,288	232,997
Deferred tax assets		1,858,268	1,199,409
Total non-current assets		<u>30,125,045</u>	<u>32,213,969</u>
<b>CURRENT ASSETS</b>			
Land held for property development for sale		1,624,455	225,891
Properties under development		33,564,654	47,431,370
Properties held for sale		26,116,239	26,170,388
Prepayments for acquisition of land		–	1,398,564
Prepayments, other receivables and other assets		43,041,371	47,122,274
Prepaid corporate income tax		732,252	1,113,922
Prepaid land appreciation tax		1,110,326	1,184,599
Restricted cash		1,108,558	968,378
Non-pledged time deposits with original maturity of over three months		400,000	2,173,906
Cash and cash equivalents		5,630,872	14,377,647
Total current assets		<u>113,328,727</u>	<u>142,166,939</u>
<b>CURRENT LIABILITIES</b>			
Contract liabilities		28,177,504	40,027,616
Trade payables	<i>10</i>	9,179,611	6,810,201
Other payables and accruals		18,537,002	20,783,152
Interest-bearing bank and other borrowings		7,037,893	4,459,782
Corporate bonds	<i>11</i>	4,850,000	4,500,000
Senior notes	<i>12</i>	37,964,733	5,038,874
Corporate income tax payables		2,215,571	2,773,633
Provision for land appreciation tax		1,661,061	1,994,610
Total current liabilities		<u>109,623,375</u>	<u>86,387,868</u>
<b>NET CURRENT ASSETS</b>		<u>3,705,352</u>	<u>55,779,071</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>33,830,397</u>	<u>87,993,040</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>5,267,866</b>	10,810,277
Corporate bonds	<i>11</i>	–	2,000,000
Senior notes	<i>12</i>	–	29,773,509
Deferred tax liabilities		<b>3,487,174</b>	4,014,617
		<hr/>	<hr/>
Total non-current liabilities		<b>8,755,040</b>	46,598,403
		<hr/>	<hr/>
<b>Net assets</b>		<b>25,075,357</b>	41,394,637
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>559,947</b>	559,947
Senior perpetual securities		<b>1,911,986</b>	1,911,986
Reserves		<b>9,501,680</b>	23,644,069
		<hr/>	<hr/>
		<b>11,973,613</b>	26,116,002
<b>Non-controlling interests</b>		<b>13,101,744</b>	15,278,635
		<hr/>	<hr/>
<b>Total equity</b>		<b>25,075,357</b>	41,394,637
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Notes:

## 1. BASIS OF PRESENTATION

The Group incurred a loss of RMB13,269,190,000 for the year ended 31 December 2022, and as that date, the Group failed to pay off a US\$389,203,000 (equivalent to RMB2,689,028,000) senior notes' interests, a failure to pay the interest of the senior notes has caused an event of default pursuant to the terms and conditions of the senior note agreements. As a result, the holders of the senior notes have right to demand for the immediate repayment on the outstanding principal together with accrued interest. As at 31 December 2022, the Group has senior notes with an aggregate principal amount of RMB37,964,733,000, while available cash and cash equivalent on hand was RMB5,630,872,000. 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.

Notwithstanding this fact, the directors of the Company (the "**Directors**") consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for the next fifteen months based on its projected cash flow forecasts. The Directors have carried out a detailed review of the cash flow projections of the Group covering a period up to 31 March 2024, the Directors consider that the Group is financially viable to continue as a going concern.

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.

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.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

**2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</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 Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above revised HKFRSs has had no significant financial effect on the consolidated financial statements.

### 3. REVENUE, OTHER INCOME AND GAINS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>		
<i>Revenue from contracts with customers</i>		
Sale of properties	26,288,907	26,236,144
Property management fee income	212,075	520,035
Hotel operation income	9,483	12,113
<i>Revenue from other sources</i>		
Rental income from investment properties	226,775	302,949
	<u>26,737,240</u>	<u>27,071,241</u>
<b>Other income and gains</b>		
Bank interest income	188,924	234,746
Gain on disposal of subsidiaries, net	–	99,103
Gain on disposal of joint ventures and associates, net	62,840	–
Exchange differences, net	–	15,712
Others	78,751	64,956
	<u>330,515</u>	<u>414,517</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 (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.



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.

**Year ended 31 December 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>
<b>Segment revenue</b>						
Sales to external customers	26,288,907	226,775	212,075	9,483	–	26,737,240
Other income and gains	117,579	4,091	814	25	19,082	141,591
Total	<u>26,406,486</u>	<u>230,866</u>	<u>212,889</u>	<u>9,508</u>	<u>19,082</u>	<u>26,878,831</u>
<b>Segment results</b>	<u>(12,047,409)</u>	<u>(590,580)</u>	<u>64,030</u>	<u>867</u>	<u>(98,889)</u>	<u>(12,671,981)</u>
<i>Reconciliation:</i>						
Interest income						188,924
Finance costs						<u>(674,450)</u>
Loss before tax						<u>(13,157,507)</u>
<b>Other segment information:</b>						
Depreciation	24,054	29,143	2,708	109	1,175	57,189
Capital expenditure	40	256,846	97	7	40	257,030
Fair value loss on investment properties, net	–	315,413	–	–	–	315,413
Impairment of goodwill	661,049	–	–	–	–	661,049
Impairment of investments in joint ventures and associates	407,585	–	–	–	–	407,585
Impairment of other receivables	4,151,208	–	–	–	–	4,151,208
Remeasurement of financial guarantee contracts	1,650,167	–	–	–	–	1,650,167
Share of losses of joint ventures	890,813	–	–	–	–	890,813
Share of losses of associates	257,127	–	–	–	–	257,127
Write-down of properties under development to net realisable value	3,208,465	–	–	–	–	3,208,465
Investments in joint ventures	2,234,897	–	–	–	–	2,234,897
Investments in associates	<u>6,189,766</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,189,766</u>

## Year ended 31 December 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>
<b>Segment revenue</b>						
Sales to external customers	26,236,144	302,949	520,035	12,113	–	27,071,241
Other income and gains	153,008	9,153	3,161	21	14,428	179,771
<b>Total</b>	<b>26,389,152</b>	<b>312,102</b>	<b>523,196</b>	<b>12,134</b>	<b>14,428</b>	<b>27,251,012</b>
<b>Segment results</b>	<b>2,744,297</b>	<b>442,260</b>	<b>83,812</b>	<b>(21,292)</b>	<b>(45,198)</b>	<b>3,203,879</b>
<i>Reconciliation:</i>						
Interest income						234,746
Finance costs						(276,097)
Profit before tax						<b>3,162,528</b>
<b>Other segment information:</b>						
Depreciation	30,510	27,834	6,306	3,121	1,309	69,080
Capital expenditure*	7,931	666,056	2,812	2,963	1,980	681,742
Fair value gain on investment properties, net	–	717,888	–	–	–	717,888
Remeasurement of financial guarantee contracts	27,025	–	–	–	–	27,025
Share of losses of joint ventures	38,394	–	–	–	–	38,394
Share of profits of associates	(326,990)	–	–	–	–	(326,990)
Write-down of properties under development to net realisable value	390,000	–	–	–	–	390,000
Investments in joint ventures	3,308,932	–	–	–	–	3,308,932
Investments in associates	7,096,217	–	–	–	–	7,096,217

\* *Capital expenditure consists of additions to property, plant and equipment and investment properties.*

### Information about major customer

There were no sales to a single customer which amounted to 10% or more of the Group's revenue during the year ended 31 December 2021 and 2022.

### Information about geographical areas

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2021 and 2022, all of the non-current assets are located in the PRC.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans, other loans, corporate bonds and senior notes	4,444,883	4,511,248
<i>Less: Interest capitalised</i>	<u>(3,770,433)</u>	<u>(4,235,151)</u>
	<u><b>674,450</b></u>	<u><b>276,097</b></u>

## 6. (LOSS)/PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation	57,189	69,080
Fair value loss on derivative financial instruments, net*	–	11,194
Impairment of goodwill*	661,049	–
Employee benefit expense (including directors' and chief executive officer's remuneration)		
Wages and salaries	416,236	544,030
Equity-settled share option expense	670	8,459
Retirement benefit scheme contributions	<u>40,802</u>	<u>78,151</u>

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

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made for the current and prior years as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the current and prior years. The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for the year.

An analysis of the income tax charge for the year is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current:		
PRC corporate income tax		
– Charge for the year	682,079	787,700
– Underprovision in prior years	139,684	433,487
PRC land appreciation tax	339,126	666,108
	<u>1,160,889</u>	<u>1,887,295</u>
Deferred:		
Current year	<u>(1,049,206)</u>	<u>(7,761)</u>
Total tax charge for the year	<u><u>111,683</u></u>	<u><u>1,879,534</u></u>

## 8. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interim – Nil (2021: HK5.3 cents per ordinary share)	<u><u>–</u></u>	<u><u>276,940</u></u>

The directors did not recommend the payment of a final dividend for the years ended 31 December 2022 and 2021.

## 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 year ended 31 December 2022 is based on the loss for the year attributable to ordinary equity holders 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 (2021: 6,421,224,000) in issue less the weighted average number of shares of 10,324,504 (2021: 4,256,611) held under the share award scheme during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/profit attributable to ordinary equity holders, 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 less the weighted average number of shares held under the share award scheme during the year, 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 (see below).

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>(Loss)/earnings</b>		
(Loss)/profit for the year attributable to owners of the parent	<b>(12,014,860)</b>	862,094
Distribution related to senior perpetual securities	<b>(144,133)</b>	(103,759)
	<b><u>(12,158,993)</u></b>	<u>758,335</u>
(Loss)/profit used in the basic and diluted earnings per share calculations	<b><u>(12,158,993)</u></b>	<u>758,335</u>
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>2022</b>	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the year, used in the basic earnings per share calculation	<b>6,533,584,996</b>	6,416,967,389
Effect of dilution of share options – weighted average number of ordinary shares	<b>–</b>	203,644
	<b><u>6,533,584,996</u></b>	<u>6,417,171,033</u>

## 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:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Due within 1 year or on demand	<b>5,711,349</b>	3,542,944
Due within 1 to 2 years	<b>3,468,262</b>	3,267,257
	<b><u>9,179,611</u></b>	<u>6,810,201</u>

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

## 11. CORPORATE BONDS

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Corporate bonds due in 2024	<b>2,000,000</b>	3,500,000
Corporate bonds due in 2025	<b>2,850,000</b>	3,000,000
	<b>4,850,000</b>	6,500,000
Portion classified as current liabilities	<b>(4,850,000)</b>	(4,500,000)
	<b><u>–</u></b>	<u>2,000,000</u>
Non-current liabilities	<b><u>–</u></b>	<u>2,000,000</u>

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. The 6.5% Corporate Bonds are classified as a current liability as at 31 December 2022 and a 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. During the year, the Group has fully repaid the corporate bonds.
- (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. During the year, the Group has repaid RMB75,000,000 of the corporate bonds and the remaining balance is RMB1,425,000,000 as at 31 December 2022. During the year ended 31 December 2022, the Group has agreed to change of repayment terms with respective bondholders in which the remaining balance of RMB1,425,000,000 6.5% Corporate Bonds II are becoming due in 2023 and therefore classified as current liability as at 31 December 2022. The 6.5% Corporate Bonds II are classified as a current liability as at 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. During the year, the Group has repaid RMB75,000,000 of the corporate bonds and the remaining balance is RMB1,425,000,000 as at 31 December 2022. During the year ended 31 December 2022, the Group has agreed to change of repayment terms with respective bondholders in which the remaining balance of RMB1,425,000,000 6.5% Corporate Bonds III are becoming due in 2023 and therefore classified as current liability as at 31 December 2022. The 6.5% Corporate Bonds III are classified as a current liability as at 31 December 2021.

## 12. SENIOR NOTES

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
2016 Senior Notes-6%	6.26	2023	1,732,254	6.26	2023	1,586,948
2017 Senior Notes-6%	6.35	2022	81,803	6.35	2022	2,167,224
2019 Senior Notes-8.625%	9.40	2022	98,957	9.40	2022	1,542,649
2019 Senior Notes I-8.5%	8.81	2023	3,480,241	8.81	2023	3,177,845
2019 Senior Notes II-8.5%	8.85	2024	3,458,598	8.85	2024	3,166,252
2019 Senior Notes-6%	7.74	2023	2,763,094	7.74	2023	2,487,760
2019 Senior Notes-8.375%	8.63	2024	3,463,812	8.63	2024	3,167,929
2019 Senior Notes-8.3%	8.56	2025	3,398,521	8.56	2025	3,106,033
2020 Senior Notes-7.375%	7.52	2026	4,426,678	7.52	2026	4,050,700
2020 Senior Notes-7.7%	7.87	2025	2,775,495	7.87	2025	2,538,146
2020 Senior Notes-7.85%	8.01	2026	2,044,072	8.01	2026	1,869,074
2021 Senior Notes-6.35%	6.36	2027	3,858,924	6.36	2027	3,550,782
2021 Senior Notes-8.5%	18.06	2022	801,326	18.06	2022	708,546
2021 Senior Notes-9.95%	14.06	2023	1,215,539	14.06	2023	1,072,040
2021 Senior Notes-12%	14.66	2023	696,774	17.79	2022	620,455
2022 Senior Notes - 7.8125%	10.07	2023	3,668,645	—	—	—
			<u>37,964,733</u>			<u>34,812,383</u>
Portion classified as current liabilities (Note)			<u>(37,964,733)</u>			<u>(5,038,874)</u>
No-current portion			<u>—</u>			<u>29,773,509</u>

*Note:* During the year ended 31 December 2022, the Group failed to pay off a US\$389,203,000 (equivalent to RMB2,689,028,000) senior notes' interest and non-payment of three senior notes with principal in total of US\$141,185,000 (equivalent to RMB982,086,000). Such non-payment of interest or overdue principal have caused an event of default under the senior notes agreements. As a result, all noteholders have right to demand immediate repayment of the principal and accrued interest. As at 31 December 2022, all senior notes are classified as current liabilities.

### 13. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2023, an indirect wholly-owned subsidiary of the Company (as the purchaser) performed the transaction with an independent third party (as the vendor), involving the acquisition of 66.67% of the equity interest in a target company (the “**Acquired Interest**”), at a consideration of RMB120,000,000 and to procure the settlement of the shareholder’s loan at a consideration of RMB760,000,000. The aggregate consideration of RMB880,000,000 for the Acquired Interest and the shareholder’s loan shall be satisfied by the purchaser by way of (1) transferring the entire equity interest in Shanghai Coastal Commercial Investment Management Company Limited, a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the purchaser, to the vendor at a consideration of RMB350,000,000; (2) transferring the entire equity interest held by the Company in Shenyang Zhongguang North Film and Television City Company Limited, a company established in the PRC with limited liability and a 91% owned subsidiary of the purchaser, to the vendor at a consideration of RMB360,000,000; and (3) a payment in cash to the vendor in the amount of RMB170,000,000. The target company will also be jointly liable for payment of RMB170,000,000 to the vendor in cash. Further details are set out in the Company’s circular dated 30 March 2023.



## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2022.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material Uncertainty Related to the Going Concern**

We draw attention to note 2 to the consolidated financial statements which states that, the Group incurred a loss of RMB13,269,190,000 for the year ended 31 December 2022, and as that date, the Group failed to pay off a US\$389,203,000 (equivalent to RMB2,689,028,000) senior notes’ interests, a failure to pay the interest of the senior notes has caused an event of default pursuant to the terms and conditions of the senior note agreements. As a result, the holders of the senior notes have right to demand for immediate repayment on the outstanding principal together with accrued interests. As at 31 December 2022, the Group has senior notes with an aggregate principal amount of RMB37,964,733,000, while available cash and cash equivalent on hand was RMB5,630,872,000.

Although there is no redemption notice of the senior notes being received up to the date this report, 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 and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company have considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market and Business Review

In 2022, under the influence of comprehensive factors such as the COVID-19 and geopolitical conflict, global economic development further slowed down, inflation soared and consumption was constrained. As a result, international demand continued to contract and gross domestic product (“GDP”) growth dipped to 3.0%. The epidemic rebounded in many cities in the first half of the year, and the epidemic control policy began to be gradually released in the fourth quarter. Residents were uncertain about the future economic development and policy adjustment, and they preferred having more precautionary reserves than to consumption, especially for costly residential investment and consumption. Home buyers took greater prudent attitude.

Due to the economic recession, rising unemployment rate, declining income of residents and weakening consumption power, the “halt mortgage payments” (停貸斷供) happened in July 2022 in many regions, making the market plunge to the freezing point. The Group’s contracted sales and average selling price also declined to a certain extent in the second half of the year, dropped 72.0% and 21.2% respectively compared to the same period last year, and decreased 30.0% and 8.0% respectively compared to the first half of 2022. Subsequently, the national policy emphasized the need to stabilize the real estate market, ensure the delivery of housing and people’s well-being. In the fourth quarter, it was clearly stated several times that “real estate is the pillar industry of the national economy”, but the confidence in the industry has hit rock bottom, the sentiment of wait-and-see has spread and the demand has decreased. Even if the price reduction and promotion measures were taken to stimulate the demand side, it is difficult to curb the continuous decline in sales. As a result, the sales of national commercial properties fell by 26.7% year-on-year to RMB13,330.8 billion in 2022, while the prices of new and second-hand residential properties across the country dropped by varying degrees, and the sales volume of the top 100 real estate companies decreased by more than 40%, plunging the real estate industry into a heavy downturn.

In terms of cash flow, the cash collection from selling units of property developers slowed down due to the continuous contraction and downturn of the sales market. Coupled with the risk management on delivery insurance, strict condition requirements on sales proceeds, collection cycles have been further prolonged, thus the sales proceeds have been falling down under pressure. Although China has successively promulgated and implemented a number of financing support policies for the real estate industry since the beginning of 2022, such as “lower interest rate and reserve ratio”, “special loans aimed at ensuring housing project delivery”, “16-point set of financial measures” and “three arrows”, the financing channels for private developers were not relaxed and opened indeed, and new loan financing was still limited. In addition, the relevant construction payments, principal and interest repayments of outstanding debts and other rigid expenses consumed the property developers’ cash continuously, leading the cash flow remain at a low level and a tight capital chain all year round.

The stresses of slow moving sales, limited new financing, debt repayment pressure and other factors made the real estate enterprises very cautious about the investment in land acquisition. Thus, the land auction market remained sluggish throughout 2022, with both land supply and demand weakening and the price and volume of transactions running at a low level. Statistics showed that in 2022, the national investment in real estate development was RMB13,289.5 billion, decreased by 10.0% year-on-year.

## Overall Performance

During the year, the revenue of the Group was RMB26,737.24 million, down by 1.23% year-on-year. The loss attributable to owners of the parent for the year was RMB12,014.86 million. The total equity decreased by 39.42% to RMB25,075.36 million. The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

## Sale of Properties

During the year, the Group's revenue from property sales was RMB26,288.91 million, accounting for 98.32% of the total revenue of the Group. The Group delivered a total gross floor area ("GFA") of approximately 1,882,837 sq.m. The average selling price of the properties delivered and recognized as property sales in 2022 was RMB13,962 per sq.m.

The Group's recognized revenue from property sales derived from a number of regions across the country, including the Yangtze River Delta Region, West Strait Economic Zone, Central China Region, Bohai Rim Region, Guangdong – Hong Kong – Macao Great Bay Area (the "Greater Bay Area") and Southwest Region, which contributed 56.58%, 17.99%, 7.87%, 6.44%, 6.09% and 5.03% of the recognized revenue, respectively. The Yangtze River Delta Region, in particular, continued to stand 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 2022 are set out in the following table:

Name of regions	Amount (RMB'000)	Saleable GFA (sq.m.)	Average Selling Price (after tax) (RMB/sq.m.)
West Strait Economic Zone	4,729,341	434,266	10,890
Yangtze River Delta Region	14,873,624	924,518	16,088
Bohai Rim Region	1,693,394	116,668	14,515
Central China Region	2,067,946	120,323	17,187
Greater Bay Area	1,602,511	152,259	10,525
Southwest Region	1,322,091	134,803	9,808
Total sales of properties recognized	<u>26,288,907</u>	<u>1,882,837</u>	<u>13,962</u>

The recognized sales and GFA sold in each region in 2021 are set out in the following table:

<b>Name of regions</b>	<b>Amount</b> <i>(RMB'000)</i>	<b>Saleable GFA</b> <i>(sq.m.)</i>	<b>Average Selling Price</b> <b>(after tax)</b> <i>(RMB/sq.m.)</i>
West Strait Economic Zone	3,032,169	335,642	9,034
Yangtze River Delta Region	19,707,598	1,179,110	16,714
Bohai Rim Region	259,177	20,774	12,476
Central China Region	1,929,642	139,135	13,869
Greater Bay Area	1,307,558	135,841	9,626
	<u>26,236,144</u>	<u>1,810,502</u>	<u>14,491</u>
Total sales of properties recognized	<u>26,236,144</u>	<u>1,810,502</u>	<u>14,491</u>

### **Contracted Sales**

As of 31 December 2022, the Group's accumulated contracted sales amounted to approximately RMB35,608.28 million. The GFA of contracted sales amounted to 2,016,320 sq.m. and the contracted average selling price was approximately RMB17,660 per sq.m.

In 2022, the Yangtze River Delta Region recorded contracted sales of RMB17,189.46 million, accounting for 48.27% of the Group's total contracted sales. Specifically, Shanghai, Hangzhou, Suzhou, Hefei and Wuxi constituted the core cities of our footprint in this region, contributing aggregate contracted sales of RMB13,391.71 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 RMB10,027.36 million, accounting for 28.16% 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 RMB8,391.45 million, accounting for 23.57% of the Group's total contracted sales.

In 2022, due to the impact of the COVID-19 epidemic and staggering domestic economy, the real estate market has suffered from continuous weak demand and sales contraction. In the face of severe turbulence of the industry cycle, Yuzhou Group made arduous efforts instead of taking the laid-back attitude, keenly perceived the changes in the market environment and actively captured the market trend. Through frequently carrying out national house-purchasing festival activities from “Settling Down at Hometown Festival” (返鄉安家季) in Spring Festival, “Yu Neighbor Fun Festival” (禹鄰樂活季) and “Yu Neighbor Promotion Price Festival” (禹鄰秒房節) to “6 • 18 Online Mid-Year Festival” (6 • 18年中盛典), and then to the “Profit for All Citizens on Double 11” (全民賞金季), “National Day Carnival Shopping” (國慶狂歡購) and “Housing Rush Festival” (雙十一／雙十二搶房節), it kept introducing marketing campaigns themed with popular topics and constantly released favorable information about house purchase to the market and customers, therefore enhancing brand influence of Yuzhou and boosting market confidence, laying a foundation for customer transaction. At the same time, in order to improve the innovation and professionalism of the marketing team, Yuzhou Group, following the trend of the times with due consideration to the current operation concept of “viewership data dominating everything” of the Internet, launched an innovative marketing competition, namely the “Yuzhou Ace Live Streamer Creation Camp” (禹洲王牌主播創造營) for its front-line marketing personnel across the country, with short video operation and live streaming conversion as the main competition items, aiming to cultivate “the live streamer who knows the most about real estate and the most innovative real estate salesperson”, thereby building a KOL live streaming team within Yuzhou. In the future, Yuzhou Group will continue to explore the marketing method of “Internet + Real estate” and innovatively integrate the resource aggregation platforms such as “Weibo + WeChat + Tik Tok Platform”, so as to realize the nationwide media communication marketing matrix and actively grasp the marketing initiative.

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

	<b>Total Amount of Contracted Sales</b> <i>(RMB'000)</i>	<b>GFA of Contracted Sales</b> <i>(sq.m.)</i>	<b>Average Contracted Selling Price</b> <i>(RMB/sq.m.)</i>
West Strait Economic Zone	5,619,901	394,374	14,250
Yangtze River Delta Region	17,189,461	859,155	20,007
Central China Region	1,490,337	102,440	14,548
Greater Bay Area	4,609,903	250,645	18,392
Southwest Region	2,291,214	166,024	13,800
Bohai Rim Region	4,407,462	243,682	18,087
<b>Total</b>	<b><u>35,608,278</u></b>	<b><u>2,016,320</u></b>	<b><u>17,660</u></b>

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

	<b>Total Amount of Contracted Sales</b> <i>(RMB'000)</i>	<b>GFA of Contracted Sales</b> <i>(sq.m.)</i>	<b>Average Contracted Selling Price</b> <i>(RMB/sq.m.)</i>
West Strait Economic Zone	10,959,668	593,079	18,479
Yangtze River Delta Region	65,899,155	2,962,668	22,243
Central China Region	3,143,816	242,258	12,977
Greater Bay Area	5,269,472	380,155	13,861
Southwest Region	6,895,230	457,487	15,072
Bohai Rim Region	12,853,666	658,343	19,524
<b>Total</b>	<b><u>105,021,007</u></b>	<b><u>5,293,990</u></b>	<b><u>19,838</u></b>

### 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, 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 32 projects under operation and 9 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 2022, Yuzhou Commercial Company (“**Yuzhou Commercial**”) integrated traditional culture, fashion aesthetics and other elements into brands of multi-business type to create a “Scene + Shopping” model, and by highlighting seasonal atmosphere, it created an all-round immersive commercial consumption space to expand new business contents. For example, Yuzhou Commercial launched “Yu Yue New Year” (禹悅新禧), “Lunar New Year Market of Traditional Chinese Style with Hanfu Club” (攜手漢服社、打造國風年味市集) during the Chinese Lunar New Year; the original IP activities “Yu Yue 5•1 Shopping Festival” (禹悅5•1嗨購節), “Children’s Day and Dragon Boat Festival Theme Activities” (Uyo一夏, 清涼fun粽) in May; the “Summer Roaming Plan” (夏日漫遊企劃) in August, which created an immersive camping atmosphere in the venue combined with hot camping trend, delivered a super chill lifestyle to consumers, and succeeded in gaining popularity among many young hipsters; it joined hands with 39 cities across the country to create an online cake-making game, namely “Moon-cake Gambling on Mid-Autumn Festival” (中秋爭霸Fun手來博) in September; focused on the “World Cup” in November and launched “Lighting up the Christmas Tree” (讓聖誕樹亮起) and other activities in December. Numerous customers participated in such exciting activities, and the consumption experience was widely recognized and praised by the customers. By using scenes as emotional media to create emotional resonance with consumers, Yuzhou Commercial has attracted a steady stream of customer flow.

In terms of digitalization construction, the membership of the whole system of Yuzhou Commercial’s shopping centers was refreshed and upgraded in 2022, and the “1+3+8” digital capabilities of Yuzhou Commercial were preliminarily constructed, taking a solid step towards the new stage of “Comprehensive Digitalization”. Members of Yuzhou Commercial have been equipped with digital trading tools and structure system in the initial stage, and will gradually realize the concept of “being a premium membership of the digital ecology” in the future.

In the future, facing the development tide of fierce commercial competition, Yuzhou Commercial will continue to develop with original ambition, operate with ingenuity, and provide the city with commercial space and services with infinite vitality with perseverance. From parking lots to office buildings, from lobbies to elevators, adhering to the “Warm Yuzhou-style Service”, Yuzhou Commercial will continue to integrate its 360° extreme personalized service into commercial office building service, and penetrate warmth, grace, precision and depth. Yuzhou Commercial will continue to thoroughly understand the vitality of the city, extract the inner core of “Dynamic” (靈動) from the change of water to develop the brand concept of “Dynamic Business” (靈動商業), accurately focus on the continuous segmentation of consumer demand, be committed to letting infinite beauty naturally emerge in the city and continue to promote the continuous innovation of urban commercial space operation, so as to bring more wonderful imagination to people’s life.

## Hotel Operation

In 2022, the Group's Yuzhou Camelon Hotel Apartment located in Xiamen had been put into operation. In 2022, Yuzhou Hotel promoted its hotel brand through a variety of events such as a vintage-inspired American wedding salon, incorporating elements of spring wedding product promotion, on-site extreme makeover and wedding planning class, to kick off its spring luxury wedding season. In May, it held a parent-child concert with the theme of "Lingering Tweedle in the Air • Lingering Yearning on the Dragon Boat Festival" (琴聲繚繞•粽意綿綿), allowing guests to experience a different Dragon Boat Festival in the elegant vocal music. Income was generated for Yuzhou Hotel by carrying out a number of node promotion activities such as Valentine's Day Festival/Graduation Banquets, Special Offer for Examinee/Double Eleven Festival, as well as taking part as government isolation hotel, participating in Mid-Autumn Festival Moon-cake Gambling Banquet (中秋博餅宴), crew reception for the Golden Rooster Award and the Year-end Banquet (年底尾牙), etc. Yuzhou Hotel won the "Best Wedding Hotel" award of the 2022 Enjoyable Travel Awards, the "Selected MICE Hotels of the Year" award in the Selected Asian Hotel List of Travel Playlist (《旅遊玩客》), 2022 China Hotel Awards – "Best Resort Hotel of the Year" and other awards, and has been widely recognized and praised in the industry. In 2022, this segment contributed approximately RMB9.48 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 Hotel of Wuhan and Jinhui Hotel 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 the end of the year, 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. Shenzhen Yuzhou Plaza, Shanghai Yuzhou Plaza and Xiamen Yuzhou Plaza were awarded the "US LEED CS Certification", and the project at No.48 Caine Road, Central, Hong Kong, was awarded the highest platinum level of BEAM Plus.



In 2022, 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 continuously improve its own products. Committing to “Providing Highly Competitive Products”, Yuzhou Group has been updating and iterating its design management procedures, taking projects as the key line and focusing on the fine management, so as to guarantee the implementation effect and quality of projects. 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.

In terms of product line innovation, Yuzhou Group has launched a new generation of its product – “Ucube-Temperature space”, which form follows function. In particular, the “Temperature space” focuses on creating a better life, pays attention to the ecological balance between people and housing through the selection of materials, so as to escort the owner’s healthy life; pays attention to the interaction of science and technology by linking intelligent life with information technology; pays attention to the relationship between people by integrating interaction and communication into the design; advocates culture-oriented, value-oriented, customer-oriented, cost-oriented and quality-oriented products, striving to provide customers with refined quality housing that returns to the essence of life.

## **Land Reserves**

Adhering to its strategic deployment of leading with locality development and following the principle of “In-depth Cultivation”, the Group extensively develops the six metropolitan areas in the Yangtze River Delta Region, West Strait Economic Zone, Bohai Rim Region, Greater Bay Area, Central China Region and Southwest Region through the bidding and auction, merger and acquisition, urban redevelopment, land acquisition by application list system and project cooperation, so as to ensure stable and sustainable development.

As of 31 December 2022, the Group had land reserves amounting to approximately 15.80 million sq.m. of aggregate saleable GFA, with 172 projects located in 38 cities in the six metropolitan areas. The average land cost was approximately RMB6,993 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 31 December 2022)

Region	Number of projects	Area (sq.m.)	As of Total
<b>West Strait Economic Zone</b>			
Xiamen	26	861,735	5.5%
Fuzhou	8	214,984	1.4%
Quanzhou	3	782,523	4.9%
Longyan	1	21,013	0.1%
Zhangzhou	4	801,528	5.1%
<b>Sub-total</b>	<b>42</b>	<b>2,681,783</b>	<b>17.0%</b>
<b>Yangtze River Delta Region</b>			
Shanghai	15	688,102	4.4%
Nanjing	15	352,825	2.2%
Hangzhou	3	440,726	2.8%
Shaoxing	1	127,952	0.8%
Ningbo	2	73,394	0.5%
Suzhou	16	935,116	5.9%
Changzhou	1	133,573	0.9%
Wuxi	3	290,866	1.8%
Hefei	18	1,392,520	8.8%
Bengbu	1	485,631	3.1%
Jinhua	1	3,316	0.0%
Yangzhou	3	571,649	3.6%
Zhoushan	1	140,561	0.9%
Xuzhou	1	53,713	0.3%
<b>Sub-total</b>	<b>81</b>	<b>5,689,944</b>	<b>36.0%</b>

<b>Region</b>	<b>Number of projects</b>	<b>Area (sq.m.)</b>	<b>As of Total</b>
<b>Bohai Rim Region</b>			
Beijing	1	78,434	0.5%
Tianjin	10	1,211,288	7.7%
Qingdao	4	213,601	1.3%
Shijiazhuang	1	41,572	0.3%
Tangshan	2	924,798	5.9%
Shenyang	1	96,097	0.6%
<b>Sub-total</b>	<b>19</b>	<b>2,565,790</b>	<b>16.3%</b>
<b>Central China Region</b>			
Wuhan	4	773,683	4.9%
Xinxiang	1	196,717	1.2%
Kaifeng	1	222,844	1.4%
Zhengzhou	3	485,246	3.1%
<b>Sub-total</b>	<b>9</b>	<b>1,678,490</b>	<b>10.6%</b>
<b>Greater Bay Area</b>			
Hong Kong	1	2,214	0.0%
Shenzhen	1	51,281	0.3%
Huizhou	2	347,065	2.2%
Foshan	5	314,337	2.0%
Zhongshan	1	91,317	0.6%
Jiangmen	1	127,387	0.8%
<b>Sub-total</b>	<b>11</b>	<b>933,601</b>	<b>5.9%</b>
<b>Southwest Region</b>			
Chongqing	4	624,098	3.9%
Chengdu	3	737,140	4.7%
<b>Sub-total</b>	<b>7</b>	<b>1,361,238</b>	<b>8.6%</b>
<b>Total</b>	<b>169</b>	<b>14,910,846</b>	<b>94.4%</b>
<b>Urban Redevelopment</b>			
<b>Greater Bay Area</b>			
Shenzhen	1	107,640	0.7%
Zhuhai	1	627,022	4.0%
Huizhou	1	150,308	0.9%
<b>Total</b>	<b>3</b>	<b>884,970</b>	<b>5.6%</b>
<b>Grand total</b>	<b>172</b>	<b>15,795,816</b>	<b>100.0%</b>

## **FINANCIAL REVIEW**

### **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. In 2022, the total revenue of the Group was RMB26,737.24 million, down by 1.23% year-on-year. This was mainly due to a decrease in property management fee income during the year. Specifically, property sales revenue was approximately RMB26,288.91 million, accounting for 98.32% of the total revenue; rental income from investment properties was approximately RMB226.78 million, down by 25.14% year-on-year; property management fee income was approximately RMB212.08 million, down by 59.22% year-on-year; and hotel operation income was approximately RMB9.48 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. In 2022, the cost of sales of the Group was approximately RMB26,012.24 million, up by 13.04% from approximately RMB23,010.59 million in 2021. The increase in the cost of sales was mainly due to the increase in GFA of properties delivered by the Group during the year.

### **GROSS PROFIT AND GROSS PROFIT MARGIN**

The gross profit of the Group was approximately RMB725.00 million in 2022. The gross profit margin was 2.71%. The decrease in gross profit margin was mainly due to recognition of loss-making projects in Xiamen, Quanzhou, Huizhou and Jinhua in 2022.

### **FAIR VALUE LOSS ON INVESTMENT PROPERTIES**

In 2022, the Group recorded a fair value loss on investment properties of approximately RMB315.41 million (Fair value gain on investment properties in 2021: RMB717.89 million). Fair value loss on investment properties was mainly due to the decrease in fair value of certain investment properties in Shanghai, Xiamen, Hefei and Hong Kong resulted from the deteriorated market environment.

### **OTHER INCOME AND GAINS**

Other income and gains decreased by approximately 20.27% year-on-year from approximately RMB414.52 million in 2021 to approximately RMB330.52 million in 2022, mainly due to the decrease of bank interest income.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses of the Group decreased by 5.26% year-on-year from approximately RMB691.69 million in 2021 to approximately RMB655.30 million in 2022. With an effective cost control measures, the Group continued to decrease the marketing and promotion expenses in 2022.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses of the Group increased by 35.52% year-on-year from approximately RMB834.44 million in 2021 to approximately RMB1,130.87 million in 2022, which was mainly due to the amortization of transaction fees of senior notes of the Group.

## **OTHER EXPENSES**

Other expenses increased from approximately RMB99.87 million in 2021 to approximately RMB871.62 million in 2022, which was mainly due to an impairment loss on goodwill of approximately RMB661.05 million.

## **FINANCE COSTS**

Finance costs of the Group increased from approximately RMB276.10 million in 2021 to approximately RMB674.45 million in 2022, which was mainly due to the decrease in the portion of interest capitalized during the year.

## **SHARE OF RESULTS OF JOINT VENTURES**

The Group's share of loss of joint ventures was approximately RMB890.81 million in 2022, and the loss in 2021 was RMB38.39 million. The total revenue of joint ventures amounted to RMB8,461.11 million in 2022. The gross profit margin of joint ventures was 2.1%.

## **SHARE OF RESULTS OF ASSOCIATES**

The Group's share of loss of associates was approximately RMB257.13 million in 2022, compared with share of profit of associates of RMB326.99 million in 2021. The total revenue of associates amounted to RMB7,806.62 million in 2022. The gross profit margin of associates was 4.3%.

## **INCOME TAX**

The Group recorded tax expense of RMB111.68 million in 2022. Income tax expense of the Group in 2021 was approximately RMB1,879.53 million. The decrease in income tax expense was mainly due to the decrease in profit before tax during the year.

## **LOSS FOR THE YEAR**

The loss for the year was RMB13,269.19 million, as compared to the profit of RMB1,282.99 million in 2021. The loss mainly resulted from the decrease in gross profit, fair value loss on investment properties and provision for impairment losses during the year.

## **PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**

For the year ended 31 December 2022, the loss attributable to non-controlling interests amounted to approximately RMB1,254.33 million, as compared to the profit of RMB420.90 million in 2021. The loss was mainly attributable to impairment of inventories and losses on certain non-wholly owned projects.

## **BASIC LOSS PER SHARE**

For the year ended 31 December 2022, basic loss per share was RMB1.86.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

### **Cash Position**

As at 31 December 2022, the Group had cash and cash equivalents, restricted cash and non-pledged time deposits with original maturity of over three months of approximately RMB7,139.43 million, decreased by 59.25% from approximately RMB17,519.93 million as at 31 December 2021.

### **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 31 December 2022, the Group had total bank and other borrowings, corporate bonds and senior notes balance of RMB55,120.49 million, of which certain loans were secured by certain investment properties, properties held for sale and properties under development of the Group, representing a year-on-year decrease of 2.58%. The interest rate of average borrowing cost was 7.23% per annum, decreased by 0.11 percentage point from 7.34% in the period ended 30 June 2022. As at 31 December 2022, asset-liability ratio after excluding advance receipts (total liability after excluding contract liabilities divided by total asset after excluding contract liabilities) was 78.25%, which was up by 9.06 percentage points as compared to that as at 31 December 2021.

## **NET GEARING RATIO**

As of 31 December 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, restricted cash and non-pledged time deposits with original maturity of over three months and then divided by total equity) was 191.35%.

As at 31 December 2022, the Group provided guarantees to banks amounting to RMB25,946.75 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 terms of facilities awarded to joint ventures and associates were RMB819.15 million (31 December 2021: RMB2,382.34 million) and RMB1,288.56 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 RMB58.59 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 RMB2,895.44 million (31 December 2021: Nil) included in the Group's interest-bearing bank and other borrowings, were RMB1,752.04 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 RMB4,647.48 million (31 December 2021: RMB4,226.35 million) and recognized the provision for expected credit loss on the guarantees of RMB1,744.05 million (31 December 2021: RMB27.03 million).

## CURRENCY RISK

As of 31 December 2022, the Group had total borrowings, corporate bonds and senior notes of approximately RMB55,120.49 million, approximately 22.33% was denominated in RMB and 77.67% was denominated in Hong Kong dollars and United States dollars.

The proportions of balance of bank and other borrowings, corporate bonds, senior notes and cash of the Group in terms of the currencies are as follows:

	<b>Bank and other borrowings, corporate bonds, and senior notes balance (RMB'000)</b>	<b>Cash balance* (RMB'000)</b>
HK\$	863,748	16,810
RMB	12,308,155	7,079,600
US\$	41,948,589	43,020
	<hr/>	<hr/>
Total	<u>55,120,492</u>	<u>7,139,430</u>

\* Including restricted cash and 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.

## **INFORMATION TECHNOLOGY SYSTEM**

With the rapid development of information technology, information-based development has become the foundation and premise of modern management. The Group actively pushed forward and improved the IT level of the Group, built a management + IT management and control system, improved the independent planning and design capability of IT, and adhered to the use of technology to empower enterprises, so as to comprehensively raise the operating efficiency and quality. During the year, in order to improve and strengthen information security and ensure operating efficiency and quality, the Group built a management platform for legal entities on its own, which enables the informatization of company registration, change of registration and certificates and seals management, and data interchange with Office Automation (OA) and Qixinbao (啟信寶), to regularly update the information of legal entities, certificate and seal data and corporate credit information. Thus, unified management of and data sharing among legal entities, and integrated business data approval were realized, which, coupled with the introduction of corporate credit data in Qixinbao, facilitated management efficiency improvement and operational risks reduction. In terms of business empowerment, the Group independently built a unified knowledge retrieval platform, the Yuzhi Platform (禹知平台), by establishing rules to form a knowledge base for an intelligent robot to answer questions. Users can search for knowledge and information in the form of question-and-answer to help effective accumulation and utilization of knowledge assets, avoid information loss due to employee resignation and repetitive errors, support newcomers or front-line staff to learn and grow quickly and promote effective succession of key positions, thereby improving business efficiency and creating benefits. At the same time, the Group promoted the utilization of the whole module of Tencent Meeting, used WeCom as the instant messaging (IM) tool and integrated the functions of Tencent Meeting to enhance video conferencing solutions that meet users' office needs. With the convergence and interoperability of Tencent Meeting and Polycom hardware terminals, the original intranet architecture was discarded and a more lightweight one has come into being, which protects corporate assets and covers more meeting scenarios without changing users' habits. The WeCom & Tencent Meeting joint office solution reduces users' learning costs and improves office efficiency.

## **HUMAN RESOURCES**

Yuzhou Group always adheres to the sage spirit of “King Yu tamed the flood and making desert an oasis”, and with the vision of becoming a century-old enterprise that supports the development of cities and achieves a win-win situation for its customers, staff and shareholders, penetrates the core values of responsibility, pragmatism, coordination and win-win into every corner of corporate culture. In 2022, the Human Resources Department carried out a number of corporate culture initiatives with key themes such as overcoming difficulties, making concerted efforts to strive for success, and being honest and sincere.



In 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 and feasible 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. In terms of talent pipeline building, Yuzhou Group helped management trainees review and summarize their past work and growth experiences and define their personal development and improvement plans by conducting annual appraisal of management trainees and activities such as the “Yu Yue Talk (禹躍有話說)” experience sharing meeting and the river tracing league construction activity for management trainees under the theme of “To Grow and Be Extraordinary (禹成長創非凡)” in 2022. In doing so, the Company has strengthened communication with management trainees so that they can grow together with the Company.

In 2022, Yuzhou Group adhered to the people-oriented principle, cared for staff’s physical and mental health and effectively organized various recreational activities, which enhanced corporate cohesion and the centripetal force and inspired staff to overcome difficulties, take responsibility and act courageously. A series of activities under the theme of “Unite Together to Overcome Difficulties” reinforced the pioneering and exemplary role of middle-senior executives and Party members and cadres, enhanced the ability of front-line teams to promote their work, and further established role models to boost team morale. The probity training enabled staff to develop correct values and avoid illegal behaviors while continuously improving their professional abilities at work, attach importance to integrity and observance of laws and stick to the occupational red line. They were encouraged to be “practitioners” of righteousness and “Yuzhou Staff” that keep discipline and abide by the law when forging ahead with initial aspiration bearing in mind. Various activities such as the Mid-Autumn Festival league construction and Moon-cake Gambling activities under the theme of “Ride the Waves with One Heart (乘風破浪禹力同心)”, a series of staff activities of Yuzhou Group under the theme of “Enjoy the Cool Summer with You (清涼夏日禹你共享)”, and the voluntary blood donation activity under the theme of “Ardent Youth Gather Like Sparks (熱血青年，凝聚微光)”, demonstrated Yuzhou Staff’s values of responsibility, pragmatism, coordination and win-win and further enhanced their sense of belonging to the organization and the cohesion of the team, enabling the Group to make concerted efforts to survive in the fierce competition.

As of December 31, 2022, the Group had 1,985 staff in total, of which nil in property management company due to the disposal of Yuzhou Property Services Co., Limited (2021: 7,295, of which 3,663 were staff in property management company).

## PAYMENT OF DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 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 Company and Ms. Kwok Ying Lan (both as the vendor's guarantors), and Tai Chiap Company Limited (as the purchaser) entered into a sale and purchase agreement (the "**Sale and Purchase Agreement Dated 22 February 2022**"), 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 ("**Keen Choice**"), 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 Keen Choice. The total consideration under the Sale and Purchase Agreement Dated 22 February 2022 is HK\$305.0 million. Further details in relation to the Sale and Purchase Agreement Dated 22 February 2022 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), Runying Property Technology Service Co., Ltd. (as the purchaser), and Yuzhou Property Services Co., Limited (as the target company) ("**Yuzhou Property Services**") entered into a formal sale and purchase agreement (the "**Sale and Purchase Agreement Dated 8 March 2022**"), pursuant to which the purchaser agreed to acquire, and the vendor agreed to sell the entire issued share capital of Yuzhou Property Services at the consideration of RMB1,058 million. Further details in relation to the Sale and Purchase Agreement Dated 8 March 2022 and the transactions contemplated thereunder are set out in the announcements of the Company dated 5 January 2022 and 8 March 2022, and the circular of the Company dated 28 April 2022.

On 2 December 2022, an wholly-owned subsidiary of the Company (as the purchaser), Coastal Greenland Limited (沿海綠色家園有限公司\*) (as the vendor), and Zhuhai Coastal Greenland Real Estate Company Limited\* (珠海市沿海綠色家園房地產開發有限公司) (as the target company) ("**Zhuhai Coastal Greenland**") entered into a supplemental agreement (the "**Supplemental Agreement**"), pursuant to which the purchaser conditionally agreed to acquire, and the vendor conditionally agreed to sell 66.67% of the issued share capital of Zhuhai Coastal Greenland at the consideration of RMB120 million and to procure the settlement of a shareholder's loan at a consideration of RMB760 million. Further details in relation to the Supplemental Agreement and the transactions thereunder are set out in the announcement of the Company dated 6 December 2022, and the circular of the Company dated 30 March 2023.

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

Save as set out in note 13 to the consolidated financial statements of the Group, there are no important events after the reporting period and up to the date of this announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company will be held on 30 May 2023 and the notice of AGM will be published and despatched to the shareholders in due course. In order to determine the entitlement to attend and vote at the AGM, the Register of Members will be closed from 24 May 2023 to 30 May 2023, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 23 May 2023.

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

During the year, the Group finished an exchange offer of one-year senior notes, of which the details are set out in the paragraph headed "LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES" under the section of "MANAGEMENT DISCUSSION AND ANALYSIS" above.

During the year, the Company purchased the 8.5% senior notes due 2024, 8.375% senior notes due 2024, 6% senior notes due 2023, 7.85% senior notes due 2026, 8.3% senior notes due 2025, 7.375% senior notes due 2026, 7.7% senior notes due 2025, 7.8125% senior notes due 2023, 8.5% senior notes due 2023, 8.625% senior notes due 2022, 6.35% senior notes due 2027, and 6% senior notes due 2022, which were listed on The Stock Exchange of Hong Kong Limited, at the purchase amount of US\$23,665,000, US\$10,800,000, US\$9,335,000, US\$4,300,000, US\$6,900,000, US\$8,750,000, US\$4,260,000, US\$5,000,000, US\$4,100,000, US\$3,000,000, US\$1,000,000, and US\$200,000, representing approximately 4.73%, 2.16%, 1.44%, 1.43%, 1.38%, 1.36%, 1.07%, 0.95%, 0.82%, 0.60%, 0.18% 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 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) 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 year ended 31 December 2022.

## **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 year, 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 year ended 31 December 2022.

## **REVIEW OF ACCOUNTS**

The Audit Committee of the Company has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2022.

## **SCOPE OF WORK OF PRISM HONG KONG AND SHANGHAI LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Company's auditor, Prism Hong Kong and Shanghai Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on this preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

This results 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](http://www.hkexnews.hk)). The 2022 annual report of the Company will be despatched to the shareholders of the Company and be made available on the above websites in due course.

## **DEVELOPMENT STRATEGIES AND PROSPECTS**

Looking forward to 2023, China's economic work will continue to focus on "stability", concentrating on "stabilizing growth, employment and price" and vigorously maintaining healthy and stable economic development. Specifically for the real estate industry, the economic stabilizer and ballast stone, under the keynote of "houses are for living instead of speculation", policies will support the demand side, the enterprise side, the guaranteed delivery of housing and housing support, and more supportive policies are expected to better play the economic pillar role of the real estate industry.

With the stimulation of multiple favorable policies, economic activities will gradually recover in the future, and the excess savings accumulated during the epidemic are expected to be gradually released into consumption momentum, driving a rebound in property sales and a gradual recovery of the domestic property-purchasing market. Meanwhile, market differentiation is increasingly obvious as the new market development logic continues to change: firstly, in terms of city differentiation, the tier-1 and tier-2 cities with higher levels of economic development and continuous net population inflow will continue to maintain their dominant position in industry development; secondly, in terms of clientele differentiation, against the backdrop of the policy of "houses are for living instead of speculation", the first-time home buyers with the rigid demand and those with housing upgrade demand may dominate the market, and house purchase will gradually return to residential attribute, while the investment and financial attributes of real estate will gradually weaken; thirdly, in terms of product differentiation caused by clientele differentiation, in this context, consumers will pay more attention to product quality, product design, quality of property services, living atmosphere and other residential factors, and thus products with design that can better meet the personalized needs of different age groups and have a high cost performance will be more attractive and competitive.

In the new growth cycle of the industry, Yuzhou Group will adhere to its initial aspiration of founding and the internal development logic of business and industry, and will continue to attach great importance to corporate cash flow safety and profitable growth, focus on product quality, and insist on a pragmatic and practical work style, forging its “inner core” such as intrinsic quality, team strength, strategic layout, so as to create a core competitive advantage that matches its own genetic development. Yuzhou Group will continue to uphold its presence in and in-depth cultivation of tier-1 and tier-2 cities, to strive for long-term “going concern”, “living better” and “living longer” via a “moderate and excellent” and “less but more competitive” development trail.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to all our shareholders, investors, partners and customers for their trust and support. By virtue of our optimized corporate governance and management structure as well as our prudent financial strategies and our spirit of “Building Cities with Heart, Building Homes with Love”, we will remain dedicated to maximizing the value for our Shareholders and investors, and creating the best returns.

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

Hong Kong, 31 March 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.*