廣州富力地產股份有限公司
GUANGZHOU R&F PROPERTIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 2777)

2022 AUDITED ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company" or "R&F", together with its subsidiaries, the "Group") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2022. The annual results have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

During the financial year 2022, it continued to be a challenging environment for the global economy and China's property sector. Globally, developed countries struggled to strike a balance between inflationary pressures after COVID-19 pandemic ("Covid") and relaxing monetary policies so as to avoid recession. Even though there is no feeling of the impact of inflation in 2022 yet, it became apparent that global supply shortages were insufficient to meet recovery demand post-Covid, fueling rising inflation in a long term and was not beneficial to the long term development. Compounding inflationary pressures, a slowdown in economic productivity and market uncertainty led to slower growth in wages and personal wealth. As inflation exceeded revenue growth rate, the emergence of a recession for many countries became a real possibility. This recurring theme of a recession and market uncertainty due to raising interest rates periodically led many central banks to adopt fiscal monetary policy tools to avoid a hard landing in later years.

Despite the global backdrop, China managed to avoid many of the issues faced by other countries. Notably, inflation was not an immediate issue China had to deal with due to its large economic infrastructure, enabling it to introduce appropriate policies to address domestic inflation accordingly such as utilising existing production capacity to meet recovery demand. However, China's prudent approach to Covid meant borders were still closed and major cities within China continued to see lockdown disruptions that hindered travel, domestic consumption, and individual personal wealth, all of which had a significant and direct impact on China's property sector. As the financial year transpired, more and more property companies went into financial distress leading to credit defaults. As more property companies faced credit issues, it led to a significant slowdown in pre-sales and cash liquidity, creating a vicious cycle that eventually affected all companies regardless of their credit profile or market size.

As a result of China's economic challenges, in 2022, China's property sector faced multiple challenges that are still being addressed. Companies have had to undertake significant debt management exercises and adjust their operational strategy in the near term. In 2022, the Group undertook proactive steps to address the financial stress faced by the sector to provide relief. The Group successfully completed a major debt restructuring exercise of USD senior notes and completed the restructuring of Renminbi denominated public and private bonds in China. After the completion of the restructuring exercise, the Group continues to work with lending banks to extend pending maturities to a more sustainable maturity profile.

The ability to complete project development loans was a beacon of light amongst a storm of market defaults and absence of financing

In 2022, financing was scarce as bank loan quotas were reduced and project financing risk increased to unacceptable levels. Earlier in the year, many of the Group's projects were unable to secure new development loans, hindering completion and construction progress. Much of the liquidity to finance project development relied on cash generated from sales of existing inventory from completed projects. However, the Group still maintains a portfolio of high-quality projects with significant value and attraction to investors and lenders. One such project was a development project in London's Zone 1 district, entitled One Nine Elms.

London ONE is a mixed-use skyscraper scheme consisting of residential, hospitality, and commercial properties located in the core district of Zone 1 in London, at 1 Nine Elms Lane, Vauxhall. It overlooks the River Thames and is adjacent to Nine Elms tube station and Vauxhall tube and mainline station. The project has been under development for many years, and the Group has predominantly relied on internal funds for development, but with internal liquidity under stress, the project saw periods of delays until 2022, where completion financing was secured.

In the first half of 2022, the Group secured a project development loan of a total gross amount up to GBP770 million for One Nine Elms, ensuring the project would have the required funds for completion of the entire development, including associated interest costs, general and administration expenses, to be dispersed according to the development progress. The completion of the loan enabled the project to be completed and deliver a high-class residential in Zone 1 London. The completion of the project also enable the Group to realise the value potential from the investment.

Completion of asset disposals in current market conditions a testament to the Group's asset quality

Under a difficult economic environment and financial turmoil, the Group had to explore alternative means of sourcing liquidity. Over the past 18-months, the Group had been disposing assets in China and overseas as a means of generating cash flow. However, discussions of terms were increasingly difficult and availability of buyers were limited. Despite unfavourable conditions, the Group managed to complete several asset disposals, including land plots, completed developments held for disposal, and ownership stakes in projects under development. In 2022, total proceeds from asset sales were over RMB4.9 billion equivalent. Proceeds from asset sales provided a much-needed boost to liquidity to manage the debt maturities faced by the Group. The Group still retains a sizable portfolio of high-quality assets available at its discretion and will continue to engage in discussions with potential buyers and investors.

Successful debt management and reduction of maturity wall

Debt management was a key focus of the Group heading into 2022. Under normal market conditions, the management approach would be to seek appropriate refinancing windows to repay amounts due partially or fully. However, with unprecedented negative sentiment in recent years, various forms of refinancing were impractical. Hence, the Group began assessing alternative options and engaged creditors early to seek a workable solution.

In July, the Group successfully completed the restructuring of 10 tranches of US-dollar denominated notes, totaling approximately US$4.9 billion, which essentially encompassed the entire portfolio of outstanding USD senior notes at the time. The restructuring proposal required each individual tranche to obtain no less than 75% approval in favor (in terms of notional amounts) of the extension of maturity and an option to receive interest as paid-in-kind instead of cash. If any tranche of notes failed to obtain the necessary approval threshold, the restructuring proposal would not have been completed, and the risk of an event of default would have been very high. The Group spent a considerable amount of time and effort communicating with investors, gathering feedback, and explaining the rationale of the restructuring plan in the context of adverse market conditions at the time. After the completion of the restructuring, the notes were effectively extended from imminent maturity to maturity periods ranging between 3-6 years, lowering cash coupon interest to 6.5% p.a. (7.5% p.a. paid-in-kind), and an option to elect non-cash interest payments for the next 18-months. The successful completion of the restructuring significantly improved the Group's cash flow and debt profile, allowing the Group time till market conditions normalise.

After extensive engagement with investors from the USD senior notes restructuring, it became apparent that other creditors and banks were increasingly receptive to similar solutions. In September, the Group undertook a similar bond restructuring exercise of its Renminbi domestic bonds of approximately RMB13.5 billion, originally maturing within 1-month to 8-months across 8 tranches of bonds. After proactively reaching out to bond investors and listening to their feedback, the Group received the necessary acceptance level on all Renminbi bonds to extend the weighted average maturity date to over 3 years. This form of multi-tranche restructuring across various public and privately traded China bonds set a new precedent.

With the successful completion of restructuring for both USD senior notes and Renminbi bonds, a total of approximately RMB46.7 billion in debt maturity was restructured and deferred, leaving the Group with a much more manageable maturity profile. Other lenders, such as commercial banks, have since become more constructive in working together to seek available solutions.

The Group has been committed to reducing overall debt over the past few years, and debt reduction in 2022 has continued to make progress

Debt restructuring and extension of maturities are not enough to ensure long-term cash flow stability. Equally important is the reduction of total debt, as rising interest rates and borrowing costs can make it difficult to maintain serviceability. The Group has prioritized total debt reduction since 2020, with total debt in 2020, 2021, and 2022 of RMB159.7 billion, RMB128.8 billion, and RMB126.7 billion, respectively. Total debt peaked in 2019 at RMB197.1 billion and has fallen to RMB126.7 billion as of the end of 2022, the lowest debt level during the last ten financial periods. The Group considered the level of debt to be too high and unsustainable in the current market environment and took drastic steps to quickly bring down the debt balance, including accelerating asset sales and utilising existing cash resources instead of acquiring further land banks or investing in long-term assets. Management will continue to explore available options to further reduce the amount of debt to acceptable levels.

Reengagement and return to stability for project development after Covid disruptions and market volatility

The Group is gradually returning to normal operations and construction of developing properties to increase the availability of GFA for pre-sale and delivery. As the year progressed and the Group's credit concerns subsided, the Group resumed development projects with the highest potential to generate near-term liquidity in terms of development cycle and sale ability under current market conditions. The Group retains a sizable land bank of 47.08 million sq.m., or approximately RMB640 billion in gross development value, with over 55% in tier-1 or tier-2 cities where end-user demand remains strong. The Group has approximately 104 projects under development with an expected pre-sales value of over RMB125 billion in 2023. As markets return to normal and the Chinese Government introduce new policies to stimulate economic development and stabilize financial markets, we expect demand for residential properties to be positive. The property sector has also seen gradual policy relaxation city-by-city, leading to a more targeted approach to achieve long-term sustainability, increasing consumer confidence, and enabling commercial banks to increase lending quotas.

Asset sales have been a valuable source of liquidity for the Group, with hotel assets generating keen interest among long-term property investors

Historically, the Group prides itself on developing high-quality investment assets and has retained a sizable portfolio of investment properties with recurring cash flow income. In addition, the Group acquired 73 high-standard hotels (including one office building) back in 2017 that has retained substantial book and market value. In 2022, the Group increased the pace of monetising these assets, completing sales of several hotel asset and overseas development projects.

Earlier in the year, the Group sold a 50% ownership stake in a UK development project to a development partner for HK$2.66 billion consideration. The sale allowed the Group to redeploy revenue invested in the project in the early stages. The Group still retains some upside from future sales in the project above a certain sales threshold. In Australia, the Group sold its remaining units in a completed development in Brisbane due to positive market response, and disposed of a project selling land plots for personalised property development for AUD90 million.

In China, there has been increasing interest in the Group's portfolio of high-quality hotel assets. In 2022, the Group completed sales of 3 hotels in Beijing, Fuzhou, Zhenjiang with total proceeds in excess of RMB1,245 million. As the Group's hotel assets are of high quality and attractive value, there continues to be constant interest in the remaining 92 with an estimated market valuation in excess of RMB47 billion. The sale of these assets has been a source of liquidity for the Group, with interest in hotel assets a keen investment type for long-term property investors.

Business highlights of 2022

In 2022, management can look back positively on what was achieved experiencing the financial turmoil, a negative Chinese property sector outlook, and numerous corporate defaults. The Group now turns its attention to returning to normalised operations. Total gross contracted sales were RMB38.43 billion, comprising 2.85 million sq.m. of GFA at an average selling price of RMB13,480 per sq.m.. Total revenue achieved was RMB35.2 billion due to 3.26 million sq.m. of GFA recognized at ASPs or approximately RMB8,900 per sq.m., which declined versus the prior financial year due to product mix, which comprised a higher proportion of completed inventory. While sales of completed inventory had a lower ASP, the quicker completion rate and available liquidity generated outweighed the benefit of presales that had completion risks and timing considerations.

In terms of profitability, resulting from challenging operating conditions in the property sector and economic slowdown due to Covid and financial conditions that has affected market sentiment towards China property, recognised sales decrease and the Group recorded a net loss in 2022.

Whilst profitability continued to affected by unfavourable market conditions, the Group's liability profile saw improvements as total gross debt decreased to RMB126.7 billion from a high of RMB197.1 billion in 2019 with only about a third of debt due within 1-year versus over 48% at the end of 2021.

With 2022 over and further introduction of policies by the Central Government to support a recovery, management will be committed to improving revenue and financial earnings in the future.

The outlook for 2023

Steadying the ship and solidifying a path for long-term recovery

Looking ahead to 2023, we expect further improvement in operating conditions and a return to economic stability after conclusion of the 'two sessions' meeting held by the Chinese Central Government. It became clear that the government has now shifted its attention to economic recovery, targeting around 5% p.a. growth in GDP to support a population of over 1.4 billion people. Fiscal policy will also be a key to stabilising the banking sector and stimulate capital flows to vertical industry chains in a rational manner to mitigate financial risks that surfaced in 2022. The property sector has historically been an important pillar of GDP growth in China and this renewed attention on economic growth and stability should benefit China's fragile property sector. Management will continue to engage banks and lenders to encourage further flows of capital that have been on hold.

It has been a steady start for the Group in 2023 as presales have improved month-on-month after the Chinese New Year holiday period, with a notable pick-up in transaction volumes. The Group will launch new products and increase saleable resources as the market continues to recover. With construction progressively increasing, saleable resources will primarily comprise completed inventory with immediate cash flow contributions and new saleable resources will provide liquidity in the future. Management expects property buyers will be more active and will continue to drive end user residential demand.

Acknowledgements

We would like to take this opportunity to express our sincerest gratitude to the management team and all employees for their hard work and dedication throughout the year. Despite the challenging operating environment brought about by Covid and the financial liquidity issues faced, the team has demonstrated resilience, agility, and a steadfast commitment to driving the business forward.

We would also like to thank our shareholders and investors for their continued confidence in our senior management team. We appreciate your ongoing support and are committed to delivering sustainable growth and improved profitability for the Group.

Looking ahead, we remain focused on managing liquidity and ensuring the long-term success of the business. We will continue to navigate the changing market conditions and pursue opportunities that create value for our stakeholders. Once again, we extend our sincere appreciation to all stakeholders for their continued support and trust in the Group.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Notes	**2022**	2021
Revenue	*3*	**35,192,599**	76,230,335
Cost of sales	*6*	**(31,365,663)**	(78,397,540)
Gross profit/(loss)		**3,826,936**	(2,167,205)
Other income	*4*	**371,854**	1,461,511
Other (losses)/gains – net	*5*	**(3,439,395)**	267,773
Selling and marketing costs	*6*	**(1,366,829)**	(3,650,053)
Administrative expenses	*6*	**(4,364,864)**	(6,002,200)
Net impairment losses on financial and contract assets		**(54,644)**	(147,223)
Gains on bargain purchase		**760**	508,209
Operating loss		**(5,026,182)**	(9,729,188)
Finance costs – net	*7*	**(9,727,154)**	(4,164,605)
Share of results of joint ventures		**481,633**	505,529
Share of results of associates		**136,874**	26,723
Loss before income tax		**(14,134,829)**	(13,361,541)
Income tax expenses	*8*	**(1,644,444)**	(2,991,741)
Loss for the year		**(15,779,273)**	(16,353,282)
Loss attributable to:			
– Owners of the Company		**(15,736,650)**	(16,469,189)
– Non-controlling interests		**(42,623)**	115,907
		(15,779,273)	(16,353,282)
Basic and diluted losses per share for loss attributable to owners of the Company *(expressed in RMB Yuan per share)*	*10*	**(4.1938)**	(4.3890)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2022	2021
Loss for the year	**(15,779,273)**	(16,353,282)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	**(64,442)**	(23,913)
Items that may be reclassified to profit or loss		
– Share of other comprehensive income released upon disposal of a joint venture and an associate	**53,755**	–
– Share of other comprehensive income of joint ventures and associates accounted for using the equity method	**(65,389)**	(72,469)
– Currency translation differences	**76,550**	(42,859)
Other comprehensive income for the year, net of tax	**474**	(139,241)
Total comprehensive income for the year	**(15,778,799)**	(16,492,523)
Total comprehensive income attributable to:		
– Owners of the Company	**(15,736,176)**	(16,608,430)
– Non-controlling interests	**(42,623)**	115,907
	(15,778,799)	(16,492,523)

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December **2022**	2021
ASSETS			
Non-current assets			
Property, plant and equipment		**45,695,522**	47,079,461
Right-of-use assets		**9,853,365**	10,764,837
Investment properties		**33,749,600**	34,943,304
Intangible assets		**1,055,675**	1,125,285
Interests in joint ventures		**8,905,960**	11,085,159
Interests in associates		**3,517,585**	3,323,709
Deferred income tax assets		**12,974,345**	13,365,510
Financial assets at fair value through other comprehensive income		**554,318**	632,762
Other financial assets		**608,519**	1,026,645
		116,914,889	123,346,672
Current assets			
Properties under development		**149,427,062**	150,791,203
Completed properties held for sale		**41,229,767**	50,172,331
Inventories		**1,130,902**	1,306,448
Trade and other receivables and prepayments	*11*	**41,022,377**	45,889,192
Contract assets		**2,035,644**	1,229,970
Tax prepayments		**4,859,068**	4,702,700
Restricted cash		**10,124,207**	14,845,225
Cash and cash equivalents		**2,177,020**	6,258,593
		252,006,047	275,195,662
Total assets		**368,920,936**	398,542,334

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December 2022	2021
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,752,367**	3,752,367
Other reserves		**12,224,336**	12,246,683
Retained earnings		**38,452,363**	54,189,013
		54,429,066	70,188,063
Non-controlling interests		**12,511,955**	12,670,578
Total equity		**66,941,021**	82,858,641
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**82,910,900**	66,635,262
Lease liabilities		**395,693**	392,542
Deferred income tax liabilities		**10,589,811**	10,959,434
Other payables	*12*	**864,787**	534,987
		94,761,191	78,522,225
Current liabilities			
Accruals and other payables	*12*	**96,051,670**	104,386,369
Contract liabilities		**46,210,007**	50,130,339
Current income tax liabilities		**20,758,206**	19,977,725
Short-term borrowings		**4,321,224**	8,323,963
Current portion of long-term borrowings		**39,426,640**	53,880,163
Lease liabilities		**66,996**	78,928
Dividend payable		**369,981**	369,981
Derivative financial instruments		**14,000**	14,000
		207,218,724	237,161,468
Total liabilities		**301,979,915**	315,683,693
Total equity and liabilities		**368,920,936**	398,542,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

These consolidated financial statements are presented in RMB Yuan (RMB), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of hotel buildings and financial assets at fair value through other comprehensive income, other financial assets and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(c) Going concern basis

For the year ended 31 December 2022, the Group recorded a loss attributable to the owners of the Company of RMB15.737 billion. As at 31 December 2022, the Group's total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB135.110 billion, out of which RMB51.334 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB12.301 billion. Moreover, as at 31 December 2022, the Group was unable to repay certain bank and other borrowings of RMB15.590 billion according to their scheduled repayment dates, and subsequent to 31 December 2022, the Group was unable to repay certain other bank and other borrowings of RMB1.963 billion that are due for repayment from January and up to the date of approval of this announcement. As a result, certain bank and other borrowings with an aggregate principal amount of RMB28.987 billion became default or cross-default. Furthermore, the Group is being sued by various parties for various reasons. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company ("Directors") have given careful consideration to the future liquidity and performance of the Group as well as the cash flow forecast and its available sources of financing within the next 18 months from 31 December 2022 in assessing whether the Group will have sufficient financial sources to continue as a going concern and the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) In June 2022, the Group announced a consent solicitation by Easy Tactic Limited (a wholly-owned subsidiary of the Company) as issuer in respect of all its series of senior notes due 2022, 2023 and 2024 for the purposes of, among others, seeking waivers of existing or potential consequential events of default under the senior notes and extending the respective maturity dates to 2025, 2027 and 2028. The consent solicitation required each series of notes to be approved by a requisite percentage of noteholders in each standalone series and all series to be passed in order to be successfully completed. The consent solicitation was passed and completed in July 2022, whereby the Group successfully restructured all series of senior notes of an aggregate amount of USD4.944 billion, equivalent to RMB33.103 billion, into three series of notes maturing in 2025, 2027 and 2028. In addition to restructuring the maturity of the notes, the issuer also received approval from noteholders to elect a paid-in-kind option for its interest payments for the next 2-years. The consent solicitation exercise was a landmark exercise to wholistically address the short-term risk and liquidity impact due to the Group resulting from senior notes amidst an unprecedent market volatility as investors became averse to China risk and the sector. The successful outcome of the consent solicitation exercise was also reflective of investors' increasing realisation of the market situation and validation of the Group's sincerity in proactively addressing the current circumstances in a fair and transparent manner. After the senior notes restructuring, management continues to stay focused on assessing changes in market conditions and policies changes to remain vigilant to ensuring that they continue to implement a longer sustainable financial management plan;

(ii) In September 2022, the Company, as the issuer, convened a meeting of bondholders regarding the extension of all eight domestic corporate bonds (with a total principal amount of approximately RMB13.5 billion) to review the adjustment of the domestic corporate bond redemption plan and a proposal to increase credit enhancement safeguards. As of 22 September 2022, the eight domestic corporate bond extension proposals have been voted and approved at the bondholders' meeting, and the weighted average maturity period of the eight corporate bonds has been successfully extended from approximately four months to three years or above. The Group believes that the overall extension of domestic corporate bonds can effectively relieve the Group's liquidity pressure, help improve the company's overall financial situation, and promote the Company's long-term stable and sustainable development;

(iii) The Group is actively in discussions with the existing lenders on the renewal of the Group's certain borrowings. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions. In the opinion of the Directors, the Group will be able to extend or refinance the borrowings upon their maturity based on recently successful outcomes that have been completed post year end. The recent successful discussions have formed a basis for similar discussions and have helped advance discussions on resolving near-term maturities. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales address upcoming financial obligations and future operating cash flow requirements whilst engaging in existing lenders;

(iv) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Recent relaxation of policies with regards to pre-sale requirements have been encouraging to increase buyer interests and stimulate demand. The Group will also continue to actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;

(v) The Group will continue to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make it relatively more attractive to potential buyers and retain a higher value in current market conditions;

(vi) The Group has already made significant adjustments to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending;

(vii) The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Group is confident that it will be able to reach an amicable solution to address the named litigation but also dispute claims referred in litigation where the outcome is not certain at this stage;

(All amounts in RMB Yuan thousands unless otherwise stated)

The directors are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next 18 months from 31 December 2022. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in Mainland China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(d) New standards, interpretations and amendments adopted from 1 January 2022

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of amended HKFRSs that are first adopted for the current accounting period for the Group:

Standards	**Subject**
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020 affecting HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments)

None of these amended HKFRSs has a material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(All amounts in RMB Yuan thousands unless otherwise stated)

(e) New and amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Standards	Subject	Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants ("2022 Amendments")	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These new and amended standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision-maker has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and other related services. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of loss for the year.

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) Segment performance

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2022 and the segment assets and liabilities at 31 December 2022 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	29,030,050	976,196	4,234,601	2,249,462	36,490,309
Recognised at a point in time	23,368,672	–	–	–	23,368,672
Recognised over time	5,661,378	–	4,234,601	2,249,462	12,145,441
Revenue from other sources – rental income	–	976,196	–	–	976,196
Inter-segment revenue	–	(130,561)	(94,326)	(1,072,823)	(1,297,710)
Revenue from external customers	29,030,050	845,635	4,140,275	1,176,639	35,192,599
Loss for the year	(11,275,448)	(1,071,661)	(2,373,165)	(1,058,999)	(15,779,273)
Finance costs – net	(8,391,253)	(200,353)	(960,303)	(175,245)	(9,727,154)
Share of results of joint ventures	484,255	–	–	(2,622)	481,633
Share of results of associates	112,389	–	–	24,485	136,874
Income tax (expenses)/credits	(1,623,770)	383,078	(293,735)	(110,017)	(1,644,444)
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	(339,560)	–	(1,448,556)	(335,539)	(2,123,655)
Gains on bargain purchase	–	–	–	760	760
Amortisation of incremental costs for obtaining contracts with customers	(182,118)	–	–	–	(182,118)
Fair value change on financial assets	–	–	–	(417,694)	(417,694)
Allowance for impairment losses of financial and contract assets	(44,625)	(1,330)	(1,673)	(7,016)	(54,644)
Fair value losses on investment properties – net of tax	–	(1,467,538)	–	–	(1,467,538)
Segment assets	270,477,013	34,156,608	47,241,441	2,908,692	354,783,754
Segment assets include:					
Interests in joint ventures	8,904,640	–	–	1,320	8,905,960
Interests in associates	3,436,396	–	–	81,189	3,517,585
Addition to non-current assets (other than financial instruments and deferred income tax assets)	1,121,093	138,127	107,098	324,970	1,691,288
Segment liabilities	139,421,957	342,992	1,891,503	2,316,682	143,973,134

(All amounts in RMB Yuan thousands unless otherwise stated)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2021 and the segment assets and liabilities at 31 December 2021 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	69,023,182	1,242,839	5,367,669	2,584,646	78,218,336
Recognised at a point in time	55,666,936	–	–	–	55,666,936
Recognised over time	13,356,246	–	5,367,669	2,584,646	21,308,561
Revenue from other sources – rental income	–	1,242,839	–	–	1,242,839
Inter-segment revenue	(22,122)	(175,576)	(297,906)	(1,492,397)	(1,988,001)
Revenue from external customers	69,001,060	1,067,263	5,069,763	1,092,249	76,230,335
(Loss)/profit for the year	(15,710,459)	1,627,118	(1,422,358)	(847,583)	(16,353,282)
Finance costs – net	(2,854,506)	(213,357)	(1,090,808)	(5,934)	(4,164,605)
Share of results of joint ventures	511,630	–	–	(6,101)	505,529
Share of results of associates	25,734	–	–	989	26,723
Income tax (expenses)/credits	(2,292,964)	(944,037)	333,566	(88,306)	(2,991,741)
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	(561,457)	–	(1,255,422)	(100,516)	(1,917,395)
Gains on bargain purchase	508,209	–	–	–	508,209
Amortisation of incremental costs for obtaining contracts with customers	(332,244)	–	–	–	(332,244)
Fair value change on financial assets	–	–	–	(2,036,540)	(2,036,540)
(Allowance for)/reversal of allowance for impairment losses of financial and contract assets	(154,958)	(830)	8,199	366	(147,223)
Fair value gains on investment properties – net of tax	–	508,691	–	–	508,691
Segment assets	295,421,229	35,013,291	50,162,331	2,920,566	383,517,417
Segment assets include:					
Interests in joint ventures	11,079,591	–	–	5,568	11,085,159
Interests in associates	3,242,250	–	–	81,459	3,323,709
Addition to non-current assets (other than financial instruments and deferred income tax assets)	2,257,969	145,551	863,515	437,663	3,704,698
Segment liabilities	151,798,177	46,469	1,712,892	2,349,608	155,907,146

(All amounts in RMB Yuan thousands unless otherwise stated)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the income statement.

Revenue from external customers broken down by location of the customer is shown in the table below:

	2022	2021
PRC	**34,224,800**	74,338,001
Other countries	**967,799**	1,892,334
Total	**35,192,599**	76,230,335

Revenues from the individual countries included in "other countries" are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the year ended 31 December 2022 (2021: nil).

(c) Segment assets

The amounts provided to the Executive Directors with respect to segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets, financial assets at FVOCI and other financial assets are not considered to be segment assets but rather are managed on a central basis.

Reportable segments' assets are reconciled to total assets as follows:

	2022	2021
Segment assets for reportable segments	**354,783,754**	383,517,417
Deferred income tax assets	**12,974,345**	13,365,510
Other financial assets	**608,519**	1,026,645
Financial assets at FVOCI	**554,318**	632,762
Total assets per consolidated balance sheet	**368,920,936**	398,542,334

Non-current assets, other than financial assets at FVOCI, other financial assets and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) broken down by location of the assets, is shown in the following:

	2022	2021
PRC	**91,687,692**	103,104,176
Other countries	**11,090,015**	5,217,579
Total	**102,777,707**	108,321,755

Non-current assets in the individual countries included in "other countries" are not material.

(All amounts in RMB Yuan thousands unless otherwise stated)

(d) Segment liabilities

The amounts provided to the Executive Directors with respect to segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's deferred and current income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2022	2021
Segment liabilities for reportable segments	**143,973,134**	155,907,146
Deferred income tax liabilities	**10,589,811**	10,959,434
Current income tax liabilities	**20,758,206**	19,977,725
Short-term borrowings and current portion of long-term borrowings	**43,747,864**	62,204,126
Long-term borrowings	**82,910,900**	66,635,262
Total liabilities per consolidated balance sheet	**301,979,915**	315,683,693

4. OTHER INCOME

	2022	2021
Interest income	**134,214**	1,019,528
Other operating income	**186,187**	183,607
Forfeited deposits from customers	**19,778**	118,531
Dividends income from financial assets at FVOCI	**5,751**	32,861
Others	**25,924**	106,984
	371,854	1,461,511

5. OTHER (LOSSES)/GAINS – NET

	2022	2021
Revaluation (losses)/gains on investment properties transferred from completed properties held for sale	**(8,127)**	194,497
Fair value (losses)/gains on investment properties – net	**(1,949,668)**	688,492
(Losses)/gains on disposals of subsidiaries	**(8,080)**	802,294
(Losses)/gains on disposal of certain equity interests in associates and joint ventures	**(1,551,869)**	9,493
(Losses)/gains on disposals of property, plant and equipment	**(30,209)**	21,285
Losses on disposals of intangible assets	**(5,539)**	(15,057)
Unrealised loss on derivative financial instruments	**–**	(14,000)
Fair value loss on other financial assets	**(417,694)**	(2,036,540)
Modification gains on US senior notes and domestic bonds	**275,877**	–
Others	**255,914**	617,309
	(3,439,395)	267,773

(All amounts in RMB Yuan thousands unless otherwise stated)

6. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2022	2021
Cost of properties sold	**27,638,323**	63,581,409
Provision for impairment of properties under development and completed properties held for sale	**1,413,729**	12,985,693
Employee benefit expenses	**2,211,934**	3,511,999
Depreciation of property, plant and equipment and right-of-use assets	**2,001,288**	1,791,910
Business taxes and other levies	**505,579**	950,848
Advertising costs	**219,141**	306,544
Office expenses	**222,411**	257,487
Amortisation of intangible assets	**122,367**	125,485
Short-term lease payments and low-value lease payments	**23,246**	29,979
Auditors' remuneration		
– Audit of the Company		
– Audit services	**6,300**	7,000
– Other auditors		
– Audit services	**2,650**	4,547
– Non-audit services	**–**	6,170
	8,950	17,717
Others	**2,730,388**	4,490,722
	37,097,356	88,049,793

7. FINANCE COSTS – NET

	2022	2021
Interest expenses:		
– bank borrowings	**4,447,447**	5,793,539
– domestic bonds	**1,387,431**	1,441,931
– senior notes	**2,960,197**	3,034,902
– other borrowings	**2,930,932**	2,672,988
– lease liabilities	**23,868**	25,516
	11,749,875	12,968,876
Early redemption premium for senior notes	**–**	7,965
Net foreign exchange losses/(gains)	**3,894,395**	(132,660)
Less: finance costs capitalised	**(5,917,116)**	(8,679,576)
	9,727,154	4,164,605

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INCOME TAX EXPENSES

	2022	2021
Current income tax		
– enterprise income tax (Note (b))	**915,514**	3,585,432
– PRC land appreciation tax (Note (c))	**1,162,602**	1,055,681
Deferred income tax	**(433,672)**	(1,649,372)
Total income tax expenses	**1,644,444**	2,991,741

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2021: nil).

(b) Enterprise income tax

Enterprise income tax is computed according to the relevant laws and regulations enacted in the countries where the Group operated and generated taxable income.

In respect of the applicable income tax rates for the year ended 31 December 2022, the companies in the PRC, Cambodia, Malaysia were primarily taxed at 25%, 20% and 24% (2021: 25%, 20% and 24%) on their taxable profits, respectively.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including costs of land use rights and development and construction expenditures.

9. DIVIDENDS

No dividends were declared in 2022 (2021: RMB2,701,705,000). The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

	2022	2021
No interim dividend declared (2021: RMB0.10) per ordinary share	**–**	375,237
No final dividend proposed (2021: nil) per ordinary share	**–**	–
	–	375,237

10. BASIC AND DILUTED LOSSES PER SHARE

Losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

	2022	2021
Loss attributable to owners of the Company	**(15,736,650)**	(16,469,189)
Weighted average number of ordinary shares in issue *(thousands)*	**3,752,367**	3,752,367
Losses per share *(RMB per share)*	**(4.1938)**	(4.3890)

There were no potential dilutive ordinary shares for the year ended 31 December 2022 and 2021, thus diluted losses per share were the same as basic losses per share.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022	2021
Trade receivables – net *(Note (a))*	**3,719,349**	5,442,939
Other receivables – net	**24,350,689**	23,061,364
Prepayments	**5,101,041**	7,873,346
Capitalised costs to obtain contracts	**1,879,444**	1,729,869
Due from joint ventures	**4,067,717**	5,145,475
Due from associates	**1,904,137**	2,636,199
Total	**41,022,377**	45,889,192
Less: non-current portion	**–**	–
Current portion	**41,022,377**	45,889,192

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

	2022	2021
Trade receivables – current portion		
Due from third parties	**3,574,757**	5,282,950
Due from joint ventures	**335,268**	368,646
Due from an associate	**10,337**	10,891
Total	**3,920,362**	5,662,487
Less: loss allowance	**(201,013)**	(219,548)
	3,719,349	5,442,939

(All amounts in RMB Yuan thousands unless otherwise stated)

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of residential properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2022	2021
Up to 1 year	**2,482,424**	3,863,671
1 year to 2 years	**450,863**	896,145
2 years to 3 years	**379,567**	459,734
Over 3 years	**607,508**	442,937
	3,920,362	5,662,487

12. ACCRUALS AND OTHER PAYABLES

	2022	2021
Amounts due to joint ventures	**9,475,292**	8,199,049
Amounts due to associates	**541,336**	281,368
Amounts due to entities jointly controlled by major shareholders of the Company	**2,205,663**	2,177,038
Amounts due to major shareholders	**176,576**	42,111
Amounts due to a shareholder of certain joint ventures	**5,305,830**	5,213,413
Construction payables *(Note (a))*	**38,705,207**	50,694,180
Other payables and accrued charges *(Note (b))*	**40,506,553**	38,314,197
Total	**96,916,457**	104,921,356
Less: non-current portion	**(864,787)**	(534,987)
Current portion	**96,051,670**	104,386,369

(a) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(b) The balance mainly represents interest payables, accruals, salary payables and other taxes payable.

(c) The carrying amounts of accruals and other payables approximate their fair values.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the independent auditor's report by BDO Limited, the external auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2022:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, 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.

BASIS FOR QUALIFIED OPINION

Deferred income tax assets

As at 31 December 2022, the Group recognised deferred income tax assets arising from unused tax losses and deductible temporary differences of certain group entities under different operating segments of the Group of RMB2.247 billion and during the year ended 31 December 2022, the Group recognised deferred income tax credit of RMB490 million in respect of these unused tax losses and deductible temporary differences in the consolidated income statement. These amounts were included in deferred income tax assets and income tax expenses of RMB12.974 billion and RMB1.644 billion respectively as disclosed in the consolidated balance sheet and consolidated income statement.

Management has explained to us their plans to support the utilisation of the unused tax losses and deductible temporary differences of these group entities and believed that it is probable that sufficient taxable profit will be available against which these unused tax losses and deductible temporary differences can be utilised by these group entities in future. However, as of the date of the auditor's report, management did not provide us with detailed action plans and an analysis of the likelihood of success of these plans.

Accordingly, we were unable to obtain sufficient audit evidence we considered necessary to determine whether the deferred income tax assets of RMB2.247 billion as at 31 December 2022 and the corresponding amount of RMB490 million credited to the consolidated income statement for the year ended 31 December 2022 were appropriate. Any adjustments to the carrying amount of these deferred income tax assets and the corresponding deferred income tax credit found necessary may have a significant effect on the Group's financial position as at 31 December 2022 and its financial performance for the year then ended, and the related disclosures thereof in these consolidated financial statements.

We issued a qualified opinion on the Group's consolidated financial statements for the year ended 31 December 2021 due to limitations on scope of our work on the recognition of deferred income tax assets and the related deferred income tax credit arising from unused tax losses and deductible temporary differences of certain group entities under different operating segments of the Group and such limitations remain unresolved during the audit for the year ended 31 December 2022. We were unable to obtain sufficient audit evidence we considered necessary to determine whether the deferred income tax assets of RMB2.887 billion as at 31 December 2021 and the corresponding amount of RMB161 million credited to the consolidated income statements for the year ended 31 December 2021 were appropriate. Any adjustments to the amount of deferred income tax assets recognised in the consolidated balance sheet and the corresponding deferred income tax credited to the consolidated income statement for the year ended 31 December 2021 would have a consequential impact on the financial position as at 31 December 2021 and 2022, the financial performance for the years ended 31 December 2021 and 2022 and related disclosures in these consolidated financial statements.

The balances as at 31 December 2021 and the amounts for the year then ended are presented as corresponding figures in the consolidated financial statements for the year ended 31 December 2022. Our opinion on the Company's consolidated financial statements for year ended 31 December 2022 is also qualified because of the possible effect of the qualified opinion on the consolidated financial statements for the year ended 31 December 2021 on the comparability of 2022 figures and 2021 figures in these consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 (c) to the consolidated financial statements which indicates that for the year ended 31 December 2022, the Group recorded a loss attributable to the owners of the Company of RMB15.737 billion. As at 31 December 2022, the Group's total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB135.110 billion, out of which RMB51.334 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB12.301 billion. Moreover, as at 31 December 2022, the Group was unable to repay certain bank and other borrowings of RMB15.590 billion according to their scheduled repayment dates, and subsequent to 31 December 2022, the Group was unable to repay certain bank and other borrowings of RMB1.963 billion that are due for repayment from January and up to the date of approval of the consolidated financial statements. As a result, certain bank and other borrowings with an aggregate principal amount of RMB28.987 billion became default or cross-default. Furthermore, the Group is being sued by various parties for various reasons. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BUSINESS REVIEW

Contracted Sales

The Group's total contracted sales in 2022 were approximately RMB38.43 billion with 2,851,000 sq.m. sold. The average selling price was approximately RMB13,480 per sq.m.. The contracted sales were generated from 210 projects in 111 cities across China and overseas. In terms of regions, contracted sales of Guangdong, Beijing, Tianjin, Zhejiang, Shanghai, Hainan, Shanxi, Shandong, Shaanxi and Jiangsu were the highest top 10, which contributed approximately RMB28.11 billion, accounting for approximately 73% of total contracted sales of the Group. In terms of city, contracted sales of tier-1 and tier-2 cities accounted for 74% of total contracted sales. Tier-3 and below cities contributed 22% of total contracted sales and overseas contributed 4%. By property type, 61% of contracted sales were generated from residential properties, 5% from villa and 34% from commercial properties and others, including office, apartment and retail, etc..

Details of the Group's top 10 regions with the highest total contracted sales in 2022 are set out below:

Area	**Approximate total value** *(RMB million)*	**Approximate total saleable area sold** *(Thousand sq.m.)*
Guangdong	7,570.2	333.8
Beijing	4,280.1	154.3
Tianjin	2,932.6	255.7
Zhejiang	2,756.9	118.4
Shanghai	2,405.3	57.5
Hainan	2,392.4	150.8
Shanxi	2,152.8	264.1
Shandong	1,260.5	140.1
Shaanxi	1,213.1	110.3
Jiangsu	1,144.3	69.1
	28,108.2	**1,654.1**

Details of the Group's 2022 total contracted sales by geographical distribution are set out below:

Region	**Approximate total value** *(RMB million)*	**Approximate total saleable area sold** *(Thousand sq.m.)*
Northern China	10,816.7	831.9
Northwestern China	4,555.4	551.4
Southern China	8,184.2	425.6
Eastern China	6,986.7	330.2
Southwestern China	1,790.4	229.1
Hainan	2,392.4	150.8
Central Southern China	2,266.6	254.1
Overseas	1,440.5	77.9
Total	**38,432.9**	**2,851.0**

Properties Under Development

By the end of 2022, the Group's total GFA under development is approximately 19,864,000 sq.m. and the total saleable area is approximately 14,136,000 sq.m..

The following is the position as at 31 December 2022:

Area	**Approximately total GFA** *(sq.m.)*	**Approximately total saleble area** *(sq.m.)*
Northern China	2,878,000	2,138,000
Eastern China	2,566,000	1,686,000
Northwestern China	5,022,000	3,758,000
Southern China	4,632,000	3,208,000
Central Southern China	1,958,000	1,365,000
Southwestern China	1,614,000	1,158,000
Hainan	285,000	219,000
Overseas	529,000	269,000
Sub-total	**19,484,000**	**13,801,000**
Investment Properties	380,000	335,000
Total	**19,864,000**	**14,136,000**

Land Bank

During the year, the Group acquired a plot of land in Guangzhou with total saleable area of approximately 133,000 sq.m., which is one of the urban redevelopment projects that the Group has followed up for many years. The Group's total land bank at 2022 year end was total GFA of approximately 60,977,000 sq.m. and total saleble area of approximately 47,082,000 sq.m., distributed across 91 cities and regions in China and overseas cities. Details are given below:

Location	**Approximately total GFA** *(sq.m.)*	**Approximately total saleble area** *(sq.m.)*
Development Properties		
Northern China	14,342,000	11,158,000
Eastern China	4,952,000	3,739,000
Northwestern China	12,559,000	9,491,000
Southern China	7,077,000	5,797,000
Central Southern China	6,415,000	5,310,000
Southwestern China	4,958,000	3,858,000
Hainan	2,621,000	2,282,000
Overseas	5,833,000	3,572,000
Sub-total	**58,757,000**	**45,207,000**
Investment Properties	2,220,000	1,875,000
Total	**60,977,000**	**47,082,000**

Property Investment

The Group's investment properties portfolio mainly located in tier-1 and tier-2 cities, including Grade-A office buildings, shopping malls, various retail properties, theme park and etc.. The Group's investment properties portfolio as at 31 December 2022 is approximately 3,552,300 sq.m. in total GFA, among which total GFA of investment properties under operation is approximately 1,882,300 sq.m., and total GFA under development or planning is approximately 1,670,000 sq.m..

Hotel Operation

As of 31 December 2022, the Group has 92 hotels under operation, with total GFA of 4,091,960 sq.m. and 28,455 hotel rooms. The 92 hotels are managed by well-known hotel management groups such as Marriott International, Inc., InterContinental Hotels Group, Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Accor Hotels, Wanda Hotels and Resorts Co., Ltd. and other hotel groups. The Group has a total of 130 hotels, with 38 hotels under development and planning and 92 hotels under operation. During the period, the Group opened 2 hotels: Hyatt Centric Lakeside Ningbo and Hyatt Regency Hainan Ocean Paradise Resort. Hyatt Centric Lakeside Ningbo is located in Zhenhai Talent Park Tongxin Lake in the central business district of Ningbo Zhenhai District, with total GFA of 20,300 sq.m. and 174 hotel rooms. Hyatt Regency Hainan Ocean Paradise Resort is located in the Li'an Port in southern Lingshui County, Hainan. The hotel design elements from the nearby theme park Hainan R&F Ocean Paradise, derived from the concept of bionics, together to create a marine theme integrated resort project, with total GFA of 104,060 sq.m. and 1,000 hotel rooms.

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derived from property development, rental of investment properties and hotel operation. During the year, the Group's revenue from property development decreased by 58% to RMB29.030 billion, from RMB69.001 billion in the previous year. The revenue for the year was based on the delivery of 3,261,000 sq.m., which was 61% lower than the delivery of 8,305,000 sq.m. in the previous year. Overall average selling price was approximately RMB8,900 per sq.m. (2021: RMB8,300 per sq.m.).

Rental income from property investment decreased by 21% to RMB846 million, from RMB1.067 billion. Revenue from hotel operations decreased to RMB4.140 billion from RMB5.070 billion in the previous year. The decrease in hotel revenue was mainly due to the continuous impact of Covid during 2022.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The component of cost of sales includes land and construction costs, capitalised finance costs and levy taxes. In 2022, cost of sales of the Group was RMB31.366 billion, representing an decrease of 60% when compared with RMB78.398 billion in the previous year.

During the year, land and construction costs made up 86% of the total costs of property development. In terms of costs per sq.m., land and construction costs slightly decreased to RMB6,400 from RMB6,431. Capitalised interest included in the cost of sales amounted to RMB3.168 billion (2021: RMB5.414 billion), 10.9% as a percentage of revenue from sale of properties. The cost of sales also included RMB221 million (2021: RMB555 million) as levy taxes.

Gross Profit Margin

During the year, the Group's gross profit amounted to RMB3.827 billion, compared to a gross loss of RMB2.167 billion in the previous year. The significant improvement was mainly due to the provision of approximately RMB12.986 billion for inventory impairment in 2021. The gross profit margin for property development, excluding the inventory impairment provision, was 16.5% for the year, compared to 13.9% in 2021.

Other Income and Other (Losses)/Gains – net

Other income and other (losses)/gains – net mainly consist of the interest income, revaluation gain and fair value gains on investment properties, as well as gains or losses on disposals of subsidiaries and certain equity interests in a joint venture. During the year, other income and other (losses)/gains – net decreased to a loss of RMB3.068 billion from a gain of RMB1.729 billion in 2021. The decrease was mainly due to losses on the disposal of subsidiaries and certain equity interests in a joint venture, as well as fair value losses on investments properties.

Selling and Marketing Costs and Administrative Expenses

During the year, selling and marketing costs of the Group decreased by 63% to RMB1.367 billion from RMB3.650 billion in 2021, while administrative expenses decreased to RMB4.365 billion from RMB6.002 billion in 2021. The decrease was mainly due to the stringent cost control by the Group. The main component of administrative expenses was personnel costs.

Finance Costs – net

Finance costs – net being interest expenses incurred in the year after deduction of amounts capitalised to development costs, increased by 134% to RMB9.727 billion (2021: RMB4.165 billion).The increase was due to lower amounts capitalised to development costs for the year, as well as foreign exchange losses of RMB3.894 billion mainly caused by the depreciation of Renminbi against US Dollars, compared to a foreign exchange gain of RMB133 million in 2021. Total interest expenses incurred in the year decreased from RMB12.969 billion in the previous year to RMB11.750 billion, which was in line with the decrease of average borrowings outstanding. Together with RMB3.168 billion charged to the cost of sales related to capitalised interest, the total finance costs incurred during the year amounted RMB12.895 billion (2021: RMB9.579 billion).

Income Tax Expenses

Land appreciation tax (LAT) of RMB1.163 billion (2021: RMB1.056 billion) and enterprise income tax of RMB916 million (2021: RMB3.585 billion) brought the Group's total income tax expenses for the year to RMB1.644 billion. As a percentage of turnover of property development, LAT kept at 0.9% in 2022.

Profitability

The Group recorded a net loss of RMB15.779 billion for the year ended 31 December 2022 as compared to a net loss of RMB16.353 billion for the year ended 31 December 2021. The net loss for the year was mainly attributable to the decrease in recognised sales resulting from challenging operating conditions in the property sector and economic slowdown due to Covid and financial conditions that has affected market sentiment towards China property, the foreign exchange loss caused by the depreciation of Renminbi against US Dollars as well as the fair value loss on investment properties.

Financial Resources, Liquidity and Liabilities

As at 31 December 2022, the Group's total cash including amounts restricted for specified usage was RMB12.30 billion (31 December 2021: RMB21.10 billion), of which 97% was denominated in Renminbi and 3% was denominated in other currencies (mainly in US dollar, HK dollar, Australian dollar, Malaysian Ringgit and British pound).

As at 31 December 2022, the Group's total borrowing was RMB126.66 billion (31 December 2021: RMB128.84 billion). The total borrowings were made up of financing from sources which included 1) bank loans, 2) offshore USD senior notes, 3) domestic bonds, and 4) trust loans and others, each accounted for 44%, 28%, 11%, 17% respectively (31 December 2021: 46%, 25%, 11% and 18% respectively). The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB116.34 billion (2021: RMB112.36 billion) was unutilised.

The maturity profile of the Group's total borrowings was well balanced between short, medium and long term debt. Debts due within 1 year, between 1 and 5 years and beyond 5 years accounted for 34%, 54%, 12% of total debts respectively. Bank loans repaid in the year amounted to RMB5.64 billion while new bank loans of RMB1.12 billion were procured. The effective interest rate of the total bank loan portfolio at 31 December 2022 was 5.69% (2021: 5.86%).

The gearing ratio is measured by the net borrowings (total borrowing less total cash and cash equivalents and restricted cash) to total equity. As at 31 December 2022, the gearing ratio was 170.8% (31 December 2021: 130.0%).

The Group conducts its business primarily in Renminbi and non-Renminbi borrowings accounted for approximately 37% of total borrowings. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2022, the Group has not entered into any foreign exchange hedging transactions.

As for interest rate, RMB bank loans were at normally stable floating interest rates benchmarked to rates published by the People's Bank of China. The fixed rate offshore USD senior notes, domestic bonds and other borrowings further reduced interest rate exposure and therefore no interest rate hedging arrangements had been put in place.

OTHER INFORMATION

Employee and Emolument Policies

As of 31 December 2022, the Group had approximately 27,162 employees (31 December 2021: 35,207). The total staff costs incurred were approximately RMB2.212 billion during the financial year ended 31 December 2022. The Company's emolument policy is to ensure that the remuneration offered to employees including executive directors and senior management is based on skill, knowledge, responsibilities and involvement in the Company's business affair. The remuneration of executive directors is also linked with business performance and profitability of the Company and the market conditions. Directors and senior management would not be involved in deciding their own remuneration.

Annual General Meeting and Closure of Register of Members

The 2022 annual general meeting ("AGM") of the Company will be held on Wednesday, 31 May 2023 and the notice of AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Wednesday, 31 May 2023, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Wednesday, 31 May 2023, both days inclusive. In order for the shareholders to qualify for attending and voting at the AGM, all the share transfer documents should be lodged for registration with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 23 May 2023.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

Purchase, Redemption or Sale of Listed Securities of the Company

On 15 December 2021, the Company announced that a tender was being made to repurchase the US$265,000,000 5.75% senior notes due 2022 and US$460,000,000 5.75% senior notes due 2022 (consolidated and formed a single series) issued by Easy Tactic Limited ("Easy Tactic", an indirect wholly-owned subsidiary of the Company). The tender offer was completed on 12 January 2022. The notes repurchased pursuant to the tender offer have been cancelled.

In June 2022, the Group announced a consent solicitation by Easy Tactic as issuer in respect of all its series of senior notes due 2022, 2023 and 2024 for the purposes of, among others, extending the respective maturity dates to 2025, 2027 and 2028. The consent solicitation was passed and completed in July 2022, whereby the Group successfully restructured all series of senior notes of an aggregate amount of approximately US$4.944 billion into three series of notes maturing in 2025, 2027 and 2028 (the "2025 Notes", "2027 Notes" and "2028 Notes"). As at 31 December 2022, the outstanding principal amount of the 2025 Notes, 2027 Notes and 2028 Notes are US$1,292,392,467, US$2,203,665,299 and US$1,605,828,646 respectively.

The Company has also redeemed a total principal amount of RMB325,036,575 domestic bonds in 2022. As at 31 December 2022, the outstanding aggregate principal amount of domestic bonds of the Company was RMB14,340,447,425.

Save as disclosed above, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Compliance with the Model Code for Securities Transactions by Directors and Supervisors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") laid out in Appendix 10 to the Listing Rules as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the financial year ended 31 December 2022.

Compliance with the Corporate Governance Code

The Company is committed to good corporate governance practices, believing that they enhance shareholder value. The corporate governance practices adopted by the Company place a focus on maintaining a high-quality board, effective internal controls, a high level of transparency and full accountability to shareholders. Throughout the year ended 31 December 2022, the Company complied with all relevant laws and the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Scope of Work of BDO Limited

The figures in respect of this announcement of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 December 2022 have been agreed by the Company's external auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by BDO in this respect did not constitute an assurance engagement and consequently no opinion or conclusion assurance has been expressed by BDO on this announcement.

Audit Committee

The audit committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. There were no disagreements from the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee currently comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the audited annual results of the Company for the year ended 31 December 2022.

By Order of the Board
Guangzhou R&F Properties Co., Ltd.
Li Sze Lim
Chairman

Hong Kong, 31 March 2023

As at the date of this announcement, the executive directors of the Company are Dr. Li Sze Lim, Mr. Zhang Li, Mr. Zhang Hui and Mr. Xiang Lijun; the non-executive directors are Ms. Zhang Lin and Ms. Li Helen; and the independent non-executive directors are Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong.

* *For identification purpose only*