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REDCO PROPERTIES GROUP LIMITED
力高地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the year ended 31 December 2022 decreased by 41.4% to RMB27,548 million
- Revenue for the year ended 31 December 2022 decreased by 8.6% to RMB18,636 million
- Loss attributable to owners of the Company for the year ended 31 December 2022 was RMB4,762.8 million (2021: Profit attributable to owners of the Company of RMB884.0 million)
- Loss for the year ended 31 December 2022 was RMB5,796.1 million (2021: Profit for the year of RMB2,514.5 million)
- Basic loss per share was RMB134.10 cents for the year ended 31 December 2022 (2021: Basic earnings per share of RMB24.89 cents)
- Land bank decreased by 30.6% to 15.9 million sq.m. as at 31 December 2022 (31 December 2021: 22.9 million sq.m.)
- Cash and cash equivalents and restricted cash as at 31 December 2022 amounted to RMB5,603.3 million (31 December 2021: RMB10,857.0 million)
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil)

The board (the “**Board**”) of directors (the “**Directors**”) of Redco Properties Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	18,636,424	20,396,008
Cost of sales	8	(20,943,453)	(15,633,200)
Gross (loss) profit		(2,307,029)	4,762,808
Other income, gains and losses, net	5	(589,537)	685,346
Selling and marketing expenses		(760,260)	(1,069,430)
General and administrative expenses		(868,398)	(970,587)
(Decrease) increase in fair value of investment properties		(357,378)	56,049
Fair value gain on investment properties upon transfer from properties under development for sales		—	194,856
Impairment losses on financial assets and contract assets, net of reversal	6	(571,113)	(7,448)
Operating (loss) profit		(5,453,715)	3,651,594
Finance income		274,405	236,534
Finance costs		(64,500)	(19,479)
Finance income and costs, net	7	209,905	217,055
Share of results of investments accounted for using the equity method, net		(206,349)	(11,759)
(Loss) profit before income tax	8	(5,450,159)	3,856,890
Income tax expense	9	(345,937)	(1,342,373)
(Loss) profit for the year		<u>(5,796,096)</u>	<u>2,514,517</u>
(Loss) profit for the year attributable to:			
– Owners of the Company		(4,762,787)	883,963
– Non-controlling interests		(1,033,309)	1,630,554
		<u>(5,796,096)</u>	<u>2,514,517</u>
(Loss) earnings per share			
– Basic and diluted (expressed in RMB cents per share)	11	<u>(134.10)</u>	<u>24.89</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit for the year	<u>(5,796,096)</u>	<u>2,514,517</u>
Other comprehensive (expense) income for the year		
<i>Item that may not be reclassified subsequently to profit or loss:</i>		
– Currency translation differences	<u>(987,332)</u>	<u>367,363</u>
Total other comprehensive (expense) income for the year	<u>(987,332)</u>	<u>367,363</u>
Total comprehensive (expense) income for the year	<u><u>(6,783,428)</u></u>	<u><u>2,881,880</u></u>
Total comprehensive (expense) income attributable to:		
– Owners of the Company	<u>(5,745,070)</u>	<u>1,250,462</u>
– Non-controlling interests	<u>(1,038,358)</u>	<u>1,631,418</u>
	<u><u>(6,783,428)</u></u>	<u><u>2,881,880</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Note</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		835,090	923,795
Investment properties		1,630,848	1,992,013
Intangible assets		341,336	352,684
Investments accounted for using the equity method		828,783	1,016,837
Contract assets		639,773	695,239
Deferred income tax assets		1,019,224	1,122,451
		<u>5,295,054</u>	<u>6,103,019</u>
CURRENT ASSETS			
Completed properties held for sales		6,026,658	7,751,967
Properties under development for sales		33,588,067	50,397,051
Trade and other receivables and deposits	12	2,613,538	4,030,288
Prepayments	13	1,755,449	2,406,921
Income tax recoverable		1,201,021	1,309,031
Amounts due from non-controlling interests		2,447,217	4,514,113
Amounts due from associates		801,551	933,071
Amounts due from joint ventures		654,658	1,004,533
Restricted cash		3,706,775	3,322,797
Cash and cash equivalents		1,896,475	7,534,181
		<u>54,691,409</u>	<u>83,203,953</u>
CURRENT LIABILITIES			
Trade and other payables	14	14,132,881	16,002,149
Amounts due to non-controlling interests		5,360,737	6,375,100
Amounts due to associates		186,127	98,939
Amounts due to joint ventures		8,668	469,365
Income tax liabilities		1,410,480	3,319,209
Bank and other borrowings	15	15,220,491	9,822,353
Contract liabilities		15,636,108	25,205,116
		<u>51,955,492</u>	<u>61,292,231</u>

	<i>Note</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT ASSETS		<u>2,735,917</u>	<u>21,911,722</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,030,971</u>	<u>28,014,741</u>
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		1,281,645	2,134,348
Bank and other borrowings	15	<u>1,012,011</u>	<u>9,621,483</u>
		<u>2,293,656</u>	<u>11,755,831</u>
NET ASSETS		<u>5,737,315</u>	<u>16,258,910</u>
CAPITAL AND RESERVES			
Share capital		139,632	139,632
Reserves		<u>2,035,285</u>	<u>7,761,387</u>
		2,174,917	7,901,019
Non-controlling interests		<u>3,562,398</u>	<u>8,357,891</u>
SHAREHOLDERS' EQUITY		<u>5,737,315</u>	<u>16,258,910</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. General

Redco Properties Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Companies Act of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

The principal activities of the Company and its subsidiaries (the “**Group**”) are property development, property management services, property investment, project management services and healthcare services in the People’s Republic of China (the “**PRC**”).

On 31 March 2022, a subsidiary of the Group, Redco Healthy Living Company Limited (“**Redco Healthy**”) issued a total of 50,000,000 ordinary shares at a price of HK\$4.1 per share as a result of the completion of the listing on the Main Board of the Hong Kong Stock Exchange (the “**Listing**”). Upon the Listing of Redco Healthy, the Company, through its wholly-owned subsidiaries, indirectly controls in aggregate approximately 75% of the total issued share capital of Redco Healthy. Redco Healthy and its subsidiaries (the “**Redco Healthy Group**”) are principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services, development and maintenance services with respect to the information technology (“**IT**”) systems, healthcare management services and property agency services in the PRC.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is different from the Company’s functional currency of Hong Kong dollars (“**HK\$**”).

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company (the “**Directors**”) for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. Basis of presentation of consolidated financial statements

(a) Going concern assessment

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

For the year ended 31 December 2022, the Group incurred a net loss attributable to the owners of the Company of approximately RMB4,762,787,000 (2021: a net profit attributable to the owners of the Company of approximately RMB883,963,000). In addition, as at 31 December 2022, the Group's total bank and other borrowings amounted to approximately RMB16,232,502,000 (2021: RMB19,443,836,000) and out of which, an amount of the Group's bank and other borrowings of approximately RMB15,220,491,000 (2021: RMB9,822,353,000) would fall due and be repayable within one year, while its cash and cash equivalents amounted to approximately RMB1,896,475,000 (2021: RMB7,534,181,000) only.

As described in note 15, as at 31 December 2022, the Group's bank and other borrowings amounting to approximately RMB361,154,000 were defaulted, due to overdue payment of principal and/or interest. Such event of default also resulted in cross-default of bank and other borrowings, including principal and interest amounting to approximately RMB12,303,340,000 at the same date.

Moreover, the economic environment of the real estate sector in the PRC may have unfavorable impact on the working capital available to the Group and the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

In view of the aforementioned, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following measures and plans are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group has been actively negotiating with its existing lenders and creditors on extending the repayment of principal and interest of certain overdue bank and other borrowings. In addition, the Group has been actively negotiating with these lenders and creditors on the restructuring and/or renewal of certain indebtedness of the Group;
- (ii) The Group has been managing its debt structure and looking for new and additional funding opportunities and actively negotiating with existing and new lenders and creditors to obtain new financing at a reasonable cost. In addition, the Group has been actively communicating with relevant existing and new lenders and creditors so as to obtain additional sources of funds for its existing and new development projects;
- (iii) The Group will continue to implement measures to accelerate the pre-sale and sale of its properties under development for sale and completed properties held for sale at the expected sale prices and to speed up the collection of outstanding sales proceeds and contract assets;
- (iv) The Group will continue to enhance the payment collection progress from customers in respect of the property sales and pre-sales through closely following up with the customers and communicating and coordinating with banks for the timely grant of individual mortgage loans to the customers in accordance with the timeline of cash flow projections prepared by the management;
- (v) The Group will continue to maintain continuous communication and endeavour to agree with major subcontractors and suppliers in arranging payments to these vendors and completing the construction progress as scheduled; and
- (vi) The Group will continue to take active measures to control administrative costs and control capital expenditures.

The Directors have reviewed the Group's cash flow forecast prepared by management, which covers a period of at least twelve months from 31 December 2022. They are of the opinion that, taking into account the abovementioned measures and plans the Group will have sufficient funds to maintain its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its measures and plans, which are subject to multiple uncertainties as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) the successful execution and completion in restructuring and refinancing of the Group's existing outstanding bank and other borrowings, to revise the key terms and conditions of the original facility agreements and to extend the principal and interest payment schedules;
- (ii) the successful execution of and completion in obtaining additional and new sources of financing from existing and new lenders and creditors as and when needed to meet its operational need and financial obligations and also to secure funds for its existing and new development projects;
- (iii) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development for sales and completed properties held for sales, to speed up the collection of outstanding sales proceeds and contract assets and to collect progress payments from customers in respect of the property sales and pre-sales;
- (iv) the Group's ability to successfully obtain support from its major subcontractors and suppliers so as to complete the construction progress as scheduled; and
- (v) the successful execution and implementation of the plans in controlling costs and containing capital expenditure so as to improve its cash position and generate greater positive cash inflows from its operations and businesses in the near future.

The Group's ability to obtain the abovementioned financing and operating funds depends on: (i) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; and (ii) whether the lenders and creditors of existing bank and other borrowings are agreeable to the terms and conditions for such extension, restructuring and/or renewal and the Group's ability to continuously comply with the relevant terms and conditions of bank and other borrowings.

Should the Group fail to achieve the abovementioned plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might 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 these consolidated financial statements.

(b) The Incidents

As described in details in the announcement of the Company dated 30 June 2023, on 6 April 2023, the board of directors of Redco Healthy has established an independent committee (the “**Redco Healthy's Independent Committee**”) which only comprises independent non-executive directors of Redco Healthy to conduct an independent inquiry (the “**Redco Healthy's Independent Inquiry**”) on three audit issues which are summarised as follows:

- (i) Audit issue I: Fund movements regarding certain cooperation arrangements with an entity (“**Party A**”) entered into by the Redco Healthy Group relating to potential acquisitions of certain target companies (the “**Audit Issue I**”);
- (ii) Audit issue II: (a) The Redco Healthy Group's payments of the refundable deposits in the amount of approximately RMB30.8 million in relation to the potential acquisitions of certain target companies (the “**Refundable Deposits**”); and (b) the Redco Healthy Group's receipt of funds in the amount of RMB30 million each from two independent third parties which were transferred back to such parties on the same date (the “**Audit Issue II**”); and
- (iii) Audit issue III: Fund movements between the Redco Healthy Group and Redco Properties Group (the “**Audit Issue III**”, together with the Audit Issue I and Audit Issue II, the “**Incidents**”).

The Redco Healthy Independent Committee has engaged an independent professional adviser (the “**Redco Healthy Independent Professional Adviser**”) to assist with the Redco Healthy Independent Inquiry.

Pursuant to Redco Healthy’s announcement dated 31 January 2024, on 18 January 2024, the Redco Healthy Independent Professional Adviser issued a report in relation to its findings on the Redco Healthy Independent Inquiry. Key findings of the Redco Healthy Independent Inquiry have been published by Redco Healthy on 31 January 2024 (the “**Redco Healthy Key Findings**”).

In addition, pursuant to Company’s announcement dated 31 January 2024, on 18 January 2024, the independent professional adviser appointing by the Audit Committee of the Company (the “**Redco Properties Independent Professional Adviser**”) also issued a report in relation to its findings on the independent inquiry (the “**Redco Properties Independent Inquiry**”). Key findings of the Redco Properties Independent Inquiry have been published by the Company on 31 January 2024 (the “**Redco Properties Key Findings**”, together with the Redco Healthy Key Findings, the “**Key Findings**”).

(1) Audit Issue I

There were fund movements between the Redco Healthy Group and the Party A, including (i) the refundable earnest money in the amount of approximately RMB100 million (equivalent to approximately HK\$118 million) (the “**Earnest Money A**”) during the year ended 31 December 2022, which has been fully refunded to the Redco Healthy Group during the year ended 31 December 2022; and (ii) the refundable earnest money in the amount of RMB40.6 million (the “**Earnest Money B**”), which has been fully refunded to the Redco Healthy Group during the year ended 31 December 2023.

(2) Audit Issue II

During the year ended 31 December 2022, in respect of the potential acquisition of nine target companies (the “**Nine Target Companies**”), between October and December 2022, Redco Healthy Group has paid the Refundable Deposits of approximately RMB30.8 million to the sellers of these Nine Target Companies. The Refundable Deposits have been fully refunded to the Redco Healthy Group during the year ended 31 December 2023.

(3) Audit Issue III

During the year ended 31 December 2022, there were fund movements between the Redco Healthy Group and Redco Properties Group ranging from RMB200 to RMB61.5 million. During the year ended 31 December 2022, the net fund movement from the Redco Healthy Group to Redco Properties Group amounted to approximately RMB107.5 million, which primarily comprised (i) settlement of non-trade accounts payable; (ii) the earnest money for the Tianjin project; (iii) the carpark sales refundable deposits; and (iv) the Redco Properties Group's bridging loans.

As at 31 December 2022, the amount due (from) to the Group, other than trade payables to the Redco Healthy Group amounted to approximately RMB73.84 million and details of which are set out in note 16.

Details of the above are set out in the Company's announcements dated 30 June 2023, 25 July 2023, 28 September 2023, 31 December 2023 and 31 January 2024.

3. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

The application of the amendments to HKFRSs in the current year had no 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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Hong Kong Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Presentation of Financial Statements	

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

⁴ Applied when an entity applies “Classification of Liabilities as Current or Non-current” - Amendments to HKAS 1

The Directors anticipate that the application of all these new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. Revenue and segment information

(a) Revenue

Revenue mainly comprises of proceeds from sales of properties, provision of property management services and community value-added services, project management services, hotel operations and management services and community healthcare services and also rental income from leasing of properties.

Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue by category for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Revenue from contracts with customers:</i>		
Sales of properties	18,213,556	20,011,680
Property management services and community value-added services	309,220	236,783
Project management services	42,581	88,947
Hotel income	39,741	34,683
Rental income	28,956	21,349
Healthcare services	2,370	2,566
	<u>18,636,424</u>	<u>20,396,008</u>

(b) Segment information

The Directors have been identified as the CODM. Management determines the operating segments based on the Group's internal reports, which are submitted to the Directors for performance assessment and resources allocation.

The Directors consider the business from a geographical perspective and assess the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Greater Bay Area and Others. The Group's construction and sea reclamation services are considered together with the property development segments and included in the relevant geographic operating segment. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers), project management services, healthcare services, rental income and investment holding business.

The Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation of property, plant and equipment, share of results of investments accounted for using the equity method, finance income, finance costs and income tax credit (expense). Other information provided, except as noted below, to the Directors is measured in a manner consistent with that in the consolidated financial statements.

Segment revenue, results, assets and liabilities

	Greater Western Taiwan Straits Economic Zone RMB'000	Central and Western Regions RMB'000	Bohai Economic Rim RMB'000	Greater Bay Area RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2022						
<i>Segment revenue</i>						
Revenue from contracts with customers						
– Recognised at a point in time	7,485,793	5,176,145	4,175,674	1,360,854	29,926	18,228,392
– Recognised over time	58,193	—	9,360	—	425,613	493,166
– Others	—	—	—	—	28,956	28,956
Less: Inter-segment revenue	—	—	—	—	(114,090)	(114,090)
Consolidated revenue						
from external customers	<u>7,543,986</u>	<u>5,176,145</u>	<u>4,185,034</u>	<u>1,360,854</u>	<u>370,405</u>	<u>18,636,424</u>
<i>Segment results</i>						
Segment results	(1,388,616)	(2,110,942)	(1,527,215)	(171,946)	(170,858)	(5,369,577)
Depreciation of property, plant and equipment	<u>(40,206)</u>	<u>(13,245)</u>	<u>(2,475)</u>	<u>(646)</u>	<u>(27,566)</u>	<u>(84,138)</u>
Operating losses	(1,428,822)	(2,124,187)	(1,529,690)	(172,592)	(198,424)	(5,453,715)
Share of results of investments accounted for using the equity method, net	16,108	(220,815)	(4,713)	787	2,284	(206,349)
Finance income	14,428	11,642	41,192	2,113	205,030	274,405
Finance costs	(10,605)	(4,597)	(6,625)	(15,165)	(27,508)	(64,500)
Income tax expense	<u>(163,490)</u>	<u>(45,006)</u>	<u>(5,390)</u>	<u>(124,123)</u>	<u>(7,928)</u>	<u>(345,937)</u>
Loss for the year	<u>(1,572,381)</u>	<u>(2,382,963)</u>	<u>(1,505,226)</u>	<u>(308,980)</u>	<u>(26,546)</u>	<u>(5,796,096)</u>

	Greater Western Taiwan					
	Straits	Central	Bohai	Greater		
	Economic	and Western	Economic	Greater	Others	Total
	Zone	Regions	Rim	Bay Area		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to:						
Property, plant and equipment	739	137	4,691	5	11,742	17,314
Investments accounted for using the equity method	—	—	—	—	755	755
Acquisition of subsidiaries						
– Investments accounted for using the equity method	—	103,637	—	—	—	103,637
	<u>—</u>	<u>103,637</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>103,637</u>
As at 31 December 2022						
Total segment liabilities	<u>(10,941,839)</u>	<u>(15,936,822)</u>	<u>(11,761,688)</u>	<u>(5,457,074)</u>	<u>(10,151,725)</u>	<u>(54,249,148)</u>
Total segment assets	<u>14,127,072</u>	<u>19,778,987</u>	<u>15,623,886</u>	<u>8,070,712</u>	<u>2,383,516</u>	<u>59,984,173</u>
Other unallocated corporate assets						<u>2,290</u>
Total consolidated assets						<u>59,986,463</u>
Including investments accounting for using the equity method	<u>60,217</u>	<u>261,650</u>	<u>113,431</u>	<u>165,160</u>	<u>228,325</u>	<u>828,783</u>

	Greater Western Taiwan Straits Economic Zone RMB'000	Central and Western Regions RMB'000	Bohai Economic Rim RMB'000	Greater Bay Area RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2021						
Segment revenue						
Revenue from contracts with customers						
– Recognised at a point in time	11,266,317	6,344,803	1,937,630	462,930	783	20,012,463
– Recognised over time	52,937	18,231	13,445	—	418,343	502,956
– Others	—	—	—	14,675	21,349	36,024
Less: Inter-segment revenue	—	—	—	(14,675)	(140,760)	(155,435)
Consolidated revenue from external customers	<u>11,319,254</u>	<u>6,363,034</u>	<u>1,951,075</u>	<u>462,930</u>	<u>299,715</u>	<u>20,396,008</u>
Segment results						
Segment results	2,955,680	825,527	214,451	(140,023)	(154,653)	3,700,982
Depreciation of property, plant and equipment	<u>(16,832)</u>	<u>(8,398)</u>	<u>(1,560)</u>	<u>(678)</u>	<u>(21,920)</u>	<u>(49,388)</u>
Operating profits (losses)	2,938,848	817,129	212,891	(140,701)	(176,573)	3,651,594
Share of results of investments accounted for using the equity method, net	(16,142)	(13,088)	12,705	(4,702)	9,468	(11,759)
Finance income	10,999	3,616	83,810	4,148	133,961	236,534
Finance costs	—	(874)	(821)	—	(17,784)	(19,479)
Income tax credit (expense)	<u>(943,271)</u>	<u>(306,012)</u>	<u>(91,708)</u>	<u>23,075</u>	<u>(24,457)</u>	<u>(1,342,373)</u>
Profit (loss) for the year	<u>1,990,434</u>	<u>500,771</u>	<u>216,877</u>	<u>(118,180)</u>	<u>(75,385)</u>	<u>2,514,517</u>

	Greater Western Taiwan					
	Straits	Central	Bohai	Greater		
	Economic	and Western	Economic	Greater	Others	Total
	Zone	Regions	Rim	Bay Area		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to:						
Property, plant and equipment	4,056	2,436	1,397	827	53,282	61,998
Investments accounted for using the equity method	260,618	306,273	—	600	—	567,491
Acquisition of subsidiaries						
– Property, plant and equipment	656,986	48	1,998	—	—	659,032
– Investment properties	263,592	—	—	—	—	263,592
– Investments accounted for using the equity method	6,022	—	—	—	—	6,022
	<u>4,056</u>	<u>2,436</u>	<u>1,397</u>	<u>827</u>	<u>53,282</u>	<u>61,998</u>
As at 31 December 2021						
Total segment liabilities	<u>(20,073,193)</u>	<u>(21,295,506)</u>	<u>(15,891,425)</u>	<u>(5,082,240)</u>	<u>(10,705,698)</u>	<u>(73,048,062)</u>
Total segment assets	<u>27,369,045</u>	<u>29,227,484</u>	<u>21,419,113</u>	<u>8,174,112</u>	<u>2,976,142</u>	<u>89,165,896</u>
Other unallocated corporate assets						<u>141,076</u>
Total consolidated assets						<u>89,306,972</u>
Including investments accounting for using the equity method	<u>131,391</u>	<u>572,683</u>	<u>93,548</u>	<u>—</u>	<u>219,215</u>	<u>1,016,837</u>

Geographical information

Revenue by geographical location is determined on the basis of the location of the sales of properties or services rendered. All of the Group's revenue were generated from the PRC.

Non-current assets, other than financial instruments, investments accounted for using the equity method and deferred income tax assets by geographical area are as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	2,779,117	4,888,948
Hong Kong	28,157	41,633
	<u>2,807,274</u>	<u>4,930,581</u>

Information about major customers

No revenue from transactions with a single external customer accounted for over 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

5. Other income, gains and losses, net

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gains (losses), net	54,483	(34,609)
(Losses) gains on disposals of investments		
accounted for using the equity method	(58,371)	79,097
Gains on bargain purchase arising from acquisition of subsidiaries	—	110,649
Gains on disposals of property, plant and equipment	1,825	818
(Losses) gains on disposals of subsidiaries	(631,514)	30,810
Remeasurement gains on interests in investments accounted		
for using the equity method	27,851	460,821
Others	16,189	37,760
	<u>(589,537)</u>	<u>685,346</u>

6. Impairment losses on financial assets and contract assets, net of reversal

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses recognised, net of reversal		
– Trade and other receivables (note 12(e))	(342,552)	(7,448)
– Amounts due from non-controlling interests	(223,784)	—
– Amounts due from associates	(6,593)	—
– Amounts due from joint ventures	(2,718)	—
– Contract assets	4,534	—
	<u> </u>	<u> </u>
	<u>(571,113)</u>	<u>(7,448)</u>

7. Finance income and costs, net

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income from banks	70,504	126,684
Finance income from loans to associates	—	15,087
Finance income from loans to non-controlling interests	—	7,843
Gains on repurchases of senior notes (note 15)	203,901	86,920
	<u> </u>	<u> </u>
	274,405	236,534
Finance costs on bank and other borrowings, including senior notes	1,637,107	2,057,996
Finance costs on loans from non-controlling interests	28,685	43,138
	<u> </u>	<u> </u>
	1,665,792	2,101,134
Less: Amount capitalised in respect of qualifying assets	(1,601,292)	(2,081,655)
	<u> </u>	<u> </u>
	64,500	19,479
Finance income and costs, net	<u>209,905</u>	<u>217,055</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>9.60%</u>	<u>9.71%</u>

8. (Loss) profit before income tax

(Loss) profit before income tax is arrived at after charging (crediting):

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs (including directors' and chief executive's emoluments)		
– Salaries and allowances	531,326	606,991
– Sale commission and bonuses	60,604	130,280
– Retirement benefit costs	81,197	82,907
– Other staff welfare costs	42,479	41,953
	<u>715,606</u>	<u>862,131</u>
Less: Amount capitalised in respect of qualifying assets	(107,403)	(140,746)
	<u>608,203</u>	<u>721,385</u>
Auditor's remuneration		
– Audit services	5,636	6,541
– Non-audit services	—	1,411
	<u>5,636</u>	<u>7,952</u>
Depreciation of property, plant and equipment	84,410	54,444
Less: Amount capitalised in respect of qualifying assets	(272)	(5,056)
	<u>84,138</u>	<u>49,388</u>
Amortisation of intangible assets	11,348	11,347
Gross rental income from investment properties	26,688	21,349
Less: Outgoing in respect of investment properties that generated rental income during the year	(2,016)	(2,082)
	<u>24,672</u>	<u>19,267</u>
Cost of sales	20,943,453	15,633,200
<i>Including impairment loss on completed properties held for sales and properties under development for sales</i>	2,336,428	—
Operating lease payments	<u>9,773</u>	<u>6,212</u>

9. Income tax expense

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
– PRC enterprise income tax	502,689	762,056
– PRC land appreciation tax	59,919	449,398
	<u>562,608</u>	<u>1,211,454</u>
Deferred taxation	(216,671)	130,919
	<u><u>345,937</u></u>	<u><u>1,342,373</u></u>

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the year ended 31 December 2022 (2021: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2022 (2021: nil).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% (2021: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

10. Dividends

The Board of Directors did not recommend the payment of a final dividend for the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

11. (Loss) earnings per share

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) earnings figures are calculated as follows:		
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings for the year	<u>(4,762,787)</u>	<u>883,963</u>
	2022	2021
	<i>(thousands of shares)</i>	<i>(thousands of shares)</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	<u>3,551,609</u>	<u>3,551,609</u>

No diluted earnings per share for both years were presented as there were no potential ordinary shares outstanding for both years.

12. Trade and other receivables and deposits

	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	(a)	173,196	305,352
Less: Impairments	(e)	<u>(38,460)</u>	<u>(7,448)</u>
		<u>134,736</u>	<u>297,904</u>
<i>Other receivables comprise:</i>	(b)		
– Interest receivables		11,220	10,757
– Receivables in relation to the disposal of assets and liabilities held for sales		—	81,863
– Others receivables		2,635,239	3,423,731
<i>Deposits comprise:</i>	(b)		
– Refundable Deposits for Nine Target Companies	(c)	30,803	—
– Deposits with local real estate associations	(d)	174,815	216,070
– Deposits with labour department		15,088	23,189
– Deposits with treasury bureau		<u>10,990</u>	<u>64,587</u>
		2,878,155	3,820,197
Less: Impairments	(e)	<u>(399,353)</u>	<u>(87,813)</u>
		<u>2,478,802</u>	<u>3,732,384</u>
		<u><u>2,613,538</u></u>	<u><u>4,030,288</u></u>

Notes:

(a) Trade receivables

As at 1 January 2021, trade receivables from contracts with customers amounted to approximately RMB182,013,000.

Trade receivables mainly arise from sales of properties and provision of property management services.

Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sale and purchase agreements. Credit terms are generally granted to certain customers and the customers are required to settle the receivables according to the sale and purchase agreements.

Property management services income are received in accordance with the terms of the relevant services agreements. Service income from provision of property management services is due for payment by the residents upon the issuance of demand note.

Trade receivables from sales of properties of approximately RMB10,506,000 (2021: RMB210,295,000) are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free.

The following is an ageing analysis of trade receivables presented based on revenue recognition date.

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	124,748	241,673
31 - 60 days	1,935	5,651
61 - 90 days	2,516	6,688
91 - 180 days	4,847	16,526
Over 180 days	39,150	34,814
	<u>173,196</u>	<u>305,352</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 *Financial Instruments*. A loss allowance of approximately RMB38,460,000 (2021: RMB7,448,000) was provided for the year ended 31 December 2022 mainly attributable to proceeds from property management services. The expected losses rate on the proceeds from sales of property is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates.

(b) Other receivables and deposits

The carrying amounts of other receivables and deposits approximate their fair values and are unsecured, interest-free and repayable on demand, except for RMB141,000,000, net of allowance of RMB82,504,000 which bear interests of 4.8% to 15.0% per annum and are repayable within 2023.

During the year ended 31 December 2022, certain other receivables and other payables amounting to approximately RMB970,310,000 are offset in accordance with the agreements amongst the parties.

(c) Refundable Deposits for the Nine Target Companies

During the year ended 31 December 2022, the Redco Healthy Group proposed to acquire Nine Target Companies, between October and December 2022, the Redco Healthy Group has paid the Refundable Deposits of approximately RMB30.8 million to certain parties in order to secure the exclusive right to the potential acquisition of the Nine Target Companies for nine months.

In 2023, the Refundable Deposits have been fully refunded to the Redco Healthy Group.

(d) Deposits with local real estate associations

The deposits with local real estate associations mainly included deposits made to PRC government bodies for future land development and site clearing for the listing-for-sale or in connection with the retention of the quality for properties construction as required by the relevant regulations in respect of the Group's property development projects.

(e) Impairments of trade and other receivables and deposits

Movements on the provision for impairments for trade and other receivables and deposits are as follows:

	Trade receivables	Other receivables and deposits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening loss allowance as at 1 January 2021	—	87,813	87,813
Impairment loss recognised in profit or loss	7,448	—	7,448
Closing loss allowance as at 31 December 2021	7,448	87,813	95,261
Impairment loss recognised in profit or loss	31,012	311,540	342,552
Closing loss allowance as at 31 December 2022	38,460	399,353	437,813

13. Prepayments

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments comprise:		
– Prepaid other taxes	1,549,986	1,801,264
– Prepayments for construction costs	205,463	581,357
– Prepayments for acquisitions of subsidiaries	—	24,300
	1,755,449	2,406,921

14. Trade and other payables

	<i>Note</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	(a)	6,286,309	6,140,366
Accruals and other payables		5,181,005	6,063,750
Amounts due to shareholders	(b)	86,131	124,068
Other taxes payables		2,498,789	3,637,173
Dividend payables		4,648	6,935
Salary payables		17,800	15,577
Interest payables		51,862	6,382
Rental deposits received		6,337	7,898
		<u>14,132,881</u>	<u>16,002,149</u>

Notes:

(a) Trade payables

As at 1 January 2021, trade payable amounted to approximately RMB4,420,000,000.

The ageing analysis of the trade payables based on invoice date was as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	4,562,989	5,157,615
31 to 60 days	222,064	100,181
61 - 90 days	168,198	76,093
Over 91 days	1,333,058	806,477
	<u>6,286,309</u>	<u>6,140,366</u>

The carrying amounts of the Group's trade payables approximate their fair values due to their short maturities.

(b) Amounts due to shareholders

As at 31 December 2022, the amounts due to shareholders are interest-free, unsecured and repayable within 1 year with repayment on demand clause.

15. Bank and other borrowings

	<i>Note</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Bank and other borrowings comprise:			
– Senior notes, including accrued interests	(a)	6,861,218	6,709,272
– Bank borrowings	(b)	9,371,284	12,734,564
		<u>16,232,502</u>	<u>19,443,836</u>
The carrying amounts of bank and other borrowings based on scheduled repayment dates set out in the loan agreements			
Within one year or demand		12,674,851	9,813,084
More than one year, but not more than two years		2,475,166	6,518,710
More than two years, but not more than five years		881,898	3,112,042
More than five years		200,587	—
		<u>16,232,502</u>	<u>19,443,836</u>
The carrying amounts of bank and other borrowings that become immediately due and payable due to breach of loan covenants and/or contain a repayment on demand clause which was shown under current liabilities			
		<u>(15,220,491)</u>	<u>(9,822,353)</u>
Amounts shown under non-current liabilities		<u>1,012,011</u>	<u>9,621,483</u>
Analysed as:			
– Fixed-rates bank and other borrowings		9,979,941	11,552,752
– Variable-rates bank and other borrowings		6,252,561	7,891,084
		<u>16,232,502</u>	<u>19,443,836</u>
Analysed as:			
– Secured		16,214,150	18,786,826
– Unsecured	(c)	18,352	657,010
		<u>16,232,502</u>	<u>19,443,836</u>

Notes:

(a) Senior notes

The Group has issued the following senior notes which are listed on Singapore Exchange Securities Trading Limited:

Senior note	Interest		Maturity date	Par value	Outstanding balance	
	rate	Issue date			2022	2021
					RMB'000	RMB'000
13% Senior Note due 2023	13%	27 March 2020	27 May 2023	US\$150,000,000	5,103	956,376
11% Senior Note due 2022	11%	6 August 2020	6 August 2022	US\$320,800,000	72,154	2,003,217
9.9% Senior Note due 2024	9.9%	17 November 2020	17 February 2024	US\$266,000,000	1,889,283	1,615,427
8% Senior Note due 2022	8%	14 April 2021	13 April 2022	US\$285,000,000	—	1,519,963
10.5% Senior Note due 2023	10.5%	6 July 2021	5 January 2023	RMB600,000,000	585,822	614,289
8% Senior Note due 2023	8%	25 March 2022	23 March 2023	US\$184,944,000	1,206,977	—
13% Senior Note due 2023	13%	8 April 2022	7 April 2023	US\$146,720,000	1,027,271	—
11% Senior Note due 2023	11%	8 April 2022	6 August 2023	US\$262,288,000	1,861,507	—
11% Senior Note due 2023 II	11%	6 August 2022	6 August 2023	US\$31,000,000	213,101	—
Total					<u>6,861,218</u>	<u>6,709,272</u>

During the year ended 31 December 2022, the Company repurchased certain 11% Senior Note due 2022, 9.9% Senior Note due 2024, 8% Senior Note due 2022, 8% Senior Note due 2023, 13% Senior Note due 2023 and 10.5% Senior Notes due 2023. The aggregated par value repurchased by the Company amounted to approximately US\$59,800,000 (equivalent to approximately RMB403,403,000) and RMB43,000,000 (2021: US\$77,848,000 (equivalent to approximately RMB496,458,000) and the resulted net gains of approximately RMB203,901,000 (2021: RMB86,920,000) were credited to profit and loss as disclosed in note 7.

The interest of these senior notes is payable semi-annually in arrears.

The Company, at its option, can redeem these senior notes in whole or in part prior to their maturity at the redemption price as defined in the agreements of these notes. The Company, at the option of bond holders, shall repurchase the 13% Senior Notes due 2023 prior to its maturity at the repurchase price as defined in the agreement of the note.

The aforementioned early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that their fair value was insignificant on recognition and at 31 December 2022 (2021: same).

The Group's senior notes as at 31 December 2022 totalling approximately RMB6,861,218,000 (2021: RMB6,709,272,000) are guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries, and subject to the fulfilment of covenants relating to certain of the Group's financial indicators. The Group regularly monitors its compliance with these covenants.

Default of senior notes

As at 31 December 2022, the Group did not repay a senior note at carrying value and interests of approximately RMB72,154,000 ("**Overdue Senior Note**") in accordance with the contractual repayment schedules. Pursuant to the terms of the Overdue Senior Note, the Overdue Senior Note would be immediately due and payable upon the written request by note holders holding the requisite percentage in aggregate principal amount of the Overdue Senior Note.

Other than the Overdue Senior Note, senior notes at an aggregate carrying value and interest of approximately RMB6,789,064,000 ("**Cross-default Senior Notes**") contained a cross-default clause, under which Cross-default Senior Notes were considered cross defaulted if the Group failed to make principal payments of bank and other borrowings exceeding a prescribed amount. Pursuant to the terms of the Cross-default Senior Notes, the Cross-default Senior Notes would be immediately due and payable upon the written request by note holders holding the requisite percentage in aggregate principal amount of the relevant Cross-default Senior Notes. Accordingly, the Group's senior notes at an aggregate carrying value and interests of approximately RMB6,861,218,000 have been presented as current liabilities as at 31 December 2022.

(b) Bank borrowings

As at 31 December 2022, the Group's bank borrowings of approximately RMB2,170,870,000 (2021: RMB8,941,390,000) were secured by certain properties under development for sales with the carrying amount of approximately RMB24,532,019,000 (2021: RMB36,174,706,000), property, plant and equipment of approximately RMB616,628,000 (2021: RMB26,772,000) and investment properties of approximately RMB725,788,000 (2021: RMB628,778,200). The Group's bank borrowings of approximately RMB5,528,994,000 (2021: RMB9,845,436,000) were guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries and assignment of insurance policy.

Bank borrowings bear interest from 1.50% to 24.00% (2021: 1.74% to 15.00%) per annum.

The carrying amounts of the Group's bank borrowings approximate their fair values as the impact of discounting is not significant or the borrowings carry floating rate of interests that are at market rate.

Default of bank borrowings

The Group did not repay certain bank borrowings at an aggregate carrying value and interests of approximately RMB289,000,000 ("**Overdue Borrowings**") in accordance with the contractual repayment schedules. Pursuant to the terms of the Overdue Borrowings, the Overdue Borrowings would be immediately repayable if requested by the respective lenders.

Other than the Overdue Borrowings, the Group's bank borrowings at an aggregate carrying value and interests of approximately RMB5,514,276,000 ("**Cross-default Borrowings**") contained a cross-default clause in the respective financing agreements, under which Cross-default Borrowings were considered defaulted if any bank and other borrowings of the Group had been defaulted. Pursuant to the terms of the Cross-default Borrowings, the Cross-default Borrowings would be immediately due if requested by the lenders.

(c) Secured bank and other borrowings

As at 31 December 2022, the Group's bank and other borrowings were secured by certain property, plant and equipment, investment properties and properties under development for sales amounted to approximately RMB616,628,000, RMB725,788,000 and RMB24,532,019,000 (2021: nil, RMB684,812,200 and RMB36,174,706,000), respectively and were also guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries and associates.

16. Related party transactions

Amounts due (from) to Redco Healthy Group, other than trade payables

During the year ended 31 December 2022, there were numerous fund movements between the Group (excluding Redco Healthy Group) and the Redco Healthy Group and the Redco Healthy Group had cash outflows to and inflows from the Redco Properties Group amounted to approximately RMB200 million and RMB61.5 million, respectively.

An analysis of the amounts due (from) to Redco Healthy Group, other than trade payables as follows:

	<i>RMB'000</i>
Amounts due to Redco Healthy Group, other than trade payables	74,116
Amounts due from Redco Healthy Group, other than trade payables	<u>(277)</u>
Amounts due to Redco Healthy Group, other than trade payables	<u><u>73,839</u></u>

All these transactions and balances were eliminated in the consolidated financial statements of the Company.

17. Comparative figures

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

18. Events after the reporting period

Other than as disclosed elsewhere in these consolidated financial statements, the Company did not have any significant events after the end of the reporting period.

BUSINESS OVERVIEW

In 2022, the world was undergoing profound changes with a complex and volatile international situation coupled with energy crisis, geopolitical conflict, and the slow recovery of global economy. For the real estate market in the PRC, it has entered into a stormy season of winter, mainly attributable to the increasing downward pressure of the macro economy, the lower expected household income and the wait-and-see attitude of home buyers. In China, investment in real estate development, new construction area and sales area were all on a downward trajectory. Concomitant with the sharp decline in transaction volume that has fallen to the lowest level in a decade, there has been an increase in the number of real estate companies undergoing liquidity crisis.

In view of the severe market environment, the PRC government has successively launched a series of policies to stabilise the property market while adhering to the general principle of “housing is for living in, not for speculation”. A positive signal of “keeping operations of market entities” appears as the government’s iteration of “the real estate industry is a pillar industry of the national economy”, “Sixteen Financial Articles (金融十六條)”, “Three Arrows(三支箭)” and other policies at conferences. Local regulations have been extensively rolled out after a tentative loosening, and progressive loosening continues. However, it still takes time for home buyers to restore confidence due to their intensified wait-and-see mood.

Under the severe industry environment, the Group has taken active and transformative actions to improve its capital efficiency and ensure stable operation and sufficient liquidity. However, challenges continued to emerge especially for the second half of 2022, such as the deteriorating industry environment, the dramatical drop in property sales and the credit crisis of private enterprises.

The Group strived to develop effective plans to meet such challenges and to maintain our operation sound enough for timely deliveries of pre-sold properties. The Group has pushed forward the progress of work located in different places by coordinating all resources available, and eventually about 28,400 units of new properties were delivered during the year ended 31 December 2022. At the same time, the Group adhered to the concept of “quality-oriented”, strictly controlled the quality of high-end projects, built healthy housing and continuously improved the core competitiveness of its products.

In 2022, the Group took the initiative to integrate its existing resources, timely adjusted its marketing strategies based on market changes and project situations, and sped up the collection of sales proceeds. As of 31 December 2022, the cumulative contractual sales of the Company and its affiliated entities amounted to approximately RMB27,548 million, and the contract sales area was approximately 3.243 million square meters (“**sq.m.**”). In addition, as at 31 December 2022, the total land bank of the Group was approximately 15.92 million sq.m.

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 31 December 2022, the Group's property portfolio comprised 113 property development and investment projects with an aggregate gross floor area (the "GFA") of 15,920,640.2 sq.m. under various stages of development remaining unsold in various cities in the PRC. The following table sets forth a summary of the Group's property development and investment projects as at 31 December 2022:

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
JIANGXI REGION			
Spain Standard 力高國際城	466,665.3	861,274.2	3,069.3
Riverside International 濱江國際	37,346.0	163,999.9	1,469.3
Bluelake County 瀾湖郡	135,285.0	286,794.7	14,139.9
Imperial Mansion 君御華府	41,993.3	103,594.8	1,640.1
Bluelake International 瀾湖國際	47,151.0	113,323.0	2,208.2
The Garden of Spring 十里春風	30,378.0	15,278.0	11,273.3

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Delight Scenery 悦景臺	62,455.0	123,856.6	16,535.8
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,507.2	169,242.1
Life Sunshine Town 生命陽光城	33,396.4	50,181.8	50,181.8
The Phoenix – Phase I 鳳凰新天一期	16,295.3	78,177.8	9,144.2
The Phoenix – Phase II 鳳凰新天二期	39,030.5	155,617.8	123,766.2
Eastern Imperial Garden 東方璽園	49,225.0	165,979.0	35,685.5
Eastern Exquisite 東方玲瓏園	23,209.0	75,630.6	75,630.6
Eastern Harmony 東方和園	31,422.0	97,757.0	40,438.4
Eastern Crystal 東方璞園	57,876.0	177,645.0	83,376.6
One Riverside Glory 君譽濱江一期	52,896.0	158,124.3	39,868.1
Two Riverside Glory 君譽濱江二期	42,301.0	100,623.2	70,441.9

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Leisure's Mansion 君逸府	49,335.6	135,797.5	51,723.8
Rivera Mansion 雍江府	101,008.5	311,874.2	253,176.6
Mid-Levels Villa 半山墅	46,415.4	115,473.7	115,473.7
Zhonghui Acadany House 中輝學府	61,052.7	159,030.3	159,030.3
Royal Impression 君譽印象	49,780.5	148,609.6	148,609.6
Violet Pavilion 紫雲台	134,667.3	191,973.0	191,973.0
River Forest West Side Phase I 江樾府項目西區一期	21,326.9	47,016.4	47,016.4
River Forest East Side Phase I 江樾府項目東區一期	32,708.9	75,302.1	75,302.1
Royal Country 尚郡	44,137.0	112,713.0	112,713.0
Royal River Mansion 御江府	23,569.1	45,841.7	45,841.7

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
TIANJIN REGION			
Sunshine Coast 陽光海岸	481,394.0	1,445,893.2	721,041.5
Land Lot Nos. A1 and A2 A1及A2號地塊	69,336.2	55,469.0	55,469.0
Perfection Ocean 理想海	159,465.9	316,654.0	203,105.6
Luminescence Ocean 拾光海	68,827.0	130,921.7	23,604.7
Eastern Aesthetics 悅麓蘭庭	105,115.2	310,991.2	250,324.4
HUNAN REGION			
Changsha Phoenix 長沙鳳凰新天	18,002.1	128,168.2	105,977.9
Hangao Academy Mansion 漢高學士府	67,613.7	252,117.1	177,005.6
Royal Terrace 雍璽台	111,027.5	432,514.0	432,514.0
Kingdom Forest 江山樾	131,773.8	452,380.0	452,380.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
ZHEJIANG REGION			
Cloud Metropolis 雲都會	132,701.0	467,684.9	271,685.4
Peach Creek Villa 桃溪雲廬	25,475	61,679.8	15,576.5
Glory Joy Palace 耀悦雲庭	78,512.0	241,627.7	241,627.7
Lagoon Palace 潭影雲廬	82,512.2	113,512.2	113,512.2
Hanru Pavilion 翰如府	30,894.0	98,201.4	98,201.4
Fenghua Garden 峰華苑	64,011.0	163,058.4	163,058.4

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
JIANGSU REGION			
Peaceful Sea 靜海府	56,499.6	108,074.0	22,608.3
Riviera One 環頤灣	223,245.0	645,806.7	494,486.2
Jade Grand Mansion 璞悅新邸	41,533.0	126,600.9	126,600.9
Violet Mist Land 紫雲朗境	88,043.0	244,037.1	244,037.1
Leisure's Mansion (Chuzhou) 君逸府 (滁州)	199,538.0	515,389.9	515,389.9
Time Spring Palace 時光汎樾	57,962.0	144,394.0	144,394.0
Yanshan Impression 燕山映	61,021.0	163,483.6	163,483.6
Phoenix Isle 鳳嶼山河	102,511.2	185,928.8	185,928.8
Leisure's Mansion (Wuxi) 君逸府 (無錫)	16,402.8	37,171.5	37,171.5

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
SHANDONG REGION			
Bluelake County 瀾湖郡	68,066.0	256,658.6	1,739.0
Royal Family 君御世家	30,682.0	131,919.7	18,516.7
Imperial Mansion 君御華府	44,966.0	125,742.3	8,202.4
Redco Visionary 力高未來城一期	90,616.9	311,327.2	25,630.1
Redco Visionary II 力高未來城二期	236,992.1	607,995.8	395,306.3
Spring Villa 雍泉府	268,113.0	596,669.4	370,150.3
Jiyang II 濟陽大二期	166,967.4	389,510.0	389,510.0
Grand Mansion 君悅首府	60,940.0	175,440.0	175,440.0
Leisure's Mansion 君逸府	34,290.0	111,702.9	50,884.7

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	93,512.7	6,593.3
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	34,388.3	1,292.9
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,358.2	2,897.5
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,814.7	92,706.4
Sunshine Coast - Phase V 陽光海岸－第五期	99,194.0	199,574.0	68,047.6
Sunshine Coast - Phase VI 陽光海岸—第六期	60,578.0	286,042.0	286,042.0
Sunshine Coast - Phase VII 陽光海岸—第七期	50,954.0	267,967.0	267,967.0
Cathay Palace 泰和府	57,991.0	182,230.0	96,061.1
Imperial Mansion 瑞璽公館	100,511.8	279,024.0	279,024.0
Delight Mansion 清悅華府	133,352.0	375,577.5	375,577.5
Visionary B2 Lot 未來城B2部分地塊	10,734.0	50,489.0	50,489.0
Visionary A7 Lot 未來城A7部分地塊	23,651.0	75,335.0	75,335.0
Leisure's Mansion 君逸府	39,000.0	74,894.5	74,894.5

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
ANHUI REGION			
Mix Kingdom Redco 力高 • 共和城	395,596.4	823,818.0	65,787.5
Prince Royal Family 君御世家	88,025.5	300,887.9	26,648.8
Royal International 君御國際	43,873.0	114,894.0	14,025.4
Bluelake City 瀾湖前城	76,058.8	229,941.8	34,162.6
Majestic Residence 天悦府	67,931.0	198,138.0	55,159.5
Huaan Southern City 南華安城	165,601.7	496,943.5	496,943.5
Cloud Terrace 雲湖印	47,925.5	130,636.2	42,884.5
Royal Universe 君御天下	83,478.3	147,308.9	16,531.5
Leisure's Mansion (Hefei) 君逸府 (合肥)	47,098.0	123,142.0	38,353.6
Zhengwu Future 政務未來	61,873.3	194,654.0	194,654.0
Leisure's Mansion (Fuyang) 君逸府 (阜陽)	107,513.0	217,286.0	217,286.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
HUBEI REGION			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	82,083.6
Redco Majestic Residence 力高天悦府一期	53,392.4	198,071.9	52,674.7
Redco Majestic Residence II 力高天悦府二期	42,512.8	157,435.2	157,435.2
Yangxin Causeway Bay Plaza 陽新銅鑼灣廣場	161,064.9	485,260.3	485,260.3
SHAANXI REGION			
Royal City - Phase I 御景灣- 第一期	69,466.8	205,541.0	4,490.6
Majestic Mansion 天悦華府	88,319.8	171,000.0	69,193.3
Royal Redco 力高君樾	46,855.5	90,131.7	90,131.7
GUANGDONG REGION			
Royal International 力高君御花園	33,035.3	138,833.9	11,271.4
Royal Family 君御世家	30,819.6	90,493.7	2,516.6
Bluelake Landmark 瀾湖峯景	28,113.0	69,275.2	13,355.1
Center Mansion 君熙府	17,428.0	74,617.7	10,819.9

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Royal Mansion 君譽府	13,611.1	36,217.4	23,092.1
Bluelake Mansion 瀾湖公館	12,543.8	41,452.0	41,452.0
Sky Palace 雲築花園	48,179.0	220,954.9	153,698.3
Sky Terrace 雲峰閣	27,820.0	85,791.7	85,791.7
Huizhou Leisure's Mansion 惠州君逸府	24,956.0	100,123.0	41,719.4
Blissful Bay 悅環灣	71,946.0	258,947.2	217,044.1
Jiangmen Leisure's Mansion 江門君逸府	65,359.0	228,798.2	198,799.6
Riverside One 濱湖壹號	340,175.6	969,560.0	969,560.0
Zengcheng Project 增城項目	29,306.0	153,177.0	153,177.0
Eco Garden 頤尚嘉園	51,714.1	193,458.0	193,458.0
Pearl Mira 印玥萬環	74,745.9	246,418.0	246,418.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
FUJIAN REGION			
Bayview 觀悅灣	18,306.0	53,034.1	3,152.8
Enjoy Peak 悅峰臺	13,336.0	58,647.7	9,873.2
Leisure's Mansion 君逸府	40,279.0	151,406.0	13,804.8
Mount Yuelan 越瀾山	186,656	518,725.2	518,725.2
Royal Central 君譽中央	15,376.0	48,596.1	5,054.6
Emperor Palace 君樽府	30,108.0	70,182.2	70,182.2
Qianxihui Square 仟喜薈廣場	154,359.1	473,504.5	473,504.5
TOTAL			<u>15,920,640.2</u>

1. Information for “site area” is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).
2. “Total GFA” is based on surveying reports, construction works commencement permits and/or construction works planning permits or the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.
3. “Total GFA under various stages of development remaining unsold” includes the GFA of the completed projects remaining unsold, GFA of projects under development and the GFA of projects for future development.

Financial Review

Revenue

Revenue for the year ended 31 December 2022 decreased by 8.63% to RMB18,636.4 million from RMB20,396 million for the year ended 31 December 2021.

Such decrease was mainly attributable to the decrease in the recognised average selling price (the “ASP”) for the properties delivered in the year ended 31 December 2022. The ASP for the properties delivered decreased to RMB7,204 per sq.m. for the year ended 31 December 2022 from RMB8,221 per sq.m. for the year ended 31 December 2021.

The following table sets out a breakdown of the Group’s revenue, GFA delivered and recognised ASP by geographical segments for the years indicated:

	For the year ended 31 December					
	2022	2021	2022	2021	2022	2021
	<i>Revenue</i> <i>(RMB'000)</i>		<i>GFA Delivered</i> <i>(sq. m.)</i>		<i>Recognised ASP</i> <i>(RMB per sq. m.)</i>	
Greater Western Taiwan Straits						
Economic Zone	7,485,793	11,266,317	949,815	1,304,969	7,881	8,633
Central and Western Regions	5,176,145	6,344,803	872,581	821,828	5,932	7,720
Bohai Economic Rim	4,175,674	1,937,630	545,225	241,551	7,659	8,022
Greater Bay Area	1,360,854	462,930	158,661	65,971	8,577	7,017
Others						
– Property management services and community value-added services	309,220	236,783	—	—	—	—
– Project management services	42,581	88,947	—	—	—	—
– Rental income	28,956	21,349	—	—	—	—
– Others	57,201	37,249	—	—	—	—
Total	<u>18,636,424</u>	<u>20,396,008</u>	<u>2,526,282</u>	<u>2,434,319</u>	<u>7,204</u>	<u>8,221</u>

A summary of the segment results is set forth below:

- Greater Western Taiwan Straits Economic Zone: segment revenue for the Greater Western Taiwan Straits Economic Zone decreased by 33.6% to RMB7,485.8 million for the year ended 31 December 2022 from RMB11,266.3 million for the year ended 31 December 2021. Such decrease was primarily attributable to the decrease in GFA delivered for Royal City, Riverside Glory and Leisure's Mansion in Jiangxi during the year ended 31 December 2022.
- Central and Western Regions: segment revenue for the Central and Western Regions decreased by 18.4% to RMB5,176.1 million for the year ended 31 December 2022 from RMB6,344.8 million for the year ended 31 December 2021. Such decrease was primarily attributable to the decrease in the GFA delivered for Cloud Metropolis in Zhejiang during the year ended 31 December 2022.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim increased by 115.5% to RMB4,175.6 million for the year ended 31 December 2022 from RMB1,937.6 million for the year ended 31 December 2021. Such increase was primarily due to the increase in the GFA delivered in Sunshine Coast in Shandong during the year ended 31 December 2022.
- Greater Bay Area: segment revenue for the Greater Bay Area increased by 194.0% to RMB1,360.9 million for the year ended 31 December 2022 from RMB462.9 million for the year ended 31 December 2021. Such increase was mainly due to the increase in GFA delivered for Huizhou Leisure's Mansion, Blissful Bay and Jiangmen Leisure's Mansion during the year ended 31 December 2022.
- Others: this segment mainly represents property management services, value-added services and community value-added services provided by Redco Healthy Living Company Limited ("**Redco Healthy**"), a subsidiary of the Group which was successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 2370) on 31 March 2022. The project management services income mainly refers to the income from the provision of acquisition advisory services and financing services to the Group's joint venture project companies.

Cost of sales

Cost of sales increased by 34.0% to RMB20,943.5 million for the year ended 31 December 2022 from RMB15,633.2 million for the year ended 31 December 2021. Such increase was primarily due to (i) the increase in GFA delivered to 2,526,282 sq.m. for the year ended 31 December 2022 from 2,434,318 sq.m. for the year ended 31 December 2021; (ii) the increase in construction cost to RMB 3,532.3 per sq.m. for the year ended 31 December 2022 from RMB3,117.4 per sq.m. for the year ended 31 December 2021; and (iii) the increase in impairment provision for property inventories of RMB2,336.4 million during the year ended 31 December 2022 due to the unfavourable macro market environment and the downturn of the real estate industry in the PRC.

Gross loss/profit

The Group turned from a gross profit of RMB4,762.8 million for the year ended 31 December 2021 to a gross loss of RMB2,307.0 million for the year ended 31 December 2022. The Group recorded a gross profit margin of 23.4% for the year ended 31 December 2021 and a gross loss margin of 12.4% for the year ended 31 December 2022. The turnaround from gross profit to gross loss was primarily attributable to (i) the decrease in ASP per sq.m. for the properties delivered; (ii) the increase in the construction cost per sq.m; and (iii) the increase in impairment provision for property inventories during the year ended 31 December 2022 due to the unfavourable macro market environment and the downturn of the real estate industry in the PRC.

Other income, gains/losses, net

The Group recorded other gains of RMB685.3 million for the year ended 31 December 2021 and other losses of RMB589.5 million for the year ended 31 December 2022, and the turnaround from net gains to net losses was mainly due to (i) the loss on disposal of subsidiaries of approximately RMB631.5 million during the year ended 31 December 2022; (ii) the decrease in the remeasurement gain on interests in investments accounted for using the equity method from RMB460.8 million for the year ended 31 December 2021 to RMB27.9 million for the year ended 31 December 2022; and (iii) the turnaround from a gain on disposal of investments accounted for using the equity method of RMB79.1 million for the year ended 31 December 2021 to a loss of RMB58.4 million for the year ended 31 December 2022.

Selling and marketing expenses

Selling and marketing expenses decreased by 28.9% to RMB760.3 million for the year ended 31 December 2022 from RMB1,069.4 million for the year ended 31 December 2021. Selling and marketing expenses mainly represent expenses incurred in the promotion of the Group's properties and the sales commission to the sales agents. Such decrease was mainly attributable to the decrease in the marketing promotion activities for the Group's projects and the decrease in the sales agency fees due to the decrease in contracted sales during the year ended 31 December 2022.

General and administrative expenses

General and administrative expenses decreased by 10.5% to RMB868.4 million for the year ended 31 December 2022 from RMB970.6 million for the year ended 31 December 2021. Such decrease was primarily due to the decrease in salary expenses, legal and consultancy expenses and office and travelling expenses because of the decrease in the number of projects located in different cities during the year ended 31 December 2022.

Decrease/increase in fair value of investment properties

There was an increase in fair value of RMB56.0 million for the year ended 31 December 2021 whereas there was a decrease in fair value of RMB357.4 million for the year ended 31 December 2022. The decrease in fair value of investment properties represents the decrease in the value on the commercial properties of The Phoenix- Phase II in Nanchang, Redco Visionary in Jinan, certain portion of the cultural park in Tianjin and the Redco Building in Shenzhen which were held for rental purpose.

Fair value gain on investment properties upon transfer from properties under development for sales

The fair value gain on investment properties upon transfer from properties under development for sales represented the valuation gain for the commercial properties of The Phoenix - Phase II in Nanchang and Redco Visionary in Jinan when it changed from properties under development for sales to investment properties during the year ended 31 December 2021. There was no such transfer during the year ended 31 December 2022.

Operating loss/profit

As a result of the foregoing, the Group recorded operating loss of approximately RMB5,453.7 million for the year ended 31 December 2022 as compared to operating profit of approximately RMB3,651.6 million for the year ended 31 December 2021.

Finance income

Finance income increased by 16.0% to approximately RMB274.4 million for year ended 31 December 2022 from approximately RMB236.5 million for the year ended 31 December 2021. Such increase was primarily attributable to the gain on repurchase of senior notes of approximately RMB203.9 million during the year ended 31 December 2022.

Finance costs

Finance costs increased by 230.8% to approximately RMB64.5 million for the year ended 31 December 2022 from approximately RMB19.5 million for the year ended 31 December 2021. Such increase was mainly due to the decrease in interest expense which was eligible to be capitalised to projects under development during the year ended 31 December 2022.

Share of loss of investments accounted for using the equity method, net

Share of loss of investments accounted for using the equity method, net increased to approximately RMB206.3 million for the year ended 31 December 2022 from approximately RMB11.8 million for the year ended 31 December 2021, which was mainly due to the share of impairment loss for the Hanru Pavilion Project.

Loss/profit before income tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately RMB5,450.2 million for the year ended 31 December 2022 as compared with a profit before income tax of approximately RMB3,856.9 million for the year ended 31 December 2021.

Income tax expense

Income tax expense decreased by 74.2% to RMB345.9 million for the year ended 31 December 2022 from RMB1,342.3 million for the year ended 31 December 2021. Such decrease was primarily due to the decrease in profit recorded by the Group during the year ended 31 December 2022.

Loss/profit for the year

As a result of the foregoing, the Group recorded a loss for the year of approximately RMB5,796.1 million for the year ended 31 December 2022 as compared with profit for the year of approximately RMB2,514.5 million for the year ended 31 December 2021. The turnaround from profit to loss was mainly attributable to the losses recorded in the Greater Western Taiwan Straits Economic Zone of RMB1,572.4 million, in the Central and Western Regions of RMB2,383.0 million, and in the Bohai Economic Rim of RMB1,505.2 million during the year ended 31 December 2022.

Loss/profit for the year attributable to owners of the Company and non-controlling interests

Profit for the year attributable to owners of the Company decreased from RMB884.0 million for the year ended 31 December 2021 to a loss of RMB4,762.8 million for the year ended 31 December 2022. Profit attributable to non-controlling interests decreased from RMB1,630.6 million for the year ended 31 December 2021 to a loss of RMB1,033.3 million for the year ended 31 December 2022.

The turnaround from profit attributable to owners of the Company and non-controlling interests to loss attributable to owners of the Company and non-controlling interests for the year ended 31 December 2022 was mainly attributable to: (i) the decrease in gross profit derived from property projects of the Group caused by, among others, the increase in provision for property inventories during the year ended 31 December 2022 due to the unfavourable macro market environment and the downturn of the real estate industry in the PRC; (ii) a loss on disposal of subsidiaries of approximately RMB631.5 million recorded for the year ended 31 December 2022 as compared to a gain on disposal of subsidiaries of RMB30.8 million recorded for the year ended 31 December 2021; (iii) the fair value gain on investment properties of approximately RMB56.0 million recorded during the year ended 31 December 2021 as compared to a fair value loss on investment properties of approximately RMB357.0 million recorded during the year ended 31 December 2022; and (iv) the increase in provision for impairment losses on financial assets and contract assets from approximately RMB7.5 million for the year ended 31 December 2021 to approximately RMB571.0 million for the year ended 31 December 2022.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB1,896.5 million (31 December 2021: RMB7,534.2 million) and restricted cash of RMB3,706.8 million (31 December 2021: RMB3,322.8 million) as at 31 December 2022. As at 31 December 2022, the Group's cash and cash equivalents were mainly denominated in RMB and United States dollar ("US\$").

Borrowings

As at 31 December 2022, the Group had borrowings of approximately RMB16,232.5 million (31 December 2021: RMB19,443.8 million) which were denominated in RMB, US\$ and HK\$.

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank and other borrowings comprise:		
– Senior notes, including accrued interests	6,861,218	6,709,272
– Bank borrowings	9,371,284	12,734,564
	<u>16,232,502</u>	<u>19,443,836</u>
The carrying amounts of bank and other borrowings based on scheduled repayment dates set out in the loan agreements		
Within one year or demand	12,674,851	9,813,084
More than one year, but not more than two years	2,475,166	6,518,710
More than two years, but not more than five years	881,898	3,112,042
More than five years	200,587	—
	<u>16,232,502</u>	<u>19,443,836</u>
The carrying amounts of bank and other borrowings that become immediately due and payable due to breach of loan covenants and/or contain a repayment on demand clause which was shown under current liabilities	<u>(15,220,491)</u>	<u>(9,822,353)</u>
Amounts shown under non-current liabilities	<u>1,012,011</u>	<u>9,621,483</u>
Analysed as:		
– Fixed-rates bank and other borrowings	9,979,941	11,552,752
– Variable-rates bank and other borrowings	6,252,561	7,891,084
	<u>16,232,502</u>	<u>19,443,836</u>
Analysed as:		
– Secured	16,214,150	18,786,826
– Unsecured	18,352	657,010
	<u>16,232,502</u>	<u>19,443,836</u>

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts of borrowings that are repayable:		
– Within 1 year	12,674,851	9,813,084
– Between 1 and 2 years	2,475,166	6,518,710
– Between 2 and 5 years	881,898	3,112,042
– More than 5 years	200,587	—
	<u>16,232,502</u>	<u>19,443,836</u>
Total borrowings	<u>16,232,502</u>	<u>19,443,836</u>

The carrying amounts of the Group's bank borrowings approximate their fair values as the impact of discounting is not significant or the borrowings carrying floating rate of interests that are at market rate.

Other performance indicators

Net debt to equity ratio

As at 31 December 2022, the Group's net debt to equity ratio was 185% (31 December 2021: 53%). It is calculated as net debt divided by total equity. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalents and restricted cash). Total equity is as shown in the condensed consolidated balance sheet.

Net current assets and current ratio

As at 31 December 2022, the Group's net current assets amounted to approximately RMB2,735.9 million (31 December 2021: RMB21,911.7 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.05 times as at 31 December 2022 (31 December 2021: 1.36 times).

Cost of borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses incurred, including interest capitalised by average borrowings during this period) decreased to 9.60% for the year ended 31 December 2022 from 9.71% for the year ended 31 December 2021.

Contingent liabilities

The Group had the following financial guarantees on mortgage facilities as at the dates below:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>15,448,377</u>	<u>11,427,242</u>

The Group arranges bank financing for certain purchasers of the Group's properties and provided guarantees to secure the repayment obligations of such purchasers. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificates to the purchasers which will generally occur within the period ranging from six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of the terms of the mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is obliged to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantee period starts from the date of the grant of the relevant mortgage. The Directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

There were certain corporate guarantees provided by the Group's subsidiaries for each other's borrowings as at 31 December 2022. The Directors consider that the subsidiaries have sufficient financial resources to fulfil their obligations.

As at 31 December 2022, there were also certain corporate guarantees provided by the Group to its joint ventures and associates and third parties in respect of their borrowings and the maximum exposure of the guarantees was RMB1,331,772,000.

Others

On 29 December 2020, the Company provided a third party with guarantee in respect of its borrowing amounting to US\$75,000,000 (equivalent to approximately RMB519,231,000). The maximum guarantee exposure represents the total amount of liability should all borrowers under financial guarantee contracts default. With reference to valuation carried out by an independent qualified professional valuer, the Directors are of the view that the fair value of this financial guarantee, as at dates of initial recognition, was considered insignificant. As at 31 December 2022, with reference to valuation carried out by the independent qualified professional valuer, the Directors have performed assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts and thus, no loss allowance was recognised in the profit or loss during the two years ended 31 December 2021 and 2022, respectively.

Save as disclosed above, the Group and the Company had no other significant financial guarantees as at 31 December 2022 and 31 December 2021.

Save as disclosed above, the Group had no other significant contingent liabilities as at 31 December 2022.

Employees and remuneration policies

As at 31 December 2022, the Group had 3,635 employees (31 December 2021: 3,620 employees). For the year ended 31 December 2022, the remuneration of the Group's employees (including Directors' emoluments) amounted to approximately RMB715.6 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted a share option scheme on 14 January 2014. Further information of such share option scheme will be disclosed in the annual report of the Company for the year ended 31 December 2022. The Company provided on-the-job training, induction courses together with other training programmes for the employees at different levels to raise their professionalism during the year ended 31 December 2022.

Charge on assets

As at 31 December 2022, the Group had aggregate banking facilities of approximately RMB19,461.5 million (31 December 2021: RMB23,382.4 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2022 amounted to RMB3,229.0 million (31 December 2021: RMB3,938.5 million).

These facilities were secured by bank deposits, certain properties under development held for sales provided by the Group's subsidiaries, the Group's equity interests in certain subsidiaries and corporate guarantee.

Significant investments held, material acquisitions and disposals of subsidiaries and associated companies

References are made to the announcements of the Company dated 9 June 2021, 7 March 2022, 10 March 2022, 18 March 2022, 22 March 2022, 30 March 2022 and 31 March 2022 in relation to the spin-off and listing of the shares of the Company's subsidiary, Redco Healthy, on the Main Board of the Stock Exchange at a final offer price of HK\$4.10 per share of Redco Healthy.

On 9 June 2021, the Company proposed to spin-off Redco Healthy by way of the global offering and a separate listing of the ordinary shares of Redco Healthy on the Main Board of the Stock Exchange (the “**Spin-off**”). Redco Healthy published the prospectus on 22 March 2022 and dealings in its shares had commenced on 31 March 2022.

The Spin-off constituted a deemed disposal of interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. The highest applicable percentage ratio in respect of the Spin-off was less than 5% and did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Save as disclosed, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2022.

Future plans for material investments or capital assets

The Company did not have any plans of significant investments or capital assets as at 31 December 2022.

Important events affecting the Group after 31 December 2022

As a result of the Incidents (as detailed under note 2(b) to the consolidated financial statements in this announcement), the Group was unable to publish its annual results for the two years ended 31 December 2023 and interim results for the six months ended 30 June 2023. The trading of the Company's shares have been suspended since 29 March 2023. In view of, among others, the Incidents and the delay in publication of the financial results of the Group, the Stock Exchange has provided certain resumption guidance (the “**Resumption Guidance**”) on the Group for the purpose of the resumption of trading of the Company's shares, which included (among others) conducting a forensic investigation and announcing the investigation findings. On 31 January 2024, the Company announced the findings of such investigation. Currently, the Company is in the process of fulfilling other conditions under the Resumption Guidance. Details of the above matters are disclosed in the Company's announcements dated 29 March 2023, 31 March 2023, 31 May 2023, 30 June 2023, 25 July 2023, 31 August 2023, 28 September 2023, 29 December 2023, 31 January 2024 and 28 March 2024.

Since 31 December 2022 and up to the date of this announcement, the downturn in the real estate industry in the PRC has had an impact on the Group's going concern assessment as detailed in the note 2 to the consolidated financial statements contained in this announcement.

2023 OUTLOOK

Although the macro economic environment remains complex and uncertain, the PRC economy is expected to recover from the impacts of the COVID-19 pandemic with the support of a series of positive policies. According to the Central Economic Working Conference, throughout 2023, China will insist on the general work principle of “seeking improvement in stability”, effectively prevent and resolve material risks, promote turnaround of the economy as a whole, and realise effective improvement in quality and reasonable increase in quantity.

To promote a virtuous circle and healthy development of the property industry in the PRC, the local governments in the PRC have issued various policies to decrease the down payments, reduce the interest rates and relax purchase limitation, with maximum intensity and times of regulation and control in history. Meanwhile, for many times, the PRC Central Government pointed out that private enterprises development shall be encouraged and supported and supporting policies such as “Sixteen Financial Articles (金融十六條)” shall be carried out gradually. The Group believes that, with consecutive promulgation and implementation of more supportive policies, the property industry will gradually gain access to a new track of healthy development and operation.

In 2023, the Group will focus on two targets namely, risk prevention and control, and long-term development, and strive to maintain operational stability, implement full and fine management and continue to keep its primary focus on ensuring delivery of properties. The Group will also take active steps in its offshore indebtedness restructuring with a view to formulating reasonable and all-rounded resolutions in order to safeguard the interests of all stakeholders. Meanwhile, the Group will take initiative to grasp new development opportunities. It is believed that under the support of various parties and effort of all the employees, the Group could conquer difficulties, grow with stronger resilience, and continuously create value and move steadily in the development road of health, high quality and sustainability.

FURTHER REPURCHASE OF SENIOR NOTES

Reference is made to the announcement of the Company and 6 January 2022. The Company has made further repurchase of the 8% senior notes due 2022 (ISIN: XS2331603774) issued by the Company (the “**2022 Note I**”) in the principal amount of US\$10,500,000, representing 3.68% of the aggregate principal amount of the 2022 Notes I originally issued.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming annual general meetings of the Company for the years ended 31 December 2022 (the “**2022 AGM**”) and 31 December 2023 (the “**2023 AGM**”) to be convened and held on Friday, 28 June 2024, the register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, both days inclusive. In order to qualify for attending and voting at the 2022 AGM and 2023 AGM, all transfer documents should be lodged for registration with Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712– 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24 June 2024.

CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions as set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules in force during the year ended 31 December 2022 (i.e. the new Appendix C1 to the Listing Rules with effect from 31 December 2023) for the year ended 31 December 2022.

In 2023, in view of the Incidents and the Resumption Guidance, the Company engaged a professional party to conduct a review on its internal control system. As of the date of this announcement, the review is still ongoing and the Company will publish the internal control findings in due course after the review has been completed.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining and improving a high standard of corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules in force during the year ended 31 December 2022 (i.e. the new Appendix C3 to the Listing Rules with effect from 31 December 2023) (the “**Model Code**”). Upon specific enquiries, all the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2022.

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

- (i) Reference is made to the announcements of the Company dated 14 March 2022, 18 March 2022, 23 March 2022 and 25 March 2022 (the “**OTP Announcements**”) in relation to, among other matters, the offer to purchase made by the Company (the “**OTP**”) with respect to the April 2021 Notes, May 2020 Notes and August 2020 Notes issued by the Company. Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those defined in the OTP Announcements. On 22 March 2022, US\$184,944,000 of the April 2021 Notes, representing approximately 93.89% of the aggregate outstanding principal amount of the April 2021 Notes, had been validly tendered and accepted for purchase pursuant to the OTP.

On 25 March 2022, all the conditions precedent to the OTP with respect to the April 2021 Notes had been fulfilled and the OTP with respect to the April 2021 Notes had been completed. The aggregate April 2021 Notes Consideration Price was settled by way of (i) a cash payment in the total amount of US\$1,849,440 as the April 2021 Notes Cash Consideration, (ii) an issue of US\$184,944,000 of the March 2023 I New Notes, and (iii) capitalisation of interest in the total amount of US\$6,657,984 as Capitalised Interest, resulting in the issue of a total principal amount of US\$191,601,984 of March 2023 I New Notes to Eligible Holders who had validly tendered their April 2021 Notes pursuant to the OTP.

The March 2023 I New Notes was listed on Singapore Exchange Securities Trading Limited and due on 25 March 2023. US\$184,944,000 of the April 2021 Notes validly tendered and accepted pursuant to the OTP had been cancelled.

- (ii) On 30 March 2022, (i) US\$262,288,000 of the August 2020 Notes representing approximately 85.94% of the aggregate outstanding principal amount of the August 2020 Notes, and (ii) US\$146,720,000 of the May 2020 Notes, representing approximately 97.81% of the aggregate outstanding principal amount of the May 2020 Notes, had been validly tendered and accepted for purchase pursuant to the OTP.

On 8 April 2022, all the conditions precedent to the OTP with respect to the August 2020 Notes and May 2020 Notes had been fulfilled and the OTP with respect to the August 2020 Notes and May 2020 Notes was completed.

The aggregate August 2020 Notes Consideration Price was settled by way of (i) a cash payment in the total amount of US\$2,622,880 as the August 2020 Notes Cash Consideration, (ii) an issue of US\$262,288,000 of the August 2023 New Notes, and (iii) capitalisation of interest in the total amount of US\$4,968,792 as Capitalised Interest, resulting in the issue of a total principal amount of US\$267,256,792 of the August 2023 New Notes to Eligible Holders who had validly tendered their August 2020 Notes pursuant to the OTP. The August 2023 New Notes (ISIN:XS2459381104) was listed on Singapore Exchange Securities Trading Limited and due on 6 August 2023. US\$262,288,000 of the August 2020 Notes validly tendered and accepted pursuant to the OTP had been cancelled.

The aggregate May 2020 Notes Consideration Price was settled by way of (i) a cash payment in the total amount of US\$1,467,200 as the May 2020 Notes Cash Consideration, (ii) an issue of US\$146,720,000 of March 2023 II New Notes, and (iii) capitalisation of interest in the total amount of US\$6,940,649 as Capitalised Interest, resulting in the issue of a total principal amount of US\$153,660,649 of the March 2023 II New Notes to Eligible Holders who had validly tendered their May 2020 Notes pursuant to the OTP. The March 2023 II New Notes (ISIN:XS2459381443) was listed on Singapore Exchange Securities Trading Limited and due on 27 May 2023. US\$146,720,000 of the May 2020 Notes validly tendered and accepted pursuant to the OTP had been cancelled.

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2022.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely, Mr. Chau On Ta Yuen SBS, BBS, Dr. Tam Kam Kau GBS, SBS, JP and Mr. Yip Tai Him, with Mr. Yip Tai Him being the chairman of the Audit Committee. The Audit Committee has reviewed the annual results for the year ended 31 December 2022.

CHANGE OF AUDITOR

PricewaterhouseCoopers (“**PwC**”) has tendered its resignation as the auditor of the Company with effect from 30 June 2023. The Board resolved to appoint Yongtuo Fuson CPA Limited (“**Yongtuo Fuson**”) as the new auditor of the Company to fill the causal vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company. For details, please refer to the announcements of the Company dated 30 June 2023 and 25 July 2023.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditor, Yongtuo Fuson, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Yongtuo Fuson in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Yongtuo Fuson on the preliminary announcement.

EXTRACT FROM INDEPENDENT AUDITOR’S REPORT

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

“Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significant of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As described in note 2(a) to the consolidated financial statements, for the year ended 31 December 2022, the Group incurred a net loss attributable to the owners of the Company of approximately RMB4,762,787,000. In addition, as at 31 December 2022, the Group’s total bank and other borrowings amounted to approximately RMB16,232,502,000 and out of which, an amount of the Group’s bank and other borrowings of approximately RMB15,220,491,000 would fall due and be repayable within one year, while its cash and cash equivalents amounted to approximately RMB1,855,925,000 only.

Furthermore, as at 31 December 2022, the Group’s bank and other borrowings amounting to approximately RMB361,154,000 were defaulted due to overdue payment of principal and/or interest. Such event of default also resulted in cross-default of bank and other borrowings, including principal and interest amounting to approximately RMB12,303,340,000 at the same date.

These conditions, together with other matters described in note 2(a) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of measures and plans to improve the Group's liquidity and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position, which are set out in note 2(a) to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures and plans, which are subject to multiple uncertainties, including:

- (i) the successful execution and completion in restructuring and refinancing of the Group's existing outstanding bank and other borrowings, to revise the key terms and conditions of the original facility agreements and to extend the principal and interest payment schedules;
- (ii) the successful execution and completion in obtaining additional and new sources of financing from existing and new lenders and creditors as and when needed to meet its operational need and financial obligations and also to secure funds for its existing and new development projects;
- (iii) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development for sales and completed properties held for sales, to speed up the collection of outstanding sales proceeds and contract assets and to collect progress payment from customers in respect of the property sales and pre-sales;
- (iv) the Group's ability to successfully obtain support from its major subcontractors and suppliers so as to complete in completing the construction progress as scheduled; and

- (v) the successful execution and implementation of the plans in controlling costs and containing capital expenditure so as to improve its cash position and generate greater positive cash inflows from its operations and businesses in the near future.

The Group's ability to obtain the abovementioned financing and operating funds depends on:

- (i) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; and (ii) whether the lenders and creditors of existing bank and other borrowings are agreeable to the terms and conditions for such extension or renewal and the Group's ability to continuously comply with the relevant terms and conditions of bank and other borrowings.

As a result of the abovementioned multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we are unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the abovementioned measures and plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might 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 these consolidated financial statements.”

PUBLICATION OF THE 2022 ANNUAL RESULTS ANNOUNCEMENT AND 2022 ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Redco Properties Group Limited
Wong Yeuk Hung
Chairman

Hong Kong, 24 April 2024

As at the date of this announcement, the executive directors of the Company are Mr. Wong Yeuk Hung JP, Mr. Huang Ruoqing and Mr. Tang Chengyong; and the independent non-executive directors of the Company are Mr. Chau On Ta Yuen SBS,BBS, Dr. Tam Kam Kau GBS, SBS, JP and Mr. Yip Tai Him.