廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

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

(Stock code: 2777)

2021 AUDITED ANNUAL RESULTS ANNOUNCEMENT

Reference is made to the announcement of Guangzhou R&F Properties Co., Ltd. (the "Company" or "R&F", together with its subsidiaries, the "Group") dated 31 March 2022 in relation to the unaudited annual results of the Group for the year ended 31 December 2021. The board of directors of the Company (the "Board") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2021. The annual results have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

In reviewing the last 12-month that passed, financial year 2021 was unprecedented in terms of challenges brought on by persistent COVID-19 pandemic, macroeconomic policies and financial difficulties surfacing at companies, leading to financial distress and significant reduction of liquidity. The turbulent operating conditions have made it difficult for management to adopt a long-term and consistent strategy as operating conditions became increasingly more difficult as the year progressed. Credit defaults from private and public corporates emerged late in 2020, have raised concerns and negative sentiment from commercial banks, investors, and consumers that typically would not be one-dimensional across the property sector. Commercial banks grew increasingly risk adverse as they began raising restricted deposits to secure any available liquidity from pre-sales against loans extended. Commercial banks were also more cautious when extending new project loans and credit limits, the net effect being a reduction of loans provided. From an investors' perspective who historically invested risk in return for a steady interest income stream, were now withdrawing capital as principal repayments became uncertain. On the consumers' side, buyers' demand for property purchases remained strong, but factors such as economic uncertainty, job security, mortgage risk, and developer defaults impacted overall pre-sale levels as consumers adopted a wait-and-see attitude. All the above factors impacted the overall operating environment for the Group and peers throughout 2021. The result of these impacts has led to a deterioration in financial results and difficulty in financial management. The Group's strategy in 2021 had to quickly adopt to market conditions by seeking alternative funding sources, accept compromises in pre-sales profitability, and accelerate asset sales, the latter of which has been particularly successful over the past 12-month. The ability to source alternative liquidity channels has been paramount to allow the Group to continue to mitigate financial risk, lower total indebtedness and improve overall financial leverage.

PRIMARY FOCUS ON LIQUIDITY AND REDUCING FINANCIAL LEVERAGE

With the introduction of guidance for China's property developers to adhere to financial credit metrics that govern borrowing limits, the Three Red Lines, the Group has been actively reducing its absolute levels of debt at an unprecedented pace that in turn has significantly reduced financial leverage ratios. The reduction of liabilities in 2021 has been consistent with the Group's strategy over the past years to improve overall financial risk by redeeming absolute total liabilities and reducing reliance on high cost short-term financing. At the end of 2019, the Group's total borrowing was RMB197.1 billion, and net debt to equity ratio was 199%. Over the last two financial years, the Group's borrowing has been reduced significantly to RMB128.8 billion, as at 31 December 2021, or a significant reduction of 35%. Total borrowing in 2021 fell by RMB30.9 billion, or 19%, and net debt to equity ratio of 130%. The significant reduction in absolute amount of borrowing has been a result the Group's constant effort to adopt a stringent liquidity management, reduced capital expenditures, and execute on asset sales which is expected to continue in 2022.

ACCELERATED ASSET SALES STRATEGY

A strategy successfully executed in 2021 was asset disposals. The scale and pace of asset sales was unprecedented and testament to management's commitment to adjusting its strategy according to market conditions. In 2021, asset sales provided a significant amount of liquidity despite uncertainty of completion and being able to agree commercial. Amidst negative market backdrop and seller liquidity risk, asset sales tended to favour buyer terms. However, the Group completed two major transactions in 2021 that delivered significant liquidity at terms in line with market, demonstrating the asset quality still within the Group.

One of the major asset disposals occurred in December where the Group disposed of its' remaining 30% interest in Guangzhou International Airport R&F Integrated Logistics Park to the initial purchasers, Blackstone Group. As the original purchase was within 12-month, the amalgamation of the initial purchase implied a 100% sale of the asset for RMB7.3 billion. The assets are in Huadong County, Huadu District, Guangzhou. The project covers a total area of 1,470 mu, with a planned total construction area of over 1.2 million sq.m.. Approximately 889,820 sq.m. of rentable area of high-standard warehouses, plants and cold storage are currently completed, and there are also completed supporting facilities, and a net undeveloped land area for warehouse is about 210 mu.

The scale of the logistics park sale was a landmark transaction in terms of asset type and valuation, demonstrating the quality investment assets within the Group that can be monetised. The successful completion under current market conditions is testament to the Group's commitment to monetising non-core assets to enhance liquidity. The Group will continue to explore other non-core assets to dispose of over the next 12-month to extract maximum value.

FINANCIAL SUPPORT AND COMMITMENT FROM MAJOR SHAREHOLDERS

As available liquidity was scarce and market access to new financing significantly reduced, the Group sought access to other sources of capital. Whilst asset sales was key in 2021, the Group's major shareholders made undisputable commitments to supporting the Group by injecting additional capital to repay debt maturities and working capital. On 20 September, the Group publicly announced that it was to receive financial support from major shareholders, Dr. Li Sze Lim and Mr. Zhang Li, each being an executive director and substantial shareholder of the Group, of approximately HKD8.0 billion collectively on an interest-free basis. Although historically the major shareholders have provided financial support to the Group, the size and timing was more significant when taking into the account the absence of financial liquidity and backdrop of corporate defaults and deteriorating operating conditions, without which, the Group would have not been able to meet significant liquidity requirements in 2021.

PRUDENT MANAGEMENT OF OPERATING LIQUIDITY AND CONSERVATIVE LAND BANKING TO OFFSET DETERIORATION IN PRE-SALES

Similar to recent years, 2021 capital expenditure has declined steadily, in line with availability of liquidity and market conditions. Any available liquidity has been directed to construction capital expenditure for completion, delivery and increasing the saleable resources to generate future operating cashflow. In 2021, total capital expenditure for new land was only RMB3.0 billion, a decrease of 80% versus 2020. Despite a scaling down of capital expenditure on new land bank, the Group still has significant land bank for development of 49.97 million sq.m. of total saleable area, sufficient for the next few years. The abundant land bank resources available is also expected to generate RMB713.1 billion of saleable resources in coming years.

BUSINESS HIGHLIGHTS OF 2021

Due to unfavourable operating environments, the Group recorded lower financial results in 2021, primarily as market sentiment and operating conditions saw a sharp decline across all aspects of the sector. As generating liquidity was the primary focus, the Group had to make profitability sacrifices and focus on selling properties where demand was still strong despite poor market conditions. In 2021, total gross contracted sales were RMB120.2 billion, equating to 9.41 million sq.m. of GFA. Total revenue declined to RMB76.2 billion, comprising of 8.31 million sq.m. of GFA recognised at an average selling price of RMB8,300 per sq.m.. Due to lower ASPs recognised and one-time write-off in inventory, gross profit margins decreased, and after taking into account higher operating expenses, the Group recorded a net loss during the year. Whilst 2021 results did not reflect a normal operating trend, the Group continues to strive for robust financials as it navigates liquidity over profitability in the short-term as the sector continues to weather volatile operating conditions due to evolving policies and ongoing pandemic.

In 2021, another consequence of deteriorating market conditions is asset valuations experienced negative adjustments in value as there was uncertainty over an ability to monetise property at current selling prices. This adjustment was reflecting in inventory and financial assets owned by the Group whereby there was a one-time write-down of asset value of around RMB15 billion which affected earnings. As conditions begin to stabilise and slowly return to normal, we would not expect a further deterioration of asset value experienced over the past 12-month in 2022. Furthermore, as market conditions see selling prices recover, the Group will be able to release gains to offset valuation write-downs in inventory.

THE OUTLOOK FOR 2022

CONTINUE TO NAVIGATE OPERATING UNCERTAINTY

Pre-sales in the first quarter did not see a meaningful recovery despite policy makers restating their goal to maintain a steady and healthy property sector. China's Central Governments' approach for the property sector adopted a slightly different tone with an emphasis more on stability, a broad statement that included property development for living and not speculation, corporates addressing debt obligations in an orderly manner, and maintaining an orderly banking system and social responsibility that have historically supported or relied on China's property sector. Despite the stable policy reassurance, operating environments are expected to remain difficult in the near-term to allow time for the sector to adjust accordingly and manage abrupt changes in financial. However, we expect that the second half of 2022 will be more constructive with steady pick up in pre-sales and orderly financial management as the property sector will remain a key component of China's growth strategy.

To overcome potential volatilities in operating conditions, the Group will focus on pre-sales of properties as the primary driver to generating liquidity to maintain steady operating cash flows. During 2022, the Group has over 200 projects for pre-sale with expected RMB220 billion of saleable resources. With abundant land bank available for development, the Group will look to continue to replenish saleable resources to maintain a steady and healthy growth profile in the coming years.

CONTINUE TO EXECUTE NON-CORE ASSET SALE STRATEGY

Whilst market conditions in 2021 were difficult, the Group managed to complete several notable landmark transactions, providing market confidence the Group was committed to dispose of non-core assets in favour of immediate liquidity when most needed. The Group still retains a sizeable portfolio of investment properties and hotel portfolio with considerable asset value whereby strategic disposals can extract sizeable funds for deployment to reducing liabilities and support the Group's sustainable property development. In 2022, the Group has also disposed of non-core assets overseas through block sales and accelerated pre-sale plans for overseas development projects with the intention of applying capital for reducing liabilities and replenishing working capital. As market prices begin to normalise, and buyer and seller expectations' gaps narrow, the Group expects the ability to close more assets sales can be achieved in 2022 to provide an additional source of capital.

ACKNOWLEDGEMENTS

We are all facing unprecedented times brought on by the pandemic over the past few years, reducing travel and creating unexpected barriers that otherwise would have been broken down though face-to-face communication and direct dialogue. In terms of China's property sector, our peers and we have been forced to quickly adjust to sudden changes in market and financing conditions that have been relied on for decades. Amidst challenges facing our sector and external factors, our management and staff have endured long periods of stress, demanding endless commitment to stay focused on overall goals, whilst keeping near-term obligations in check, and for that, I would like to express my greatest appreciation to our employees and management.

To our shareholders and investors, your resounding patience allows management to execute on our strategies and make decisions to achieve a common goal, I would like to express my gratitude. It's been a difficult 2021, but we remain optimistic and committed to overcome challenges and returning to stability.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2021**	2020
Revenue	*3*	**76,230,335**	85,891,778
Cost of sales	*6*	**(78,397,540)**	(65,503,286)
Gross (loss)/profit		**(2,167,205)**	20,388,492
Other income	*4*	**1,461,511**	1,200,712
Other gains – net	*5*	**267,773**	6,097,090
Selling and marketing costs	*6*	**(3,650,053)**	(3,258,776)
Administrative expenses	*6*	**(6,002,200)**	(6,226,248)
Net impairment losses on financial and contract assets		**(147,223)**	(172,383)
Gains on bargain purchase		**508,209**	66,909
Operating (loss)/profit		**(9,729,188)**	18,095,796
Finance costs – net	*7*	**(4,164,605)**	(2,408,771)
Share of results of joint ventures		**505,529**	292,178
Share of results of associates		**26,723**	(67,520)
(Loss)/profit before income tax		**(13,361,541)**	15,911,683
Income tax expenses	*8*	**(2,991,741)**	(6,765,368)
(Loss)/profit for the year		**(16,353,282)**	9,146,315
(Loss)/profit attributable to:			
– Owners of the Company		**(16,469,189)**	9,004,814
– Non-controlling interests		**115,907**	141,501
		(16,353,282)	9,146,315
Basic and diluted (losses)/earnings per share for (loss)/ profit attributable to owners of the Company (expressed in RMB Yuan per share)	*10*	**(4.3890)**	2.5313

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2021	2020
(Loss)/profit for the year	**(16,353,282)**	9,146,315
Other comprehensive income		
Items that will not be reclassified to profit or loss		
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	**(23,913)**	59,779
Items that may be reclassified to profit or loss		
– Share of other comprehensive income of joint ventures and associates accounted for using the equity method	**(72,469)**	(79,898)
– Currency translation differences	**(42,859)**	(9,429)
Other comprehensive income for the year, net of tax	**(139,241)**	(29,548)
Total comprehensive income for the year	**(16,492,523)**	9,116,767
Total comprehensive income attributable to:		
– Owners of the Company	**(16,608,430)**	8,975,266
– Non-controlling interests	**115,907**	141,501
	(16,492,523)	9,116,767

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**As at 31 December** **2021**	2020
ASSETS			
Non-current assets			
Property, plant and equipment		**47,079,461**	42,113,735
Right-of-use assets		**10,764,837**	10,846,583
Investment properties		**34,943,304**	33,957,965
Intangible assets		**1,125,285**	1,183,384
Interests in joint ventures		**11,085,159**	11,617,336
Interests in associates		**3,323,709**	1,440,026
Deferred income tax assets		**13,365,510**	12,610,456
Financial assets at fair value through other comprehensive income		**632,762**	639,850
Other financial assets		**1,026,645**	–
		123,346,672	114,409,335
Current assets			
Properties under development		**150,791,203**	164,788,269
Completed properties held for sale		**50,172,331**	64,029,794
Inventories		**1,306,448**	1,141,518
Trade and other receivables and prepayments	*11*	**45,889,192**	46,315,461
Contract assets		**1,229,970**	1,621,299
Tax prepayments		**4,702,700**	3,600,167
Restricted cash		**14,845,225**	14,275,892
Cash and cash equivalents		**6,258,593**	25,672,822
		275,195,662	321,445,222
Assets classified as held for sale		**–**	6,330,658
		275,195,662	327,775,880
Total assets		**398,542,334**	442,185,215

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December 2021	2020
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,752,367**	938,092
Other reserves		**12,246,683**	15,589,427
Retained earnings		**54,189,013**	72,970,684
		70,188,063	89,498,203
Non-controlling interests		**12,670,578**	2,507,140
Total equity		**82,858,641**	92,005,343
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**66,635,262**	95,848,642
Lease liabilities		**392,542**	452,557
Deferred income tax liabilities		**10,959,434**	10,307,753
Other payables	*12*	**534,987**	1,343,481
		78,522,225	107,952,433
Current liabilities			
Accruals and other payables	*12*	**104,386,369**	106,533,115
Contract liabilities		**50,130,339**	48,002,504
Current income tax liabilities		**19,977,725**	21,167,911
Short-term borrowings		**8,323,963**	10,919,529
Current portion of long-term borrowings		**53,880,163**	52,961,902
Lease liabilities		**78,928**	96,448
Dividend payable		**369,981**	–
Derivative financial instruments		**14,000**	–
		237,161,468	239,681,409
Liabilities directly associated with assets classified as held for sale		**–**	2,546,030
		237,161,468	242,227,439
Total liabilities		**315,683,693**	350,179,872
Total equity and liabilities		**398,542,334**	442,185,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

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

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of hotel buildings and financial assets at fair value through other comprehensive income, other financial assets and investment properties which are carried at fair value and assets held for sale measured at the lower of carrying amount and fair value less cost to sell.

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

(c) Going concern basis

For the year ended 31 December 2021, the Group recorded a loss attributable to the owners of the Company of RMB16.469 billion. As at 31 December 2021, the Group's total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB137.171 billion, out of which RMB70 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB21.104 billion. Moreover, as at 31 December 2021, the Group was unable to repay certain bank and other borrowings of RMB7.007 billion according to their scheduled repayment dates, and subsequent to 31 December 2021, the Group was unable to repay certain other bank and other borrowings of RMB10.029 billion that are due for repayment from January and up to the date of approval of this announcement. As a result, certain bank and other borrowings with an aggregate principal amount of RMB29.883 billion became default or cross-default. Furthermore, the Group is being sued by various parties for various reasons. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing within the next 18 months from 31 December 2021 in assessing whether the Group will have sufficient financial sources to continue as a going concern and the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

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

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

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

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

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

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

The Directors are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next 18 months from 31 December 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(d) Adoption of amended HKFRSs – first effective on 1 January 2021

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

Standards	Subject
Amendments to HKFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these amended HKFRSs has a material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements. Except for Amendments to HKFRS 16 listed above, the Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

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

Standards	Subject	Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, plant and equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020 affecting HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 17	Amendments to HKAS 17	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These new and amended standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

(a) Description of segments and principal activities

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) Segment performance

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

	Property development	**Property investment**	**Hotel operations**	**All other segments**	**Group**
Segment revenue	**69,023,182**	**1,242,839**	**5,367,669**	**2,584,646**	**78,218,336**
Recognised at a point in time	**55,666,936**	**–**	**–**	**–**	**55,666,936**
Recognised over time	**13,356,246**	**–**	**5,367,669**	**2,584,646**	**21,308,561**
Revenue from other sources – rental income	**–**	**1,242,839**	**–**	**–**	**1,242,839**
Inter-segment revenue	**(22,122)**	**(175,576)**	**(297,906)**	**(1,492,397)**	**(1,988,001)**
Revenue from external customers	**69,001,060**	**1,067,263**	**5,069,763**	**1,092,249**	**76,230,335**
(Loss)/profit for the year	**(15,710,459)**	**1,627,118**	**(1,422,358)**	**(847,583)**	**(16,353,282)**
Finance costs – net	**(2,854,506)**	**(213,357)**	**(1,090,808)**	**(5,934)**	**(4,164,605)**
Share of results of joint ventures	**511,630**	**–**	**–**	**(6,101)**	**505,529**
Share of results of associates	**25,734**	**–**	**–**	**989**	**26,723**
Income tax (expenses)/credits	**(2,292,964)**	**(944,037)**	**333,566**	**(88,306)**	**(2,991,741)**
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use aseets	**(583,398)**	**–**	**(1,282,957)**	**(111,812)**	**(1,978,167)**
Gains on bargain purchase	**508,209**	**–**	**–**	**–**	**508,209**
Amortisation of incremental costs for obtaining contracts with customers	**(332,244)**	**–**	**–**	**–**	**(332,244)**
Loss on fair value change on financial assets at FVTPL	**–**	**–**	**–**	**(2,036,540)**	**(2,036,540)**
(Allowance for)/reversal of allowance for impairment losses of financial and contract assets	**(154,958)**	**(830)**	**8,199**	**366**	**(147,223)**
Fair value gains on investment properties – net of tax	**–**	**508,691**	**–**	**–**	**508,691**
Revaluation gains on investment properties transferred from completed properties held for sale – net of tax	**–**	**145,873**	**–**	**–**	**145,873**
Segment assets	**295,421,229**	**35,013,291**	**50,162,331**	**2,920,566**	**383,517,417**
Segment assets include:					
Interests in joint ventures	**11,079,591**	**–**	**–**	**5,568**	**11,085,159**
Interests in associates	**3,242,250**	**–**	**–**	**81,459**	**3,323,709**
Addition to non-current assets (other than financial instruments and deferred income tax assets)	**2,257,969**	**145,551**	**863,515**	**437,663**	**3,704,698**
Segment liabilities	**151,798,177**	**46,469**	**1,712,892**	**2,349,608**	**155,907,146**

(All amounts in RMB Yuan thousands unless otherwise stated)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2020 and the segment assets and liabilities at 31 December 2020 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	78,603,957	1,381,823	4,562,778	3,238,121	87,786,679
Recognised at a point in time	52,015,927	–	–	–	52,015,927
Recognised over time	26,588,030	–	4,562,778	3,238,121	34,388,929
Revenue from other sources – rental income	–	1,381,823	–	–	1,381,823
Inter-segment revenue	(35,667)	(223,901)	(100,043)	(1,535,290)	(1,894,901)
Revenue from external customers	78,568,290	1,157,922	4,462,735	1,702,831	85,891,778
Profit/(loss) for the year	7,435,682	4,217,777	(1,426,860)	(1,080,284)	9,146,315
Finance costs	(1,034,808)	(247,857)	(832,967)	(293,139)	(2,408,771)
Share of results of joint ventures	293,531	–	–	(1,353)	292,178
Share of results of associates	(53,003)	–	–	(14,517)	(67,520)
Income tax (expenses)/credits	(5,991,593)	(1,411,342)	276,252	361,315	(6,765,368)
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	(456,113)	–	(1,470,210)	(103,133)	(2,029,456)
Amortisation of incremental costs for obtaining contracts with customers	(340,950)	–	–	–	(340,950)
(Allowance for)/reversal of allowance for impairment losses of financial and contract assets	(177,045)	–	2,375	2,287	(172,383)
Fair value gains on investment properties – net of tax	–	2,241,570	–	–	2,241,570
Revaluation gains on investment properties transferred from completed properties held for sale – net of tax	–	1,495,616	–	–	1,495,616
Segment assets	337,120,727	40,257,965	47,498,911	4,057,306	428,934,909
Segment assets include:					
Interests in joint ventures	11,612,128	–	–	5,208	11,617,336
Interests in associates	474,624	–	–	965,402	1,440,026
Addition to non-current assets (other than financial instruments and deferred income tax assets)	1,510,847	1,083,606	1,069,119	501,313	4,164,885
Segment liabilities	149,150,990	802,069	1,825,446	7,195,630	158,974,135

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

(All amounts in RMB Yuan thousands unless otherwise stated)

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

	2021	2020
PRC	**74,338,001**	84,359,678
Other countries	**1,892,334**	1,532,100
Total	**76,230,335**	85,891,778

Revenues from the individual countries included in "other countries" are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the year ended 31 December 2021 (2020: Nil).

(c) Segment assets

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

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

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

	2021	2020
Segment assets for reportable segments	**383,517,417**	428,934,909
Deferred income tax assets	**13,365,510**	12,610,456
Other financial assets	**1,026,645**	–
Financial assets at FVOCI	**632,762**	639,850
Total assets per consolidated balance sheet	**398,542,334**	442,185,215

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

	2021	2020
PRC	**103,104,176**	98,858,050
Other countries	**5,217,579**	2,300,979
Total	**108,321,755**	101,159,029

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(d) Segment liabilities

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

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

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

	2021	2020
Segment liabilities for reportable segments	**155,907,146**	158,974,135
Deferred income tax liabilities	**10,959,434**	10,307,753
Current income tax liabilities	**19,977,725**	21,167,911
Short-term borrowings and current portion of long-term borrowings	**62,204,126**	63,881,431
Long-term borrowings	**66,635,262**	95,848,642
Total liabilities per consolidated balance sheet	**315,683,693**	350,179,872

4. OTHER INCOME

	2021	2020
Interest income	**1,019,528**	824,419
Other operating income	**183,607**	238,321
Forfeited deposits from customers	**118,531**	93,244
Dividends income from financial assets at fair value through other comprehensive income	**32,861**	9,064
Others	**106,984**	35,664
	1,461,511	1,200,712

(All amounts in RMB Yuan thousands unless otherwise stated)

5. OTHER GAINS – NET

	2021	2020
Revaluation gains on investment properties transferred from completed properties held for sale	**194,497**	1,994,155
Fair value gains on investment properties – net	**688,492**	2,984,953
Gains on disposals of subsidiaries	**802,294**	570,825
Gains on disposal of certain equity interests in an associate	**9,493**	674,822
Gains/(losses) on disposals of property, plant and equipment	**21,285**	(1,421)
Losses on disposals of intangible assets	**(15,057)**	(44,010)
Unrealised loss on derivative financial instruments	**(14,000)**	–
Loss on fair value change on financial assets at FVTPL	**(2,036,540)**	–
Others	**617,309**	(82,234)
	267,773	6,097,090

6. EXPENSES BY NATURE

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

	2021	2020
Cost of properties sold	**63,581,409**	63,506,618
Provision for impairment of properties under development and properties held for sale	**12,985,693**	–
Employee benefit expenses	**3,511,999**	3,867,518
Depreciation of property, plant and equipment and right-of-use assets	**1,791,910**	1,854,841
Business taxes and other levies	**950,848**	870,641
Advertising costs	**306,544**	368,119
Office expenses	**257,487**	344,147
Amortisation of intangible assets	**125,485**	174,615
Short-term lease payments and low-value lease payments	**29,979**	34,955
Auditors' remuneration		
– Audit of the Company		
– Audit services	**7,000**	7,068
– Non-audit services	**–**	2,538
– Other auditors		
– Audit services	**4,547**	–
– Non-audit services	**6,170**	–
	17,717	9,606
Others	**4,490,722**	3,957,250
	88,049,793	74,988,310

(All amounts in RMB Yuan thousands unless otherwise stated)

7. FINANCE COSTS – NET

	2021	2020
Interest expenses:		
– bank borrowings	**5,793,539**	6,236,865
– domestic bonds	**1,441,931**	2,883,146
– medium-term notes	**–**	44,993
– senior notes	**3,034,902**	2,883,359
– other borrowings	**2,672,988**	2,357,998
– super & short-term commercial papers	**–**	15,183
– lease liabilities	**25,516**	12,631
	12,968,876	14,434,175
Early redemption premium for senior notes	**7,965**	56,794
Net foreign exchange gains	**(132,660)**	(2,855,120)
Less: finance costs capitalised	**(8,679,576)**	(9,227,078)
	4,164,605	2,408,771

8. INCOME TAX EXPENSES

	2021	2020
Current income tax		
– enterprise income tax (Note (b))	**3,585,432**	4,004,774
– PRC land appreciation tax (Note (c))	**1,055,681**	3,801,432
Deferred income tax	**(1,649,372)**	(1,040,838)
Total income tax expenses	**2,991,741**	6,765,368

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2020: Nil).

(b) Enterprise income tax

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

In respect of the applicable income tax rates for the year ended 31 December 2021, the companies in the PRC, Combodia, Malaysia were primarily taxed at 25%, 20% and 24%(2020: 25%, 20% and 24%) on their taxable profits, respectively.

(c) PRC land appreciation tax

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

9. DIVIDENDS

The dividends declared in 2021 were RMB2,701,705,000 (2020: RMB4,334,256,000). The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB0.62 per share).

	2021	2020
Interim dividend declared of RMB0.10 (2020: RMB0.38) per ordinary share	**375,237**	1,328,240
No final dividend proposed (2020: RMB0.62) per ordinary share	**–**	2,326,468
	375,237	3,654,708

10. BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

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

	2021	2020
(Loss)/profit attributable to owners of the Company	**(16,469,189)**	9,004,814
Weighted average number of ordinary shares in issue (thousands)	**3,752,367**	3,557,329
(Losses)/earnings per share (RMB per share)	**(4.3890)**	2.5313

There were no potential dilutive ordinary shares for the year ended 31 December 2021 and 2020, thus diluted (losses)/earnings per share were the same as basic (losses)/earnings per share.

(All amounts in RMB Yuan thousands unless otherwise stated)

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
Trade receivables – net (Note (a))	**5,442,939**	10,536,351
Other receivables – net	**23,061,365**	19,392,535
Prepayments	**7,873,346**	6,819,901
Capitalised costs to obtain contracts	**1,729,869**	1,360,957
Due from joint ventures	**4,983,179**	5,450,586
Due from associates	**2,798,494**	2,571,654
Due from entities jointly controlled by major shareholders of the Company	**–**	183,477
Total	**45,889,192**	46,315,461
Less: non-current portion	**–**	–
Current portion	**45,889,192**	46,315,461

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

(a) Trade receivables

	2021	2020
Trade receivables – current portion		
Due from third parties	**5,282,950**	10,535,699
Due from joint ventures	**368,646**	281,040
Due from associates	**10,891**	9,858
Due from entities jointly controlled by major shareholders of the Company	**–**	751
	5,662,487	10,827,348
Less: loss allowance	**(219,548)**	(290,997)
	5,442,939	10,536,351

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

	2021	2020
Up to 1 year	**3,863,671**	9,479,175
1 year to 2 years	**896,145**	550,851
2 years to 3 years	**459,734**	270,469
Over 3 years	**442,937**	526,853
	5,662,487	10,827,348

(All amounts in RMB Yuan thousands unless otherwise stated)

12. ACCRUALS AND OTHER PAYABLES

	2021	2020
Amounts due to joint ventures	**8,199,049**	6,351,821
Amounts due to associates	**281,368**	325,524
Amounts due to entities jointly controlled by major shareholders of the Company	**2,177,038**	7,305,745
Amounts due to major shareholders	**42,111**	2,616,360
Amount due to a shareholder of a joint ventures/certain joint ventures (Note (a))	**5,213,413**	3,933,366
Construction payables (Note (b))	**50,694,180**	48,632,027
Other payables and accrued charges	**38,314,197**	38,711,753
Total	**104,921,356**	107,876,596
Less: non-current portion	**(534,987)**	(1,343,481)
Current portion	**104,386,369**	106,533,115

(a) In the year ended 31 December 2020, the Group disposed certain equity interests in some of its subsidiaries, which were accounted for as joint ventures by the Group immediately after the disposal, to one investor. The investor then became a shareholder of the Group's certain joint ventures.

According to other arrangements with the investor, up to 31 December 2020, the Group has also received several fund from the investor totalling RMB3,933,366,000 bearing interest from 13% to 15% per annum. The balances were secured by the Group's shares in certain wholly-owned subsidiaries and the joint ventures jointly controlled with the investor. The balances were also secured by the Group's right to receive the economic benefits deriving from one property development project, and the guarantee provided by the Company. Out of the total balance, amount of RMB1,343,481,000 was classified as non-current liabilities according to its maturity date. Remaining balances were classified as current portion.

In the year ended 31 December 2021, the investor withdrew from some of these joint ventures and served notice to demand repayments of fund previously lent to the Group. The amount of RMB1,343,481,000 was classified as current liabilities.

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

13. MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED CONSOLIDATED RESULTS

The material differences between the financial information disclosed in this announcement and the figures disclosed in the announcement of unaudited results for the year ended 31 December 2021 dated 31 March 2022 ("**Unaudited Consolidated Results Announcement**") are as follows:

	Notes	**2021** ***RMB'000*** **(Audited)**	2021 *RMB'000* (Unaudited)	Variance *RMB'000*
Consolidated balance sheet as at 31 December 2021				
Property, plant and equipment	*(a)*	**47,079,461**	46,813,494	265,967
Right-of-use assets	*(a)*	**10,764,837**	10,317,944	446,893
Interests in joint ventures	*(b)*	**11,085,159**	10,981,854	103,305
Deferred income tax assets	*(c)*	**13,365,510**	14,292,417	(926,907)
Properties under development	*(d)*	**150,791,203**	155,757,537	(4,966,334)
Completed properties held for sale	*(d)*	**50,172,331**	52,980,349	(2,808,018)
Trade and other receivables and prepayments	*(e)*	**45,889,192**	45,474,097	415,095
Tax prepayments	*(f)*	**4,702,700**	4,564,815	137,885
Long-term borrowings	*(g)*	**66,635,262**	74,667,169	(8,031,907)
Deferred income tax liabilities	*(c)*	**10,959,434**	11,463,525	(504,091)
Other payables	*(g)*	**534,987**	–	534,987
Accruals and other payables	*(e), (f) and (g)*	**104,386,369**	100,482,415	3,903,954
Contract liabilities	*(h)*	**50,130,339**	49,741,512	388,827
Current income tax liabilities	*(i)*	**19,977,725**	20,135,233	(157,508)
Short-term borrowings	*(g)*	**8,323,963**	8,748,963	(425,000)
Current portion of long-term borrowings	*(g)*	**53,880,163**	49,283,644	4,596,519
Consolidated income statement for the year ended 31 December 2021				
Revenue	*(j)*	**76,230,335**	76,400,881	(170,546)
Cost of sales	*(d)*	**(78,397,540)**	(71,437,710)	(6,959,830)
Other income	*(j)*	**1,461,511**	1,573,456	(111,945)
Other gains – net	*(j)*	**267,773**	2,048,659	(1,780,886)
Selling and marketing costs	*(k)*	**(3,650,053)**	(3,520,141)	(129,912)
Net impairment loss on financial and contract assets	*(j)*	**(147,223)**	(2,190,280)	2,043,057
Finance costs – net	*(l)*	**(4,164,605)**	(3,906,127)	(258,478)
Income tax expenses	*(c) and (i)*	**(2,991,741)**	(2,808,855)	(182,886)

Notes:

(a) The change was due to the reclassification of self-use assets from properties under development and completed properties held for sale to property, plant and equipment and right-of-use assets;

(b) The change was due to the adjustment of related parties transactions elimination with joint ventures;

(c) The change was due to: i) the adjustment of deferred income tax assets arising from tax loss; and ii) the balances offsetting between “Deferred income tax assets” and “Deferred income tax liabilities”;

(d) The change was due to an additional impairment provision made for properties under development and completed properties held for sale after reassessment by the management of the Company based on the market situation;

(e) The change was due to the reclassification between “Trade and other receivables and prepayments” and “Accruals and other payables”;

(f) The change was due to the adjustment between “Tax prepayments” and taxes payable which includes in “Accruals and other payables”;

(g) The changes were resulted from the reclassification between current and non-current borrowings as well as other payables with interest-bearing;

(h) The change was due to the adjustment of the value added tax liabilities related to deposits received from customers;

(i) The change was due to the company recorded more loss for the year and resulted in less provision of current income tax liabilities;

(j) The changes were resulted from certain reclassifications between “Revenue”, “Other income”, “Other gains – net” and “Net impairment loss on financial and contract assets”;

(k) The change was resulted from more provision of accured selling and marketing costs for the year;

(l) The change was due to the adjustment of finance cost capitalised.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the independent auditor's report by BDO Limited, the external auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2021:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Deferred income tax assets

As at 31 December 2021, the Group recognised deferred income tax assets arising from unused tax losses and deductible temporary differences of certain subsidiaries under different operating segments of the Group of RMB2.887 billion and during the year ended 31 December 2021, the Group recognised deferred income tax credit of RMB0.161 billion in respect of these unused tax losses and deductible temporary differences in the consolidated income statement. These amounts were included in deferred income tax assets and income tax expenses of RMB13.366 billion and RMB2.992 billion respectively as disclosed in the consolidated balance sheet and consolidated income statement.

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

Accordingly, we were unable to obtain sufficient audit evidence we considered necessary to determine whether the deferred income tax assets of RMB2.887 billion as at 31 December 2021 and the corresponding amount of RMB0.161 billion credited to the consolidated income statement for the year were appropriate. Any adjustments to the carrying amount of these deferred income tax assets and the corresponding deferred income tax credit found necessary may have a significant effect on the Group's net assets as at 31 December 2021 and its financial performance for the year then ended, and the related disclosures thereof in these consolidated financial statements.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 (c) to the consolidated financial statements which indicates that for the year ended 31 December 2021, the Group recorded a loss attributable to the owners of the Company of RMB16.469 billion. As at 31 December 2021, the Group's total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB137.171 billion, out of which RMB70 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB21.104 billion. Moreover, as at 31 December 2021, the Group was unable to repay certain bank and other borrowings of RMB7.007 billion according to their scheduled repayment dates, and subsequent to 31 December 2021, the Group was unable to repay certain bank and other borrowings of RMB10.029 billion that are due for repayment from January and up to the date of approval of the consolidated financial statements. As a result, certain bank and other borrowings with an aggregate principal amount of RMB29.883 billion became default or cross-default. Furthermore, the Group is being sued by various parties for various reasons. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BUSINESS REVIEW

Contracted Sales

The Group's total contracted sales in 2021 were approximately RMB120.2 billion with 9,414,600 sq.m. sold. The average selling price was approximately RMB12,800 per sq.m.. The contracted sales were generated from 198 projects in 112 cities of 27 provinces (including municipalities and autonomous regions) and 4 overseas countries. On a province and regions basis, contracted sales of Guangdong, Shanxi, Hainan, Zhejiang, Shaanxi, Tianjin, Jiangsu, Beijing, Chongqing and Shandong were the highest top 10, which contributed approximately RMB85.07 billion, accounting for approximately 71% of total contracted sales of the Group. In terms of city, contracted sales of tier-1 and tier-2 cities accounted for 67% of total contracted sales. Tier-3 and below cities contributed 31% of total contracted sales and overseas contributed 2%. On the type of property basis, 70% of contracted sales were generated from high-rise residential properties, 6% from villa and 24% from commercial properties and others, including office, apartment and retail, etc..

Details of the Group's 2021 total contracted sales by geographical distribution are set out below:

Region	Area	Approximate total value	+/- vs. 2020	Approximate total saleable area sold	+/- vs. 2020
		(RMB million)	*(%)*	*(Thousand sq.m.)*	*(%)*
Northern China	Tianjin	6,839.7	18%	580.7	17%
	Beijing	6,403.1	-14%	247.8	-7%
	Shandong	4,695.5	1%	498.8	4%
	Hebei	3,836.5	-45%	388.9	-49%
	Liaoning	3,150.9	-35%	415.5	-28%
	Henan	1,975.2	1%	147.5	-19%
	Heilongjiang	1,316.6	-41%	124.7	-8%
Northwestern China	Shanxi	9,443.2	-25%	1,017.8	-17%
	Shaanxi	6,847.2	-30%	544.7	-25%
	Inner Mongolia	3,967.6	-48%	501.6	-50%
	Xinjiang	1,208.4	58%	116.8	64%
	Gansu	911.1	-12%	57.2	-13%
Southern China	Guangdong	20,287.7	4%	1,018.2	-22%
	Guangxi	399.7	-33%	63.1	-23%
Eastern China	Zhejiang	8,838.2	-50%	478.3	-53%
	Jiangsu	6,790.4	-31%	433.7	-30%
	Anhui	2,593.6	-5%	315.7	-5%
	Shanghai	2,071.4	6%	44.2	4%
Southwestern China	Chongqing	6,032.8	-22%	639.7	-27%
	Sichuan	2,184.9	70%	209.6	7%
	Guizhou	800.7	5%	113.9	29%
	Yunnan	539.3	-36%	45.0	-33%

Region	Area	Approximate total value *(RMB million)*	+/- vs. 2020 *(%)*	Approximate total saleable area sold *(Thousand sq.m.)*	+/- vs. 2020 *(%)*
Hainan	Hainan	8,890.2	-14%	454.6	-30%
Central Southern China	Jiangxi	3,662.9	-2%	417.6	14%
	Fujian	1,650.7	-39%	152.9	-42%
	Hunan	1,222.4	-26%	150.3	-15%
	Hubei	725.2	32%	98.6	105%
Overseas	Australia	1,192.5	175%	69.4	84%
	United Kingdom	908.9	76%	6.5	75%
	Malaysia	420.3	-50%	24.7	-43%
	Cambodia	391.9	-26%	36.6	-5%
Total		**120,198.7**	**-20%**	**9,414.6**	**-23%**

Region	Approximate total value *(RMB million)*	+/- vs. 2020 *(%)*	Approximate total saleable area sold *(Thousand sq.m.)*	+/- vs. 2020 *(%)*
Northern China	28,217.5	-17%	2,403.9	-17%
Northwestern China	22,377.5	-29%	2,238.1	-28%
Southern China	20,687.4	3%	1,081.3	-22%
Eastern China	20,293.6	-37%	1,271.9	-37%
Southwestern China	9,557.7	-10%	1,008.2	-18%
Hainan	8,890.2	-14%	454.6	-30%
Central Southern China	7,261.2	-16%	819.4	-4%
Overseas	2,913.6	25%	137.2	11%
Total	**120,198.7**	**-20%**	**9,414.6**	**-23%**

Properties Under Development

In response to changing market conditions, the Group was flexible in its approach to managing its properties under development during the year, aiming to ensure efficient deployment of its resources and to avoid accumulating excessive inventories. The Group started the year with approximately 32,559,000 sq.m. of total GFA under development, and during the year started construction of approximately 2,174,000 sq.m. of total GFA. During the year, the Group completed 8,574,000 sq.m. of total GFA of development properties with 6,470,000 sq.m. of total saleable area, and completed 220,000 sq.m. of total GFA of investment properties. By the end of 2021, the Group's total GFA under development is approximately 25,939,000 sq.m..

The following is the position as at 31 December 2021:

Area	**Approximate total GFA** *(sq.m.)*	**Approximate total saleable area** *(sq.m.)*
Northern China	4,275,000	2,888,000
Eastern China	2,123,000	1,428,000
Northwestern China	5,718,000	4,170,000
Southern China	5,907,000	4,103,000
Southwestern China	2,081,000	1,352,000
Central Southern China	2,901,000	2,044,000
Hainan	844,000	494,000
Overseas	1,045,000	721,000
Sub-total	**24,894,000**	**17,200,000**
Investment Properties	1,045,000	848,000
Total	**25,939,000**	**18,048,000**

Land Bank

In 2021, the Group continued to apply the same conservative criteria as its general direction towards land acquisitions. The general principles on land assessment of the Group during the year were total price being reasonable, fulfillment of profit forecast and quickness of turnover. The Group acquired 5 plots of land in 4 cities and regions with additional total saleable area of approximately 837,000 sq.m.. The Group's total land bank at 2021 year-end was total GFA of approximately 64,719,000 sq.m. and total saleable area of approximately 49,967,000 sq.m., distributed across 94 cities and regions in China and overseas cities. Details are given below:

Location	Approximate total GFA *(sq.m.)*	Approximate total saleable area *(sq.m.)*
Development Properties		
Northern China	15,297,000	11,919,000
Eastern China	5,623,000	4,205,000
Northwestern China	12,717,000	9,629,000
Southern China	7,524,000	6,132,000
Southwestern China	5,450,000	4,297,000
Central Southern China	6,555,000	5,445,000
Hainan	2,881,000	2,452,000
Overseas	6,261,000	3,835,000
Sub-total	**62,308,000**	**47,914,000**
Investment Properties	**2,411,000**	**2,053,000**
Total	**64,719,000**	**49,967,000**

Property Investment

The Group's investment properties portfolio mainly located in tier-1 and tier-2 cities, including Grade-A office buildings, shopping malls, various retail properties, theme park and etc.. The Group's investment properties portfolio as at 31 December 2021 is approximately 3,857,300 sq.m. in total GFA, among which total GFA of investment properties under operation is approximately 1,879,300 sq.m., and total GFA under development or planning is approximately 1,978,000 sq.m.. During this period, theme park Hainan R&F Ocean Paradise is opened. The park is divided into 5 major themed areas and 8 major animal exhibits, with more than 40 sets of international amusement rides, facilities and equipment. There is also the Blue Ocean Conservation and Rescue Center, also called 3A grade hospital in the animal kingdom, with functions such as rescue, medical treatment, scientific research and educational issues.

Hotel Operation

As of 31 December 2021, the Group has 93 hotels under operation, with total GFA of 4,103,700 sq.m. and 28,192 hotel rooms. The 93 hotels are managed by well-known hotel management groups such as Marriott International, Inc., InterContinental Hotels Group, Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Accor Hotels, Wanda Hotels and Resorts Co., Ltd. and other hotel groups. The Group has a total of 134 hotels, with 41 hotels under development and planning and 93 hotels under operation. During the period, the Group opened 3 hotels: The Ritz-Carlton, Harbin, Beijing Marriott Hotel Yanqing and Element Beijing Yanqing. Ritz-Carlton, Harbin is located in the central business district of Harbin, close to high-end office buildings, luxury residential areas and large shopping centers, with total GFA of 66,200 sq.m. and 368 hotel rooms. Beijing Marriott Hotel Yanqing and Element Beijing Yanqing are located in the central business district of Yanqing, with rich natural landscape resources around. At the same time, Yanqing is the main competition zone of Beijing Winter Olympics. The two hotels have 325 and 252 hotel rooms each, with total GFA of 44,100 and 25,500 sq.m. respectively.

Outlook

For 2022, the Group will have approximately RMB220 billion saleable resources from over 200 projects. For 2022, the Group plans to deliver approximately 6,481,000 sq.m. saleable area of development properties. The details are set out below:

	To be completed in 1st half of 2022		To be completed in 2nd half of 2022		To be completed in Full Year 2022	
Location	**Approximate GFA** *(sq.m.)*	**Approximate saleable area** *(sq.m.)*	**Approximate GFA** *(sq.m.)*	**Approximate saleable area** *(sq.m.)*	**Approximate GFA** *(sq.m.)*	**Approximate saleable area** *(sq.m.)*
Northern China	810,000	671,000	874,000	813,000	1,684,000	1,484,000
Eastern China	490,000	343,000	455,000	325,000	945,000	668,000
Northwestern China	178,000	161,000	934,000	874,000	1,112,000	1,035,000
Southern China	222,000	202,000	392,000	356,000	614,000	558,000
Southwestern China	771,000	697,000	235,000	222,000	1,006,000	919,000
Central Southern China	203,000	188,000	406,000	343,000	609,000	531,000
Hainan	124,000	118,000	404,000	339,000	528,000	457,000
Overseas	4,000	4,000	647,000	384,000	651,000	388,000
JV (Attributable)	240,000	188,000	307,000	253,000	547,000	441,000
Sub-total	**3,042,000**	**2,572,000**	**4,654,000**	**3,909,000**	**7,696,000**	**6,481,000**
Investment Properties	531,000	531,000	70,000	70,000	601,000	601,000
Total	**3,573,000**	**3,103,000**	**4,724,000**	**3,979,000**	**8,297,000**	**7,082,000**

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derived from property development, rental of investment properties and hotel operation. During the year, the Group's revenue from property development decreased by 12% to RMB69.001 billion, from RMB78.568 billion in the previous year. This revenue was based on delivery of 8,305,000 sq.m. of sale properties in the year which was approximately 9% less than the 9,167,000 sq.m. delivered in the previous year. Overall average selling price was approximately RMB8,300 per sq.m. (2020: RMB8,600 per sq.m.). Based on revenue distribution by cities, Hainan had the highest revenue among all cities where the Group operated. It accounted for 9% of the total revenue. In the terms of amount, revenue in Hainan amounted to RMB6.550 billion. Taiyuan's revenue ranked second with revenue amounted to RMB6.427 billion for the year and Hangzhou ranked third with revenue amounted to RMB4.058 billion.

Rental income from property investment decreased by 8% to RMB1.067 billion, from RMB1.158 billion. Revenue from hotel operations increased to RMB5.070 billion from RMB4.463 billion in the previous year, with the stabilization of COVID-19 epidemic, the hotel operation of the Group had continued to improve in 2021.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The component of cost of sales includes land and construction costs, capitalised finance costs and levy and business tax. In 2021, cost of sales of the Group was RMB78.398 billion, representing an increase of 20% when compared with RMB65.503 billion in the previous year. The increase was mainly due to approximately RMB12.986 billion of impairment provision for inventory made in the year.

During the year, land and construction costs made up 90% of the Group's total costs (excluded the amount of impairment provision for inventory). In the terms of costs per sq.m., land and construction costs increased to RMB6,431 from RMB5,830. Capitalised interest included in the cost of sales amounted to RMB5.414 billion, 7.8% as a percentage of revenue from sale of properties. The cost of sales also included RMB555 million (2020: RMB594 million) in levy and business tax.

Gross Profit

Overall gross margin of property development for the year was 13.9%, as compared to 25.2% in the previous year. The decrease was due to the adjustments made on average selling price to accelerate the pace of the sales which subsequently affected the Group's gross profit margin. The top five cities ranked by revenue in the year, Hainan, Taiyuan, Hangzhou, Tianjin and Chongqing, accounted for 32.5% of the total revenue. The gross margins of the cities were 29%, 12%, 16%, 6% and 29% respectively.

Other Income and Other Gains – net

Other income and other gains – net mainly consists of the interest income, revaluation gain and fair value gains on investment properties, as well as gains on disposals of subsidiaries and certain equity interests in an associate. During the year, other income and gains decreased by 76% to RMB1.729 billion in 2021 from RMB7.298 billion in 2020. The decrease mainly due to lower revaluation gains on investment properties transferred from completed properties held for sale and properties under development.

Selling and Marketing Expenses and Administrative Expenses

Selling and marketing expenses of the Group for the year ended 31 December 2021 amounted to RMB3.650 billion (2020: RMB3.259 billion) and as a percentage of revenue increased to 4.8% from 3.8% in 2020. The increase mainly due to the Group increased its property marketing activities in response to the challenging market environment during the year. Administrative expenses of the Group slightly decreased to RMB6.002 billion from RMB6.226 billion in 2020. The main component of administrative expenses was personnel costs.

Finance Costs – net

Finance costs – net being interest expenses incurred in the year after deduction of amounts capitalised to development costs, increased by 73% to RMB4.165 billion (2020: RMB2.409 billion) as the foreign exchange gain significantly decreased by 95% to RMB133 million from RMB2.855 billion due to the appreciation of exchange rate of RMB to US dollars in 2020. Total interest expenses incurred in the year decreased from RMB14.434 billion in the prior year to RMB12.969 billion, which was in line with the decrease of average borrowings outstanding. Together with RMB5.414 billion charged to the cost of sales related to capitalized interest, the total finance costs incurred during the year amounted RMB9.579 billion (2020: RMB7.180 billion).

Share of Results of Associates and Joint Ventures

The share of results of associates were mainly derived from the Group's 35% interests in Zhengzhou Wulong New Town and R&F Jianye Shangyue Court projects. The share of results of joint ventures were mainly from 25% interests in Tianjin Jinnan New Town project, 50% interests in Huzhou R&F Greenland West Lake Mansion Project, 50% interests in Beijing CCCc R&F Yajun Project and 50% interests in Fuyang Dahe Chengzhang Project. These five projects mentioned had a combined turnover of RMB12.724 billion.

Income Tax Expenses

Land appreciation tax (LAT) of RMB1.056 billion (2020: RMB3.801 billion) and enterprise income tax of RMB3.585 billion (2020: RMB4.005 billion) brought the Group's total income tax expenses for the year to RMB2.992 billion. As a percentage of turnover, LAT decreased to 1.4% from 4.4% in 2020.

Profitability

The Group recorded a net loss of RMB16.353 billion for the year ended 31 December 2021 as compared to a net profit of approximately RMB9.146 billion for the year ended 31 December 2020. The net loss is mainly attributable to the decrease in revenue from property development and decline in gross profit margin recorded by the Group for the year ended 31 December 2021 as a result of the challenging conditions in the real estate industry, as well as impairment provision for inventory was made in the year due to lower selling prices of the projects which the Group operated.

Financial Resources, Liquidity and Liabilities

As at 31 December 2021, the Group's total cash including amounts restricted for specified usage was RMB21.10 billion (31 December 2020: RMB39.95 billion), of which 85% was denominated in Renminbi and 15% was denominated in other currencies (mainly in US dollar, HK dollar, Australian dollar, Malaysian Ringgit and British pound).

As at 31 December 2021, the Group's total borrowing was RMB128.84 billion (31 December 2020: RMB159.73 billion). The total borrowings were made up of financing from sources which included 1) bank loans, 2) offshore USD senior notes, 3) domestic bonds, and 4) trust loans and others, each accounted for 46%, 25%, 11% and 18% respectively (31 December 2020: 51%, 22%, 12% and 15% respectively). The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB112.36 billion (2020: RMB139.21 billion) was unutilised.

The maturity profile of the Group's total borrowings was well balanced between short, medium and long term debt. Debts due within 1 year, between 1 and 5 years and beyond 5 years accounted for 48%, 38% and 14% of total debts respectively. Bank loans repaid in the year amounted to RMB29.24 billion while new bank loans of RMB9.0 billion were procured. The effective interest rate of the total bank loan portfolio at 31 December 2021 was 5.86% (2020: 5.78%).

The gearing ratio is measured by the net borrowings (total borrowing less total cash and cash equivalents and restricted cash) to total equity. As at 31 December 2021, the gearing ratio was 130.0% (31 December 2020: 130.2%).

The Group conducts its business primarily in Renminbi and non-Renminbi borrowings accounted for approximately 34% of total borrowings. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2021, the Group has not entered into any foreign exchange hedging transactions.

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

Material Disposal

Pursuant to an agreement dated 9 November 2020 entered into, among others, R&F Properties (HK) Company Limited ("R&F HK", a wholly-owned subsidiary of the Company) and Sonic Holdings I Limited ("Sonic"), R&F HK and Sonic will respectively hold 30% and 70% interests in Sonic Holdings II Limited (the "Surviving Company", which indirectly holds interests in Guangzhou International Airport R&F Integrated Logistics Park).

Pursuant to an agreement dated 6 December 2021 entered into between R&F HK and Sonic, R&F HK has agreed to sell and Sonic has agreed to purchase 30% of the issued shares of the Surviving Company.

Save as disclosed above, there were no material disposals for the year ended 31 December 2021.

OTHER INFORMATION

Employee and Emolument Policies

As of 31 December 2021, the Group had approximately 35,207 employees (31 December 2020: 38,824). The total staff costs incurred were approximately RMB3.512 billion during the financial year ended 31 December 2021. The Company's emolument policy is to ensure that the remuneration offered to employees including executive directors and senior management is based on skill, knowledge, responsibilities and involvement in the Company's business affair. The remuneration of executive directors is also linked with business performance and profitability of the Company and the market conditions. Directors and senior management would not be involved in deciding their own remuneration.

Annual General Meeting and Closure of Register of Members

The 2021 annual general meeting ("AGM") of the Company will be held on Friday, 16 September 2022 and the notice of AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Friday, 16 September 2022, the register of members of the Company will be closed from Friday, 9 September 2022 to Friday, 16 September 2022, both days inclusive. In order for the shareholders to qualify for attending and voting at the AGM, all the share transfer documents should be lodged for registration with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 8 September 2022.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB0.62 per share).

Purchase, Redemption or Sale of Listed Securities of the Company

(a) USD Senior Notes

The Company had repaid any and all remaining portion of the outstanding aggregate principal amount of US$375,000,000 of the 8.75% senior notes due 2021 issued by Easy Tactic Limited ("Easy Tactic", an indirect wholly-owned subsidiary of the Company) by its maturity date, which was 10 January 2021.

On 25 January 2021, the Company announced that a tender offer was being made to repurchase the US$800,000,000 7% senior notes due 2021 (the "2021 Notes") issued by Easy Tactic. The tender offer was completed on 3 February 2021. The total acceptance amount of the tender offer was US$332,561,135.24 including US$325,146,000 in the principal amount and the remainder as accumulated interest and redemption premium. The notes repurchased pursuant to the tender offer had been cancelled. Subsequently, the Company had repaid any and all remaining portion of the outstanding aggregate principal amount of US$474,854,000 of the 2021 Notes by its maturity date, which was 25 April 2021.

On 21 September 2021, the Company made on-market repurchase of (i) the US$600,000,000 5.875% senior notes due 2023 issued by Easy Tactic (the "2023 Notes") and (ii) the US$300,000,000 9.125% senior notes due 2022 issued by Easy Tactic (the "2022 Notes") in the aggregate principal amount of US$25,000,000. The notes repurchased were cancelled. After completion of the cancellation and as at 31 December 2021, the outstanding principal amount of the 2023 Notes and the 2022 Notes was US$587,000,000 and US$288,000,000, respectively.

The Company had repaid all of the outstanding aggregate principal amount of US$200,000,000 of the 8.875% senior notes due 2021 issued by Easy Tactic by its maturity date, which was 27 September 2021.

(b) Corporate Bonds

The following corporate bonds are redeemed by the Company for the year ended 31 December 2021:

Corporate Bonds (as at 1 January 2021)	Issue Date	Redemption Date	Redemption Value	Remaining Value (as at 31 December 2021)
RMB4,000,000,000 corporate bonds	4 December 2018	4 December 2020	RMB3,998,750,000 *(Note 1)*	RMB4,000,000,000 *(Note 1)*
RMB7,020,000,000 corporate bonds	3 January 2019	3 January 2021	RMB7,019,717,000 *(Note 2)*	RMB4,250,283,000 *(Note 2)*
RMB6,000,000,000 corporate bonds	11 January 2016	11 January 2021	RMB6,000,000,000	Nil
RMB3,600,000,000 corporate bonds	22 January 2016	22 January 2021	RMB3,600,000,000	Nil
RMB950,000,000 corporate bonds	7 April 2016	7 April 2021	RMB946,781,000 *(Note 3)*	RMB950,000,000 *(Note 3)*
RMB1,580,000,000 corporate bonds	9 May 2019	9 May 2021	RMB1,579,799,000	RMB201,000
RMB1,314,000,000 corporate bonds	16 May 2016	16 May 2021	RMB394,000,000 *(Note 4)*	RMB995,000,000 *(Note 4)*
RMB60,000,000 corporate bonds	27 June 2018	27 June 2021	RMB60,000,000	Nil
RMB38,000,000 corporate bonds	18 September 2018	18 September 2021	RMB38,000,000	Nil
RMB1,669,800,000 corporate bonds	19 October 2016	19 October 2021	RMB549,800,000	RMB1,120,000,000

Note 1: On 4 January 2021, RMB3,998,750,000 of the corporate bonds were resold.

Note 2: On 2 February 2021, RMB4,250,000,000 of the corporate bonds were resold, and the remaining unsold amount of RMB2,769,717,000 corporate bonds were cancelled.

Note 3: On 11 May 2021, RMB946,781,000 of the corporate bonds were resold.

Note 4: On 11 June 2021, RMB75,000,000 of the corporate bonds were resold, and the remaining unsold amount of RMB319,000,000 corporate bonds were cancelled.

Save as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") laid out in Appendix 10 to the Listing Rules as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the financial year ended 31 December 2021.

Compliance with the Corporate Governance Code

The Company is committed to good corporate governance practices, believing that they enhance shareholder value. The corporate governance practices adopted by the Company place a focus on maintaining a high-quality board, effective internal controls, a high level of transparency and full accountability to shareholders. Throughout the year ended 31 December 2021, the Company complied with all relevant laws and the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules.

Scope of Work of BDO Limited

The figures in respect of this announcement of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 December 2021 have been agreed by the Company's external auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by BDO in this respect did not constitute an assurance engagement and consequently no opinion or conclusion assurance has been expressed by BDO on this announcement.

Audit Committee

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

The audit committee currently comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the audited annual results of the Company for the year ended 31 December 2021.

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

Hong Kong, 5 August 2022

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

* *For identification purpose only*