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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 2023

FINANCIAL HIGHLIGHTS

- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the year ended 31 December 2023 decreased by 65.9% to RMB9,403 million
- Revenue for the year ended 31 December 2023 decreased by 71.3% to RMB5,339.4 million
- Loss attributable to owners of the Company for the year ended 31 December 2023 was RMB1,555.9 million (2022: Loss attributable to owners of the Company of RMB4,762.8 million), representing a decline of 67.3% as compared to last year
- Loss for the year ended 31 December 2023 was RMB1,869.8 million (2022: Loss for the year of RMB5,796.1 million), representing a decrease of 67.7% as compared to last year
- Basic loss per share was RMB43.81 cents for the year ended 31 December 2023 (2022: Basic loss per share of RMB134.10 cents)
- Land bank decreased by 19.1% to 12.9 million sq. m. as at 31 December 2023 (31 December 2022: 15.9 million sq.m.)
- Cash and cash equivalents and restricted cash as at 31 December 2023 amounted to RMB2,597.5 million (31 December 2022: RMB5,603.3 million)
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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 2023, together with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
	<i>Note</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	5,339,418	18,636,424
Cost of sales		<u>(4,774,758)</u>	<u>(20,943,453)</u>
Gross profit (loss)		564,660	(2,307,029)
Other income, gains and losses, net	5	(297,814)	(589,537)
Selling and marketing expenses		(477,151)	(760,260)
General and administrative expenses		(541,648)	(868,398)
Decrease in fair value of investment properties		(338,861)	(357,378)
Impairment losses on financial assets and contract assets, net of reversal	6	<u>(44,221)</u>	<u>(571,113)</u>
Operating loss		(1,135,035)	(5,453,715)
Finance income		31,517	274,405
Finance costs		<u>(162,976)</u>	<u>(64,500)</u>
Finance income and costs, net	7	<u>(131,459)</u>	<u>209,905</u>
Share of results of investments accounted for using the equity method, net		<u>41,410</u>	<u>(206,349)</u>
Loss before income tax	8	(1,225,084)	(5,450,159)
Income tax expense	9	<u>(644,739)</u>	<u>(345,937)</u>
Loss for the year		<u><u>(1,869,823)</u></u>	<u><u>(5,796,096)</u></u>
Loss for the year attributable to:			
– Owners of the Company		(1,555,932)	(4,762,787)
– Non-controlling interests		<u>(313,891)</u>	<u>(1,033,309)</u>
		<u><u>(1,869,823)</u></u>	<u><u>(5,796,096)</u></u>
Loss per share			
– Basic and diluted (expressed in RMB cents per share)	11	<u><u>(43.81)</u></u>	<u><u>(134.10)</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	<u>(1,869,823)</u>	<u>(5,796,096)</u>
Other comprehensive expense for the year		
<i>Item that may not be reclassified subsequently to profit or loss:</i>		
– Currency translation differences	<u>(152,990)</u>	<u>(987,332)</u>
Total other comprehensive expense for the year	<u>(152,990)</u>	<u>(987,332)</u>
Total comprehensive expense for the year	<u><u>(2,022,813)</u></u>	<u><u>(6,783,428)</u></u>
Total comprehensive expense attributable to:		
– Owners of the Company	(1,708,000)	(5,745,070)
– Non-controlling interests	<u>(314,813)</u>	<u>(1,038,358)</u>
	<u><u>(2,022,813)</u></u>	<u><u>(6,783,428)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	<i>Note</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		570,549	835,090
Investment properties		1,290,079	1,630,848
Intangible assets		329,988	341,336
Investments accounted for using the equity method		1,335,148	828,783
Contract assets		622,435	639,773
Deferred income tax assets		461,369	1,019,224
		4,609,568	5,295,054
CURRENT ASSETS			
Completed properties held for sales		5,119,369	6,026,658
Properties under development for sales		30,304,580	33,588,067
Trade and other receivables and deposits	12	2,743,299	2,613,538
Prepayments	13	1,674,813	1,755,449
Income tax recoverable		1,320,137	1,201,021
Amounts due from non-controlling interests		2,001,987	2,447,217
Amounts due from associates		463,505	801,551
Amounts due from joint ventures		629,264	654,658
Restricted cash		1,805,214	3,706,775
Cash and cash equivalents		792,264	1,896,475
		46,854,432	54,691,409
CURRENT LIABILITIES			
Trade and other payables	14	14,118,926	14,132,881
Amounts due to non-controlling interests		4,780,015	5,360,737
Amounts due to associates		488,956	186,127
Amounts due to joint ventures		3,777	8,668
Income tax liabilities		1,594,985	1,410,480
Bank and other borrowings	15	14,913,558	15,220,491
Contract liabilities		10,682,200	15,636,108
		46,582,417	51,955,492

	<i>Note</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT ASSETS		<u>272,015</u>	<u>2,735,917</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,881,583</u>	<u>8,030,971</u>
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		1,157,951	1,281,645
Bank and other borrowings	15	<u>675,209</u>	<u>1,012,011</u>
		<u>1,833,160</u>	<u>2,293,656</u>
NET ASSETS		<u>3,048,423</u>	<u>5,737,315</u>
CAPITAL AND RESERVES			
Share capital		139,632	139,632
Reserves		<u>327,285</u>	<u>2,035,285</u>
		466,917	2,174,917
Non-controlling interests		<u>2,581,506</u>	<u>3,562,398</u>
SHAREHOLDERS' EQUITY		<u>3,048,423</u>	<u>5,737,315</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 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 2023, the Group incurred a net loss attributable to the owners of the Company of approximately RMB1,555,932,000 (2022: RMB4,762,787,000). In addition, as at 31 December 2023, the Group's total bank and other borrowings amounted to approximately RMB15,588,767,000 (2022:RMB16,232,502,000) and out of which, an amount of the Group's bank and other borrowings of approximately RMB14,913,558,000 (2022: RMB15,220,491,000) would fall due and be repayable within one year, while its cash and cash equivalents amounted to approximately RMB792,264,000 (2022: RMB1,896,475,000) only.

As described in note 15, as at 31 December 2023, the Group's bank and other borrowings amounting to approximately RMB8,717,610,000 (2022: 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 RMB5,346,642,000 (2022: 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 2023. 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 2023. 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 appointed 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 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:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

(a) Disaggregation of revenue from contracts with customers

- (i) The Group derives revenue from transfer of goods and services by category of major product lines and business

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
within the scope of HKFRS 15		
Sales of properties	4,867,163	18,213,556
Property management services and community value-added services	358,136	309,220
Project management services	2,914	42,581
Hotel income	72,587	39,741
Healthcare services	12,873	2,370
	<hr/>	<hr/>
	5,313,673	18,607,468
Rental income	25,745	28,956
	<hr/>	<hr/>
	<u>5,339,418</u>	<u>18,636,424</u>

- (ii) The Group derives revenue from transfer of goods and services by timing of revenue recognition

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
within the scope of HKFRS 15		
– Recognised at a point in time	4,862,029	18,114,302
– Recognised over time	451,644	493,166
	<u>5,313,673</u>	<u>18,607,468</u>

- (iii) The Group derives revenue from the transfer of goods and services by geographical markets

Details of the Group's revenue from the transfer of goods and services by geographical markets are set out in note 4(B) below.

- (b) Contract balances

	<i>Notes</i>	As at 31 December		As at
		2023	2022	1 January
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	12	224,702	173,196	305,352
Less: Impairments		(49,192)	(38,460)	(7,448)
		<u>175,510</u>	<u>134,736</u>	<u>297,904</u>
Contract assets		623,000	640,000	700,000
Less: Impairments		(565)	(227)	(4,761)
		<u>622,435</u>	<u>639,773</u>	<u>695,239</u>
Contract liabilities		<u>10,682,000</u>	<u>15,636,108</u>	<u>25,205,116</u>

Information about the Group's trade receivables are set out in note 12.

(c) Performance obligations for contracts with customers and revenue recognition policies

The Group is mainly engaged in the property development, provision of property management services, property investment services, project management services and healthcare services in the PRC.

The Group's 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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

The Group recognises revenue when the significant risks and rewards of ownership of any goods and services have been transferred, and the Group's performance obligations for contracts with customers and revenue recognition policies are as follows:

(i) Sales of properties

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer, being at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. In most cases, the consideration is due when legal title has been transferred.

The Group receives payments from customers based on billing schedule as established in contracts. Certain payments are usually received in advance in pre-sales arrangement. Such proceeds from customers are recorded as contract liabilities before the relevant sales are recognised.

(ii) Provision of construction services and project management services

The Company provides construction services and project management services in property development projects contracted by government authorities and other third parties.

Revenue from providing these services is recognised in the accounting period in which the services are rendered as the Group's performance creates or enhances an asset or work in progress that the customer controls. This is determined based on the Group's efforts or inputs to the satisfaction of the performance obligation by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In general, customers pay fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(iii) Property management services and community value-added services

Property management services

Revenue from providing services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group.

The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

The Group received property management services income, where the Group acts as a principal and is primary responsible for providing the property management services to the property owners. Revenue relating to property management services are recognised as a performance obligation satisfied over time. The Group entitles to revenue at the value of property management services fee received or receivable and recognises all related property management costs as its cost of service.

Community value-added services

Community value-added services mainly include (i) home-living services (including, among others, delivery of daily necessities, housekeeping and transportation services); (ii) intermediary services (including, among others, operating clubhouses, community communication channel, swimming pools, sport facilities, playgrounds and amusement centers) and (iii) property agency services (including, among others, property brokerage for second-hand properties and home renovation and decoration services), revenue is recognised over time when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customers.

(iv) Hotel operations and management services

Revenue from the provision of hotel operations and management services is recognised over the period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from food and beverage operations of hotels is recognised at the point in time when the control of food and beverage products is transferred to the customer, generally upon purchase of the food and beverage items by the customer.

(v) Community healthcare services

Online medical services consist primarily of online consultation services provided by the AI-assisted in-house medical team of the Group. Revenue from online medical services is recognised on a gross basis as the Group is regarded as the primary obligor as long as such services are provided by its own employees since the Group has the ability to determine the pricing of the services, nature of services and is responsible for providing the services by its employees. The Group offers service to corporate customers, including their customers and employees. Such services are recognised as a performance obligation satisfied over time.

The Group charges corporate customers on an annual basis at a fixed fee regardless of the usage of the services and overall headcount or based on a fixed fee per individual headcount per annum. The revenue of the online medical service is recognised over a period of time using the time-based method since the Group has the stand-ready performance obligation on a when-and-if-available basis to customers.

The Group also provides a range of diagnostic, medical and surgical treatment services at the clinics. Revenue from clinic services is recognised in the accounting period in which the related services are rendered and is recognised over a period of time using the time-based method since the Group has stand-ready performance obligation.

- (d) Transaction price allocated to remaining performance obligation

The Group has applied practical expedient in paragraph 121 of HKFRS 15 *Revenue from Contracts with Customers*, to exempt the disclosure of revenue expected to be recognised in the future arising from contracts.

(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 accounting policies of the operating segments are the same as the Group's accounting policies.

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 2023						
Segment revenue						
Revenue from contracts with customers						
– Recognised at a point in time	1,813,916	1,850,617	712,638	528,328	28,868	4,934,367
– Recognised over time	82,178	—	5,309	—	364,157	451,644
– Others	—	—	—	—	25,745	25,745
Less: Inter-segment revenue	—	—	—	—	(72,338)	(72,338)
	<u>1,896,094</u>	<u>1,850,617</u>	<u>717,947</u>	<u>528,328</u>	<u>346,432</u>	<u>5,339,418</u>
Consolidated revenue from external customers	<u>1,896,094</u>	<u>1,850,617</u>	<u>717,947</u>	<u>528,328</u>	<u>346,432</u>	<u>5,339,418</u>
Segment results						
Segment results	(596,535)	(638,111)	145,758	68,896	(37,156)	(1,057,148)
Depreciation of property, plant and equipment	(48,334)	(1,823)	(605)	(448)	(26,677)	(77,887)
Operating (losses) gain	(644,869)	(639,934)	145,153	68,448	(63,833)	(1,135,035)
Share of results of investments accounted for using the equity method, net	(2,859)	(9,556)	(4,667)	56,912	1,580	41,410
Finance income	3,884	7,275	18,117	1,210	1,031	31,517
Finance costs	(52,046)	128,478	44,554	29,610	(313,572)	(162,976)
Income tax credit (expense)	27,102	(357,084)	(147,086)	(161,387)	(6,284)	(644,739)
(Loss)/profit for the year	<u>(668,788)</u>	<u>(870,821)</u>	<u>56,071</u>	<u>(5,207)</u>	<u>(381,078)</u>	<u>(1,869,823)</u>

	Greater Western Taiwan Straits Economic Zone <i>RMB'000</i>	Central and Western Regions <i>RMB'000</i>	Bohai Economic Rim <i>RMB'000</i>	Greater Bay Area <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Additions to:</i>						
Property, plant and equipment	426	928	207	24	29,374	30,959
Investments accounted for using the equity method	—	—	686,000	—	77,441	763,441
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2023						
<i>Total segment liabilities</i>	<u>(10,351,431)</u>	<u>(12,776,250)</u>	<u>(9,034,226)</u>	<u>(5,252,924)</u>	<u>(11,000,746)</u>	<u>(48,415,577)</u>
<i>Total segment assets</i>	<u>12,064,186</u>	<u>16,443,061</u>	<u>12,173,492</u>	<u>7,721,678</u>	<u>3,059,196</u>	<u>51,461,613</u>
Other unallocated corporate assets						<u>2,387</u>
Total consolidated assets						<u>51,464,000</u>
<i>Including investments accounting for using the equity method</i>	<u>20,199</u>	<u>253,435</u>	<u>759,765</u>	<u>169,141</u>	<u>132,608</u>	<u>1,335,148</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 2022						
Segment revenue						
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>
Segment results						
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	Central and Western	Bohai Economic Rim	Greater Bay Area	Others	Total
	Economic Zone	Regions	Economic Rim	Greater Bay Area	Others	Total
	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>	59,984,173
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>

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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	2,162,253	2,779,117
Hong Kong	<u>28,363</u>	<u>28,157</u>
	<u><u>2,190,616</u></u>	<u><u>2,807,274</u></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 2023 and 2022.

5. Other income, gains and losses, net

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gains, net	22,227	54,483
Gains (losses) on disposals of investments		
accounted for using the equity method	19,842	(58,371)
Gains on disposals of property, plant and equipment	1,071	1,825
Losses on disposals of subsidiaries	(148,344)	(631,514)
Remeasurement gains on interests in investments accounted		
for using the equity method	—	27,851
Impairment losses on property, plant and equipment	(210,182)	—
Others	<u>17,572</u>	<u>16,189</u>
	<u><u>(297,814)</u></u>	<u><u>(589,537)</u></u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses recognised, net of reversal		
– Trade and other receivables (note 12(e))	254	(342,552)
– Amounts due from non-controlling interests	(46,481)	(223,784)
– Amounts due from associates	1,788	(6,593)
– Amounts due from joint ventures	556	(2,718)
– Contract assets	(338)	4,534
	<u>(44,221)</u>	<u>(571,113)</u>

7. Finance income and costs, net

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income from banks	31,517	70,504
Gains on repurchases of senior notes (note 15)	—	203,901
	<u>31,517</u>	<u>274,405</u>
Finance costs on bank and other borrowings, including senior notes	848,551	1,637,107
Finance costs on loans from non-controlling interests	305,750	28,685
	1,154,301	1,665,792
Less: Amount capitalised in respect of qualifying assets	<u>(991,325)</u>	<u>(1,601,292)</u>
	<u>162,976</u>	<u>64,500</u>
Finance income and costs, net	<u>(131,459)</u>	<u>209,905</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>8.07%</u>	<u>9.60%</u>

8. Loss before income tax

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs (including directors' and chief executive's emoluments)		
– Salaries and allowances	355,589	531,326
– Sale commission and bonuses	38,174	60,604
– Retirement benefit costs	65,475	81,197
– Other staff welfare costs	40,915	42,479
	<u>500,153</u>	<u>715,606</u>
Less: Amount capitalised in respect of qualifying assets	(63,166)	(107,403)
	<u>436,987</u>	<u>608,203</u>
Auditor's remuneration		
– Audit services	3,534	5,636
– Non-audit services	—	—
	<u>3,534</u>	<u>5,636</u>
Depreciation of property, plant and equipment	77,887	84,410
Less: Amount capitalised in respect of qualifying assets	(43)	(272)
	<u>77,844</u>	<u>84,138</u>
Amortisation of intangible assets	11,348	11,348
Gross rental income from investment properties	23,753	26,688
Less: Outgoing in respect of investment properties that generated rental income during the year	(1,855)	(2,016)
	<u>21,898</u>	<u>24,672</u>
Cost of sales	4,774,758	20,943,453
<i>Including impairment loss on completed properties held for sales and properties under development for sales</i>	(140,658)	2,336,428
Operating lease payments	<u>3,816</u>	<u>9,773</u>

9. Income tax expense

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
– PRC enterprise income tax	206,691	502,689
– PRC land appreciation tax	22,377	59,919
	<u>229,068</u>	<u>562,608</u>
Deferred taxation	415,671	(216,671)
	<u>644,739</u>	<u>345,937</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 2023 (2022: 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 2023 (2022: nil).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% (2022: 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 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

11. Loss per share

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss figures are calculated as follows:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss for the year	<u>(1,555,932)</u>	<u>(4,762,787)</u>
	2023	2022
	<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 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>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	(a)	224,702	173,196
Less: Impairments	(e)	<u>(49,192)</u>	<u>(38,460)</u>
		<u>175,510</u>	<u>134,736</u>
<i>Other receivables comprise:</i>	(b)		
– Interest receivables		11,923	11,220
– Others receivables		2,755,452	2,635,239
<i>Deposits comprise:</i>	(b)		
– Refundable Deposits for Nine Target Companies	(c)	—	30,803
– Deposits with local real estate associations	(d)	169,997	174,815
– Deposits with labour department		7,794	15,088
– Deposits with treasury bureau		<u>10,990</u>	<u>10,990</u>
		2,956,156	2,878,155
Less: Impairments	(e)	<u>(388,367)</u>	<u>(399,353)</u>
		<u>2,567,789</u>	<u>2,478,802</u>
		<u><u>2,743,299</u></u>	<u><u>2,613,538</u></u>

Notes:

(a) Trade receivables

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 RMB3,240,000 (2022: RMB10,506,000) 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.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	161,578	124,748
31 - 60 days	1,575	1,935
61 - 90 days	1,803	2,516
91 - 180 days	13,972	4,847
Over 180 days	45,774	39,150
	<u>224,702</u>	<u>173,196</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 *Financial Instruments*. A loss allowance of approximately RMB49,192,000 (2022: RMB38,460,000) was provided for the year ended 31 December 2023 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 RMB106,735,000 (2022: RMB141,000,000), net of allowance of RMB79,018,000 (2022: RMB82,504,000) which bear interests of 4.8% to 15.0% (2022: 4.8% to 15.0%) per annum and are repayable within 2024.

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 and between October and December 2022, the Redco Healthy Group has paid a total amount of approximately RMB30.8 million as refundable and interest-free deposits to the sellers of these Nine Target Companies.

During the year ended 31 December 2023, the Refundable Deposits has 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 2022	7,448	87,813	95,261
Impairment loss recognised in profit or loss	<u>31,012</u>	<u>311,540</u>	<u>342,552</u>
Closing loss allowance as at 31 December 2022	38,460	399,353	437,813
Impairment loss recognised in profit or loss	<u>10,732</u>	<u>(10,986)</u>	<u>(254)</u>
Closing loss allowance as at 31 December 2023	<u><u>49,192</u></u>	<u><u>388,367</u></u>	<u><u>437,559</u></u>

13. Prepayments

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments comprise:		
– Prepaid other taxes	1,593,061	1,549,986
– Prepayments for construction costs	<u>81,752</u>	<u>205,463</u>
	<u><u>1,674,813</u></u>	<u><u>1,755,449</u></u>

14. Trade and other payables

	<i>Note</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	(a)	5,718,748	6,286,309
Accruals and other payables		5,034,395	5,181,005
Amounts due to shareholders	(b)	86,945	86,131
Other taxes payables		2,697,443	2,498,789
Dividend payables		4,716	4,648
Salary payables		23,982	17,800
Interest payables		546,899	51,862
Rental deposits received		5,798	6,337
		<u>14,118,926</u>	<u>14,132,881</u>

Notes:

(a) Trade payables

As at 1 January 2022, trade payable amounted to approximately RMB6,140,366,000.

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	4,088,200	4,562,989
31 to 60 days	41,653	222,064
61 - 90 days	93,232	168,198
Over 91 days	1,495,663	1,333,058
	<u>5,718,748</u>	<u>6,286,309</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 2023 and 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>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Bank and other borrowings comprise:			
– Senior notes, including accrued interests	(a)	7,366,579	6,861,218
– Bank borrowings	(b)	<u>8,222,188</u>	<u>9,371,284</u>
		<u>15,588,767</u>	<u>16,232,502</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		14,905,305	12,674,851
More than one year, but not more than two years		377,388	2,475,166
More than two years, but not more than five years		302,537	881,898
More than five years		<u>3,537</u>	<u>200,587</u>
		15,588,767	16,232,502
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>(14,913,558)</u>	<u>(15,220,491)</u>
Amounts shown under non-current liabilities		<u>675,209</u>	<u>1,012,011</u>
Analysed as:			
– Fixed-rates bank and other borrowings		10,063,341	9,979,941
– Variable-rates bank and other borrowings		<u>5,525,426</u>	<u>6,252,561</u>
		<u>15,588,767</u>	<u>16,232,502</u>
Analysed as:			
– Secured		15,580,069	16,214,150
– Unsecured	(c)	<u>8,698</u>	<u>18,352</u>
		<u>15,588,767</u>	<u>16,232,502</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			2023	2022
					RMB'000	RMB'000
13% Senior Note due 2023	13%	27 March 2020	27 May 2023	US\$150,000,000	5,429	5,103
11% Senior Note due 2022	11%	6 August 2020	6 August 2022	US\$320,800,000	72,530	72,154
9.9% Senior Note due 2024	9.9%	17 November 2020	17 February 2024	US\$266,000,000	2,112,442	1,889,283
10.5% Senior Note due 2023	10.5%	6 July 2021	5 January 2023	RMB600,000,000	586,481	585,822
8% Senior Note due 2023	8%	25 March 2022	23 March 2023	US\$184,944,000	1,251,831	1,206,977
13% Senior Note due 2023	13%	8 April 2022	7 April 2023	US\$146,720,000	1,082,859	1,027,271
11% Senior Note due 2023	11%	8 April 2022	6 August 2023	US\$262,288,000	2,023,617	1,861,507
11% Senior Note due 2023 II	11%	6 August 2022	6 August 2023	US\$31,000,000	231,390	213,101
Total					<u>7,366,579</u>	<u>6,861,218</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 and the resulted net gains of approximately RMB203,901,000 were credited to profit and loss as disclosed in note 7.

During the year ended 31 December 2023, there was no repurchase of senior notes by the Group.

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.

The Group's senior notes as at 31 December 2023 totalling approximately RMB7,366,579,000 (2022: RMB6,861,218,000) 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 2023, the Group did not repay a senior note at carrying value and interests of approximately RMB5,254,137,000 (2022: 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 RMB2,112,442,000 (2022: 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 Cross-default Senior Notes. Accordingly, the Group's senior notes at an aggregate carrying value and interests of approximately RMB7,366,579,000 (2022: RMB6,861,218,000) have been presented as current liabilities as at 31 December 2023.

(b) Bank borrowings

As at 31 December 2023, the Group's bank borrowings of approximately RMB5,193,882,000 (2022: RMB2,170,870,000), were secured by certain properties under development for sales with the carrying amount of approximately RMB26,951,975,000 (2022: RMB24,532,019,000), property, plant and equipment of approximately RMB332,663,000 (2022: RMB616,628,000) and investment properties of approximately RMB368,393,000 (2022: RMB725,788,000). The Group's bank borrowings of approximately RMB5,498,081,000 (2022: RMB5,528,994,000) 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 3.44% to 24.00% (2022: 1.50% to 24.00%) 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 RMB3,463,473,000 (2022: 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 RMB3,234,200,000 (2022: 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 2023, 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 RMB332,663,000, RMB368,393,000 and RMB26,951,975,000 (2022: RMB616,628,000, RMB725,788,000 and RMB24,532,019,000), respectively and were also guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries and associates.

16. Related parties transactions

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

During the year ended 31 December 2023, there were numerous fund movements between the Group (excluding Redco Healthy Group, the “Redco Properties Group”) and the Redco Health Group and the Redco Healthy Group had cash outflows to and inflows from the Redco Properties Group amounted to approximately RMB10.2 million (2022: RMB200 million) and RMB11.7 million (2022: RMB61.5 million), respectively.

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to Redco Healthy Group , other than trade payables	73,171	74,116
Amounts due from Redco Healthy Group, other than trade payables	<u>(12,223)</u>	<u>(277)</u>
Amounts due to Redco Healthy Group, other than trade payables	<u><u>60,948</u></u>	<u><u>73,839</u></u>

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

17. 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 2023, the world economic situation became more and more severe, as reflected by the continuous increase in interest rates in major developed countries, the ongoing geopolitical conflicts and the rise of trade protectionism, which dragged down the world economic growth and gradually slowed it down. Against this background, the Chinese economy showed strong resilience, gradually emerged from the shadow of the epidemic, and showed a stable and positive trend as a whole, maintaining steady growth.

However, the real estate market is still in an in-depth adjustment period, and the overall situation remains unstable. According to the National Bureau of Statistics, in 2023, the national commercial housing sales area was approximately 1.117 billion sq.m., down 8.5% year-on-year; the national commercial housing sales were approximately RMB11.66 trillion, down 6.5% year-on-year.

Under the market background of “great changes in the relationship between supply and demand”, the number of adjustment policies issued by the government throughout the year is the highest in history. Under the policies of “housing is for living, not for speculation” and “localisation of real estate policies” (因城施策), cities have loosened the restrictions on prices, purchases and sales, lowered down payments and interest rates to accommodate the new relationship between supply and demand. In this respect, demand has been effectively unleashed, which has contributed to a recovery in sales and a reshaping of the market confidence.

Facing the complicated and changeable market environment, the Company has made every effort to maintain stable and efficient operations, hereby strengthen its risk control ability, and improve quality and efficiency. Focusing on “refined products, guaranteed delivery and improved service” and adhering to its responsibilities and commitments to customers, the Company delivered many projects in Hefei, Nanchang, Quanzhou, Jinan, Xi’an, Xiangtan and Taizhou with high quality throughout the year. Guided by the accelerated construction of a new real estate development model, the Company promptly grasped the policy changes, flexibly adjusted its project sales strategy to promote the collection of sales payments, and strived to ensure the financial stability and delivery progress of the Company.

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 31 December 2023, the Group's property portfolio comprised 95 property development and investment projects with an aggregate gross floor area (the "GFA") of 12,882,689.1 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 2023:

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
Bluelake International 瀾湖國際	47,151.0	113,323.0	1,121.0
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	15,269.9
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,507.2	164,796.0
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	8,763.1
The Phoenix – Phase II 鳳凰新天二期	39,030.5	155,617.8	123,514.1
One Riverside Glory 君譽濱江一期	52,896.0	158,124.3	38,919.0
Two Riverside Glory 君譽濱江二期	42,301.0	100,623.2	69,081.7

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	51,280.4
Rivera Mansion 雍江府	101,008.5	311,874.2	252,733.3
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	727,670.8
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	202,623.3
Luminescence Ocean 拾光海	68,827.0	130,921.7	23,139.0
HUNAN REGION			
Changsha Phoenix 長沙鳳凰新天	18,002.1	128,168.2	104,567.3
Hangao Academy Mansion 漢高學士府	67,613.7	252,117.1	173,513.8
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	271,351.9
Peach Creek Villa 桃溪雲廬	25,475.0	61,679.8	14,980.4
Glory Joy Palace 耀悦雲庭	78,512.0	241,627.7	84,417.4
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			
Jade Grand Mansion 璞悦新邸	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	47,029.0
Yanshan Impression 燕山映	61,021.0	163,483.6	20,766.4
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	36,682.9
Redco Visionary II 力高未來城二期	236,992.1	607,995.8	395,257.3
Spring Villa 雍泉府	268,113.0	596,669.4	323,063.9
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	20,092.9

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	2,825.7
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,814.7	88,545.2
Sunshine Coast - Phase V 陽光海岸－第五期	99,194.0	199,574.0	62,466.5
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
Imperial Mansion 瑞璽公館	100,511.8	279,024.0	279,024.0
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

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	21,204.4
Royal International 君御國際	43,873.0	114,894.0	14,000.9
Bluelake City 瀾湖前城	76,058.8	229,941.8	29,774.3
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	154,965.8
Cloud Terrace 雲湖印	47,925.5	130,636.2	28,817.4
Royal Universe 君御天下	83,478.3	147,308.9	15,028.4
Leisure's Mansion (Hefei) 君逸府(合肥)	47,098.0	123,142.0	37,195.9
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	81,679.3
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			
Majestic Mansion 天悦華府	88,319.8	171,000.0	63,078.7
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	2,163.3
Bluelake Landmark 瀾湖峯景	28,113.0	69,275.2	10,823.6
Center Mansion 君熙府	17,428.0	74,617.7	7,377.5

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	22,209.0
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	133,781.5
Sky Terrace 雲峰閣	27,820.0	85,791.7	31,290.9
Huizhou Leisure's Mansion 惠州君逸府	24,956.0	100,123.0	37,566.9
Blissful Bay 悅環灣	71,946.0	258,947.2	159,051.3
Jiangmen Leisure's Mansion 江門君逸府	65,359.0	228,798.2	198,170.8
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			
Mount Yuelan 越瀾山	186,656	518,725.2	461,733.4
Emperor Palace 君樽府	30,108.0	70,182.2	20,981.2
Qianxihui Square 仟喜薈廣場	154,359.1	473,504.5	407,593.2
TOTAL			<u>12,882,689.1</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 2023 decreased by 71.3% to RMB5,339.4 million from RMB18,636.4 million for the year ended 31 December 2022.

Such decrease was mainly attributable to the areas of the properties delivered decreased by 76.8% to 586,214 sq.m. for the year ended 31 December 2023 from 2,526,282 sq.m. for the year ended 31 December 2022. The recognised average selling price (the “ASP”) for the properties delivered increased to RMB8,368 per sq.m. for the year ended 31 December 2023 from RMB7,204 per sq.m. for the year ended 31 December 2022.

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					
	2023	2022	2023	2022	2023	2022
	<i>Revenue</i>		<i>GFA Delivered</i>		<i>Recognised ASP</i>	
	<i>(RMB'000)</i>		<i>(sq. m.)</i>		<i>(RMB per sq. m.)</i>	
Greater Western Taiwan Straits						
Economic Zone	1,813,916	7,485,793	228,168	949,815	7,950	7,881
Central and Western Regions	1,850,617	5,176,145	201,535	872,581	9,183	5,932
Bohai Economic Rim	712,638	4,175,674	86,527	545,225	8,236	7,659
Greater Bay Area	528,328	1,360,854	69,984	158,661	7,549	8,577
Others						
– Property management services and community value-added services	358,136	309,220	—	—	—	—
– Project management services	2,914	42,581	—	—	—	—
– Rental income	25,745	28,956	—	—	—	—
– Others	47,124	57,201	—	—	—	—
Total	<u>5,339,418</u>	<u>18,636,424</u>	<u>586,214</u>	<u>2,526,282</u>	<u>8,368</u>	<u>7,204</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 75.8% to RMB1,813.9 million for the year ended 31 December 2023 from RMB7,485.8 million for the year ended 31 December 2022. Such decrease was primarily attributable to the decrease in GFA delivered for certain projects in Jiangxi Province during the year ended 31 December 2023.
- Central and Western Regions: segment revenue for the Central and Western Regions decreased by 64.2% to RMB1,850.6 million for the year ended 31 December 2023 from RMB5,176.1 million for the year ended 31 December 2022. Such decrease was primarily attributable to the decrease in the GFA delivered for certain projects in Anhui Province during the year ended 31 December 2023.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim decreased by 82.9% to RMB712.6 million for the year ended 31 December 2023 from RMB4,175.6 million for the year ended 31 December 2022. Such decrease was primarily due to the decrease in the GFA delivered in certain projects in Shandong Province during the year ended 31 December 2023.
- Greater Bay Area: segment revenue for the Greater Bay Area decreased by 61.2% to RMB528.3 million for the year ended 31 December 2023 from RMB1,360.9 million for the year ended 31 December 2022. Such decrease was mainly due to the decrease in GFA delivered for Huizhou, Zhanjiang and Jiangmen during the year ended 31 December 2023.
- Others: this segment mainly represents property management services, value-added services and community value-added services provided by Redco Healthy, a subsidiary of the Group which was successfully listed on the Stock Exchange (stock code: 2370). 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 decreased by 77.2% to RMB4,774.8 million for the year ended 31 December 2023 from RMB20,943.5 million for the year ended 31 December 2022. Such decrease was primarily due to (i) the decrease in GFA delivered to 586,214 sq.m. for the year ended 31 December 2023 from 2,526,282 sq.m. for the year ended 31 December 2022; and (ii) the decrease in impairment provision for property inventories during the year ended 31 December 2023 as compared to 2022.

Gross loss/profit

The Group turned from a gross loss of RMB2,307.0 million for the year ended 31 December 2022 to a gross profit of RMB564.7 million for the year ended 31 December 2023. The Group recorded a gross loss margin of 12.4% for the year ended 31 December 2022 and a gross profit margin of 10.6% for the year ended 31 December 2023. The turnaround from gross loss to gross profit was primarily attributable to (i) decrease in GFA delivered but an increase in ASP per sq.m. for the properties delivered; and (ii) the decrease in impairment provision for property inventories during the year ended 31 December 2023 as compared to 2022.

Other income, gains/losses, net

The Group recorded other losses of RMB589.5 million for the year ended 31 December 2022 and other losses of RMB297.8 million for the year ended 31 December 2023, and the net losses was mainly due to (i) financial exchange gains of RMB22.2 million; (ii) the loss on disposal of subsidiaries of approximately RMB148.3 million during the year ended 31 December 2023; (iii) the gain on disposal of investments accounted for using the equity method of RMB19.8 million for the year ended 31 December 2023; and (iv) impairment loss on property, plant and equipment of RMB210.2 million.

Selling and marketing expenses

Selling and marketing expenses decreased by 37.2% to RMB477.1 million for the year ended 31 December 2023 from RMB760.3 million for the year ended 31 December 2022. Selling and marketing expenses mainly represent expenses incurred in the promotion of the Group's properties and the sales commission to the sales teams. 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 2023.

General and administrative expenses

General and administrative expenses decreased by 37.6% to RMB541.6 million for the year ended 31 December 2023 from RMB868.4 million for the year ended 31 December 2022. 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 and the cost saving strategy adopted by the Group during the year ended 31 December 2023.

Decrease in fair value of investment properties

There was a decrease in fair value of investment properties of RMB357.4 million for the year ended 31 December 2022 whereas there was a decrease in fair value of investment properties of RMB338.9 million for the year ended 31 December 2023. The decrease in fair value of investment properties for the year ended 31 December 2023 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.

Operating loss

As a result of the foregoing, the Group recorded operating loss of approximately RMB1,135.0 million for the year ended 31 December 2023 as compared to operating loss of approximately RMB5,453.7 million for the year ended 31 December 2022.

Finance income

Finance income decreased by 88.5% to approximately RMB31.5 million for year ended 31 December 2023 from approximately RMB274.4 million for the year ended 31 December 2022. Such decrease was primarily attributable to the absence of income from senior notes repurchased during the year ended 31 December 2023 as compared to that of RMB203.9 million recorded during the year ended 31 December 2022.

Finance costs

Finance costs increased by 152.7% to approximately RMB163.0 million for the year ended 31 December 2023 from approximately RMB64.5 million for the year ended 31 December 2022. 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 2023.

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

The Group recorded net income from the investment using equity method of approximately RMB41.4 million for the year ended 31 December 2023 as compared with a net loss of approximately RMB206.3 million for the year ended 31 December 2022. Such turnaround from loss to income was primarily attributed to the increase in share of revenue for Yixing Time Spring Palace Project and Huizhou Sky Palace during the year ended 31 December 2023.

Loss before income tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately RMB1,225.1 million for the year ended 31 December 2023 as compared with a loss before income tax of approximately RMB5,450.2 million for the year ended 31 December 2022.

Income tax expense

Income tax expense increased by 86.4% to RMB644.7 million for the year ended 31 December 2023 from RMB345.9 million for the year ended 31 December 2022. Such increase was primarily due to the the reversal of deferred income tax assets of the Group during the year ended 31 December 2023.

Loss for the year

As a result of the foregoing, loss for the year decreased by 67.7% from RMB5,796.1 million for the year ended 31 December 2022 to a loss of RMB1,869.8 million for the year ended 31 December 2023.

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

Loss for the year attributable to owners of the Company decreased from RMB4,762.8 million for the year ended 31 December 2022 to a loss of RMB1,555.9 million for the year ended 31 December 2023. Loss attributable to non-controlling interests decreased from RMB1,033.3 million for the year ended 31 December 2022 to a loss of RMB313.9 million for the year ended 31 December 2023.

The decrease in loss attributable to owners of the Company and non-controlling interests for the year ended 31 December 2023 was mainly attributable to: (i) the increase in gross profit derived from property projects of the Group; (ii) a reduction in loss on disposal of subsidiaries from approximately RMB631.5 million recorded for the year ended 31 December 2022 to approximately RMB148.3 million recorded for the year ended 31 December 2023; (iii) the decrease in provision for impairment losses on financial assets and contract assets from approximately RMB571.1 million for the year ended 31 December 2022 to approximately RMB44.2 million for the year ended 31 December 2023; and (iv) impairment loss on property, plant and equipment of RMB210.2 million recorded during the year ended 31 December 2023.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB792.3 million (31 December 2022: RMB1,896.5 million) and restricted cash of RMB1,805.2 million (31 December 2022: RMB3,706.8 million) as at 31 December 2023. As at 31 December 2023, the Group's cash and cash equivalents were mainly denominated in RMB and United States dollar (“US\$”).

Borrowings

As at 31 December 2023, the Group had borrowings of approximately RMB15,588.8 million (31 December 2022: RMB16,232.5 million) which were denominated in RMB, US\$ and HK\$.

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bank and other borrowings comprise:		
– Senior notes, including accrued interests	7,366,579	6,861,218
– Bank borrowings	8,222,188	9,371,284
	<u>15,588,767</u>	<u>16,232,502</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	14,905,305	12,674,851
More than one year, but not more than two years	377,388	2,475,166
More than two years, but not more than five years	302,537	881,898
More than five years	3,537	200,587
	<u>15,588,767</u>	<u>16,232,502</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>(14,913,558)</u>	<u>(15,220,491)</u>
Amounts shown under non-current liabilities	<u>675,209</u>	<u>1,012,011</u>
Analysed as:		
– Fixed-rates bank and other borrowings	10,063,341	9,979,941
– Variable-rates bank and other borrowings	5,525,426	6,252,561
	<u>15,588,767</u>	<u>16,232,502</u>
Analysed as:		
– Secured	15,580,069	16,214,150
– Unsecured	8,698	18,352
	<u>15,588,767</u>	<u>16,232,502</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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts of borrowings that are repayable:		
– Within 1 year	14,905,305	12,674,851
– Between 1 and 2 years	377,388	2,475,166
– Between 2 and 5 years	302,537	881,898
– More than 5 years	3,537	200,587
	<u>15,588,767</u>	<u>16,232,502</u>
Total borrowings	<u>15,588,767</u>	<u>16,232,502</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 2023, the Group's net debt to equity ratio was 426% (31 December 2022: 185%). 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 2023, the Group's net current assets amounted to approximately RMB272.0 million (31 December 2022: RMB2,735.9 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.01 times as at 31 December 2023 (31 December 2022: 1.05 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 8.07% for the year ended 31 December 2023 from 9.60% for the year ended 31 December 2022.

Contingent liabilities

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>22,144,148</u>	<u>15,448,377</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 2023. The Directors consider that the subsidiaries have sufficient financial resources to fulfil their obligations.

As at 31 December 2023, 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 RMB1,120,890,000 (31 December 2022: 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 carrying 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. At 31 December 2023 and 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 2023 and 2022, respectively.

On 24 January 2024, the borrowing of US\$75,000,000 (equivalent to approximately RMB532,275,000) and the unpaid interest of US\$2,063,000 (equivalent to approximately RMB14,641,000) was extended.

Save as disclosed above, the Group and the Company had no other significant financial guarantees as at 31 December 2023 and 31 December 2022.

Save as disclosed above, the Group had no other significant contingent liabilities as at 31 December 2023.

Employees and remuneration policies

As at 31 December 2023, the Group had 2,859 employees (31 December 2022: 3,635 employees). For the year ended 31 December 2023, the remuneration of the Group's employees (including Directors' emoluments) amounted to approximately RMB500.2 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 available in the annual report of the Company for the year ended 31 December 2023. 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 2023.

Charge on assets

As at 31 December 2023, the Group had aggregate banking facilities of approximately RMB18,257.4 million (31 December 2022: RMB19,461.5 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2023 amounted to RMB2,668.7 million (31 December 2022: RMB3,229.0 million).

As at 31 December 2023, the borrowings of the Group were secured by (i) corporate guarantees of the Company; (ii) certain land and properties under development for sale provided by the Group's subsidiaries; (iii) an investment property; and (iv) the Group's equity interests in certain subsidiaries.

The Group's senior notes are guaranteed by certain subsidiaries of the Company which are located in the PRC and secured by shares of certain subsidiaries of the Company which are incorporated outside the PRC.

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

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 2023.

Future plans for material investments or capital assets

The Company did not have any plans of significant investments or capital assets as at the date of this announcement.

Important events affecting the Group after 31 December 2023

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 2023 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.

2024 OUTLOOK

In 2024, the international situation is still full of variables and the momentum of world economic growth is insufficient in view of the ongoing geopolitical tensions, the diverging monetary policies of various countries, and the intensifying trade protectionism. While the Chinese economy also faces many challenges, the favorable conditions for its development are stronger than the unfavorable factors, so that the underlying trend of economic recovery and long-term improvement remains unchanged. The China Central Economic Works Conference emphasised the need to adhere to the principle of “seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old”, injecting new connotation into the general tone of “seeking progress while maintaining stability.”

In terms of market conditions, both market confidence and willingness to buy houses are currently at historically low levels. The new model of real estate development has been accelerated to accommodate the development trend of new urbanization and changes in the relationship between supply and demand in the real estate market. It is expected that the policy will continue to be loosened in 2024, and the basic system related to commercial housing will be more improved, pursuant to which the expectations and confidence in the real estate market are expected to be gradually recover. The Group believes that as more supportive policies are introduced and implemented, the market and sales will gradually return to rationality, and the real estate industry will gradually enter a virtuous cycle and a new stage of healthy development.

In 2024, the Group will maintain the stability of corporate operations, control risks, improve operating efficiency, and continue to prioritise the delivery of buildings to fulfill corporate responsibilities. Keeping a close eye on market changes and policy dynamics, and with an increasing focus on refining management, the Group will focus on implementing and accelerating project sales and payment collection. At the same time, the Group will actively embrace changes and seize new development opportunities to explore new development models. The Group is believed to be able to overcome difficulties, develop with resilience, and make steady progress with the support of all parties and the efforts of all employees.

CHANGE OF AUDITOR

PricewaterhouseCoopers (“**PwC**”) has tendered its resignation as the auditor of the Company with effect from 30 June 2023. Yongtuo Fuson CPA Limited (“**Yongtuo Fuson**”) was appointed as the new auditor of the Company 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company (the “**Shareholders**”) who are entitled to attend and vote at the forthcoming annual general meetings of the Company for the year 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 applied the principles of good corporate governance and complied with the 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) (the “**Corporate Governance Code**”) for the year ended 31 December 2023, save for the deviation for reasons set out below.

Code Provision B.2.2 of Part 2 of the Corporate Governance Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, Mr. Huang Ruoqing, an executive Director, has not retired and stood for re-election during the year ended 31 December 2023 as the annual general meeting of the Company was not timely held during the year ended 31 December 2023. The Company expects that at the 2022 AGM and 2023 AGM, resolutions will be put forward for the Shareholders to consider and, if thought fit, approve (among other things) the re-election of (among others) Mr. Huang Ruoqing, Mr. Chau On Ta Yuen SBS, BBS and Dr. Tam Kam Kau GBS, SBS, JP in accordance with the articles of association of the Company and the Corporate Governance Code. Accordingly, it is expected that after the AGM, the Company will be in compliance with Code Provision B.2.2 of Part 2 of the Corporate Governance Code.

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 (the “**Model Code**”) 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 2023.

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

Save as disclosed, 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 2023.

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 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 2023 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 2023.

“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 2023, the Group incurred a net loss attributable to the owners of the Company of approximately RMB1,555,932,000. In addition, as at 31 December 2023, the Group’s total bank and other borrowings amounted to approximately RMB15,588,767,000 and out of which, an amount of the Group’s bank and other borrowings of approximately RMB14,913,558,000 would fall due and be repayable within one year, while its cash and cash equivalents amounted to approximately RMB792,264,000 only.

Furthermore, as at 31 December 2023, the Group’s bank and other borrowings amounting to approximately RMB8,717,610,000 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 RMB5,346,642,000 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 principals 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 sale 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 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 were 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 2023 ANNUAL RESULTS ANNOUNCEMENT AND 2023 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 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders 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.