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

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

(Stock code: 2777)

2023 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company" or "R&F", together with its subsidiaries, the "Group") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2023. The annual results have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

The global environment and China continue to face many challenges that have directly impacted the Group's results for the financial year 2023. As operating conditions adjust to a new normal post Covid, the economic recovery needs time and further stimulus measures. China has seen gradual recovery of GDP during the last quarters of 2023 registering full year GDP growth of 5.2% p.a., surpassing the annual target of around 5% p.a.. However, outlook for China remains cautious, overshadowed by global trade uncertainties and financial distress in China's sector. China's property sector saw an increase of default cases that previously excluded larger developers that now have also been affected, further decreasing consumer confidence leading to significant declines in presales that already were historic lows. Property transactions declined month-on-month during 2023 as buyers held off making new house purchases, partly also due to perceived default risk of property developers. Various stimulus measures such as reduction in the initial down payments, lower cost of borrowing, and reduction in banks reserve ratio have had little impact in restoring buyer confidence for investors or end users. However, despite the various uncertainties plaguing China's economic outlook, the Group remains cautiously optimistic that policies and measures will be introduced which will create market stability as history has shown after the financial crisis.

Managing cash flow and avoiding financial distress a key focus in 2023

China's property sector is experiencing a difficult operating environment since the introduction of austerity measures aimed at curbing property speculation and moderating unaffordable property prices. This led to reliance by property companies on external financing and banks to provide alternative capital to meet liabilities and capital expenditures. As it became apparent cashflow from presales could not outpace availability of refinancing or cost to service, this led to a downward spiral of financial distress that eventually became unmanageable. The abrupt change in operating conditions has affected market confidence and created a heightened level of awareness. In 2023, the Group was highly focused on avoiding financial distress that may lead to a deterioration of financials or more adverse effects on the operating conditions of the Group. Where the Group has encountered disputes and potential payments falling due, management has been successful in resolving the issue or sought an amicable solution under the current environment. Ongoing contingent liabilities relate to unresolved matters and management has thus far manage to actively seek solutions or have sufficient grounds to dismiss claims. Management will tirelessly continue work hard to ensure these matters are dealt with appropriately.

Managing cash flow by the Group has also been effective in avoiding further financial distress as market conditions deteriorated. The Group critically reassessed what liquidity can be generated and prioritised appropriation of cashflow accordingly based on avoidance of legal claims. As presales have decreased further, the Group continues to adjust capital expenditures and prioritise repayments and servicing interest expense. Our best endeavour to return cashflow to lenders and creditors where possible is demonstration of the management's intentions to continue to act responsibility.

Refocus presales to generate near-term cash and maintain a stable presales profile

The decline in sentiment has meant achieving a steady monthly presales run rate has been challenging. The Group still retains a sizeable land bank and projects under development or completed properties whereby the Group continues to actively explore options to generate cashflow through conversion to presales. As buyers today are more risk adverse to completion risk, the Group's presale strategy has been on selling completed properties held for sale or mature developments nearing the end of the cycle. Where the Group has assets held for sale or completed properties, the sales team will look to generate cash through sales of units where a market exists. With the recent policy shift and stimulus, there are some regions where the pace of property transaction has picked up. The Group will continue to launch newly completed projects and actively push residual stock to generate available cash.

Portfolio of hotel provides a recurring source of alternative cash flow

Despite negative sentiment in China's property sector and slow China GDP growth, there continues to be positive recovery in the hospitality and leisure sector. The Group has a large portfolio of 5-star and lifestyle hotel brands operating across China that form a strong hospitality network enabling it to have a broad exposure to the sector. With domestic travel and local expenditure encouraged by the China Central Government, the Group's network of hotels, and to a lesser extent retails malls, have seen a pickup in rental income and occupancy levels. The recovery of our hotel portfolio was most evident in 2022 as the wave of Covid cases started to decline and travel activity picked up domestically. Chinese travelers also felt safer travelling domestically rather than overseas due to the perceived effective Covid measures implemented by the China Central Government in controlling fatalities. In 2023, the performance of hotels tapered off to more normalised levels but the cash generative nature of the sector provided much need cashflow to partially offset the decline in presales. Overall occupancy levels were approximately 64% with average room rates of RMB773 per night for luxury and upper-upscale hotels, and occupancy rates of 59% at RMB446 per night for upscale hotels. The Group expects this trend to continue or improve as domestic consumption has been robust, driven by the China Central Government's support for local business and to stimulate domestic economic growth. In terms of monetisation of hotel assets, the Group still actively looks for opportunities to dispose of hotels if there are interested buyers at commercially viable terms.

Business highlights of 2023

In 2023, gross revenue was steady at RMB36.2 billion primarily contributed by sale of properties. Revenue due to sales of properties was RMB27.8 billion, comprised of 3 million sq.m. of GFA sold and recognised with average selling prices of RMB9,270 per sq.m. which increased versus 2022. To offset the decline in property sales revenue, hotel revenue saw growth of 54% p.a. as leisure and travel activity increased which is expected to recover further in 2024. Hotel revenue benefited from a higher occupancy and room rate as both leisure and business travelers traveled more to and within China. Overall operating costs remained steady, slightly increasing as compared to the 2022. When compared to 2022, 2023 operating results remained resilient despite further deterioration of presale conditions and management adjusting expenditures accordingly. Overall finance and interest costs did show an improvement, contributed by two factors, a deferral of cash interest under the senior notes and an overall improvement resulting from deleveraging.

Profit before and after tax continued to show a loss as worsening market conditions impacted the carrying value of the Group's assets, requiring a substantial impairment loss to reflect lower market values for assets in China and offshore when compared to book value. Despite the impairments, the Group considers the assets to remain attractive given the location and development quality that when markets normalise will reflect its real true value. During the last two financial years, the incurred financial losses have largely been accounting driven rather than actual cashflow losses. As markets gradually stabilise, the expectation is any further impairments will narrow.

The outlook for 2024

The overall outlook for 2024 will be one of caution. The operating environment continues to be volatile with an uncertain economic outlook and unpredictable presales period. The available avenues to generate cashflow will be limited, however, the Group does have a sizeable investment property and hotel portfolio that show signs of continued recovery. Despite a cautious outlook, management maintains a positive mindset heading into 2024 leveraging on past experiences navigating worse conditions. Stakeholders today adopt a pragmatic approach, acknowledging no company is immune to the turbulence resulting from economic conditions and negative overhang in the property sector. Lastly, management has always adopted a transparent and responsible approach when engaging shareholders, banks and lenders that adds the credibility to communication and corporate actions undertaken are in the best interest of stakeholders.

Liability management plans will continue to be executed to proactively address upcoming headwinds

Without exception, the past 12 months has been quite challenging for China property companies to avoid falling into financial distress. As proven in the past few financial years, management has been committed to addressing maturity walls, debt maturities and liability management proactively and responsibly. In 2022, the Group successfully restructured 10 tranches of US-dollar denominated notes simultaneously, totaling approximately US$4.9 billion, and Renminbi domestic bonds of approximately RMB13.5 billion, a liability exercise never undertaken before or repeated even today. In 2023, the Group also managed to avoid significant financial distress and legal action by lenders that would have had an adverse disruptions to the Group. In 2024, this remains a key task as serviceability of notes and loans are expected to be more significant and made more challenging under the current cash flow environment. The Group was able to defer repayments and interest expense in recent years that will no longer be an option unless extended in 2024 or amendment of terms. Management believes if we proactively engage stakeholders to address their concerns and deliver a feasible execution plan then it will be received favourably.

Adopt a pragmatic approach to presales and operating in today's market conditions

There is no one solution or approach to operating in the current environment. The volatility and risk adverse sentiment has brought the sector back to fundamentals of property development which is capital and cash flow return. In recent years, the availability of capital from various sources and structures are no longer prevalent coupled with a significant decline in presales has resulted in an imbalance in cashflow cycle. To restore the cashflow cycle, confidence in either lending or presales need to return to the property sector. This confidence will need to be supported by real-time data illustrating a trend to normality and sustainability. Therefore, the Group's focus will be generating presales to restore confidence in our lending banks and investors. Under the current market conditions, the pragmatic approach to presales is identifying what is saleable to monetise into cash. Over time as the sector demonstrates an ability to sustain a recurring cashflow level, growth and earnings will naturally return to positive and attract capital investment. Volatile operating conditions have varying effects on companies in the sector and why each approach may differ amongst our peers, however, a return to cashflow positive should be a common target.

Continued execution of asset sales where there are opportunities

The Group has been implementing an asset disposal plan of offshore and onshore assets in recent years with varying successes that are subject to market conditions and acceptable commercial terms. Asset disposals historically have been effective in generating additional cashflow and reducing liabilities as was the case in 2021 and 2022. The sales strategy has been largely related to non-core strategic assets that have a substantial carrying value but are of low yielding. These include hotels, investment property, retail and projects that are relatively initial in nature. In the second half of 2023, the Group had been actively in talks with sale of a soon to be completed asset in zone 1 of London, UK, titled One Nine Elms. After the end of the financial year, the Group entered into a letter of intent with a potential purchaser for the sale of One Nine Elms for an estimated market gross development value of GBP1.3 billion, subject to various conditions of sale. Whilst the sale process is ongoing, if successfully completed, the Group would effectively reduce over GBP0.6 billion of associated liabilities, significantly improving the financial profile of the Group. The pace of other asset sales has slowed due to market uncertainty and rising financing costs, but the Group considers some of the assets under its portfolio high-quality in nature and attractive. Therefore, management is confident overtime, these assets will be cashflow generative when a sale is consummated.

Acknowledgements

As with each financial year, we appreciate the ongoing patience and support all stakeholders during such a turbulent period. The sector has faced significant headwinds, and external factors have had a significant effect on the operations of the Group. Our senior management team remains committed to addressing upcoming challenges and will always endeavour to act in the best interest of shareholders and creditors. I have experienced first-hand the dedication and hard work from senior management team despite the pressures and challenges and thank them for unwavering commitment. To our shareholders, I ask that you remain patient as we persevere during these volatile periods. My senior management team and I will remain vigilant and committed to act in the interest of all our stakeholders.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Notes	**2023**	2022
Revenue	*3*	**36,238,835**	35,192,599
Cost of sales	*6*	**(34,319,596)**	(31,365,663)
Gross profit		**1,919,239**	3,826,936
Other (expense)/income	*4*	**(206,796)**	371,854
Other losses – net	*5*	**(3,376,903)**	(3,439,395)
Selling and marketing costs	*6*	**(1,465,353)**	(1,366,829)
Administrative expenses	*6*	**(4,486,204)**	(4,364,864)
Net impairment losses on financial and contract assets		**(232,646)**	(54,644)
Gains on bargain purchase		**–**	760
Operating loss		**(7,848,663)**	(5,026,182)
Finance costs – net	*7*	**(6,240,462)**	(9,727,154)
Share of results of joint ventures		**(404,625)**	481,633
Share of results of associates		**378,240**	136,874
Loss before income tax		**(14,115,510)**	(14,134,829)
Income tax expenses	*8*	**(5,831,728)**	(1,644,444)
Loss for the year		**(19,947,238)**	(15,779,273)
Loss attributable to:			
– Owners of the Company		**(20,164,485)**	(15,736,650)
– Non-controlling interests		**217,247**	(42,623)
		(19,947,238)	(15,779,273)
Basic and diluted losses per share for loss attributable to owners of the Company (expressed in RMB Yuan per share)	*10*	**(5.3738)**	(4.1938)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2023	2022
Loss for the year	**(19,947,238)**	(15,779,273)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	**(147,176)**	(64,442)
Items that may be reclassified to profit or loss		
– Share of other comprehensive income released upon disposal of a joint venture and an associate	**–**	53,755
– Share of other comprehensive income of joint ventures and associates accounted for using the equity method	**200**	(65,389)
– Currency translation differences	**(406,366)**	76,550
Other comprehensive income for the year, net of tax	**(553,342)**	474
Total comprehensive income for the year	**(20,500,580)**	(15,778,799)
Total comprehensive income attributable to:		
– Owners of the Company	**(20,717,827)**	(15,736,176)
– Non-controlling interests	**217,247**	(42,623)
	(20,500,580)	(15,778,799)

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Notes	**2023**	2022
ASSETS			
Non-current assets			
Property, plant and equipment		**44,306,750**	45,695,522
Right-of-use assets		**9,327,516**	9,853,365
Investment properties		**31,743,200**	33,749,600
Intangible assets		**567,837**	1,055,675
Interests in joint ventures		**7,828,582**	8,905,960
Interests in associates		**3,623,859**	3,517,585
Deferred income tax assets		**10,340,403**	12,974,345
Financial assets at fair value through other comprehensive income		**405,392**	554,318
Other financial assets		**390,747**	608,519
		108,534,286	116,914,889
Current assets			
Properties under development		**138,317,971**	149,427,062
Completed properties held for sale		**41,098,408**	41,229,767
Inventories		**1,047,614**	1,130,902
Trade and other receivables and prepayments	*11*	**35,409,691**	41,022,377
Contract assets		**412,014**	2,035,644
Tax prepayments		**4,305,639**	4,859,068
Restricted cash		**4,015,402**	10,124,207
Cash and cash equivalents		**1,727,204**	2,177,020
		226,333,943	252,006,047
Total assets		**334,868,229**	368,920,936

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December 2023	2022
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,752,367**	3,752,367
Other reserves		**11,655,625**	12,224,336
Retained earnings		**18,287,878**	38,452,363
		33,695,870	54,429,066
Non-controlling interests		**12,696,292**	12,511,955
Total equity		**46,392,162**	66,941,021
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**78,802,342**	82,910,900
Lease liabilities		**316,067**	395,693
Deferred income tax liabilities		**10,386,790**	10,589,811
Other payables	*12*	**1,931,523**	864,787
		91,436,722	94,761,191
Current liabilities			
Accruals and other payables	*12*	**95,682,326**	96,051,670
Contract liabilities		**29,095,876**	46,210,007
Current income tax liabilities		**23,313,225**	20,758,206
Short-term borrowings		**4,758,997**	4,321,224
Current portion of long-term borrowings		**43,742,837**	39,426,640
Lease liabilities		**62,603**	66,996
Dividend payable		**369,981**	369,981
Derivative financial instruments		**13,500**	14,000
		197,039,345	207,218,724
Total liabilities		**288,476,067**	301,979,915
Total equity and liabilities		**334,868,229**	368,920,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

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

(b) Historical cost convention

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

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

(c) Going concern basis

For the year ended 31 December 2023, the Group recorded a loss attributable to the owners of the Company of RMB20.164 billion. As at 31 December 2023, the Group's total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB137.529 billion, out of which RMB56.795 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB5.743 billion. Moreover, as at 31 December 2023, the Group was unable to repay certain bank and other borrowings of RMB18.445 billion according to their scheduled repayment dates, and subsequent to 31 December 2023 and up to the date of approval of these consolidated financial statements, the Group was unable to repay certain bank and other borrowings of RMB3.606 billion that are due for repayment. As a result, certain bank and other borrowings with an aggregate principal amount of RMB37.980 billion became default or cross-default. Furthermore, the Group is being sued by various parties for various reasons. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

In assessing the appropriateness of the use of the going concern basis for the preparation of the consolidated financial statements, the directors of the Company ("Directors") have prepared a cash flow forecast for the next 12 months from 31 December 2023. The cash flow forecast have been prepared with careful consideration to the future liquidity and finance performance of the Group. In addition, the following plans and measures are taken into account for the purpose of mitigating the liquidity pressure and to improve the financial position of the Group:

(i) The possible disposal of its equity interest and shareholder's loan in a subsidiary with property project development in London (the "Possible Disposal") is expected to be completed in May 2024 and the payment of the consideration will be settled in accordance with the definitive share purchase agreement (see the details of events after reporting date in note 13);

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

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(vi) As at 31 December 2023, there were certain outstanding litigations against the Group. The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Directors are confident that it will be able to reach an amicable solution to address the named litigations and also disputes claims referred in these litigations where their outcome are not certain at this stage.

The directors are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from 31 December 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in Mainland China and the uncertainties to obtain continuous support by the banks and the Group's creditors, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Should the Group fail to achieve the above-mentioned consideration and measures, the Group may not have sufficient working capital for its requirements within the next 12 months from the date of this report. The Directors consider that the main assumptions affecting the sufficiency of working capital for the next 12 months are the completion of the Possible Disposal and the successful renewal of overdue borrowings. The Group may not have sufficient working capital for its requirements within the next 12 months if the Possible Disposal cannot be completed by May 2024. In the event that the Possible Disposal cannot be completed as expected, the Group will continue to seek alternative options to monetise or realise maximum value from the project in order to provide the Group with the necessary working capital. These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets or discharge its liabilities in the normal course of business.

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

(d) Change in accounting policies

(i) New standards, interpretations and amendments first effect on 1 January 2023

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued new and amendments to Hong Kong Financial reporting standards ("HKFRSs") that are first adopted for the current accounting period for the Group:

Standards	**Subject**
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Polices
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction and International Tax Reform – Pillar Two Rules
HKFRS 17	Insurance Contracts

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

Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

(All amounts in RMB Yuan thousands unless otherwise stated)

To better reflect the substance of the abolition of the offsetting mechanism, the group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability. This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2022, and the cash flows and earnings per share amounts for the year ended 31 December 2022. It also did not have a material impact on the company-level balance sheet as at 31 December 2022 and 31 December 2023.

(e) New standards, interpretations and amendments HKFRSs that have been issued but are not yet effective

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

Standards	**Subject**	**Effective for annual periods beginning on or after**
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants ("2022 Amendments")	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

The Group is currently assessing the impact of the amendments. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

3. SEGMENT INFORMATION

(a) Description of segments and principal activities

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) Segment performance

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2023 and the segment assets and liabilities at 31 December 2023 are as follows:

	Property development	**Property investment**	**Hotel operations**	**All other segments**	**Group**
Segment revenue	**27,810,945**	**1,003,102**	**6,406,854**	**1,601,935**	**36,822,836**
Inter-segment revenue	**–**	**(175,834)**	**(41,874)**	**(366,293)**	**(584,001)**
Revenue from external customers	**27,810,945**	**827,268**	**6,364,980**	**1,235,642**	**36,238,835**
Loss for the year	**(16,948,019)**	**(1,208,353)**	**(904,227)**	**(886,639)**	**(19,947,238)**
Finance costs – net	**(4,865,875)**	**(299,408)**	**(878,445)**	**(196,734)**	**(6,240,462)**
Share of results of joint ventures	**(411,918)**	**–**	**–**	**7,293**	**(404,625)**
Share of results of associates	**385,345**	**–**	**–**	**(7,105)**	**378,240**
Income tax (expenses)/credits	**(6,217,625)**	**412,514**	**66,472**	**(93,089)**	**(5,831,728)**
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	**(345,717)**	**–**	**(1,551,851)**	**(214,981)**	**(2,112,549)**
Amortisation of incremental costs for obtaining contracts with customers	**(607,563)**	**–**	**–**	**–**	**(607,563)**
Fair value change on other financial assets	**–**	**–**	**–**	**(217,908)**	**(217,908)**
(Allowance for)/reversal of impairment losses of financial and contract assets	**(229,395)**	**606**	**(3,772)**	**(85)**	**(232,646)**
Fair value losses on investment properties – net of tax	**–**	**(1,511,403)**	**–**	**–**	**(1,511,403)**
Segment assets	**242,273,279**	**31,862,520**	**42,344,844**	**7,251,044**	**323,731,687**
Segment assets include:					
Interests in joint ventures	**7,827,259**	**–**	**–**	**1,323**	**7,828,582**
Interests in associates	**3,543,916**	**–**	**–**	**79,943**	**3,623,859**
Addition to non-current assets (other than financial instruments and deferred income tax assets)	**702,073**	**46,277**	**53,217**	**704,093**	**1,505,660**
Segment liabilities	**122,281,634**	**391,300**	**2,213,007**	**2,585,935**	**127,471,876**

(All amounts in RMB Yuan thousands unless otherwise stated)

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

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

	2023	2022
PRC	**34,210,324**	34,224,800
Other countries	**2,028,511**	967,799
Total	**36,238,835**	35,192,599

Revenues from the individual countries included in "other countries" are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the year ended 31 December 2023 (2022: nil).

(c) Segment assets

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

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

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

	2023	2022
Segment assets for reportable segments	**323,731,687**	354,783,754
Deferred income tax assets	**10,340,403**	12,974,345
Other financial assets	**390,747**	608,519
Financial assets at FVOCI	**405,392**	554,318
Total assets per consolidated balance sheet	**334,868,229**	368,920,936

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

	2023	2022
PRC	**91,532,286**	91,687,692
Other countries	**5,865,458**	11,090,015
Total	**97,397,744**	102,777,707

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(d) Segment liabilities

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

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

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

	2023	2022
Segment liabilities for reportable segments	**127,471,876**	143,973,134
Deferred income tax liabilities	**10,386,790**	10,589,811
Current income tax liabilities	**23,313,225**	20,758,206
Short-term borrowings and current portion of long-term borrowings	**48,501,834**	43,747,864
Long-term borrowings	**78,802,342**	82,910,900
Total liabilities per consolidated balance sheet	**288,476,067**	301,979,915

4. OTHER (EXPENSE)/INCOME

	2023	2022
Interest income	**159,756**	134,214
Other operating (expense)/income	**(411,302)**	186,187
Forfeited deposits from customers	**31,926**	19,778
Dividends income from financial assets at FVOCI	**5,596**	5,751
Others	**7,228**	25,924
	(206,796)	371,854

(All amounts in RMB Yuan thousands unless otherwise stated)

5. OTHER LOSSES – NET

	2023	2022
Revaluation losses on investment properties transferred from properties under development/completed properties held for sale	**–**	(8,127)
Fair value losses on investment properties – net	**(2,013,342)**	(1,949,668)
Gains/(losses) on disposals of subsidiaries	**30,154**	(8,080)
Losses on disposals of certain equity interests in associates and joint ventures	**(96,566)**	(1,551,869)
Gains/(losses) on disposals of property, plant and equipment	**148,989**	(30,209)
Losses on disposals of intangible assets	**–**	(5,539)
Fair value loss on other financial assets	**(217,908)**	(417,694)
Modification gains on US senior notes and domestic bonds	**–**	275,877
Allowance for impairment losses of goodwill	**(468,528)**	–
Allowance for impairment losses of property, plant and equipment	**(156,236)**	–
Others	**(603,466)**	255,914
	(3,376,903)	(3,439,395)

6. EXPENSES BY NATURE

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

	2023	2022
Cost of properties sold	**28,340,724**	27,638,323
Provision for impairment of properties under development and completed properties held for sale	**3,718,161**	1,413,729
Employee benefit expenses	**2,313,638**	2,211,934
Depreciation of property, plant and equipment and right-of-use assets	**2,062,845**	2,001,288
Business taxes and other levies	**500,347**	505,579
Advertising costs	**75,798**	219,141
Office expenses	**196,268**	222,411
Amortisation of intangible assets	**49,704**	122,367
Short-term lease payments and low-value lease payments	**13,931**	23,246
Auditors' remuneration		
– Audit of the Company		
– Audit services	**6,200**	6,300
– Other auditors		
– Audit services	**2,650**	2,650
	8,850	8,950
Others	**2,990,887**	2,730,388
	40,271,153	37,097,356

(All amounts in RMB Yuan thousands unless otherwise stated)

7. FINANCE COSTS – NET

	2023	2022
Interest expenses:		
– bank borrowings	**4,761,683**	4,447,447
– domestic bonds	**1,196,639**	1,387,431
– senior notes	**2,518,356**	2,960,197
– other borrowings	**2,410,889**	2,930,932
– lease liabilities	**15,439**	23,868
	10,903,006	11,749,875
Net foreign exchange losses	**640,206**	3,894,395
Less: finance costs capitalised	**(5,302,750)**	(5,917,116)
	6,240,462	9,727,154

8. INCOME TAX EXPENSES

	2023	2022
Current income tax		
– enterprise income tax *(Note (b))*	**955,006**	915,514
– PRC land appreciation tax *(Note (c))*	**2,396,698**	1,162,602
Deferred income tax	**2,480,024**	(433,672)
Total income tax expenses	**5,831,728**	1,644,444

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2022: nil).

(b) Enterprise income tax

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

In respect of the applicable income tax rates for the year ended 31 December 2023, the companies in the PRC, Cambodia, Malaysia were primarily taxed at 25%, 20% and 24% (2022: 25%, 20% and 24%) on their taxable profits, respectively.

(c) PRC land appreciation tax

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

9. DIVIDENDS

No dividends were declared in 2023 (2022: nil). The Board does not recommend the payment of any final dividends for the year ended 31 December 2023 (2022: nil).

10. BASIC AND DILUTED LOSSES PER SHARE

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

	2023	2022
Loss attributable to owners of the Company	**(20,164,485)**	(15,736,650)
Weighted average number of ordinary shares in issue (thousands)	**3,752,367**	3,752,367
Losses per share (RMB per share)	**(5.3738)**	(4.1938)

There were no potential dilutive ordinary shares for the year ended 31 December 2023 and 2022, thus diluted losses per share were the same as basic losses per share.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
Trade receivables – net *(Note (a))*	**3,360,687**	3,719,349
Other receivables – net	**19,802,504**	24,350,689
Prepayments	**4,768,199**	5,101,041
Capitalised costs to obtain contracts	**1,383,038**	1,879,444
Due from joint ventures	**4,179,672**	4,067,717
Due from associates	**1,915,591**	1,904,137
Total	**35,409,691**	41,022,377
Less: non-current portion	**–**	–
Current portion	**35,409,691**	41,022,377

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(a) Trade receivables

	2023	2022
Trade receivables – current portion		
Due from third parties	**3,093,748**	3,574,757
Due from joint ventures	**483,508**	335,268
Due from an associate	**10,103**	10,337
Total	**3,587,359**	3,920,362
Less: loss allowance	**(226,672)**	(201,013)
	3,360,687	3,719,349

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

	2023	2022
Up to 1 year	**2,201,503**	2,482,424
1 year to 2 years	**470,009**	450,863
2 years to 3 years	**291,235**	379,567
Over 3 years	**624,612**	607,508
	3,587,359	3,920,362

12. ACCRUALS AND OTHER PAYABLES

	2023	2022
Amounts due to joint ventures	**9,451,685**	9,475,292
Amounts due to associates	**401,069**	541,336
Amounts due to entities jointly controlled by major shareholders of the Company	**415,696**	2,205,663
Amounts due to major shareholders	**369,389**	176,576
Amounts due to a shareholder of certain joint ventures	**6,166,874**	5,305,830
Construction payables *(Note (a))*	**37,570,647**	38,705,207
Other payables and accrued charges *(Note (b))*	**43,238,489**	40,506,553
Total	**97,613,849**	96,916,457
Less: non-current portion	**(1,931,523)**	(864,787)
Current portion	**95,682,326**	96,051,670

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

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

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

13. EVENTS AFTER REPORTING PERIOD

As disclosed in the announcement of the Group dated 6 February 2024, R&F Properties (HK) Company Limited ("R&F Properties (HK)"), a wholly-owned subsidiary of the Company and a potential buyer, which is an independent third party, entered into a letter of intent, under which R&F Properties (HK) and the potential buyer agreed to enter into a definitive share purchase agreement (the "Definitive Agreement") within 10 business days after obtaining the consent from the lenders under the existing loans of R&F International Real Estate Investment Co. Limited (the "Target Company"), an indirect subsidiary of the Company. Under the Definitive Agreement, R&F Properties (HK) agreed to dispose of the entire issued share capital of the Target Company and assign the entire loan owing by the Target Company to R&F Properties (HK) as at the completion of this Possible Disposal, subject to the conditions set out in the Definitive Agreement. The Possible Disposal was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 18 March 2024. Upon completion of the disposal, the Group will cease to have any interest in the Target Company and its financial results will no longer be consolidated into the Company's consolidated financial statements. Details of the Possible Disposal was disclosed in the circular which have been published on 28 February 2024.

As at the date of the issuance of these consolidated financial statements, the transaction has yet to be completed.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the independent auditor's report by BDO Limited, the external auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2023:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Deferred income tax assets

As disclosed in note 27 to the consolidated financial statements, as at 31 December 2022, the Group had deferred income tax assets of RMB2.247 billion arising from unused tax losses and deductible temporary differences of certain group entities under different operating segments of the Group. Such amount was included in the deferred income tax assets of RMB12.974 billion in the consolidated financial statements for the year ended 31 December 2022.

During the course of our audit of the consolidated financial statements for the year ended 31 December 2022, management explained to us their plans to support the utilisation of the abovementioned deferred income tax assets in relation to unused tax losses and deductible temporary differences of these group entities and believed it was probable that sufficient taxable profit would be available against which these unused tax losses and deductible temporary differences could be utilised by these group entities in future. However, since management did not provide us with detailed action plans and an analysis of the likelihood of success of these plans and there were no alternative procedures that we could perform to obtain sufficient appropriate audit evidence in respect of the recoverability of those unused tax losses and deductible temporary differences, our audit opinion on the consolidated financial statements for the year ended 31 December 2022 was qualified.

During the year ended 31 December 2023, management determined the deferred income tax assets arising from unused tax losses and deductible temporary differences of these group entities amounted to RMB0.1 billion as at 31 December 2023 and as a result, RMB2.147 billion was recognised to profit or loss and was included in the income tax expenses of RMB5.832 billion in the consolidated income statement for the year ended 31 December 2023.

However, since management did not extend their assessment to the year ended 31 December 2022 in relation to the unused tax losses and deductible temporary differences and therefore the limitations encountered in the course of our audit of the consolidated financial statements for the year ended 31 December 2022 remained unresolved in the current year audit, we were unable to obtain sufficient appropriate audit evidence we considered necessary to determine whether the income tax expense of RMB2.147 billion in respect of these group entities as included in the income tax expenses recognised during the year ended 31 December 2023 should have been recognised in the previous years, and therefore, whether the related deferred tax assets of RMB2.247 billion as at 1 January 2023 are free from misstatement. Any adjustments found necessary would have a consequential impact on the financial position as at 31 December 2022 and 1 January 2023, the financial performance for the years than ended 31 December 2022 and 2023, and the related disclosures thereof in these consolidated financial statements.

The balance deferred income tax assets as at 31 December 2022 and the amount of income tax expense for the year then ended are presented as the corresponding figures in the consolidated financial statements for the year ended 31 December 2023. Our audit opinion on the consolidated financial statements for year ended 31 December 2023 is also qualified because of the possible effect of the qualified opinion on the consolidated financial statements for the year ended 31 December 2022 on the comparability of 2023 figures and 2022 figures in these consolidated financial statements.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1(c) to the consolidated financial statements which indicates that for the year ended 31 December 2023, the Group recorded a loss attributable to the owners of the Company of RMB20.164 billion. As at 31 December 2023, the Group's total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB137.529 billion, out of which RMB56.795 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB5.743 billion. Moreover, as at 31 December 2023, the Group was unable to repay certain bank and other borrowings of RMB18.445 billion according to their scheduled repayment dates, and subsequent to 31 December 2023, the Group was unable to repay certain bank and other borrowings of RMB3.606 billion that are due for repayment from January and up to the date of approval of the consolidated financial statements. As a result, certain bank and other borrowings with an aggregate principal amount of RMB37.980 billion became default or cross-default. Furthermore, the Group is being sued by various parties for various reasons. These events or conditions, along with other matters set forth in Note 2.1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BUSINESS REVIEW

Contracted Sales

The Group's total contracted sales in 2023 were approximately RMB19.95 billion with 1,344,800 sq.m. sold. The contracted sales were generated from 199 projects in 109 cities of 27 provinces (including municipalities and autonomous regions) and 3 overseas countries. On a province and regions basis, contracted sales of Guangdong, Hainan, Overseas, Beijing, Tianjin, Shandong, Shanxi, Shaanxi, Zhejiang and Hubei were the highest top 10, which contributed approximately RMB16.11 billion, accounting for approximately 81% of total contracted sales of the Group. In terms of city, contracted sales of tier-1 and tier-2 cities accounted for 71% of total contracted sales. Tier-3 and below cities contributed 21% of total contracted sales and overseas contributed 8%. On the type of property basis, 62% of contracted sales were generated from high-rise residential properties, 3% from villa and 35% from commercial properties and others, including office, apartment and retail, etc..

Area	**Approximate total value** *(RMB million)*	**Approximate total saleable area sold** *(Thousand sq.m.)*
Guangdong Province	5,935.4	199.0
Hainan Province	2,173.5	108.1
Overseas	1,625.1	93.1
Beijing	1,346.2	67.0
Tianjin	1,221.7	103.6
Shandong Province	1,031.9	145.4
Shanxi Province	951.8	90.2
Shaanxi Province	680.4	69.5
Zhejiang Province	605.3	56.2
Hubei Province	539.6	49.4
	16,110.9	**981.5**

Region	Approximate total value *(RMB million)*	Approximate total saleable area sold *(Thousand sq.m.)*
Northern China	4,781.9	437.8
Northwestern China	2,282.1	234.5
Southern China	5,935.5	199.5
Eastern China	1,469.0	123.2
Southwestern China	714.7	57.4
Hainan	2,173.4	108.1
Central Southern China	967.1	91.4
Overseas	1,625.2	92.9
Total	**19,948.9**	**1,344.8**

Properties Under Development

By the end of 2023, the Group's total GFA under development is approximately 13,146,000 sq.m. and the total saleable area is approximately 8,969,000 sq.m..

The following is the position as at 31 December 2023:

Area	Approximate total GFA *(sq.m.)*	Approximate total saleable area *(sq.m.)*
Northern China	2,024,000	1,136,000
Eastern China	823,000	458,000
Northwestern China	4,812,000	3,646,000
Southern China	3,155,000	2,228,000
Central Southern China	1,124,000	799,000
Southwestern China	566,000	186,000
Hainan	137,000	125,000
Overseas	216,000	146,000
Sub-total	**12,857,000**	**8,724,000**
Investment Properties	289,000	245,000
Total	**13,146,000**	**8,969,000**

Land Bank

During the period, the total saleable area of the new land was approximately 173,000 sq.m.. As at 31 December 2023, the Group's total land bank was approximately 56,399,000 sq.m. in GFA with 43,554,000 sq.m. in saleable area, distributed across 89 cities and regions across China and overseas. Details are as below:

Location	Approximate total GFA	Approximate total saleable area
	(sq.m.)	*(sq.m.)*
Development Properties		
Northern China	13,367,000	10,416,000
Eastern China	4,198,000	3,127,000
Northwestern China	12,402,000	9,363,000
Southern China	6,622,000	5,393,000
Central Southern China	6,204,000	5,138,000
Southwestern China	4,302,000	3,297,000
Hainan	2,269,000	2,092,000
Overseas	5,056,000	3,041,000
Sub-total	**54,420,000**	**41,867,000**
Investment Properties	1,979,000	1,687,000
Total	**56,399,000**	**43,554,000**

Property Investment

The Group's investment properties portfolio mainly located in tier-1 and tier-2 cities, including Grade-A office buildings, shopping malls, various retail properties, theme park and etc.. The Group's investment properties portfolio as at 31 December 2023 is approximately 3,551,000 sq.m. in total GFA, among which total GFA of investment properties under operation is approximately 1,973,000 sq.m., and total GFA under development or planning is approximately 1,578,000 sq.m..

Hotel Operation

As of 31 December 2023, the Group has 90 hotels under operation, with total GFA of 3,984,860 sq.m. and 27,716 hotel rooms. The 90 hotels are managed by well-known hotel management groups such as Marriott International, Inc., InterContinental Hotels Group, Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Accor Hotels, Wanda Hotels and Resorts Co., Ltd. and other hotel groups.

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derived from property development, rental of investment properties and hotel operation. During the year, the Group's revenue from property development decreased by 4% to RMB27.811 billion, from RMB29.030 billion in the previous year. The revenue for the year was based on the delivery of 3,000,000 sq.m., which was 8% lower than the delivery of 3,261,000 sq.m. in the previous year. Overall average selling price was approximately RMB9,270 per sq.m. (2022: RMB8,900 per sq.m.).

Rental income from property investment decreased by 2% to RMB827 million, from RMB846 million. Revenue from hotel operations increased to RMB6.365 billion from RMB4.140 billion in the previous year. The increase in hotel revenue was mainly due to the rapid recovery of the tourism industry and business activity of the PRC after Covid pandemic in 2023.

Cost of sales

Cost of sales of the Group primarily represents the costs directly incurred for the Group's property development activities. The component of cost of sales includes land and construction costs, capitalised finance costs and levy taxes. In 2023, cost of sales of the Group was RMB34.320 billion, representing an increase of 9% when compared with RMB31.366 billion in the previous year. The increase was mainly due to approximately RMB3.718 billion of impairment provision for properties under development and completed properties held for sales made in the year.

During the year, land and construction costs made up 87% of the total costs of property development. In terms of costs per sq.m., land and construction costs increased to RMB7,030 from RMB6,400. Capitalised interest included in the cost of sales amounted to RMB2.847 billion (2022: RMB3.168 billion), 10.2% as a percentage of revenue from sale of properties. The cost of sales also included RMB226 million (2022: RMB221 million) as levy taxes.

Gross Profit Margin

During the year, the Group's gross profit amounted to RMB1.919 billion, compared to a gross profit of RMB3.827 billion in the previous year. The decrease in gross profit was mainly due to the provision of approximately RMB3.718 billion for inventory impairment during 2023 (2022: RMB1.414 billion). The gross profit margin for property development, excluding the inventory impairment provision, was 13.1% for the year, compared to 16.5% in 2022.

Other (Expense)/Income and Other Losses – net

Other (expense)/income and other losses – net mainly consist of interest income, fair value losses on investment properties, allowance for impairment losses of goodwill and property, plant and equipment as well as fair value loss on other financial assets. During the year, other (expense)/income and other losses – net increased to a loss of RMB3.584 billion from a loss of RMB3.068 billion in 2022. The increase in net losses was mainly due to the allowance for impairment loss of goodwill and property, plant and equipment charged in 2023 (2022: nil).

Selling and Marketing Costs and Administrative Expenses

During the year, selling and marketing costs of the Group increased by 7% to RMB1.465 billion from RMB1.367 billion in 2022, while administrative expenses amounted to RMB4.486 billion (2022: RMB4.365 billion). The main component of administrative expenses was personnel costs.

Finance Costs – net

Finance costs – net, representing interest expenses incurred in the year after deducting amounts capitalised to development costs, decreased by 36% to RMB6.240 billion (2022: RMB9.727 billion). The decrease was due to lower foreign exchange losses incurred in 2023, which mainly caused by the depreciation of Renminbi against US Dollars (2023: RMB640 million, 2022: RMB3.894 billion). Total interest expenses incurred in the year decreased from RMB11.750 billion in the previous year to RMB10.903 billion, mainly attributed to lower interest expenses incurred on senior notes. Together with RMB2.847 billion charged to the cost of sales related to capitalised interest, the total finance costs incurred during the year amounted to RMB9.087 billion (2022: RMB12.895 billion).

Income Tax Expenses

Land appreciation tax (LAT) of RMB2.397 billion (2022: RMB1.163 billion) and enterprise income tax of RMB955 million (2022: RMB916 million) brought the Group's total income tax expenses for the year to RMB5.832 billion. The increase in income tax expenses was mainly due to the write-off deferred tax assets recognised in prior years related to unutilised tax losses.

Profitability

The Group recorded a net loss of RMB19.947 billion for the year ended 31 December 2023 as compared to a net loss of RMB15.779 billion for the year ended 31 December 2022. The net loss for the year was mainly attributable to the following factors: (1) the continuous downturn in the real estate market of China, which resulted in a decrease in revenue and gross profit generated from property development; (2) an increase in the impairment provision of properties under development and completed properties held for sale; (3) an increase in fair value loss on investment properties; and (4) the write-off deferred tax assets recognised in prior years related to unutilised tax losses.

Financial Resources, Liquidity and Liabilities

As at 31 December 2023, the Group's total cash including amounts restricted for specified usage was RMB5.74 billion (31 December 2022: RMB12.30 billion), of which 96% was denominated in Renminbi and 4% was denominated in other currencies (mainly in US dollar, HK dollar, Australian dollar, Malaysian Ringgit and British pound).

As at 31 December 2023, the Group's total borrowing was RMB127.30 billion (31 December 2022: RMB126.66 billion). The total borrowings were made up of financing from sources which included 1) bank borrowings, 2) offshore USD senior notes, 3) domestic bonds, and 4) trust loans and other borrowings, each accounted for 42%, 30%, 10%, 18% respectively (31 December 2022: 44%, 28%, 11% and 17% respectively). The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB118.71 billion (2022: RMB116.34 billion) was unutilised.

The maturity profile of the Group's total borrowings was well balanced between short, medium and long term debt. Debts due within 1 year, between 1 and 5 years and beyond 5 years accounted for 38%, 55%, 7% of total debts respectively. Bank loans repaid in the year amounted to RMB3.94 billion while new bank loans of RMB1.02 billion were procured. The effective interest rate of the total bank loan portfolio at 31 December 2023 was 5.58% (2022: 5.69%).

The gearing ratio is measured by the net borrowings (total borrowing less total cash and cash equivalents and restricted cash) to total equity. As at 31 December 2023, the gearing ratio was 262.0% (31 December 2022: 170.8%).

The Group conducts its business primarily in Renminbi and non-Renminbi borrowings accounted for approximately 40% of total borrowings. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2023, the Group has not entered into any foreign exchange hedging transactions.

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

OTHER INFORMATION

Employee and Emolument Policies

As of 31 December 2023, the Group had approximately 25,143 employees (31 December 2022: 27,162). The total staff costs incurred were approximately RMB2.314 billion during the financial year ended 31 December 2023. The Company's emolument policy is to ensure that the remuneration offered to employees including executive directors and senior management is based on skill, knowledge, responsibilities and involvement in the Company's business affair. The remuneration of executive directors is also linked with business performance and profitability of the Company and the market conditions. Directors and senior management would not be involved in deciding their own remuneration.

Annual General Meeting and Closure of Register of Members

The 2023 annual general meeting ("AGM") of the Company will be held on Friday, 31 May 2024 and the notice of AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Friday, 31 May 2024, the register of members of the Company will be closed from Monday, 27 May 2024 to Friday, 31 May 2024, both days inclusive. In order for the shareholders to qualify for attending and voting at the AGM, all the share transfer documents should be lodged for registration with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 24 May 2024.

Final Dividend

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

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") laid out in Appendix C3 to the Listing Rules as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the financial year ended 31 December 2023.

Compliance with the Corporate Governance Code

The Company is committed to good corporate governance practices, believing that they enhance shareholder value. The corporate governance practices adopted by the Company place a focus on maintaining a high-quality board, effective internal controls, a high level of transparency and full accountability to shareholders. Throughout the year ended 31 December 2023, the Company complied with all relevant laws and the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

Scope of Work of BDO Limited

The figures in respect of this announcement of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 December 2023 have been agreed by the Company's external auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by BDO in this respect did not constitute an assurance engagement and consequently no opinion or conclusion assurance has been expressed by BDO on this announcement.

Audit Committee

The audit committee of the Company was established with written terms of reference in accordance with Appendix C1 to the Listing Rules. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. There were no disagreements from the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee currently comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the audited annual results of the Company for the year ended 31 December 2023.

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

Hong Kong, 28 March 2024

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

* *For identification purpose only*