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中國奧園集團股份有限公司
China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3883)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “Board”) of China Aoyuan Group Limited (“China Aoyuan” or “Aoyuan” or the “Company”) announces the audited annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	<i>NOTES</i>	2023 RMB'000	2022 RMB'000
Revenue	(4)		
Contracts with customers		27,333,914	18,459,360
Leases		199,402	251,712
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Total revenue		27,533,316	18,711,072
Cost of sales		(28,987,028)	(17,870,190)
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Gross (loss)/profit		(1,453,712)	840,882
Other income, gains and losses, net	(6)	(1,383,563)	(3,731,073)
Change in fair value of investment properties		(265,319)	(171,810)
Selling and distribution expenses		(1,029,736)	(1,215,099)
Administrative expenses		(2,058,755)	(2,372,462)
Loss on disposal of subsidiaries		(1,600,959)	(943,837)
Share of results of joint ventures		223,873	(111,680)
Share of results of associates		41,160	60,935
Finance costs	(7)	(287,558)	(427,772)
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	<i>NOTES</i>	2023 RMB'000	2022 RMB'000
Loss before tax	(8)	(7,814,569)	(8,071,916)
Income tax expenses	(9)	<u>(1,826,058)</u>	<u>(424,110)</u>
LOSS FOR THE YEAR		<u>(9,640,627)</u>	<u>(8,496,026)</u>
Attributable to:			
Owners of the Company		(9,533,566)	(7,842,958)
Non-controlling interests		<u>(107,061)</u>	<u>(653,068)</u>
		<u>(9,640,627)</u>	<u>(8,496,026)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)			
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Fair value gain on equity instruments designated at fair value through other comprehensive income (“FVTOCI”)		11,503	4,476
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences arising on translation of foreign operations		<u>(1,953)</u>	<u>(4,965)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		<u>9,550</u>	<u>(489)</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		<u>(9,631,077)</u>	<u>(8,496,515)</u>
Attributable to:			
– Owners of the Company		(9,524,016)	(7,843,447)
– Non-controlling interests		<u>(107,061)</u>	<u>(653,068)</u>
		<u>(9,631,077)</u>	<u>(8,496,515)</u>
Loss per share (<i>RMB cents</i>)			
Basic	(11)	<u>(321.47)</u>	<u>(264.47)</u>
Diluted	(11)	<u>(321.47)</u>	<u>(264.47)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTE	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,240,856	3,694,201
Right-of-use assets		752,936	900,102
Investment properties		10,841,410	12,623,124
Goodwill		623,679	829,948
Intangible assets		–	78,858
Interests in joint ventures		2,234,332	1,623,823
Interests in associates		1,325,627	1,080,977
Financial assets at fair value through profit or loss ("FVTPL")		259,217	259,217
Equity instruments designated at FVTOCI		353,348	490,369
Deferred tax assets		1,929,067	3,478,210
Deposits paid for acquisition of property, plant and equipment		–	2,524
		<hr/>	<hr/>
Total non-current assets		21,560,472	25,061,353
CURRENT ASSETS			
Properties for sale		125,463,115	142,718,029
Inventories		181,083	200,091
Trade and other receivables	(12)	29,042,516	33,237,234
Amounts due from non-controlling shareholders of subsidiaries		1,077,034	2,474,933
Amounts due from joint ventures		10,837,609	9,826,733
Amounts due from associates		701,923	547,480
Financial assets at FVTPL		30,597	68,397
Tax recoverable		5,027,753	5,098,240
Restricted bank deposits		3,590,555	4,231,253
Bank balances and cash		1,858,831	5,110,292
		<hr/>	<hr/>
		177,811,016	203,512,682
Assets classified as held for sale		–	5,851,850
		<hr/>	<hr/>
Total current assets		177,811,016	209,364,532

		2023	2022
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Trade and other payables	(13)	57,059,766	51,734,603
Contract liabilities		38,711,216	62,997,380
Amounts due to non-controlling shareholders of subsidiaries		2,005,845	2,968,840
Amounts due to joint ventures		7,670,480	8,501,038
Amounts due to associates		1,180,869	1,209,978
Tax liabilities		10,094,910	9,677,345
Bank and other borrowings		67,394,753	66,690,263
Lease liabilities		394,837	353,571
Senior notes and bonds		28,390,473	32,755,541
		<u>212,903,149</u>	<u>236,888,559</u>
Liabilities directly associated with assets classified as held for sale		–	2,345,111
Total current liabilities		<u>212,903,149</u>	<u>239,233,670</u>
Net current liabilities		<u>(35,092,133)</u>	<u>(29,869,138)</u>
Total assets less current liabilities		<u>(13,531,661)</u>	<u>(4,807,785)</u>
Non-current liabilities			
Bank and other borrowings		4,365,038	9,604,087
Deferred tax liabilities		1,192,665	1,484,375
Lease liabilities		1,119,379	1,161,505
Senior notes and bonds		7,300,932	–
Deferred income		574,178	579,144
Total non-current liabilities		<u>14,552,192</u>	<u>12,829,111</u>
Net liabilities		<u>(28,083,853)</u>	<u>(17,636,896)</u>
EQUITY			
Capital and reserves			
Share capital		27,726	27,726
Reserves		(32,209,205)	(22,745,141)
Equity attributable to owners of the Company		<u>(32,181,479)</u>	<u>(22,717,415)</u>
Non-controlling interests		4,097,626	5,080,519
TOTAL EQUITY		<u>(28,083,853)</u>	<u>(17,636,896)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). The addresses of the registered office and the principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company (the “Directors”) have, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and its subsidiaries (collectively referred to as the “Group”) has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Going concern basis

For the year ended 31 December 2023, the Group recorded a net loss of approximately RMB9,641 million and a net operating cash outflow. As at 31 December 2023, the Group’s current liabilities exceeded its current assets by approximately RMB35,092 million. At the same date, the Group’s total bank and other borrowings and senior notes and bonds amounted to approximately RMB107,451 million, out of which RMB95,785 million will be due for repayment within the next twelve months from the end of the reporting period. Further, the Group has contracted but not provided for commitments for properties for sale and investment properties, including its share of commitments made jointly with other investors relating to its joint ventures, in aggregate of approximately RMB17,852 million, while the Group has only total bank balances and cash (including restricted bank deposits) of approximately RMB5,449 million.

On 20 March 2024, the Company consummated a holistic restructuring of the Group’s material offshore indebtedness (the “Restructuring”) implemented through parallel schemes of arrangement (the “Schemes”) in Hong Kong, Cayman and the British Virgin Islands. Pursuant to the terms of the Schemes, the obligations of the Group under certain senior notes and bonds and borrowings have been compromised in exchange for the affected creditors receiving various instruments and shares in the Company and the Group has achieved a significant deleveraging of its financial position. As such, the Directors consider that the Group’s overall liabilities and payment obligations are reduced and short-term liquidity pressure are partially alleviated.

Further details of the Restructuring, including the Schemes, were set out in the Company’s announcements dated 15 December 2023, 29 January 2024, 20 March 2024 and 25 March 2024.

However, the real estate sector in the People’s Republic of China (the “PRC”) continues to experience challenges and volatility. The Group experienced a significant decline of its contracted sales of property in 2023, which adversely impacted the Group’s cash receipts from sales and pre-sales of properties.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Directors implemented or are in the process of implementing the following measures:

- (a) The Group has been actively negotiating with various onshore lenders on the renewal and extension of borrowings. As at the date of approval of these consolidated financial statements, the Group has entered into contractual arrangements with certain onshore financial institutions to extend the maturity of existing onshore financing arrangements, involving onshore borrowings of approximately RMB16,739 million in principal amount. The Directors consider that the Group will be able to extend the repayment period for its other onshore financing arrangements.
- (b) The Group has been actively exploring potential asset disposal opportunities to create liquidity for, inter alia, repayment of the various instruments which are issued pursuant to the Schemes.
- (c) To ensure the stability and sustainable operation of the Group's business, the Group has consolidated and optimised resources to revitalise the construction and sales of its properties, reducing its operating expenses and improving the Group's liquidity position, including the following measures:
 - (i) 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.
 - (ii) The Group has prioritised delivery of property development projects. As at the date of approval of these consolidated financial statements, majority of the Group's property development projects are progressing according to schedule, and the Group continues to ensure the completion and delivery of its property development projects.
 - (iii) The Group will continue to adopt stringent cost control and to actively implement additional measures to further reduce discretionary spending.
 - (iv) The Group will continue to obtain support from its contractors and suppliers in completing its property development projects.
- (d) The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Directors believed that the Group will reach an amicable solution to address claims and disputes where the outcome is not certain at this stage.

After taken into account of the above plans and measures, and the Group's cash flow projections prepared by the Directors covering a period of not less than twelve months from 31 December 2023, the Directors are of the opinion that the Group will have sufficient working capital for its operations and can meet its financial obligations as and when they fall due. Accordingly, the Directors considered 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.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned above, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their realisable 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 all these potential adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2023.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In current year, the Group has applied the following amendments to IFRSs, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform-Pillar Two Model Rules</i>

The application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4. REVENUE

For the year ended 31 December 2023

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Sales of properties				
Residential apartments	22,402,901	–	–	22,402,901
Commercial apartments	485,070	–	–	485,070
Retail shops and others	684,329	–	–	684,329
Low-density residential	1,391,272	–	–	1,391,272
	<u>24,963,572</u>	<u>–</u>	<u>–</u>	<u>24,963,572</u>
Others				
Property management services	–	–	680,068	680,068
Others	–	–	1,690,274	1,690,274
	<u>–</u>	<u>–</u>	<u>2,370,342</u>	<u>2,370,342</u>
Revenue from contracts with customers	24,963,572	–	2,370,342	27,333,914
Property investment				
Commercial and retail shops	–	199,402	–	199,402
Total	<u>24,963,572</u>	<u>199,402</u>	<u>2,370,342</u>	<u>27,533,316</u>
Timing of revenue recognition				
At a point of time	24,963,572	–	1,652,588	26,616,160
Recognised over time	–	–	717,754	717,754
	<u>24,963,572</u>	<u>–</u>	<u>2,370,342</u>	<u>27,333,914</u>
Rental income	–	199,402	–	199,402
Total	<u>24,963,572</u>	<u>199,402</u>	<u>2,370,342</u>	<u>27,533,316</u>

For the year ended 31 December 2022

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Sales of properties				
Residential apartments	12,024,761	–	–	12,024,761
Commercial apartments	93,225	–	–	93,225
Retail shops and others	1,114,660	–	–	1,114,660
Low-density residential	2,119,868	–	–	2,119,868
	<u>15,352,514</u>	<u>–</u>	<u>–</u>	<u>15,352,514</u>
Others				
Property management services	–	–	1,308,946	1,308,946
Others	–	–	1,797,900	1,797,900
	<u>–</u>	<u>–</u>	<u>3,106,846</u>	<u>3,106,846</u>
Revenue from contracts with customers	15,352,514	–	3,106,846	18,459,360
Property investment				
Commercial and retail shops	–	251,712	–	251,712
	<u>–</u>	<u>251,712</u>	<u>–</u>	<u>251,712</u>
Total	<u>15,352,514</u>	<u>251,712</u>	<u>3,106,846</u>	<u>18,711,072</u>
Timing of revenue recognition				
At a point of time	15,352,514	–	1,795,451	17,147,965
Recognised over time	–	–	1,311,395	1,311,395
	<u>15,352,514</u>	<u>–</u>	<u>3,106,846</u>	<u>18,459,360</u>
Rental income	–	251,712	–	251,712
	<u>–</u>	<u>251,712</u>	<u>–</u>	<u>251,712</u>
Total	<u>15,352,514</u>	<u>251,712</u>	<u>3,106,846</u>	<u>18,711,072</u>

5. SEGMENT INFORMATION

Information regularly reported to the Group's chief executive officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on the type of operation. The Group's reportable and operating segments under IFRS 8 Operating Segments are as follows:

Property development – development and sale of properties

Property investment – lease of investment properties

Others – hotel operation, provision of property management services, sales of goods and provision of services

No operating segments have been aggregated in arriving at the reportable segments of the Group. The following is an analysis of the Group's revenue and results by reportable and operating segments:

	For the year ended 31 December 2023			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
External segment revenue	<u>24,963,572</u>	<u>199,402</u>	<u>2,370,342</u>	<u>27,533,316</u>
Segment result	<u>(4,008,416)</u>	<u>(1,088,159)</u>	<u>(273,700)</u>	<u>(5,370,275)</u>
Other income, gains and losses, net				144,525
Loss on disposal of subsidiaries				(1,600,959)
Unallocated corporate expenses				(965,335)
Share of results of joint ventures				223,873
Share of results of associates				41,160
Finance costs				<u>(287,558)</u>
Loss before tax				<u>(7,814,569)</u>
	For the year ended 31 December 2022			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
External segment revenue	<u>15,352,514</u>	<u>251,712</u>	<u>3,106,846</u>	<u>18,711,072</u>
Segment result	<u>(3,262,186)</u>	<u>(5,666)</u>	<u>(97,401)</u>	<u>(3,365,253)</u>
Other income, gains and losses, net				(2,709,595)
Loss on disposal of subsidiaries				(943,837)
Unallocated corporate expenses				(574,714)
Share of results of joint ventures				(111,680)
Share of results of associates				60,935
Finance costs				<u>(427,772)</u>
Loss before tax				<u>(8,071,916)</u>

The accounting policies of the reportable and operating segments are the same as the Group’s accounting policies. Segment results represent the profit generated or loss incurred by each segment without allocation of central administration costs including directors’ salaries, head office operating expenses, certain amount of other income, gains and losses, net, loss on disposal of subsidiaries, share of results of joint ventures and associates and finance costs. This is the measure reported to the Group’s chief executive officer for the purposes of resource allocation and performance assessment.

Geographical information

The Group’s operations and location of non-current assets are substantially in the People’s Republic of China (the “PRC”). Information about the Group’s revenue from external customers is presented based on location of the operations. Information about the Group’s non-current assets is presented based on the geographical location of the assets. Non-current assets are allocated to reportable and operating segments other than equity instruments designated at FVTOCI, financial assets at FVTPL and deferred tax assets.

	Revenue from external customers for the year ended 31 December		Non-current assets as at 31 December	
	2023	2022	2023	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Mainland China	27,530,284	18,458,501	18,766,351	20,580,123
Hong Kong	–	–	233,877	233,958
Australia	–	250,805	–	–
Canada	3,032	1,766	18,612	19,476
	<u>27,533,316</u>	<u>18,711,072</u>	<u>19,018,840</u>	<u>20,833,557</u>

Information about major customers

There is no individual customer who contributed over 10% of the total revenue of the Group during the years ended 31 December 2023 and 2022.

6. OTHER INCOME, GAINS AND LOSSES, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Exchange loss, net	569,937	2,835,381
Gain on change in fair value of financial assets at FVTPL	–	(44,487)
Investment return from financial assets at FVTPL	(5,119)	(10,110)
Bank interest income	(34,920)	(65,138)
Other interest income	(70,104)	(77,438)
Government subsidy*	(12,628)	(29,235)
(Gain)/Loss on disposal of property, plant and equipment	(3,425)	50,369
Loss on disposal of investment properties	893,698	–
Gain on disposal of joint ventures	(192,340)	(206,450)
(Gain)/Loss on disposal of associates	(16)	192,327
Gain on disposal of subsidiaries classified as held for sale	–	(77,346)
Impairment losses on trade and other receivables	203,789	154,207
Impairment losses on amounts due from joint ventures	167,538	–
Impairment losses on amounts due from non-controlling shareholders of subsidiaries (“NCI”)	48,992	–
Impairment losses on interests in associates	–	18,907
Impairment losses on property, plant and equipment	151,555	–
Impairment losses on goodwill	55,151	45,789
Impairment loss on assets classified as held for sale	–	1,021,478
Others	(388,545)	(77,181)
	1,383,563	3,731,073

* Government subsidy represented unconditional cash payments granted by government authorities.

7. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on:		
Bank and other borrowings	6,866,296	6,089,568
Senior notes and bonds	2,380,136	2,099,497
Amount due to a joint venture	36,038	18,000
Other payables	16,299	63,994
Lease liabilities	131,214	136,250
	<hr/>	<hr/>
Total borrowing costs	9,429,983	8,407,309
Less: amounts capitalised to properties under development for sale	(9,142,425)	(7,929,694)
amounts capitalised to investment properties under construction	–	(49,843)
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	287,558	427,772
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Interest capitalised arose on the general borrowing pool of the Group was calculated by applying a capitalisation rate of approximately 8.8% (2022: 7.56%) per annum to expenditure on the qualifying assets.

8. LOSS BEFORE TAX

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss before tax has been arrived at after charging (crediting):		
Directors' emoluments	10,778	13,374
Other staffs' salaries	673,075	1,375,984
Other staffs' retirement benefit scheme contributions	12,074	18,622
Other staffs' share-based payments	–	1,940
	<hr/>	<hr/>
Total staff costs	695,927	1,409,920
Less: amounts capitalised to properties under development for sale	(134,207)	(292,109)
	<hr/>	<hr/>
	561,720	1,117,811
	<hr/>	<hr/>
Cost of properties for sale/inventories recognised as an expense (excluding impairment loss on properties for sale)	25,415,610	15,274,293
Impairment loss on properties for sale (included in cost of sales)	1,787,929	–
Depreciation of property, plant and equipment	230,714	328,062
Depreciation of right-of-use assets	158,865	260,564
Amortisation of intangible assets (included in administrative expenses)	6,557	13,074
Gross rental income in respect of investment properties	(199,402)	(251,712)
Less: direct operating expenses from investment properties that generated rental income during the year	149,007	177,653
	<hr/>	<hr/>
	(50,395)	(74,059)
	<hr/> <hr/>	<hr/> <hr/>

9. INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Income tax expenses recognised comprise of:		
Current tax:		
PRC		
Enterprise Income Tax (“EIT”)		
– Current year	173,917	178,099
– Underprovision in prior year	–	1,020
Land Appreciation Tax (“LAT”)	469,647	(31,363)
Other jurisdiction	1,639	20,930
	<u>645,203</u>	<u>168,686</u>
Deferred tax		
PRC	1,182,517	276,221
Other jurisdictions	(1,662)	(20,797)
	<u>1,180,855</u>	<u>255,424</u>
Income tax expenses for the year	<u><u>1,826,058</u></u>	<u><u>424,110</u></u>

Under the Law of the People’s Republic of China on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, subject to certain preferential income tax policies.

Under the Provisional Regulations of the People’s Republic of China on LAT (the “LAT Provisional Regulations”) and Implementation Regulation of the LAT Provisional Regulations, the tax rate of the PRC subsidiaries is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and relevant property development expenditures.

No provision for Hong Kong profits tax has been made in the consolidated financial statements for both years as the Group’s income neither arises in, nor is derived from, Hong Kong.

Under Canadian tax law, the tax rate used for the year is 26.5% (2022: 26.5%) on taxable profits on Canadian incorporated entities. No tax provision for Canadian profits tax has been made in the consolidated financial statements for the years ended 31 December 2023 and 2022 as there were no assessable profit arises in Canada.

10. DIVIDENDS

At the meeting of the board of directors held on 27 March 2024, the Directors resolve not to declare any dividend for the year ended 31 December 2023 (2022: Nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share are based on:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss:		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation:	<u>(9,533,566)</u>	<u>(7,842,958)</u>
	2023	2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,965,571</u>	<u>2,965,571</u>

For the purpose of computation of diluted loss per share of the Company for the years ended 31 December 2023 and 2022, the Company had taken into consideration the effects of the share options issued by the non-wholly-owned listed subsidiaries.

There are no potential dilutive events for the Company during both years.

The diluted loss per share of the Company for the years ended 31 December 2023 and 2022 are the same as the basic loss per share for the respective year.

12. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and bills receivables	1,028,058	1,369,723
Less: Allowance for expected credit losses	<u>(476,540)</u>	<u>(521,768)</u>
	<u>551,518</u>	<u>847,955</u>
Rental receivables	113,100	106,681
Other receivables	24,166,228	23,545,542
Security deposits	864,768	1,626,143
Less: Allowance for expected credit losses	<u>(6,123,922)</u>	<u>(6,048,996)</u>
	<u>18,907,074</u>	<u>19,122,689</u>
Contract assets	45,860	97,789
Contract costs	574,686	861,149
Advances to constructors and suppliers	2,013,533	3,401,609
Deposits paid for potential purchases of land use rights and property projects	4,261,780	4,912,719
Other tax prepayments	<u>2,574,965</u>	<u>3,886,643</u>
	<u><u>29,042,516</u></u>	<u><u>33,237,234</u></u>

The following is an aging analysis of gross trade receivables, determined based on the dates when the properties were delivered and sales were recognised and services were provided:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 60 days	115,531	209,420
61 to 180 days	16,553	123,340
181 to 365 days	215,332	222,440
1 to 2 years	117,631	614,921
2 to 3 years	469,573	133,344
Over 3 years	<u>93,438</u>	<u>66,258</u>
	<u><u>1,028,058</u></u>	<u><u>1,369,723</u></u>

13. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	19,120,697	19,827,754
Other payables	31,027,531	23,505,472
Consideration payables for acquisition of subsidiaries	1,420,493	1,420,493
Other taxes payables	5,491,045	6,980,884
	<u>57,059,766</u>	<u>51,734,603</u>

The following is an aging analysis of trade payables determined based on the invoice date:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 60 days	3,551,447	6,175,361
61 to 180 days	3,741,998	9,803,077
181 to 365 days	1,832,191	1,788,539
1 to 2 years	9,014,742	1,010,969
2 to 3 years	609,047	663,287
Over 3 years	371,272	386,521
	<u>19,120,697</u>	<u>19,827,754</u>

Trade payables principally comprise amounts outstanding for payments to sub-contractors of property development projects and purchases of construction materials. The average credit period for trade purchases is from 6 months to 1 year.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the independent auditor’s report by SHINEWING (HK) CPA Limited, the external auditor of the Company, regarding 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 for the year ended 31 December 2023. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the “Basis for Disclaimer of Opinion” section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

Multiple uncertainties related to going concern

We draw attention to note 2 to the consolidated financial statements prepared by the directors of the Company (the “Directors”), which states that for the year ended 31 December 2023, the Group recorded a net loss of approximately RMB9,641 million and a net operating cash outflow. As at 31 December 2023, the Group’s current liabilities exceeded its current assets by approximately RMB35,092 million. At the same date, the Group’s total bank and other borrowings and senior notes and bonds amounted to approximately RMB107,451 million, out of which RMB95,785 million will be due for repayment within the next twelve months from the end of the reporting period. Further, the Group has contracted but not provided for commitments for properties for sale and investment properties, including its share of commitments made jointly with other investors relating to its joint ventures in aggregate of approximately RMB17,852 million, while the Group has only total bank balances and cash (including restricted bank deposits) of approximately RMB5,449 million. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Notwithstanding the abovementioned, these consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends upon the successful outcome of the Group’s various plans and measures, as set out in note 2 to these consolidated financial statements, to mitigate its liquidity pressure and to improve its financial performance, which are subject to multiple uncertainties.

As a result of the multiple uncertainties, their potential interaction and the possible cumulative effect thereof, we are unable to form an opinion as to whether the going concern basis of preparation of these consolidated financial statements as adopted by the Directors is appropriate. Should the Group fail to achieve the intended effects resulting from the various plans and measures as mentioned in note 2 to these consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to reduce the carrying amounts of the Group’s assets to their realisable 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 all these potential adjustments have not been reflected in these consolidated financial statements of the Group for the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In 2023, the real estate industry was still in the stage of bottoming out and stabilizing at the margins. According to the National Bureau of Statistics, the national real estate investment was down by 9.6% year-on-year to RMB11.0913 trillion, while the sales of commodity housing was down by 6.5% year-on-year to RMB11.6622 trillion. With a series of optimized policies introduced in the second half of the year to simultaneously stimulate supply and demand, the governments took steps to stabilize market and expectation.

In 2023, despite hardships, the Group realised contracted sales of property of approximately RMB13.712 billion with contracted GFA sold of approximately 1.304 million sq.m.. Details of property contracted sales by region are as follow:

Region	Property contracted sales amount (RMB billion)	Contracted GFA sold (’000 sq.m.)
South China	5.204	462
Core Region of Central & Western China	3.173	374
East China	2.024	213
Bohai Rim	3.311	255
Total	<u>13.712</u>	<u>1,304</u>

At the same time, the Group proactively operated in a steady manner by making every effort to consolidate and revitalize its resources and to ensure 100% mark resumption and delivery.

The Group continues to focus on the core cities in the Greater Bay Area. As at 31 December 2023, the landbank has a total GFA of approximately 6 million sq.m., with the attributable GFA of approximately 4.54 million sq.m..

In addition, with the strong support of its onshore and offshore creditors, the Company completed the extension of standerized domestic public debt instruments and the holistic restructuring of offshore debt. On 20 March 2024, the offshore debt restructuring became effective upon the Company satisfying all restructuring conditions.

II. FUTURE OUTLOOK

The Central Economic Work Conference and the Two Sessions proposed to optimize the regulatory policies for the real estate industry while adapting to the shifts of supply and demand sides of the real estate market, in order to promote the stable and healthy development of the real estate market and a new development model of real estate industry.

The completion of the debt restructuring helps the Group to improve its net asset position significantly, reduces financial pressure while effectively driving the steady progress of property delivery and sales, construction and financing. Adhering to a corporate culture of “Being Low-key, Pragmatic and Rational” and with an aim to be a high-quality and professional player, the Group will make every effort to integrate resources and accelerate the recovery of its operations, to create more value for its shareholders, investors and the society.

III. FINANCIAL REVIEW

The revenue is primarily generated from property development. In 2023, the Group’s total revenue was approximately RMB27,533 million, representing an increase of approximately RMB8,822 million or 47.1% over approximately RMB18,711 million in 2022. Property development revenue, other revenue such as hotel operation/property management and sales of goods and property investment revenue accounted for 90.7%, 8.6% and 0.7% respectively.

In 2023, the Group’s revenue generated from property development amounted to approximately RMB24,964 million, representing an increase of approximately RMB9,611 million or 62.6% over approximately RMB15,353 million in 2022. The GFA of delivered properties increased by 41.6% to 2.96 million sq.m. from 2.09 million sq.m. in 2022, while the average selling price increased by 15.0% to RMB8,434 per sq.m. from RMB7,335 per sq.m. in 2022. This was mainly attributable to the further increase in the average selling price of residential apartments which accounted for the highest portion of properties delivered compared to the corresponding period in 2022.

Gross Profit and Margin

For 2023, the Group’s gross loss amounted to approximately RMB1,454 million, representing a decrease of 272.9% as compared to the gross profit of approximately RMB841 million for 2022, and the gross loss margin was 5.3%.

Other Income, Gains and Losses

In 2023, the other income, gains and losses of the Group recorded a net loss of approximately RMB1,384 million, which mainly included exchange loss of approximately RMB570 million, interest income of approximately RMB105 million, loss on disposal of investment properties of approximately RMB894 million and other losses of approximately RMB25 million.

Selling and Distribution and Administrative Expenses

In 2023, total selling and distribution expenses of the Group were approximately RMB1,030 million, representing a decrease of 15.3% from approximately RMB1,215 million in 2022, which was mainly attributable to the decrease in overall sales, marketing and promotional activities owing to the decrease in property contracted sales during the year. Total administrative expenses decreased by 13.2% from approximately RMB2,372 million in 2022 to approximately RMB2,059 million, which was mainly attributable to the continuing effort in the streamlining of Group organizational structure and effective control over cost and expenses.

Loss Attributable to Owners of the Company

In 2023, loss attributable to owners of the Company was approximately RMB9,534 million, representing an increase of 21.6% over loss of approximately RMB7,843 million in 2022.

Financial Position

As at 31 December 2023, the Group's total assets amounted to approximately RMB199,371 million (as at 31 December 2022: approximately RMB234,426 million) and total liabilities were approximately RMB227,455 million (as at 31 December 2022: approximately RMB252,063 million).

Current ratio was 0.8 as at 31 December 2023 (as at 31 December 2022: 0.9).

Cash Position

As at 31 December 2023, the Group had cash and bank deposits of approximately RMB1,859 million (as at 31 December 2022: approximately RMB5,110 million). As at 31 December 2023, the Group had restricted bank deposits of approximately RMB3,591 million (as at 31 December 2022: approximately RMB4,231 million).

As at 31 December 2023, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled approximately RMB5,449 million, of which 81.7% was denominated in Renminbi and 18.3% was denominated in other currencies (mainly in HK dollar and Canadian dollar).

Borrowings, Senior Notes, Corporate Bonds

As at 31 December 2023, the Group had bank and other borrowings of approximately RMB71,760 million (as at 31 December 2022: approximately RMB76,294 million) and senior notes and corporate bonds of approximately RMB35,691 million (as at 31 December 2022: approximately RMB32,756 million) as follows: Where:

	31 December 2023 (RMB million)	31 December 2022 (RMB million)
Repayment period		
Repayable on demand and within one year	95,785	99,446
More than one year, but not exceeding two years	5,139	5,935
More than two years, but not exceeding five years	6,296	3,219
More than five years	231	450
	<u>107,451</u>	<u>109,050</u>

Part of the borrowings of the Group are floating-rate borrowings, of which interest rates are subject to negotiation on an annual basis, thus exposing the Group to cash flow interest rate risk. The Group has implemented certain interest rate management policies which included, among other, close monitoring of interest rate movements and replacing and entering into of new banking facilities when good pricing opportunities arise.

Contingent Liabilities

As at 31 December 2023, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers and banking facilities granted to joint ventures and associated companies of the Group amounting to approximately RMB74,592 million (as at 31 December 2022: approximately RMB95,373 million).

The Group acted as guarantor to the banks in respect of the mortgage bank loans granted to certain property purchasers of the Group's property and agreed to repay the outstanding mortgage loans upon the purchasers' default on the repayment of the outstanding mortgage loans and the loan interest accrued thereon. In the opinion of the Directors, the fair value of the financial guarantee contracts is not significant at the initial recognition and provision has not been made as the default rate is low.

Commitments

As at 31 December 2023, the Group had construction cost commitments for properties for sale and investment properties and land payments contracted but not provided for of approximately RMB14,232 million (as at 31 December 2022: approximately RMB18,868 million). In addition, the Group's share of commitments relating to its joint ventures arising from construction cost commitments contracted but not provided for is approximately RMB3,620 million (2022: RMB4,016 million). The Group expects to fund these commitments principally from sale proceeds of properties and bank borrowings.

Foreign Currency Risks

Most of the Group's revenues and operating costs are denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, senior notes denominated in US dollar and bank loans denominated in US dollars, HK dollars and Canadian dollars, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure when needed.

Pledge of Assets

As at 31 December 2023, the Group pledged its properties for sale, property, plant and equipment, investment properties, right-of-use assets and restricted bank deposits of approximately RMB40,306 million (as at 31 December 2022: approximately RMB45,321 million) to various banks to secure project loans and general banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Group had following significant events taken place:

- (a) The Company consummated the Restructuring on 20 March 2024 as further elaborated below.
- (b) On 16 January 2024, Aoyuan Group Company Limited (奧園集團有限公司), a company incorporated under the laws of the People's Republic of China and a wholly-owned subsidiary of the Company (the “**Subsidiary**”), was issued a decision of public criticism (the “**Disciplinary Action**”) by the Shanghai Stock Exchange (the “**SSE**”) against the Subsidiary, whose debt securities are listed on the SSE, and its relevant responsible persons, including (but not limited to) Mr. Chen Zhi Bin (“**Mr. Chen**”), the chief financial officer and responsible person for information disclosure of the Subsidiary. In addition to his positions with the Subsidiary, Mr. Chen is also an executive director of the Company. The Disciplinary Action was made on the basis that the Subsidiary failed to publish its interim report for the six months ended 30 June 2022 and its annual report for the year ended 31 December 2022 in accordance with the relevant listing rules and regulations of the SSE (the “**Breach**”). As a result, the SSE issued a decision of a public criticism on the Subsidiary and its relevant responsible persons, including but not limited to Mr. Chen, as he serves as the chief financial officer and the person responsible for information disclosure of such subsidiary. As there was also a delay in publication of the financial results of the Group for the corresponding periods, this issue is not unique to the Subsidiary. As at the date of this announcement, the Subsidiary has re-complied with the relevant disclosure requirements of the SSE. It is not expected that the Breach will have any material adverse impact on the business, financial condition or operations of Group taken as a whole.
- (c) The Group's 22.54% equity interests in Aoyuan Beauty Valley had been frozen pursuant to an application by a creditor. The creditor had made an application to the court for an open auction of relevant equity interests. Up to the date of this announcement, the application had not been approved by the relevant courts.

Progress of the Offshore Debt Restructuring

The Company has consummated the Restructuring on 20 March 2024. Pursuant to the terms of the Restructuring, obligations of the Company and its subsidiaries, which are incorporated outside of the People's Republic of China under certain senior notes and bonds and borrowings with an outstanding principal amount of RMB42,867 million as at 31 December 2023 have been be compromised in exchange for the affected creditors receiving the following scheme consideration:

- (a) under China Aoyuan Schemes: (i) USD500 million in principal amount of new notes issued by the Company, (ii) USD143 million in principal amount of mandatory convertible bonds issued by the Company, (iii) USD1,600 million in principal amount of perpetual securities issued by the Company, (iv) up to 400 million shares in the Company, which are originally beneficially owned by the sponsor and (v) up to 1,000 million newly issued shares in the Company; and

(b) under the Add Hero Schemes: (i) USD1,800 million in principal amount of new notes issued by Add Hero and (ii) USD2,871,268.49 in cash consideration.

Creditors who are receiving the abovementioned scheme consideration may view their respective scheme consideration entitlements at <https://projects.morrowsodali.com/AoyuanCalculator>.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2023, the Group had 3,998 employees (31 December 2022: 9,002 employees). The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. Pursuant to relevant laws and regulations, the Group provides contributions to social insurance of China and contribution to the Mandatory Provident Fund Scheme of Hong Kong for eligible employees. The Group also provides employees in China with medical insurance, individual work injury insurance, maternity insurance and unemployment insurance.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the articles of association of the Company in due course.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Board, the Board confirms that the Company has maintained the public float as required by the Listing Rules as at the date of this announcement.

CORPORATE GOVERNANCE CODE

The Board periodically reviews the corporate governance practices of the Company to ensure that the practices continue to meet the requirements of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules. For the year ended 31 December 2023, the Company has complied with all of the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors’ dealings in the securities of the Company. The Model Code is sent to each director of the Company on his/her initial appointment and from time to time which is amended or restated.

Upon specific enquiry by the company secretary of the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2023.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Cheung Kwok Keung as chairman, Mr. Lee Thomas Kang Bor and Mr. Wong Wai Keung Frederick as members, has reviewed, together with the participation of the Board, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited (“the External Auditor”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the External Auditor in this respect did not constitute an assurance engagement 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 the External Auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoyuan.com.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 of the Company and available on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Chen Zhi Bin and Mr. Tan Yi; the non-executive director is Mr. Ma Jun; and the independent non-executive directors of the Company are Mr. Cheung Kwok Keung, Mr. Lee Thomas Kang Bor and Mr. Wong Wai Keung Frederick.

By order of the Board
China Aoyuan Group Limited
Guo Zi Wen
Chairman

Hong Kong, 27 March 2024