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渝太地產集團有限公司*

Y. T. REALTY GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 75)

2021 Annual Results Announcement

The board of directors of Y. T. Realty Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

| | <i>Notes</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| REVENUE | 2, 3 | | |
| Sales of properties | | 1,184,478 | 236,626 |
| Rental income | | 38,811 | 45,267 |
| Interest income | | 974 | 4,165 |
| Total revenue | | 1,224,263 | 286,058 |
| Costs of sales | | (792,600) | (166,522) |
| Gross profit | | 431,663 | 119,536 |
| Other income and gains | | 6,459 | 4,152 |
| Other expenses and losses | | (1,457) | (15,875) |
| Selling and marketing expenses | | (362,493) | (135,418) |
| Administrative expenses | | (119,735) | (47,308) |
| Finance costs | 4 | (177,901) | (84,012) |
| Changes in fair value of investment properties | | 22,848 | (19,011) |
| LOSS BEFORE TAX | 5 | (200,616) | (177,936) |
| Income tax credit | 6 | 29,664 | 15,471 |
| LOSS FOR THE YEAR | | (170,952) | (162,465) |
| Attributable to: | | | |
| Equity holders of the Company | | (120,977) | (134,303) |
| Non-controlling interests | | (49,975) | (28,162) |
| | | (170,952) | (162,465) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic and diluted | 8 | (HK15.1 cents) | (HK16.8 cents) |

Per share information:

- Proposed final dividend per share
- Net asset value per share

Nil
HK\$2.09

Nil
HK\$2.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| LOSS FOR THE YEAR | <u>(170,952)</u> | <u>(162,465)</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| <i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | 32,566 | 173,262 |
| Release of exchange fluctuation reserve upon disposal of subsidiaries | <u>(3,783)</u> | <u>-</u> |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | 28,783 | 173,262 |
| <i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i> | | |
| Change in fair value of an equity investment designated at fair value through other comprehensive income | <u>130</u> | <u>(50)</u> |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | <u>28,913</u> | <u>173,212</u> |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | <u>(142,039)</u> | <u>10,747</u> |
| Attributable to: | | |
| Equity holders of the Company | (91,601) | 35,295 |
| Non-controlling interests | <u>(50,438)</u> | <u>(24,548)</u> |
| | <u>(142,039)</u> | <u>10,747</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

| | <i>Notes</i> | 2021 HK\$'000 | 2020 HK\$'000 |
|--|--------------|--------------------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 194,982 | 68,452 |
| Investment properties | | 873,999 | 1,486,044 |
| Goodwill | | 286,593 | 279,419 |
| Other intangible asset | | 9,760 | 9,560 |
| Equity investment designated at fair value through other comprehensive income | | 2,400 | 2,270 |
| Deferred tax assets | | 43,945 | 46,278 |
| Deposits | | 10 | 24,922 |
| Total non-current assets | | <u>1,411,689</u> | <u>1,916,945</u> |
| CURRENT ASSETS | | | |
| Properties under development | | 10,867,177 | 8,104,321 |
| Interests in land use rights for property development | | 583,805 | - |
| Trade receivables | 9 | - | 4,285 |
| Other receivables, deposits and prepayments | | 1,230,644 | 295,445 |
| Debt investments at amortised cost | | - | 15,162 |
| Prepaid income tax | | 181,867 | 54,292 |
| Cash and bank balances | | 1,675,439 | 1,088,206 |
| Total current assets | | <u>14,538,932</u> | <u>9,561,711</u> |
| CURRENT LIABILITIES | | | |
| Trade and retention payables | 10 | 624,863 | 870,653 |
| Other payables and accrued expenses | | 580,979 | 638,343 |
| Interest-bearing bank and other borrowings | | 97,472 | 30,989 |
| Contract liabilities | | 9,847,054 | 3,912,996 |
| Tax payable | | 175 | 4,115 |
| Total current liabilities | | <u>11,150,543</u> | <u>5,457,096</u> |
| NET CURRENT ASSETS | | <u>3,388,389</u> | <u>4,104,615</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>4,800,078</u> | <u>6,021,560</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2021

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------------------|-------------------------|
| NON-CURRENT LIABILITIES | | |
| Deferred tax liabilities | 396,802 | 459,167 |
| Interest-bearing bank and other borrowings | 2,767,340 | 3,780,892 |
| Other payables | 147 | 6,074 |
| Total non-current liabilities | 3,164,289 | 4,246,133 |
| Net assets | 1,635,789 | 1,775,427 |
| EQUITY | | |
| Equity attributable to equity holders of the Company | | |
| Issued share capital | 79,956 | 79,956 |
| Reserves | 1,595,042 | 1,686,643 |
| Non-controlling interests | 1,674,998 (39,209) | 1,766,599 8,828 |
| Total equity | 1,635,789 | 1,775,427 |

Notes:

1 Basis of preparation and accounting policies

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and an equity investment designated at fair value through other comprehensive income, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

- (i) The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|--|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i> |
| Amendment to HKFRS 16 | <i>COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i> |

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and Renminbi based on fixed interest rates which are not based on the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

1 Basis of preparation and accounting policies *(continued)*

- (i) The nature and impact of the revised HKFRSs are described below: *(continued)*
 - (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.
- (ii) The Company has changed its accounting policy for the classification of interest paid in the consolidated statement of cash flows. In prior years, interest paid for bank and other borrowings used in property development and investment (the “Borrowings”) was classified as cash flows from operating activities, whereas interest paid for the Borrowings is now classified as cash flows from financing activities (the “Policy Change”). In the opinion of the directors of the Company, it is more appropriate to classify all cash flows in respect of the Group’s borrowings as cash flows from financing activities in the consolidated statement of cash flows to reflect the nature of the cash flows of the Group’s borrowings, including the interest paid as a cost of financing, and will provide more relevant information about the cash flows associated with the borrowings. The directors are also of the opinion that such classification and presentation will provide greater comparability with other industry peers of the Group. The comparative amounts have been restated accordingly. The adoption of the Policy Change has had no impact on the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position.

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group’s operation and may result in changes in the Group’s accounting policies, and changes in presentation and measurement of certain items of the Group’s financial information.

2 Operating segment information

For management purposes, the Group is organised into business units based on its business activities and has four reportable operating segments as follows:

- (a) The property development and trading segment comprises the development and trading of properties;
- (b) The property investment segment invests in properties for rental income and potential capital appreciation;
- (c) The treasury management segment invests in debt securities and time deposits for earning interest income; and
- (d) The property management and related services segment comprises the provision of property management and related technical consultancy services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss. The adjusted loss is measured consistently with the Group's loss except that general finance costs, unallocated other income and gains, corporate and other unallocated expenses and losses and head office income tax expense/credit are excluded from this measurement.

Segment assets exclude property, plant and equipment related to head office, an equity investment designated at fair value through other comprehensive income, other intangible asset, certain unallocated cash and bank balances, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude general interest-bearing bank and other borrowings, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

2 Operating segment information (continued)

| | Property development and trading <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Treasury management <i>HK\$'000</i> | Property management and related services <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> | |
|---|---|---|---|--|--|---------------------------------|
| 2021 | | | | | | |
| Segment revenue <i>(note 3)</i> | 1,184,478 | 38,811 | 974 | - | 1,224,263 | |
| Segment results | (65,085) | 58,107 | 961 | - | (6,017) | |
| Specific finance costs | (175,774) | - | - | - | (175,774) | |
| General finance costs | | | | | (2,127) | |
| Unallocated other income and gains | | | | | 200 | |
| Corporate and other unallocated expenses and losses | | | | | (16,898) | |
| Loss before tax | | | | | (200,616) | |
| Income tax credit/(expenses) | 39,062 | (9,398) | - | - | 29,664 | |
| Loss for the year | | | | | (170,952) | |
| | | | | | | |
| | Property development and trading <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Treasury management <i>HK\$'000</i> | Property management and related services <i>HK\$'000</i> | Corporate and others <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
| Assets and liabilities | | | | | | |
| Total assets | 14,916,315 | 939,551 | - | - | 94,755 | 15,950,621 |
| Total liabilities | 13,856,512 | 446,885 | - | - | 11,435 | 14,314,832 |
| Other segment information: | | | | | | |
| Capital expenditure* | 157,269 | 33,876 | - | - | 22 | 191,167 |
| Depreciation | 34,153 | - | - | - | 1,073 | 35,226 |
| Fair value gains on investment properties | - | 22,848 | - | - | - | 22,848 |
| Reversal of impairment loss on other intangible asset | - | - | - | - | 200 | 200 |
| Gain on disposal of subsidiaries | - | 430 | - | - | - | 430 |

* Capital expenditure consists of additions of property, plant and equipment and investment properties, including assets from the acquisition of subsidiaries.

2 Operating segment information (continued)

| 2020 | Property development and trading <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Treasury management <i>HK\$'000</i> | Property management and related services <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|---|---|--|---------------------------------|
| Segment revenue <i>(note 3)</i> | <u>236,626</u> | <u>45,267</u> | <u>4,165</u> | <u>-</u> | <u>286,058</u> |
| Segment results | (77,624) | 4,745 | 4,086 | - | (68,793) |
| Specific finance costs | (76,155) | - | - | - | (76,155) |
| General finance costs | | | | | (7,857) |
| Unallocated other income and gains | | | | | 1,000 |
| Corporate and other unallocated expenses and losses | | | | | <u>(26,131)</u> |
| Loss before tax | | | | | (177,936) |
| Income tax credit | 12,646 | 2,825 | - | - | <u>15,471</u> |
| Loss for the year | | | | | <u>(162,465)</u> |

| | Property development and trading <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Treasury management <i>HK\$'000</i> | Property management and related services <i>HK\$'000</i> | Corporate and others <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|---|---|--|--|---------------------------------|
| Assets and liabilities | | | | | | |
| Total assets | <u>9,876,194</u> | <u>1,546,034</u> | <u>15,162</u> | <u>-</u> | <u>41,266</u> | <u>11,478,656</u> |
| Total liabilities | <u>9,635,230</u> | <u>22,768</u> | <u>54</u> | <u>-</u> | <u>45,177</u> | <u>9,703,229</u> |
| Other segment information: | | | | | | |
| Capital expenditure* | 398,337 | 153,250 | - | - | 27 | 551,614 |
| Depreciation | 2,589 | - | - | - | 1,081 | 3,670 |
| Fair value losses on investment properties | - | 19,011 | - | - | - | 19,011 |
| Reversal of impairment loss on other intangible asset | - | - | - | - | 1,000 | 1,000 |

2 Operating segment information (continued)

Geographical information

(a) Revenue from external customers

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Mainland China | 1,184,478 | 236,626 |
| United Kingdom | 38,571 | 45,027 |
| Hong Kong | 1,214 | 4,405 |
| | <u>1,224,263</u> | <u>286,058</u> |

The revenue information above is based on the locations of the customers.

(b) Non-current assets

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Mainland China | 746,906 | 579,073 |
| United Kingdom | 594,946 | 1,264,701 |
| Hong Kong | 23,492 | 24,623 |
| | <u>1,365,344</u> | <u>1,868,397</u> |

The non-current assets information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the years ended 31 December 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the total revenue of the Group.

3 Revenue

An analysis of revenue is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Revenue from contracts with customers | | |
| Sales of properties | <u>1,184,478</u> | <u>236,626</u> |
| Revenue from other sources | | |
| Gross rental income from investment property operating leases: | | |
| Fixed lease payments | <u>38,811</u> | <u>45,267</u> |
| Interest income from debt investments at amortised cost | 974 | 2,748 |
| Interest income from time deposits | <u>-</u> | <u>1,417</u> |
| | <u>974</u> | <u>4,165</u> |
| | <u><u>1,224,263</u></u> | <u><u>286,058</u></u> |

4 Finance costs

An analysis of finance costs is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interest on bank and other borrowings | 329,101 | 202,017 |
| Interest expenses arising from revenue contracts | 705,581 | 216,422 |
| Interest on lease liabilities | 233 | 110 |
| Imputed interest on retention payables | <u>34,539</u> | <u>4,753</u> |
| Total interest expenses | 1,069,454 | 423,302 |
| Less: Interest capitalised | <u>(891,553)</u> | <u>(339,290)</u> |
| | <u><u>177,901</u></u> | <u><u>84,012</u></u> |

5 Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of properties sold | 792,156 | 166,372 |
| Depreciation of owned assets | 30,283 | 2,124 |
| Depreciation of right-of-use assets | 4,943 | 1,546 |
| | <u>35,226</u> | <u>3,670</u> |
| Staff costs (including executive directors' remuneration): | | |
| Wages and salaries | 28,694 | 12,471 |
| Discretionary bonuses | 2,585 | 4,446 |
| Pension scheme contributions* | 173 | 248 |
| | <u>31,452</u> | <u>17,165</u> |
| Foreign exchange differences, net** | 625 | 9,704 |
| Reversal of impairment loss on other intangible asset*** | (200) | (1,000) |
| Gain on disposal of subsidiaries*** | (430) | - |
| | <u>(430)</u> | <u>-</u> |

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** This item is included in "Other expenses and losses" in the consolidated statement of profit or loss.

*** These items are included in "Other income and gains" in the consolidated statement of profit or loss.

6 Income tax credit

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current and the prior year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Current - United Kingdom | | |
| Charge for the year | 3,603 | 4,963 |
| Over-provision in prior years | (626) | (72) |
| Current - Mainland China | | |
| PRC corporation income tax | 11 | - |
| PRC land appreciation tax | 36,697 | 7,126 |
| | <u>39,685</u> | <u>12,017</u> |
| Deferred | (69,349) | (27,488) |
| Total tax credit for the year | <u>(29,664)</u> | <u>(15,471)</u> |

7 Dividends

The board of directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: Nil). No interim dividend was declared in respect of the current year (2020: Nil).

8 Loss per share attributable to ordinary equity holders of the Company

The calculation of the basic loss per share amount for the year is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------------------------|---------------------------|
| <u>Loss</u> | | |
| Loss for the year attributable to ordinary equity holders of the Company | <u><u>(120,977)</u></u> | <u><u>(134,303)</u></u> |
| | Number of shares | |
| | 2021 | 2020 |
| <u>Shares</u> | | |
| Weighted average number of ordinary shares in issue during the year | <u><u>799,557,415</u></u> | <u><u>799,557,415</u></u> |

9 Trade receivables

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of impairment allowance, is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Within 1 month | - | 1,065 |
| 1 to 2 months | - | - |
| 2 to 3 months | - | - |
| 3 to 6 months | - | 2,767 |
| 6 to 12 months | - | 453 |
| | <u><u>-</u></u> | <u><u>4,285</u></u> |

The trade receivables primarily include rental receivables which are normally billed in advance or billed in arrears and both are due on the first day of the billing period. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

10 Trade and retention payables

An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date or the progress payment certificate date, is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| Trade payables: | | |
| Within 1 month | 169,042 | 438,800 |
| 1 to 2 months | 12,531 | 79,817 |
| 2 to 3 months | 3,486 | 131,266 |
| Over 3 months | 9,975 | 9,211 |
| | 195,034 | 659,094 |
| Retention payables | 429,829 | 211,559 |
| | 624,863 | 870,653 |

The trade payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 to 60 days in general. As at 31 December 2021, all retention payables were expected to be settled from 1 to 4 years (2020: from 1 to 5 years).

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil). No interim dividend was paid during the year (2020: Nil).

LAST SHARE REGISTRATION DATE FOR ANNUAL GENERAL MEETING

For determining the right of shareholders to attend and vote at the forthcoming annual general meeting on 19 May 2022, the deadline for share registration will be Friday, 13 May 2022. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 13 May 2022.

NET ASSET VALUE

The consolidated net asset value attributable to equity holders of the Group as at 31 December 2021 was HK\$1,675.0 million (2020: HK\$1,766.6 million). The consolidated net asset value attributable to equity holders of the Group per share as at 31 December 2021 was HK\$2.09 based on 799,557,415 shares in issue as compared to HK\$2.21 per share based on 799,557,415 shares in issue as at 31 December 2020.

BUSINESS REVIEW

In 2021, global economic recovery was still undermined by the COVID-19 and its variants. Despite the take-up rate of vaccinations had increased, infection cases continued to rise. During the year, even though lockdown measures in many countries were relaxed to certain degrees, economic activities were still below the pre-COVID level due to cross-border restriction and various degrees of social distancing measures imposed by governments in many countries. In response to the negative impact of COVID-19, the US Federal Reserve and major central banks cut interest rate to its lowest level in history in most part of 2021.

In Mainland China, outbreak of coronavirus was well under control with strict preventive measures and concerted efforts taken by the central government. The central government had provided accommodative monetary policy and necessary fiscal stimulus to ensure economic recovery. Despite the US-China trade conflict continued and the world-wide pandemic in 2021, trades and business activities in Mainland China picked up encouraging pace and recorded year-on-year GDP growth as compared to the previous year. However, during the year, the property market experienced downturn under government's continued deleveraging efforts and as a result many property developers experienced serious credit and liquidity crunch.

In the UK, the economy was impacted by COVID-19 pandemic for most of 2021. However, the economy had recovered and rebounded from its low in 2020 due to increase in vaccinations, ease on social distancing and lockdown measures, and government's support measures. Even though the property market was still affected, certain sectors such as hospitality and logistics had recovered from the low in 2020. The property market in London where the Group has property investment was more resilient as compared with the rest of UK.

In Hong Kong, despite the local economy was still impacted by the pandemic, the economy had improved due to various government's measures to support economic recovery, increase in vaccination and intermittent relaxation of social distancing restrictions during the year. The overall economy had rebounded and recorded notable growth from 2020. However, economic recovery remained uneven during the year, sectors such as consumption-based activities and exports of goods had improved over last year while tourism remained very depressed due to strict cross-border restriction imposed by the government. The commercial property market was still weak but with signs of bottoming.

BUSINESS REVIEW (continued)

In 2021, the Group's total revenue amounted to HK\$1,224.3 million, representing an increase of 328.0% from HK\$286.1 million recorded in 2020. Revenue from property sale increased by 400.6% to HK\$1,184.5 million from HK\$236.6 million in 2020. Rental income from investment properties amounted to HK\$38.8 million, down 14.3% from HK\$45.3 million. Treasury management income amounted to HK\$1.0 million, down 76.6% from HK\$4.2 million.

In 2021, the Group recorded a net loss attributable to shareholders in the amount of HK\$121.0 million as compared to net loss of HK\$134.3 million in 2020. Loss per share for 2021 was HK15.1 cents (2020: HK16.8 cents).

Revaluation of the Group's investment properties resulted in a gain of HK\$22.8 million (2020: HK\$19.0 million loss). The revaluation gain was reported in the consolidated statement of profit or loss.

Property Development and Trading

In 2021, the Group had pre-sales for three property projects in Sichuan, PRC. The aggregate contract sales in 2021 was approximately HK\$6,850.3 million (2020: HK\$3,042.9 million) and the revenue recognised amounted to HK\$1,184.5 million (2020: HK\$236.6 million) for the year.

The summary of contract sales in 2021 is as follows:

| Projects | Location | Contract Sales | | Average |
|----------------------|------------------|-----------------------|------------|----------------------|
| | | Contract Sales | GFA | Selling Price |
| | | RMB'M | Sqm | RMB / Sqm |
| Binjiang Wisdom City | Meishan, Sichuan | 1,447.4 | 129,708 | 11,159 |
| The City of Islands | Meishan, Sichuan | 3,001.1 | 360,193 | 8,332 |
| Rare Land | Chengdu, Sichuan | 1,233.8 | 40,569 | 30,412 |

Property Investment

As at the end of 2021, the Group's major investment properties include 1 Harrow Place in London, UK and investment properties under construction in Sichuan, PRC.

Gross rental income for the year amounted to HK\$38.8 million, a decrease of 14.3% as compared with last year's rental income of HK\$45.3 million. Decrease in rental income is primarily due to the disposal of 1 Chapel Place during the year. The Group's investment property in UK generated stable recurring rental income and achieved 100% occupancy rate at end of 2021.

Treasury Management

In 2021, treasury management income amounted to HK\$1.0 million, a decrease of 76.6% from HK\$4.2 million recorded in 2020. The decrease in treasury management income was primarily due to decrease in bank interest and bond interest income compared to 2020.

Land Acquisition

On 12 April 2021, the Group successfully bid for the land use rights of Phase 1 Land Parcels and Phase 2 Land Parcels (both as defined in the Company's announcement dated 12 April 2021 and circular dated 26 May 2021) in Dazhou City, Sichuan at a consideration of RMB423,951,000 and RMB478,656,000 respectively through the public auctions held by Dazhou City Natural Resources and Planning Bureau and entered into the Land Use Rights Grant Contracts on 23 April 2021. The site area of Phase 1 Land Parcel is approximately 97,465 sqm and Phase 2 Land Parcels is approximately 132,963 sqm. Further details of the land acquisition were already disclosed in the relevant announcement and circular issued by the Company.

BUSINESS REVIEW (continued)

Material Disposal

On 5 August 2021, the Group entered into an agreement to dispose of the entire issued capital of Solent Ventures Limited (“Solent Ventures”), an indirect wholly-owned subsidiary of the Group, and the assignment of the shareholder loan owed by Solent Ventures to the Group. Solent Ventures indirectly held 100% interest of the Group’s investment property known as 1 Chapel Place in London, UK. The total consideration for the disposal was HK\$235.0 million. Completion took place on 12 August 2021. Further details of the disposal were already disclosed in the relevant announcement dated 5 August 2021 issued by the Company.

Event after the Reporting Period

On 20 January 2022, the Group entered into an agreement to acquire the entire issued share capital of Golden Honour Global Limited, which holds indirectly 53.6% of the interest in property development sites with aggregate site area of approximately 558,000 sqm in Meishan, Sichuan Province, the PRC. The total purchase consideration was HK\$230.0 million. Completion took place on 27 January 2022. Further details of the acquisition were already disclosed in the relevant announcement dated 20 January 2022 issued by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had net borrowing of HK\$1,189.4 million (2020: HK\$2,723.7 million), consisting cash and bank balances of HK\$1,675.4 million (2020: HK\$1,088.2 million) and total borrowings of HK\$2,864.8 million (2020: HK\$3,811.9 million). The gearing ratio of the Group was 71.0% (2020: 154.2%). The gearing ratio, if any, is calculated as the ratio of net borrowings to shareholders’ funds.

As at 31 December 2021, the total cash and bank balances amounted to HK\$1,675.4 million (2020: HK\$1,088.2 million), approximately 81.9% (2020: 85.2%) was denominated in RMB, 9.9% (2020: 7.5%) in USD, 4.3% (2020: 5.7%) in GBP and 3.9% (2020: 1.6%) in HKD.

As at 31 December 2021, the Group’s total borrowings amounted to HK\$2,864.8 million (2020: HK\$3,811.9 million) which is secured by the pledge of certain property interest and equity interests in certain subsidiaries of the Group, and certain amount of the Group’s total borrowings is guaranteed by the Company. Approximately 85.4% (2020: 70.8%) of total borrowings was denominated in RMB and 14.6% (2020: 29.2%) in HKD. The Group proactively managed its financial resources and devised appropriate funding plan for working capital and capital expenditure.

The maturity profile of the Group’s bank and other borrowings as at 31 December 2021 is as follows:

| | RMB | HKD | Total | |
|---|----------------|---------------|----------------|-------------------|
| | HK\$'M | HK\$'M | HK\$'M | Percentage |
| Repayable: | | | | |
| Within one year or on demand | 97.5 | - | 97.5 | 3.4% |
| In the second year | 1,037.5 | 419.5 | 1,457.0 | 50.9% |
| In the third to fourth years, inclusive | 1,310.3 | - | 1,310.3 | 45.7% |
| Total | <u>2,445.3</u> | <u>419.5</u> | <u>2,864.8</u> | <u>100.0%</u> |

The Group has its major property business operations in PRC and UK. Therefore, it is subject to foreign exchange rate fluctuation of Renminbi and British Pound Sterling.

CONTINGENT LIABILITIES / FINANCIAL GUARANTEES

As at 31 December 2021, the Group provided financial guarantees to certain banks in respect of mortgage facilities provided for certain purchasers of the Group's properties in the PRC amounting to HK\$3,352.1 million (2020: HK\$1,499.6 million).

Save as disclosed above, the Group did not have any contingent liabilities as at 31 December 2021 (2020: Nil).

PROSPECTS AND STRATEGIES

We anticipate the global economy to be volatile and challenging in the coming year. Factors such as the continuous threat of COVID-19 and its variants, increase in interest rates by major economies such as US to curb inflation, disruption in supply chain, and geopolitical tension in various regions will affect economic recovery. It is very difficult to predict when the global economy can resume its normal pace. However, it is anticipated that many countries may adopt flexible and accommodative monetary policies and fiscal stimulus to provide liquidity to counter economic downturn, and interest rate increase may still be moderate.

In Mainland China, it is expected that the economy will be stable with growth as the pandemic has been under control. The central government will continue to provide accommodative monetary policy and fiscal stimulus necessary to support economic growth. The effort of the central government to deleverage measures to facilitate healthy growth of the property market may have short-term effect to slow down the property market, but it is expected that the property market will remain resilient in the long run.

For UK, economic recovery will be affected by various factors such as the uncertain development of the pandemic, rising inflation, higher interest rate, etc. The pace of recovery will be uneven across market and property sectors. It is expected that property market in London will be more resilient as compared to other regions of UK as London is the major business hub in Europe and preferred investment location.

In Hong Kong, the pace of recovery of the local economy is uncertain and volatile. As the COVID infection cases increased drastically starting from February 2022, strict social distancing measures have been imposed and reduced economic activities. The Hong Kong government has implemented new measures to fight the pandemic and support the economy. However, the COVID-19 and its variants will continue to pose threat to economic recovery. It is expected that the property market will be challenging in 2022.

Under the challenging and volatile economic conditions, the Group will continue to adopt a cautious and proactive approach for its core investment and to look for business opportunities in property markets with stable and long-term economic prospects for sustainable development of the Group and enhance the returns for our shareholders in the long run. Despite the property market in China may still be subject to short-term challenges due to deleveraging measures of the Chinese government in the property market, the Group remains positive about the overall and long-term economic prospect of China and the property market in China. The Group will continue its endeavour in developing its property business in PRC property market.

STAFF

As at 31 December 2021, the Group employed 96 staff members. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, pension scheme and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors depending upon the financial performance of the Group.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2021, the Company complied with the code provisions of the Corporate Governance Code then in force (the “CG Code”, subsequently amended to take effect from 1 January 2022 (the “Amended CG Code”)) set out within Appendix 14 to the Main Board Listing Rules (the “Listing Rules”) save for the deviations described below.

Mr. Cheung Chung Kiu (“Mr. Cheung”) acted as chairman and managing director of the board during the period from 1 January 2021 until 10 November 2021, the date of his resignation from the above offices, among others. Mr. Wong Hy Sky (“Mr. Wong”) has assumed the role of chairman and managing director of the board since 10 November 2021 immediately following Mr. Cheung’s resignation. The Company therefore deviated from the then A.2.1 of the CG Code (currently C.2.1 of the Amended CG Code) throughout the year to the extent that the roles of chairman and chief executive were performed by one and the same person. Whether it is Mr. Cheung or Mr. Wong, as the case may be, having considered the then structure and composition of the board and operations of the Group in Hong Kong during his tenure, the board believed that vesting the roles of both chairman and managing director in him would facilitate the effective implementation and execution of its business strategies by, and ensure a consistent leadership for, the Group. Further, a balance of power and authority between the board and management could be ensured by the operation of the board, whose members (including the three independent non-executive directors) were individuals of high calibre with ample experience, such that the interests of shareholders could be safeguarded. The Company will continue to review the structure and composition of the board from time to time to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

The Company has no formal letters of appointment for directors except Mr. Wong setting out the key terms and conditions of their appointment and has therefore deviated from the then D.1.4 of the CG Code (currently C.3.3 of the Amended CG Code). This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified in the Company’s bye-laws, applicable laws and the Listing Rules. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code or the Amended CG Code) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules (the “Model Code”).

All directors confirmed that they had complied with the required standard set out within the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group’s consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditors, Ernst & Young (“EY”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by EY 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 EY on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company during the year.

On behalf of the board
Wong Hy Sky
Chairman and Managing Director

Hong Kong, 22 March 2022

As at the date hereof, the board of directors of the Company comprises Wong Hy Sky and Yuen Wing Shing who are executive directors; and Ng Kwok Fu, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive directors.

**For identification purposes only*