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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: 00075)

2022 Annual Results Announcement

The board of directors (the “Board” or “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 2022. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	2, 3		
Sales of properties		2,681,239	1,184,478
Rental income		25,543	38,811
Interest income		181	974
Total revenue		<u>2,706,963</u>	1,224,263
Cost of sales		<u>(2,581,026)</u>	(792,600)
Gross profit		125,937	431,663
Other income and gains		9,976	6,459
Other expenses and losses		(2,567)	(1,457)
Selling and marketing expenses		(308,807)	(362,493)
Administrative expenses		(213,017)	(119,735)
Finance costs	4	(406,942)	(177,901)
Changes in fair value of investment properties		5,854	22,848
LOSS BEFORE TAX	5	<u>(789,566)</u>	(200,616)
Income tax credit	6	<u>104,945</u>	29,664
LOSS FOR THE YEAR		<u><u>(684,621)</u></u>	<u><u>(170,952)</u></u>
Attributable to:			
Equity holders of the Company		(475,968)	(120,977)
Non-controlling interests		<u>(208,653)</u>	(49,975)
		<u><u>(684,621)</u></u>	<u><u>(170,952)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	<u><u>(HK59.5 cents)</u></u>	<u><u>(HK15.1 cents)</u></u>

Per share information:

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

Nil
HK\$1.32

Nil
HK\$2.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(684,621)</u>	<u>(170,952)</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	(142,954)	32,566
Release of exchange fluctuation reserve upon disposal of subsidiaries	<u>-</u>	<u>(3,783)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(142,954)	28,783
<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>(420)</u>	<u>130</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(143,374)</u>	<u>28,913</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(827,995)</u></u>	<u><u>(142,039)</u></u>
Attributable to:		
Equity holders of the Company	(621,957)	(91,601)
Non-controlling interests	<u>(206,038)</u>	<u>(50,438)</u>
	<u><u>(827,995)</u></u>	<u><u>(142,039)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Note</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		202,013	194,982
Investment properties		805,904	873,999
Goodwill		264,299	286,593
Other intangible asset		9,960	9,760
Equity investment designated at fair value through other comprehensive income		1,980	2,400
Deferred tax assets		107,578	43,945
Other receivables and deposits		60,247	10
Total non-current assets		<u>1,451,981</u>	<u>1,411,689</u>
CURRENT ASSETS			
Properties under development		12,449,902	10,867,177
Interests in land use rights for property development		1,117,720	583,805
Completed properties held for sale		285,863	-
Other receivables, deposits and prepayments		1,691,831	1,230,644
Prepaid income tax		208,218	181,867
Cash and bank balances		1,125,650	1,675,439
Total current assets		<u>16,879,184</u>	<u>14,538,932</u>
CURRENT LIABILITIES			
Trade and retention payables	9	1,216,828	624,863
Other payables and accrued expenses		939,343	580,979
Interest-bearing bank and other borrowings		899,711	97,472
Contract liabilities		11,974,740	9,847,054
Tax payable		121,702	175
Total current liabilities		<u>15,152,324</u>	<u>11,150,543</u>
NET CURRENT ASSETS		<u>1,726,860</u>	<u>3,388,389</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,178,841</u>	<u>4,800,078</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		143,646	396,802
Interest-bearing bank and other borrowings		2,154,902	2,767,340
Other payables		1,642	147
Total non-current liabilities		<u>2,300,190</u>	<u>3,164,289</u>
Net assets		<u>878,651</u>	<u>1,635,789</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		79,956	79,956
Reserves		973,085	1,595,042
		<u>1,053,041</u>	<u>1,674,998</u>
Non-controlling interests		<u>(174,390)</u>	<u>(39,209)</u>
Total equity		<u>878,651</u>	<u>1,635,789</u>

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.

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As no business combination has occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

1 Basis of preparation and accounting policies (continued)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 and corporate and other unallocated expenses and losses 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>	
2022						
Segment revenue <i>(note 3)</i>	<u>2,681,239</u>	<u>25,543</u>	<u>181</u>	<u>-</u>	<u>2,706,963</u>	
Segment results	(384,977)	26,952	170	-	(357,855)	
Specific finance costs	(406,473)	-	-	-	(406,473)	
General finance costs					(469)	
Unallocated other income and gains					221	
Corporate and other unallocated expenses and losses					<u>(24,990)</u>	
Loss before tax					(789,566)	
Income tax credit/(expense)	110,318	(5,373)	-	-	<u>104,945</u>	
Loss for the year					<u><u>(684,621)</u></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>17,441,384</u>	<u>812,035</u>	<u>-</u>	<u>-</u>	<u>77,746</u>	<u>18,331,165</u>
Total liabilities	<u>16,995,226</u>	<u>444,770</u>	<u>-</u>	<u>-</u>	<u>12,518</u>	<u>17,452,514</u>
Other segment information:						
Capital expenditure*	36,358	44,921	-	-	813	82,092
Depreciation	15,333	-	-	-	1,374	16,707
Fair value gains on investment properties	-	5,854	-	-	-	5,854
Reversal of impairment loss on other intangible asset	-	-	-	-	200	200
Loss on disposal of subsidiaries	-	1,605	-	-	-	1,605
Impairment of properties under development and completed properties held for sale	<u>426,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,810</u>

* 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)

	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>	<u>1,184,478</u>	<u>38,811</u>	<u>974</u>	<u>-</u>	<u>1,224,263</u>
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					<u>(16,898)</u>
Loss before tax					(200,616)
Income tax credit/(expense)	39,062	(9,398)	-	-	<u>29,664</u>
Loss for the year					<u>(170,952)</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>14,916,315</u>	<u>939,551</u>	<u>-</u>	<u>-</u>	<u>94,755</u>	<u>15,950,621</u>
Total liabilities	<u>13,856,512</u>	<u>446,885</u>	<u>-</u>	<u>-</u>	<u>11,435</u>	<u>14,314,832</u>
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	<u>-</u>	<u>430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430</u>

2 Operating segment information *(continued)*

Geographical information

(a) Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	2,681,239	1,184,478
United Kingdom	25,492	38,571
Hong Kong	232	1,214
	<u>2,706,963</u>	<u>1,224,263</u>

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

(b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	715,130	746,906
United Kingdom	552,240	594,946
Hong Kong	14,806	23,492
	<u>1,282,176</u>	<u>1,365,344</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 2022 and 2021, 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of properties	<u>2,681,239</u>	<u>1,184,478</u>
Revenue from other sources		
Gross rental income from investment property operating leases:		
Fixed lease payments	<u>25,543</u>	<u>38,811</u>
Interest income from debt investments at amortised cost	-	974
Interest income from time deposits	<u>181</u>	<u>-</u>
	<u>181</u>	<u>974</u>
	<u><u>2,706,963</u></u>	<u><u>1,224,263</u></u>

4 Finance costs

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank and other borrowings	384,227	329,101
Interest expenses arising from revenue contracts	1,145,459	705,581
Interest on lease liabilities	154	233
Imputed interest on retention payables	<u>45,839</u>	<u>34,539</u>
Total interest expenses	1,575,679	1,069,454
Less: Interest capitalised	<u>(1,168,737)</u>	<u>(891,553)</u>
	<u><u>406,942</u></u>	<u><u>177,901</u></u>

5 Loss before tax

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gross rental income	(25,543)	(38,811)
Less: Outgoings	96	444
Net rental income	(25,447)	(38,367)
Cost of properties sold	2,154,120	792,156
Depreciation of owned assets	14,525	30,283
Depreciation of right-of-use assets	2,678	4,943
	17,203	35,226
Less: Amount capitalised	(496)	-
	16,707	35,226
Staff costs (including executive directors' remuneration):		
Wages and salaries	46,751	28,694
Discretionary bonuses	1,725	2,585
Pension scheme contributions*	243	173
	48,719	31,452
Foreign exchange differences, net**	376	625
Reversal of impairment loss on other intangible asset***	(200)	(200)
Written off of property, plant and equipment**	88	-
Gain on disposal of subsidiaries***	-	(430)
Loss on disposal of subsidiaries**	1,605	-
Impairment of properties under development and completed properties held for sale****	426,810	-

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

** These items are 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.

**** This item is included in "Cost of sales" 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. The corporation tax rate in the United Kingdom will increase from 19% to 25% from 1 April 2023. Accordingly, deferred tax on fair value gain from revaluation of investment properties in the United Kingdom has been recognised at a tax rate of 25% on the basis that the Company does not expect to sell the properties before 31 March 2023.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current - United Kingdom		
Charge for the year	2,540	3,603
Over-provision in prior years	(18)	(626)
Current - Mainland China		
PRC corporate income tax	81,845	11
PRC land appreciation tax	104,630	36,697
	188,997	39,685
Deferred	(293,942)	(69,349)
Total tax credit for the year	<u>(104,945)</u>	<u>(29,664)</u>

7 Dividends

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2022 (2021: Nil). No interim dividend was declared in respect of the current year (2021: 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 2022 and 2021.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<u>Loss</u>		
Loss for the year attributable to ordinary equity holders of the Company	<u>(475,968)</u>	<u>(120,977)</u>
	Number of shares	
	2022	2021
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year	<u>799,557,415</u>	<u>799,557,415</u>

9 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables:		
Within 1 month	384,380	169,042
1 to 2 months	17,471	12,531
2 to 3 months	7,945	3,486
Over 3 months	122,122	9,975
	531,918	195,034
Retention payables	684,910	429,829
	1,216,828	624,863

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 2022, all retention payables were expected to be settled from 1 to 6 years (2021: from 1 to 4 years).

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil). No interim dividend was paid during the year (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (the “AGM”). During which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 19 May 2023.

NET ASSET VALUE

The consolidated net asset value attributable to equity holders of the Group as at 31 December 2022 was HK\$1,053.0 million (2021: HK\$1,675.0 million). The consolidated net asset value attributable to equity holders of the Group per share as at 31 December 2022 was HK\$1.32 based on 799,557,415 shares in issue as compared to HK\$2.09 per share based on 799,557,415 shares in issue as at 31 December 2021.

BUSINESS REVIEW

During 2022, the global economy by and large remained challenging despite the impact of COVID-19 has gradually decreased towards the end of the year. For most of the world’s economies, strict social distancing measures and cross-border travel restriction were substantially relaxed due to increased vaccination and the health threatening effects of the COVID-19 variants have reduced. Overall economic activities improved as compared to prior year. However, due to the Russia-Ukraine war and other geopolitical conflicts, the supply chains of certain major energy resources and commodities were interrupted and had major effect on rising inflation pressure in the U.S., Europe, and many major economies. Strong government efforts of various countries then were put in place to counter high inflation rates. The U.S. and many countries had substantially raised interest rates which dampened the economic recovery on global scale.

In Mainland China, COVID-19 was very much in check for most of the year due to strict preventive measures taken by the central government. Even though the central government continued to provide accommodative monetary policy and necessary fiscal stimulus to ensure economic recovery, the economic growth was still affected. Towards the end of the year, most of the restrictive epidemic prevention measures were lifted as the threat and impact of the pandemic to health had subsided substantially. As a result, the economy began to pick up pace. During the year, the property market was weak and continued its downturn carried forward from last year as liquidity and credit problem of many developers remained unresolved. The overall sentiment of the property market inevitably affected the Group’s property business in Mainland China.

In the UK, the economy reported growth as compared with prior year due to improved economic activities as social distancing, lockdown, and cross-border travel restrictions were lifted. However, the property market was affected due to rise in interest rates, but sectors such as hospitality and logistics were relatively better. The property market in London where the Group has property investment remained resilient as compared to the rest of UK.

In Hong Kong, the pace of economic recovery remained uneven as consumption-based activities and exports of goods saw notable improvement while tourism remained very weak due to restriction on cross-border travels imposed by the Hong Kong government for most of 2022. Towards the end of the year, as many restrictive epidemic prevention measures were relaxed, the overall economy began its trend of improvement across sectors. During the period, the property market remained weak, but there were signs of recovery towards the end of the year.

BUSINESS REVIEW (continued)

In 2022, the Group's total revenue amounted to HK\$2,707.0 million, representing an increase of 121.1% from HK\$1,224.3 million recorded in 2021. Revenue from property sale increased by 126.4% to HK\$2,681.2 million from HK\$1,184.5 million in 2021. Rental income from investment properties amounted to HK\$25.5 million, down 34.2% from HK\$38.8 million. Treasury management income amounted to HK\$0.2 million, down 81.4% from HK\$1.0 million.

In 2022, the Group recorded a net loss attributable to shareholders in the amount of HK\$476.0 million as compared to net loss of HK\$121.0 million in 2021. Loss per share for 2022 was HK59.5 cents (2021: HK15.1 cents). The increase in loss was primarily attributed to the decrease in gross profit margin for property sales affected by impairment of certain property development projects despite increase in revenue recognized, and increase in property development related finance and operating costs recognized in 2022.

Revaluation of the Group's investment properties resulted in a gain of HK\$5.9 million (2021: HK\$22.8 million). The revaluation gain was reported in the consolidated statement of profit or loss.

Property Development and Trading

In 2022, the Group had pre-sales for three property projects in Sichuan, PRC. The aggregate contract sales in 2022 was approximately HK\$4,017.1 million (2021: HK\$6,850.3 million) and the revenue recognised amounted to HK\$2,681.2 million (2021: HK\$1,184.5 million) for the year.

The summary of contract sales in 2022 is as follows:

Projects	Location	Contract Sales RMB'M	Contract Sales GFA Sqm	Average Selling Price RMB / Sqm
Binjiang Wisdom City	Meishan, Sichuan	799.6	70,525	11,338
The City of Islands	Meishan, Sichuan	1,974.7	210,093	9,400
Rare Land	Chengdu, Sichuan	680.4	28,375	23,979

Property Investment

As at the end of 2022, 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\$25.5 million, a decrease of 34.2% as compared with last year's rental income of HK\$38.8 million. Decrease in rental income is primarily due to the disposal of 1 Chapel Place during the second half of 2021. As at 31 December 2022, the occupancy rate of the Group's investment property in UK is 100%.

Treasury Management

In 2022, treasury management income amounted to HK\$0.2 million as compared to HK\$1.0 million recorded in 2021.

Material Acquisition

On 20 January 2022, the Group entered into an agreement to acquire the entire issued share capital of Golden Honour Global Limited, which indirectly holds 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.

BUSINESS REVIEW (continued)

Land Acquisition

On 5 July 2022, the Group successfully bid for the land use rights of Land Parcels (as defined in the Company's announcement dated 5 July 2022) in Meishan Tianfu New District, Sichuan Province, the PRC at a total consideration of RMB241,970,000 through the public auction held by Meishan Tianfu New District Government Service and Public Resource Transaction Service Center as appointed by Sichuan Tianfu New District Meishan Management Committee Planning and Natural Resources Bureau and entered into the Land Use Rights Grant Contracts on 18 July 2022. The site area of the Land Parcels is approximately 101,965.1 sqm. Further details of the land acquisition were already disclosed in the relevant announcement issued by the Company on 5 July 2022.

On 2 August 2022, the Group entered into a cancellation agreement with Dazhou City Natural Resources and Planning Bureau to cancel and undo the Land Use Rights Grant Contracts in relation to Phase 1 Land Parcels and Phase 2 Land Parcels (as both defined in the Company's announcement dated 12 April 2021 and circular dated 26 May 2021) in Dazhou City, Sichuan Province, the PRC. Further details of the cancellation agreement were already disclosed in the relevant announcement dated 3 August 2022 issued by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had net borrowing of HK\$1,929.0 million (2021: HK\$1,189.4 million), consisting cash and bank balances of HK\$1,125.7 million (2021: HK\$1,675.4 million) and total borrowings of HK\$3,054.6 million (2021: HK\$2,864.8 million). The gearing ratio of the Group was 183.2% (2021: 71.0%). The gearing ratio, if any, is calculated as the ratio of net borrowings to shareholders' funds.

As at 31 December 2022, the total cash and bank balances amounted to HK\$1,125.7 million (2021: HK\$1,675.4 million), approximately 94.4% (2021: 81.9%) was denominated in RMB, 4.3% (2021: 3.9%) in HKD, 0.9% (2021: 9.9%) in USD, and 0.4% (2021: 4.3%) in GBP.

As at 31 December 2022, the Group's total borrowings amounted to HK\$3,054.6 million (2021: HK\$2,864.8 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 86.3% (2021: 85.4%) of total borrowings was denominated in RMB and 13.7% (2021: 14.6%) 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 2022 is as follows:

	RMB	HKD	Total	
	HK\$'M	HK\$'M	HK\$'M	Percentage
Repayable:				
Within one year or on demand	899.7	-	899.7	29.5%
In the second year	933.8	419.5	1,353.3	44.3%
In the third to fourth years, inclusive	801.6	-	801.6	26.2%
Total	<u>2,635.1</u>	<u>419.5</u>	<u>3,054.6</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.

BUSINESS REVIEW *(continued)*

CONTINGENT LIABILITIES / FINANCIAL GUARANTEES

As at 31 December 2022, 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\$5,033.5 million (2021: HK\$3,352.1 million).

Save as disclosed above, the Group did not have any contingent liabilities as at 31 December 2022 (2021: Nil).

PROSPECTS AND STRATEGIES

Looking ahead, it is anticipated that the global economy will be challenging and volatile in the coming year. Factors such as high inflation and high interest rate in U.S. and many major economies, uncertainties surrounding Russia-Ukraine war, persistent geopolitical conflicts, prolonged threat of COVID-19 and its variants, will undermine economic recovery. However, it is anticipated that many countries may take timely proactive measures to provide flexible and accommodative monetary policies and fiscal stimulus to support economic recovery when encountering extreme economic hardship.

In Mainland China, it is expected that the economy will continue to improve after restrictive epidemic prevention measures were lifted and the central government will continue its effort to provide accommodative monetary policy and fiscal stimulus to support economic growth. For the property market, supportive policies and measures by government are expected to continue to revive the property market which is essential to the economy. It is anticipated that the property market will gradually recover and stay resilient in the long run.

For the UK, the economy will be affected by factors such as high inflation and rising interest rate. It is anticipated that economic growth will be volatile and the property market will remain relatively weak. However, the property market in London will still be more resilient as compared to other regions in the UK as London is the key business center in Europe and preferred location of investors.

In Hong Kong, the pace of economic recovery will improve following lifting of most epidemic prevention measures in Hong Kong as well as cross-border restrictions with the Mainland and Macau in the first 2 months of 2023. It is expected that the property market across sectors will improve due to recovery of the economy as the result of increase in in-bound visitors and economic activities.

In anticipation of the challenging economic conditions, the Group will continue to adopt prudent and proactive approaches for its business operations and investment, and to look for business and growth opportunities in property markets with stable and long-term economic prospects for the Group's sustainable development and to enhance the returns for our shareholders in the long run. As the overall and long-term economic prospect of China and the PRC property market remains resilient, the Group will continue its efforts for its property business in Mainland China.

STAFF

As at 31 December 2022, the Group employed 83 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 2022, the Company complied with the code provisions of the Corporate Governance Code in force (the “CG Code”) set out within Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited save for the deviations from C.2.1 and C.3.3 as described below.

The Company has deviated from C.2.1 of the CG Code to the extent that the roles of chairman and chief executive are performed by Mr. Wong Hy Sky (“Mr. Wong”). Having considered the existing structure and composition of the Board and operations of the Group, the Board believes that vesting the roles of both chairman and managing director in Mr. Wong facilitates 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 can be ensured by the operation of the Board, whose members (including the three independent non-executive Directors of the Company) are individuals of high calibre with ample experience, such that the interests of shareholders can 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 C.3.3 of the 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) 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.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the “Audit Committee”) comprises three members, including Mr. Luk Yu King, James (Chairman of the Audit Committee), Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven, all being independent non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial control, internal controls system, risk management and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2022.

SCOPE OF WORK OF ERNST & YOUNG (“EY”)

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 2022 as set out in the preliminary announcement have been agreed by the Group’s auditors, 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 and consequently no opinion or assurance conclusion 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, 28 March 2023

As at the date hereof, the Board comprises Wong Hy Sky, Yuen Wing Shing and Liu Jie 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*