渝太地產集團有限公司*

Y. T. REALTY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 75)

2 0 2 0 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 2020. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
REVENUE	*2, 3*		
Sales of properties		**236,626**	-
Rental income		**45,267**	45,520
Interest income		**4,165**	7,510
Total revenue		**286,058**	53,030
Costs of sales		**(166,522)**	(413)
		119,536	52,617
Other income and gains		**4,152**	3,021
Other expenses and losses		**(15,875)**	(5,120)
Selling and marketing expenses		**(135,418)**	-
Administrative expenses		**(47,308)**	(12,856)
Finance costs	*4*	**(84,012)**	(101)
Changes in fair value of investment properties		**(19,011)**	56,265
PROFIT/(LOSS) BEFORE TAX	*5*	**(177,936)**	93,826
Income tax credit/(expense)	*6*	**15,471**	(10,041)
PROFIT/(LOSS) FOR THE YEAR		**(162,465)**	83,785
Attributable to:			
Equity holders of the Company		**(134,303)**	83,785
Non-controlling interests		**(28,162)**	-
		(162,465)	83,785
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*	**(HK16.8cents)**	HK10.5cents

Per share information:		
- Proposed final dividend per share	**Nil**	HK1 cent
- Net asset value per share	**HK$2.21**	HK$2.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 *HK$'000*	2019 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(162,465)**	83,785
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**173,262**	32,342
Other comprehensive income/(loss)that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of an equity investment designated at fair value through other comprehensive income	**(50)**	100
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**173,212**	32,442
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,747**	116,227
Attributable to:		
Equity holders of the Company	**35,295**	116,227
Non-controlling interests	**(24,548)**	-
	10,747	116,227

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**68,452**	2,838
Investment properties		**1,486,044**	1,299,417
Goodwill		**279,419**	-
Other intangible asset		**9,560**	8,560
Equity investment designated at fair value through other comprehensive income		**2,270**	2,320
Debt investments at amortised cost		**-**	13,744
Deferred tax assets		**46,278**	-
Deposits		**24,922**	279
Total non-current assets		**1,916,945**	1,327,158
CURRENT ASSETS			
Properties under development		**8,104,321**	-
Trade receivables	*9*	**4,285**	-
Other receivables, deposits and prepayments		**295,445**	1,481
Debt investments at amortised cost		**15,162**	-
Prepaid income tax		**54,292**	-
Restricted bank balances		**390,384**	-
Cash and cash equivalents		**697,822**	451,571
Total current assets		**9,561,711**	453,052
CURRENT LIABILITIES			
Trade and retention payables	*10*	**870,653**	-
Other payables and accrued expenses		**638,343**	20,747
Interest-bearing bank and other borrowings		**30,989**	-
Contract liabilities		**3,912,996**	-
Tax payable		**4,115**	2,440
Total current liabilities		**5,457,096**	23,187
NET CURRENT ASSETS		**4,104,615**	429,865
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,021,560**	1,757,023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2020

	2020	2019
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**459,167**	10,892
Interest-bearing bank and other borrowings	**3,780,892**	-
Other payables	**6,074**	6,831
Total non-current liabilities	**4,246,133**	17,723
Net assets	**1,775,427**	1,739,300
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**79,956**	79,956
Reserves	**1,686,643**	1,659,344
	1,766,599	1,739,300
Non-controlling interests	**8,828**	-
Total equity	**1,775,427**	1,739,300

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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Other than the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which are not relevant to the preparation of the Group's financial statements, the nature and impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by lessors as a result of the pandemic during the year ended 31 December 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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 investment segment invests in properties for rental income and potential capital appreciation;

(b) The property development and trading segment comprises the development and trading of properties;

(c) The treasury management segment which 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.

During the year, the Group has expanded its property trading business to include property development business upon the acquisition of subsidiaries which are engaged in property development business in Mainland China. Accordingly, the property trading segment is renamed as property development and trading segment and the performance and results of the property development business are included in the property development and trading segment for management reporting purposes. Comparative figures have been restated to conform to the current year's presentation.

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 profit/loss is measured consistently with the Group's profit/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 and certain cash and bank balances under cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude certain 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)*

2020	Property investment *HK$'000*	Property development and trading *HK$'000*	Treasury management *HK$'000*	Property management and related services *HK$'000*	Consolidated *HK$'000*
Segment revenue	**45,267**	**236,626**	**4,165**	**-**	**286,058**
Segment results	**4,745**	**(77,624)**	**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					**(26,131)**
Loss before tax					**(177,936)**
Income tax credit	**2,825**	**12,646**	**-**	**-**	**15,471**
Loss for the year					**(162,465)**

	Property investment *HK$'000*	Property development and trading *HK$'000*	Treasury management *HK$'000*	Property management and related services *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Assets and liabilities						
Total assets	**1,546,034**	**9,876,194**	**15,162**	**-**	**41,266**	**11,478,656**
Total liabilities	**22,768**	**9,635,230**	**54**	**-**	**45,177**	**9,703,229**
Other segment information:						
Capital expenditure*	**14,695**	**398,337**	**-**	**-**	**27**	**413,059**
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**

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

2 Operating segment information *(continued)*

2019	Property investment *HK$'000* (Restated)	Property development and trading *HK$'000*	Treasury management *HK$'000*	Property management and related services *HK$'000*	Consolidated *HK$'000* (Restated)
Segment revenue	45,520	-	7,510	-	53,030
Segment results	95,546	-	7,439	-	102,985
General finance costs					(101)
Corporate and other unallocated expenses and losses					(9,058)
Profit before tax					93,826
Income tax expense	(10,041)	-	-	-	(10,041)
Profit for the year					83,785

	Property investment *HK$'000* (Restated)	Property development and trading *HK$'000*	Treasury management *HK$'000*	Property management and related services *HK$'000*	Corporate and others *HK$'000* (Restated)	Consolidated *HK$'000*
Assets and liabilities						
Total assets	1,344,884	-	402,994	-	32,332	1,780,210
Total liabilities	27,796	-	45	-	13,069	40,910
Other segment information:						
Capital expenditure	-	-	-	-	164	164
Depreciation	-	-	-	-	1,084	1,084
Fair value gains on investment properties	56,265	-	-	-	-	56,265
Impairment loss on other intangible asset	-	-	-	-	5,120	5,120

2 Operating segment information *(continued)*

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
United Kingdom	**45,027**	45,280
Hong Kong	**4,405**	7,750
Mainland China	**236,626**	-
	286,058	53,030

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

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
United Kingdom	**1,264,701**	1,264,617
Hong Kong	**24,623**	24,677
Mainland China	**579,073**	21,800
	1,868,397	1,311,094

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

Revenue from customers which individually accounted for 10% or more of the total revenue of the Group is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A under the property investment segment	**NA***	23,153
Customer B under the property investment segment	**NA***	9,182

*Less than 10% of total revenue.

3 Revenue

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of properties	**236,626**	-
Revenue from other sources		
Rental income from investment properties operating leases:		
Fixed lease payments	**45,267**	45,520
Interest income from debt investments at amortised cost	**2,748**	2,500
Interest income from time deposits	**1,417**	5,010
	4,165	7,510
	286,058	53,030

4 Finance costs

An analysis of finance costs is as follow:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**202,017**	-
Interest expenses arising from revenue contracts	**216,422**	-
Interest on lease liabilities	**110**	101
Imputed interest on retention payables	**4,753**	-
Total interest expenses	**423,302**	101
Less: Interest capitalised	**(339,290)**	-
	84,012	101

5 Profit/(Loss) before tax

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

	2020	2019
	HK$'000	*HK$'000*
Cost of properties sold	**166,372**	-
Depreciation of owned assets	**2,124**	241
Depreciation of right-of-use assets	**1,546**	843
	3,670	1,084
Staff costs (including executive directors' remuneration):		
Wages and salaries	**12,471**	3,109
Discretionary bonuses	**4,446**	3,307
Pension scheme contributions	**248**	82
	17,165	6,498
(Reversal of)/impairment loss on other intangible asset	**(1,000)****	5,120*
Foreign exchange differences, net	**9,704***	(2,948)**

* 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.

6 Income tax (credit)/expense

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 years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The United Kingdom Government announced in the financial budget on 12 March 2020 that any gain arising from sales of properties from 1 April 2020 onwards would be subject to corporation tax at a rate of 19% instead of 17%. The change in tax rate was enacted on 17 March 2020 and effective from 1 April 2020. Accordingly, the deferred tax liabilities related to the revaluation of the Group's investment properties in the United Kingdom as at 1 April 2020 were calculated using the rate of 19%.

	2020	2019
	HK$'000	*HK$'000*
Current – United Kingdom		
Charge for the year	**4,963**	3,390
Over-provision in prior years	**(72)**	(173)
	4,891	3,217
Current – Mainland China		
PRC land appreciation tax	**7,126**	-
	7,126	-
	12,017	3,217
Deferred	**(27,488)**	6,824
Total tax (credit)/charge for the year	**(15,471)**	10,041

7 Dividends

	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend – Nil (2019: HK1 cent) per ordinary share	**-**	7,996

The directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK1 cent). No interim dividend was declared in respect of the current year (2019: Nil).

8 Earnings/(Loss) per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings/(loss) per share amount for the year is based on the profit/(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 2020 and 2019.

The calculation of basic and diluted earnings/(loss) per share is based on:

	2020	2019
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) for the year attributable to ordinary equity holders of the Company	**(134,303)**	83,785

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	**799,557,415**	799,557,415

9 Trade receivables

An aging 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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**1,065**	-
1 to 2 months	**-**	-
2 to 3 months	**-**	-
3 to 6 months	**2,767**	-
6 to 12 months	**453**	-
	4,285	-

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 aging 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:

	2020	2019
	HK$'000	*HK$'000*
Trade payables:		
Within 1 month	**438,800**	-
1 to 2 months	**79,817**	-
2 to 3 months	**131,266**	-
Over 3 months	**9,211**	-
	659,094	-
Retention payables	**211,559**	-
	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 2020, all retention payables were expected to be settled ranging from 1 to 5 years.

11 Comparative amounts

As further explained in Note 2 above, due to the changes in the designation of principal activities and segment compositions, certain comparative amounts have been re-presented to conform to the current year’s presentation and disclosures.

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK1 cent). No interim dividend was paid during the year (2019: 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 18 May 2021, the deadline for share registration will be Wednesday, 12 May 2021. 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., Wednesday, 12 May 2021.

NET ASSET VALUE

The consolidated net asset value attributable to equity holders of the Group as at 31 December 2020 was HK$1,766.6 million (2019: HK$1,739.3 million). The consolidated net asset value per share as at 31 December 2020 was HK$2.21 based on 799,557,415 shares in issue as compared to HK$2.18 per share based on 799,557,415 shares in issue as at 31 December 2019.

BUSINESS REVIEW

In 2020, the global economy was undermined by the COVID-19 pandemic as economic activities reduced substantially due to lockdown measures and cross-border restriction imposed by many countries to control spread of the coronavirus. Most of the major economies had plunged into recession.

In the US, COVID-19 infection cases were the highest in the world. The impact of the pandemic and the trade dispute with China resulted in economic contraction. In response, the US Federal Reserve cut interest rate to its lowest level in history. Despite government subsidies and economic stimulus, there was still no convincing sign of economic recovery.

In Mainland China, the negative impact of the coronavirus resulted in shrinkage of GDP by more than 5% for the first quarter of 2020. However, under strict preventive measures and consorted efforts, the outbreak of coronavirus was under control with trades and business activities gradually picking up during the second quarter of the year. To ensure economic recovery, the central government had provided accommodative monetary policy and necessary fiscal stimulus. Despite the US-China trade conflict continued and the world-wide pandemic, China became the first major economy to show economic recovery and recorded growth as compared to last year.

In Hong Kong, the local economy was severely impacted by the pandemic. Economic sectors such as retail, catering, and tourism were hardest hit due to strict social distancing measures and restriction on cross-border travels imposed by the government. At the end of 2020, unemployment rate climbed to over 6% and GDP declined by approximately 6%. The commercial property market was very weak, especially in the retail sectors. Rental and property values recorded significant downward adjustments and vacancy increased during the year. In addition, landlords were under insurmountable pressure to provide rental assistance and concession to alleviate the economic hardship and financial difficulty on tenants.

BUSINESS REVIEW *(continue)*

In the UK, it had formally left the European Union after January 2020. UK economy was affected by uncertainty as negotiation between UK and European Union continued for trade, tariff and other essential terms during the year. With the pandemic, the UK economy was further dampened as business and social activities dropped drastically due to large scale lockdowns. The property market was affected inevitably. Hospitality and restaurant business were among the hardest hit sectors. Rental concession and assistance programs were provided to tenants by many landlords. During the year, the Group's major investment properties in London were unable to immune from being affected, but the impact was relatively less than the general property market due to the prime location of our properties in London.

In 2020, the Group recorded a net loss attributable to shareholders in the amount of HK$134.3 million as compared to net profit of HK$83.8 million in 2019.

Revaluation of the Group's investment properties resulted in a loss of HK$19.0 million (2019: HK$56.3 million surplus). The revaluation loss was reported in the statement of profit or loss.

Property Investment

As at the end of 2020, the Group's major investment properties include:

1 Chapel Place, London, UK
1 Harrow Place, London, UK

Gross rental income for the year amounted to HK$45.3 million, a slight decrease of about 0.6% when compared with last year's rental income of HK$45.5 million. Decrease in rental income is due to decline in exchange rate of British Pound Sterling during the year as compared to last year. The Group's investment properties in UK generated stable recurring rental income and achieved 100% occupancy rate at end of 2020.

Treasury Management

In 2020, treasury management income amounted to HK$4.2 million, a decrease of 44.5% from HK$7.5 million recorded in 2019. The decrease in treasury management income was primarily due to drop in bank interest income as compared to 2019.

Property Development and Trading

In 2020, the Group had expanded its property business to include property development. During the year, the group acquired 4 property projects in PRC. Two property projects had commenced pre-sale in 2020. The aggregate contract sales was approximately HK$3,042.9 million during the year. Revenue recognized amounted to HK$236.6 million in 2020.

The breakdown of contract sales in 2020 is as follows:

Projects	Location	Contract Sales RMB'000	Contract Sales GFA Sqm	Average Selling Price RMB/sqm
Binjiang Wisdom City	Meishan, Sichuan	1,237,889	112,209	11,032
The City of Islands	Meishan, Sichuan	1,804,961	208,805	8,644

BUSINESS REVIEW *(continue)*

Material Acquisitions

On 26 March 2020, the Group entered into an agreement to acquire the entire issued share capital of Prime Circle Global Limited, which holds indirectly 80% of the interest in a property development site with aggregate site area of approximately 290,000 sqm in Meishan, Sichuan Province, the PRC. The total purchase consideration was HK$350 million. Completion took place on 2 June 2020. Further details of the acquisition were already disclosed in the relavant announcements and circular issued by the Company.

On 4 September 2020, the Group entered into an agreement to acquire the entire issued share capital of Great Giant Investment Limited, which holds indirectly 67% of the interest in development sites with aggregate site area of approximately 653,000 sqm in Meishan, Sichuan Province, the PRC. The total purchase consideration was HK$30 million. Completion took place on 11 September 2020. Further details of the acquisition were already disclosed in the relavant announcements issued by the Company.

The acquisitions allowed the Group to tap into the property development business in the PRC and capture benefits of the PRC property market with sustainable demand in the long run, integrating well into the Group's exisiting property businesses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net borrowing of HK$2,723.7 million (31 December 2019: Nil), consisting cash and cash equivalents, and restricted bank balances of HK$1,088.2 million and total borrowings of HK$3,811.9 million. The gearing ratio of the Group was 154.2% (31 December 2019: Zero). The gearing ratio, if any, is calculated as the ratio of net borrowings to shareholders' funds.

As at 31 December 2020, the total cash and cash equivalents, and restricted bank balances amounted to HK$1,088.2 million (31 December 2019: HK$451.6 million), approximately 85.2% was denominated in RMB, 7.5% in USD, 5.7% in GBP and 1.6 % in HKD.

As at 31 December 2020, the Group's total borrowings amounted to HK$3,811.9 million which is secured by the pledge of certain property interest in PRC and equity interests in certain subsidiaries of the Group. Approximately 70.8% of total borrowings was denominated in RMB and 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 2020 is as follows:

	RMB **HK$'M**	**HKD** **HK$'M**	**Total** **HK$'M**	**Percentage**
Repayable:				
Within one year or on demand	31.0	-	31.0	0.8%
In the second year	2,544.6	1,112.3	3,656.9	95.9%
In the third year	124.0	-	124.0	3.3%
Total	2,699.6	1,112.3	3,811.9	100.0%

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

CONTINGENT LIABILITIES / FINANCIAL GUARANTEES

As at 31 December 2020, 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$1,499.6 million.

Save as disclosed above, the Group did not have any contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

PROSPECTS AND STRATEGIES

For the coming year, we anticipate the global economy to be gradually stabilized but volatility and uncertainty may still exist . Despite vaccines for COVID-19 are available, it is still very difficult to predict when the global economy can resume its normal pace. The trade war between US and China will continue and inevitably have negative impact not only for the two countries but the global economy. The US Federal Reserve had cut interest rate to a very low level and will continue to provide necessary fiscal stimulus to revive the economy. Many countries have also adopted very accommodative monetary policies to provide liquidity to counter economic downturn.

In Mainland China, the coronavirus has been under control to a large extent and vaccination has been in progress, the economy will continue to recover. However, the magnitude of economic recovery will also depend on the intensity of the trade conflict with the US. To support economic recovery and growth, the Central Government will continue its accommodative monetary policy and provide fiscal stimulus as necessary. The property market, in particular the residential sector, is expected to be resilient in the long term.

In Hong Kong, the degree of recovery of the local economy depends on the successful control of the pandemic locally and around the world. Only when businesses can operate normally, social distance measures relax, and tourism improves, recovery of the local economy will then pick up its pace. In addition to the impact of the coronavirus, the local economy will be affected by economic development in Mainland China and the US-China trade war. It is expected that the commercial property market will continue to be challenging in 2021.

For the UK, economic recovery will continue to be affected by the pandemic and the uncertainty arising from trade and other negotiations between UK and European Union in 2021. Even though it is not certain when the economy in UK will be back to its normal pace, it is expected that property market in London will be relatively more resilient as compared to other regions of UK as London is the major business hub in Europe and preferred investment location for international investors.

Amid the challenging economic and market conditions, the Group will adopt a cautious and proactive approach for its core investment and to look for opportunities in property markets with strong and resilient economic prospects for sustainable development of the Group and further enhance the returns for our shareholders in the long run. The Group remains positive about the long-term economic prospect of China and the PRC property market which is expected to be resilient with sustainable demand. The Group will continue its efforts to expand its property business in PRC property market.

STAFF

As at 31 December 2020, the Group employed 28 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 2020, the Company complied with the code provisions of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules") save for the deviations described below.

The Company has deviated from A.2.1 of the CG Code to the extent that the roles of chairman and chief executive are performed by Mr. Cheung Chung Kiu ("Mr. Cheung"). Having considered the existing structure and composition of the board and operations of the Group in Hong Kong, the board believes that vesting the roles of both chairman and managing director in Mr. Cheung 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) 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 Hy Sky setting out the key terms and conditions of their appointment, and has therefore deviated from D.1.4 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.

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 2020 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
Cheung Chung Kiu
Chairman and Managing Director

Hong Kong, 22 March 2021

As at the date hereof, the board of directors of the Company comprises Cheung Chung Kiu, Yuen Wing Shing, Tung Wai Lan, Iris and Wong Hy Sky 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*