萬城控股有限公司
MILLION CITIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2892)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021; AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

FINANCIAL HIGHLIGHTS

	Year ended 31 December			
	2021	2020	Change	
	RMB'million	*RMB'million*	*RMB'million*	*%*
	(in approximate)	(in approximate)	(in approximate)	(in approximate)
Revenue	**1,348.5**	1,241.4	107.1	8.6%
Gross profit	**313.4**	551.2	(237.8)	−43.1%
Gross profit margin	**23.2%**	44.4%	N/A	−21.2 p.p.
Profit attributable to the equity shareholders of the Company	**166.4**	112.7	53.7	47.6%
Earnings per share — Basic and diluted *(RMB cents)*	**22.18**	15.03	7.15	47.6%
Proposed final dividend per share *(RMB cents)*	**—**	—	N/A	N/A

The board (the "**Board**") of directors (the "**Directors**") of Million Cities Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(Expressed in Renminbi)

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*3*	**1,348,501**	1,241,360
Cost of sales		**(1,035,122)**	(690,122)
Gross profit		**313,379**	551,238
Valuation gains on investment properties		**28,046**	—
Other net income	*4*	**5,174**	7,785
Selling expenses		**(44,804)**	(14,396)
Administrative expenses		**(66,651)**	(63,696)
Other expenses		**(1,547)**	(2,374)
Profit from operations		**233,597**	478,557
Finance costs	*5*	**(23,845)**	(8,470)
Share of profits less losses of associates		**79,810**	939
Profit before taxation	*6*	**289,562**	471,026
Income tax	*7*	**(102,280)**	(239,163)
Profit for the year		**187,282**	231,863
Attributable to:			
Equity shareholders of the Company		**166,381**	112,746
Non-controlling interests		**20,901**	119,117
Profit for the year		**187,282**	231,863
Basic and diluted earnings per share *(RMB cents)*	*8*	**22.18**	15.03

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Expressed in Renminbi)

	2021 *RMB'000*	2020 *RMB'000*
Profit for the year	**187,282**	231,863
Other comprehensive income for the year (after reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
— the associates	**1,913**	4,307
— the Hong Kong and overseas subsidiaries	**2,640**	5,451
Other comprehensive income for the year, net of nil tax	**4,553**	9,758
Total comprehensive income for the year	**191,835**	241,621
Attributable to:		
Equity shareholders of the Company	**164,729**	108,503
Non-controlling interests	**27,106**	133,118
Total comprehensive income for the year	**191,835**	241,621

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**55,192**	57,722
Investment properties		**59,300**	20,200
Interest in associates		**403,760**	415,383
Deferred tax assets		**80,626**	71,655
Other non-current assets		**—**	866
		598,878	565,826
Current assets			
Inventories and other contract costs		**1,711,481**	2,205,710
Trade and other receivables	*10*	**134,684**	81,248
Prepaid tax		**47,721**	71,550
Structured deposits		**33,000**	—
Pledged and restricted deposits		**46,782**	107,296
Cash and cash equivalents		**373,468**	366,309
		2,347,136	2,832,113
Non-current assets held for sale		**92,965**	—
		2,440,101	2,832,113
Total assets		**3,038,979**	3,397,939
Current liabilities			
Bank loans	*11*	**322,499**	368,537
Contract liabilities	*12*	**192,362**	945,939
Trade and other payables	*13*	**926,045**	719,193
Lease liabilities		**485**	474
Tax payable		**228,962**	190,664
		1,670,353	2,224,807
Net current assets		**769,748**	607,306
Total assets less current liabilities		**1,368,626**	1,173,132

	Note	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities		**181**	662
Deferred tax liabilities		**7,191**	3,803
		7,372	4,465
NET ASSETS		**1,361,254**	1,168,667
CAPITAL AND RESERVES			
Share capital	*14*	**6,605**	6,605
Reserves		**1,087,779**	922,298
Total equity attributable to equity shareholders of the Company		**1,094,384**	928,903
Non-controlling interests		**266,870**	239,764
TOTAL EQUITY		**1,361,254**	1,168,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Million Cities Holdings Limited (the "Company") was incorporated in the Cayman Islands on 15 November 2016 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office is at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The core business activities of the Company and its subsidiaries (together, the "Group") include property development and sales in the People's Republic of China (the "PRC").

These financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

The consolidated financial statements for the years ended 31 December 2021 and 2020 comprise the Group and the Group's interest in associates.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. For the purpose of preparing these financial statements, the Group has adopted all applicable new and revised HKFRSs, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2021.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in debt and equity securities and investment properties are stated at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(c) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in the financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKFRS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts-Cost of Fulfiling a Contract*	1 January 2022
Annual Improvements to *HKFRSs 2018–2020 Cycle*	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are property development and sales in the PRC.

Revenue mainly represents income from sale of properties and gross rentals from properties, net of sales related taxes and discounts allowed, and is analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of properties:		
— Recognised at a point in time	**1,285,213**	1,132,531
— Recognised overtime	**60,193**	106,054
	1,345,406	1,238,585
Revenue from other sources		
Gross rentals from properties	**3,095**	2,775
	1,348,501	1,241,360

For the year ended 31 December 2021, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue (2020: nil).

(b) Operating segment

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, Operating Segments.

Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, other non-current assets and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the properties were developed or leased out. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and investment properties, and the location of operations, in the case of other non-current assets and interests in associates.

	Revenue from external customers		**Specified non-current assets**	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Huizhou	**273,534**	1,187,342	**359,284**	267,872
Tianjin	**1,074,967**	54,018	**30,653**	30,140
Zhumadian	**—**	—	**127,261**	101,463
Shenzhen	**—**	—	**—**	92,944
Others	**—**	—	**1,054**	1,752
	1,348,501	1,241,360	**518,252**	494,171

4. OTHER NET INCOME

	2021	2020
	RMB'000	*RMB'000*
Interest income	**4,912**	6,009
Government grants *(note)*	**—**	430
Net gain on disposals of structured deposits	**—**	18
Net gain on disposals of property, plant and equipment	**14**	—
Net exchange gain	**143**	27
Others	**105**	1,301
	5,174	7,785

Note: In 2020, the Group received a funding from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government, for financial support to enterprises to retain their employees in Hong Kong. No such fund was granted for the year ended 31 December 2021.

5. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**20,937**	19,310
Interest on lease liabilities	**41**	61
Accrued interest on significant financing component of contract liabilities	**40,895**	47,818
Others	**1,891**	3,702
	63,764	70,891
Less: Interest expenses capitalised into inventories*	**(39,919)**	(62,421)
	23,845	8,470

* The interest rates of borrowing costs that have been capitalised ranged from 5.05% to 6.18% per annum during the year ended 31 December 2021 (2020: 5.05% to 6.18% per annum).

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging or (crediting) the following items:

	2021	2020
	RMB'000	*RMB'000*
Depreciation and amortisation	**7,697**	8,795
Auditors' remuneration	**2,902**	2,473
Rentals receivable from investment properties	**(667)**	(587)

7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Provision for Corporate Income Tax ("CIT")	**52,838**	160,451
Provision for LAT	**55,025**	160,254
	107,863	320,705
Deferred tax		
— CIT	**(5,583)**	(74,206)
— LAT	**—**	(7,336)
	(5,583)	(81,542)
	102,280	239,163

(i) CIT and Hong Kong Profits Tax

The provision for CIT is based on the estimated taxable income at the rates applicable to each subsidiary of the Group. The income tax rate applicable to the principal subsidiaries in the PRC is 25% during the year (2020: 25%).

No provision for Hong Kong Profits Tax was recognised for the year (2020: nil) as the subsidiaries in Hong Kong did not have any assessable profits for the year.

(ii) LAT

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB166,381,000 (2020: RMB112,746,000) and the weighted average number of issued ordinary shares of 750,000,000 (2020: 750,000,000) during the year ended 31 December 2021.

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2021 and 2020 were the same as the basic earnings per share.

At 31 December 2021, 15,900,000 share options (2020: 18,300,000) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

9. DIVIDENDS

No dividends have been declared or paid by the Company and its subsidiaries during the year ended 31 December 2021.

On 28 March 2022, the Board resolved not to recommend a final dividend for the year ended 31 December 2021 (2020: Nil).

10. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade debtors *(note (a))*		
— Gross rentals from properties	**314**	327
	314	327
Amounts due from associates *(note (b))*	**18,016**	3,016
Amounts due from non-controlling interests *(note (b))*	**24,565**	24,545
Other debtors	**55,353**	15,003
Financial assets measured at amortised cost	**98,248**	42,891
Deposits *(note (c))*	**3,446**	6,126
Prepayments *(note (d))*	**32,990**	32,231
	134,684	81,248

All of the trade and other debtors are expected to be recovered or recognised as expenses within one year.

(a) As at 31 December 2021, the ageing analysis of trade debtors, based on the date the trade debtors recognised, net of allowance for doubtful debts, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**44**	57
1 to 3 months	**90**	90
3 to 6 months	**135**	135
Over 6 months	**45**	45
	314	327

As at 31 December 2021, no trade debtors were past due (2020: nil). Based on experience, management believes that no loss allowance is necessary in respect of the trade debtors as there has not been a significant change in credit quality. The Group is of the view that the expected irrecoverable trade debtors were insignificant. The Group does not hold any collateral over these balances.

(b) The amounts due from associates and non-controlling interests were interest-free, unsecured and recovered within one year.

(c) The balance mainly included the deposits paid for the construction and development of properties.

(d) At 31 December 2021, the balance mainly included prepaid construction costs for properties development of RMB4,078,000 (2020: RMB17,931,000), and prepayments for VAT and surcharges with an aggregated amount of RMB28,912,000 (2020: RMB14,300,000).

11. BANK LOANS

	2021	2020
	RMB'000	*RMB'000*
Secured	**322,499**	306,482
Unsecured	**—**	62,055
	322,499	368,537

The secured bank loans with amount of approximately RMB160,000,000 and RMB306,482,000 as at 31 December 2021 and 31 December 2020 respectively are secured by assets as below:

	2021	2020
	RMB'000	*RMB'000*
Inventories	**424,845**	963,919

The secured bank loans with amount of approximately RMB162,499,000 (2020: Nil) as at 31 December 2021 are secured by trade debtors from sales and leasing of certain properties of the Group.

At 31 December 2021, the bank loans were interest-bearing at one-year Loan Prime Rate ("LPR") published by the People's Bank of China plus 1.25%–1.95% per annum (2020: one-year LPR plus 1.2%–2.125%).

The Group's banking facilities are subject to the fulfilment of certain covenants which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. There was no breach of covenants as of 31 December 2021 (2020: nil).

At 31 December 2021, bank loans were repayable as follows according to the repayment schedules as set out in the loan agreements:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**164,099**	315,245
After 1 year but within 2 years	**38,400**	53,292
After 2 years but within 5 years	**120,000**	—
	322,499	368,537

Notwithstanding the specified repayment schedules as stated in all facilities letters which allow the loans to be repaid over a period of more than one year, banking facilities granted to the Group include a clause that gives the bank an unconditional rights to call the bank loans at any time ("repayment on demand clause") and these bank loans were classified as current liabilities in the consolidated statement of financial position.

12. CONTRACT LIABILITIES

(a) The following table provides information about contract liabilities from contracts with customers:

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities — Receipt in advance from property sales	**192,362**	945,939

(b) Movements in contract liabilities

	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**945,939**	1,923,393
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(944,944)**	(1,161,124)
Increase in contract liabilities as a result of receipt in advance from property sales during the year in respect of properties still under construction as at 31 December	**190,011**	135,851
Increase in contract liabilities as a result of accruing interest expense on receipt in advance	**1,356**	47,819
Balance at 31 December	**192,362**	945,939

13. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade creditors *(note (a))*	**419,244**	218,683
Interest payables	**420**	1,302
Other payables and accruals	**68,406**	60,958
Amounts due to related parties *(notes (b))*	**434,201**	435,872
Financial liabilities measured at amortised cost	**922,271**	716,815
Financial guarantee issued	**3,774**	2,378
	926,045	719,193

(a) Ageing analysis of trade creditors included in trade and other payables as at 31 December 2021, based on the date of the trade payables recognised:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**368,954**	145,779
3 to 6 months	**617**	16
6 to 12 months	**1,513**	53,542
Over 12 months	**48,160**	19,346
	419,244	218,683

(b) The amounts due to related parties are interest-free, unsecured and repayable on demand.

14. SHARE CAPITAL

	No. of shares	*Amount in HKD*
Authorised share capital of the Company:		
Ordinary shares of HKD0.01 each		
As at 1 January 2020, 31 December 2020 and 1 January 2021	2,000,000,000	20,000,000
Transfer to preference shares	(600,000,000)	(6,000,000)
As at 31 December 2021	1,400,000,000	14,000,000
Preference shares of HKD0.01 each		
As at 1 January 2020, 31 December 2020 and 1 January 2021	—	—
Preference shares authorised	600,000,000	6,000,000
As at 31 December 2021	600,000,000	6,000,000

The share capital as at 31 December 2020 and 2021, represented the share capital of the Company.

	No. of shares	*Amount in HKD*	*Amount in RMB*
Ordinary shares, issued and fully paid:			
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	750,000,000	7,500,000	6,605,250

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the year of 2021, the global economy recovery continues, amidst the continued effects brought by the worldwide pandemic of the novel coronavirus ("**COVID-19**") and the emergence of divergent variants. According to the data released by the National Bureau of Statistics of China ("**NBSC**"), the gross domestic product ("**GDP**") of the People's Republic of China (the "**PRC**") recorded a prominent growth of approximately 8.1% in 2021, as compared with the previous year. Nevertheless, international political and economical conflicts, coupled with the increase in COVID-19 cases caused by the divergent variants, still bring potential challenges and uncertainties to the global economy.

In the first half of 2021, domestic real estate market recorded a stable growth in terms of the sales of commercial buildings. However, based on the principal that "houses are for living in, not for speculation" and the long-term mechanism for the "stabilisation on three areas, including land prices, housing prices and expectations", a series of government policies have been implemented, including "three red lines" for real estate developers, real estate loan requirements for commercial banks, the "two centralised" land supply policy, together with the tightened real estate financing and mortgage limits since mid-2021, led to the slow down of the sales volume of the real estate market. In 2021, some of the large real estate developers in the PRC faced potential threats in liquidity and even default risks.

In 2021, the sales and investment in the real estate sector still recorded an annual growth, even though the growth did not continue in the second half of the year. According to the NBSC, in 2021, total sales area of commercial housing amounted to approximately 1.8 billion square metres ("**sq.m.**"), representing a slight increase of approximately 1.9% as compared with the previous year. In terms of monetary value, the sales amount of commercial housing increased by approximately 4.8% to approximately RMB18.2 trillion as compared with the previous year. This indicates a year-on-year increase in the average selling price of approximately 2.8%. Besides, the total investment in the real estate sector for this year amounted to approximately RMB14.8 trillion, representing a year-on-year growth of approximately 4.4%.

The Group recognises that the series of policies were adjusted to stabilise prices and demand in the real estate market in the PRC, so as to facilitate the steady and healthy growth of the real estate market in the PRC in long run.

BUSINESS REVIEW

In face of the regulatory and market challenges in the real estate market in the PRC, the Group's strategy is to continuously maintain a stable and prudent capital structure and consider cash liquidity management as one of its core objectives. For the year ended 31 December 2021 ("**FY2021**"), the Group was in full compliance with three "red lines" requirements, leading to a "green line" status, and the Group believes such status will strengthen its competitive advantage in the property development industry.

For the real estate business, the Group will maintain its prudent investment strategy to focus on its established advantage in the Greater Bay Area ("**GBA**") to take the opportunity to capture the fundamental housing demand in the region. Meanwhile, the Group will take proactive efforts to strengthen the cashflow of its current developing projects.

During FY2021, the Group recorded an approximately 8.6% year-on-year increase in turnover to approximately RMB1.35 billion, which was attributable to the projects that were completed for delivery, including Million Cities Tycoon Place Phases 3 and 4 in Tianjin as well as the sales of Crown Grand Court villas in Huizhou. Furthermore, the Group recognised share of profits less losses of associates of approximately RMB79.81 million, which was attributable to the delivery of Dragon Terrace Phase 1 in Huizhou and Dragon Palace Phase 1 in Henan. Accordingly, the net profit attributable to equity shareholders of the Company amounted to approximately RMB166.4 million, achieving an encouraging year-on-year increase of approximately 47.6%. For FY2021, the Group has achieved an aggregated contracted sales value of approximately RMB1.66 billion with a total gross floor area ("**GFA**") of approximately 156,000 sq.m., which was mainly attributable to the pre-sale of Million Cities Legend Phase 3, the Jade Terrace Phases 1 and 2 in Huizhou as well as Dragon Palace Phase 2 in Henan.

BUSINESS OUTLOOK

Looking forward, in 2022, it is expected that the Central Government of the PRC will continue to keep the real estate market steady by implementing appropriate and proactive policies, and will likely adjust and even steadily relax such policies from time to time. In 2022, policies easing in the property sector may have entered into a new phase. For example, some banks have started to reduce down payment rate for home purchases, accelerate real estate mortgage approval process and lower mortgage rates; whereas some cities in the PRC have also started to relax certain restrictions on the purchase and mortgage of property. Overall speaking, the scale of sales in the real estate business is still projected to be in a downward trend. Nevertheless, with the developers focusing on optimising debt structure and strengthening liquidity, the real estate industry is expected to develop at a much healthier pace in the medium to long term.

The Group's real estate business focuses in the GBA, particularly Huizhou, which is expected to benefit from the excess of fundamental demand from Shenzhen and Dongguan through the development in integration of Huizhou into the Shenzhen metropolitan area. In 2021, the construction of Ganzhou-Shenzhen high speed railway was completed and the operation of such railway has commenced, whilst the construction of Guangzhou-Shanwei high speed railway is scheduled to be completed by 2022. Moreover, in February 2022, Huizhou's Key Working Arrangements for Promoting the Construction of the GBA in 2022 (《惠州市推進粵港澳大灣區建設2022年主要工作安排》) was implemented, in which it introduced eight dedicated initiatives for the in-depth integration of Huizhou with Shenzhen and the GBA, including inter-connection of urban planning and transportation in order to accelerate the development of urban integration of Huizhou with Shenzhen and the GBA. These initiatives are positive indications for the Group to develop its current and future real estate projects in Huizhou.

The Group's management is aware of the competitive market environments and is actively planning and rolling out strategies to reduce the impact and to uphold the value of the Group. The management is considering other business opportunities, to bring a better return to the shareholders of the Company (the "**Shareholders**"), including exploring for potential property development projects in other cities in the GBA, such as Hong Kong. In addition, the Group is considering to explore investment opportunities in green lifestyle and sustainable development projects in support of the direction of the PRC government in environmental protection and driving for new energy reform, so as to foster diversified source of revenue for the Group and create long-term value to the Shareholders and potential investors.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly represented income from the sales of properties and gross rentals from properties earned during the year, net of sales related taxes and discounts allowed.

Revenue from sales of properties has constituted, and is expected to continue to constitute, a majority of the Group's total revenue.

Property development

(i) Contracted sales

For FY2021, the Group launched the pre-sale of Jade Terrace Phases 1 and 2 (玖璟台一期及二期), Million Cities Legend Phase 3 (萬城名座三期) and Dragon Palace Phase 2 Section 5 (聚瓏灣二期第五標段). The Group continued the pre-sale of Dragon Palace Phase 1 section 3 (聚瓏灣一期第三標段), Dragon Palace, Phase 2 Section 4 (聚瓏灣二期第四標段) and Legend Plaza (名座廣場); sales of Million Cities Tycoon Place Phases 3 and 4 (萬城聚豪三期及四期) and the villas of Crown Grand Court (皇冠豪苑). Total contracted sales (based on GFA of sales consent), including sales of properties by the associates of the Group, amounted to approximately RMB1,656 million, representing a GFA of approximately 156,000 sq.m. sold during FY2021.

(ii) Land bank

As at 31 December 2021, the total GFA of the Group's land bank was approximately 1,667,000 sq.m., out of which (i) approximately 196,000 sq.m. GFA was unsold completed properties project; (ii) approximately 454,000 sq.m. GFA was unsold and under construction; and (iii) approximately 1,017,000 sq.m. GFA was reserved for future development.

(iii) Revenue

Revenue from sales of properties for FY2021 amounted to approximately RMB1,345.4 million, as compared with approximately RMB1,238.6 million reported for the year ended 31 December 2020 ("**FY2020**"), representing an increase by approximately 8.6%. The increase in revenue was mainly due to the recognition of revenue from Million Cities Tycoon Place Phases 3 and 4, which were completed for delivery in 2021 and the sales of Crown Grand Court villas, while revenue recognised for FY2020 was mainly contributed by Million Cities Legend Phase 2. In addition, profits from the sales of Dragon Terrace Phase 1 in Huizhou and Dragon Palace Phase 1 Section 1 and Section 2 in Henan were reflected in the share of profits less losses of associates.

Rental income

Gross rental income from investment properties and inventories for FY2021 was approximately RMB3.1 million, as compared with approximately RMB2.8 million reported last year, representing an increase by 11.5%. The increase in gross rental income was due to the increase in rental income from the carparks and inventories during FY2021.

Cost of sales

Cost of sales for FY2021 was approximately RMB1,035.1 million, as compared with approximately RMB690.1 million reported last year, representing an increase by nearly 50%. The increase in cost of sales was mainly due to higher development costs for the Tianjin projects, i.e. Million Cities Tycoon Place Phases 3 and 4.

Gross profit and gross profit margin

The gross profit for FY2021 was approximately RMB313.4 million, as compared with approximately RMB551.2 million reported last year, representing a decrease by approximately 43.1%. The gross profit margin for FY2021 was approximately 23.2% (FY2020: approximately 44.4%). The decrease in gross profit was mainly due to the lower gross profit margin recorded for the Tianjin projects i.e. Million Cities Tycoon Place Phases 3 and 4, as compared with the project in Huizhou, i.e. Million Cities Legend Phase 2, which is attributable to different sales and costs structures in different locations.

Valuation gains on investment properties

Valuation gains for FY2021 was approximately RMB28.0 million (FY2020: nil) which were mainly attributable to two commercial shops located in Huiyang held for leasing purpose.

Other net income

Other net income for FY2021 was approximately RMB5.2 million, as compared with approximately RMB7.8 million for FY2020, representing a decrease by approximately 33.5%, which was mainly attributable to the decrease in interest income during FY2021.

Selling expenses

Selling expenses for FY2021 were approximately RMB44.8 million, as compared with approximately RMB14.4 million reported in FY2020, representing an increase by approximately two times. The increase in selling expenses was mainly due to higher commission incurred for the sales of the Tianjin projects, i.e. Million Cities Tycoon Place Phases 3 and 4.

Administrative expenses

Administrative expenses for FY2021 were approximately RMB66.7 million, as compared with approximately RMB63.7 million for FY2020, representing a slightly increase by approximately 4.6%.

Share of profits less losses of associates

Share of profits less losses of associates amounted to approximately RMB79.8 million, as compared with approximately RMB0.9 million for FY2020, representing a significant increase of approximately RMB78.9 million, which was mainly attributable to the projects which were completed for delivery in FY2021, namely Dragon Terrace Phase 1 in Huizhou and Dragon Palace Phase 1 Section 1 and Section 2 in Henan Province.

Finance costs

Finance costs for FY2021 were approximately RMB23.8 million, as compared with approximately RMB8.5 million reported last year, representing an increase by nearly two times. This was mainly attributable to the recognition of significant financing component costs incurred from the delivery of Million Cities Tycoon Place Phase 4 during FY2021 between completion of such project in January 2021 and delivery in May 2021.

Income tax

For FY2021, income tax was approximately RMB102.3 million, representing a decrease of approximately RMB136.9 million, as compared with the income tax of approximately RMB239.2 million for FY2020, which was in line with the decrease in profit from operations.

Profit for the year attributable to equity shareholders of the Company

Profit for the year attributable to equity shareholders of the Company for FY2021 was approximately RMB166.4 million, representing an increase by approximately RMB53.7 million or 47.6%, as compared with that of FY2020. Such increase was mainly due to the increase in share of profits less losses of associates, as a result of certain projects of the Group's associates in Huizhou and Henan Province which were completed for delivery during FY2021.

OTHER FINANCIAL INFORMATION

Liquidity and financial resources

For FY2021, the Group's cash and cash equivalents were mainly used in the Group's business operations, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings. The Group's gearing ratio as at 31 December 2021 was approximately 23.7%, as compared with approximately 31.5% as at 31 December 2020. Such decrease was mainly due to reduction in bank borrowings upon project completion for delivery during FY2021.

The gearing ratio is calculated as interest bearing bank loans divided by equity.

As at 31 December 2021, the Group's cash and cash equivalents, amounting to approximately RMB373.5 million, were denominated in HK$(13.6%) and RMB(86.4%).

As at 31 December 2021, the Group's bank loans which were due for repayment are as follows:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**164,099**	315,245
After one year but within two years	**38,400**	53,292
After two years but within five years	**120,000**	—
	322,499	368,537

Notes:

(a) The above amounts due are based on the scheduled repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand clause.

(b) As at 31 December 2021, the Group's bank loans were all denominated in RMB. The bank loans were interest-bearing at one-year Loan Prime Rate ("**LPR**") published by People's Bank of China plus 1.25% to 1.95% per annum (31 December 2020: one-year LPR plus 1.2% to 2.125% per annum).

(c) As at 31 December 2021, the Group's certain bank loans were secured by inventories with a total carrying amount of approximately RMB424.8 million (31 December 2020: RMB963.9 million).

Financial risk management objectives and policies

The Group's management has adopted certain policies on financial risk management with the objective of: (i) ensuring that appropriate funding strategies are adopted to meet the Group's short term and long term funding requirements taking into consideration of the cost of funding, gearing ratios and cash flow projections of the Group; and (ii) ensuring that appropriate strategies are also adopted to minimise the interest rate risk, credit risk and liquidity risk.

Foreign currency risk

The Group mainly operates in Hong Kong and the PRC with majority of the transactions settled in Hong Kong dollars ("**HK$**") and RMB. Foreign currency risk arises when future business transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Directors consider that the Group's foreign currency risk exposure is minimal since all of the sales, assets and liabilities are denominated in RMB and only a small portion of operating expenses are denominated in HK$.

Interest rate risk

The Group's interest rate risk arises primarily from borrowings and cash at bank. Borrowings and cash at bank issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for FY2021 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

Credit risk

As of 31 December 2021, no material trade debtors of the Group were past due. The Group normally receives full payment from buyers before delivering the property. For mortgage sales without full settlement, the Group would not deliver the property to the customers unless it obtains confirmation from the banks providing mortgage that the respective mortgages have been approved. In addition, the Group would not transfer titles of the properties to customers until full amount of sale proceeds are received. Accordingly, the Group is of the view that the expected irrecoverable trade debtors were immaterial. Thus, no bad debt provision for trade debtors was recognised during FY2021.

As at 31 December 2021, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong and the PRC which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms. The Group has not experienced and does not expect to experience any difficulties in meeting credit obligations when they fall due.

Capital expenditures

The Group incurred capital expenditures of approximately RMB4.4 million for FY2021 which were mainly related to the addition of office furniture, electronic and other equipment and motor vehicles. These capital expenditures were fully financed by internal resources.

Capital commitments

The Group's capital commitments as at 31 December 2021 amounted to approximately RMB155.4 million which were mainly related to development costs for the Group's properties under development.

Charge on assets

As at 31 December 2021, the Group's inventories with a total carrying amount of approximately RMB424.8 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent liabilities

During FY2021, the Group has issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks, amounted to approximately RMB223.0 million as at 31 December 2021 (31 December 2020: RMB274.6 million), will be terminated upon completion of transferring the legal title of the properties to the property buyers. The Directors consider loss arising from these guarantees as a result of default payment by customers to be insignificant, as the banks have the rights to sell the properties and recover the outstanding loan balance from sale proceeds.

The Group has not recognised any deferred income in respect of these guarantees as their fair values are considered to be insignificant.

As at 31 December 2021, the Group provided guarantee to secure the bank loan borrowed by an associate of the Group, Huizhou Logan Junhong Real Estate Company Limited* (惠州市龍光駿宏房地產有限公司) (the "**Project Company**"). The Project Company is owned as to (i) 70% by Shenzhen Longguang Real Estate Company Limited* (深圳市龍光房地產有限公司), an indirect wholly-owned subsidiary of Logan (as defined below); and (ii) 30% by Huizhou Million Cities Enterprise Management Co., Ltd.* (惠州萬城企業管理策劃有限公司) ("**Huizhou Million Cities**")), an indirect wholly-owned subsidiary of the Company as at the date of the counter-guarantee agreement as mentioned below. The total banking facility secured by this guarantee attributable to the Group was RMB126.0 million (31 December 2020: Nil) and the outstanding loan balance attributable to the Group was RMB114.0 million as at 31 December 2021 (31 December 2020: Nil).

Deferred income of approximately RMB3.8 million was recognised in respect of this financial guarantee as at 31 December 2021 (31 December 2020: Nil).

Significant investments, acquisitions and disposals

On 10 May 2021, the Company (being the counter-guarantor) and Logan Group Company Limited ("**Logan**"), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (stock code: 3380) (being the guarantor of the Project Company) entered into a counter-guarantee agreement pursuant to which the Company has agreed, subject to the terms and conditions contained therein, to (i) provide a counter-guarantee to Logan in proportion to the Group's respective equity interest in the Project Company (i.e. 30%); and (ii) pay the excess guarantee fee to Logan. For further details, please refer to the announcement of the Company dated 10 May 2021.

On 9 September 2021, the Company and Fortune Speed Investments Limited ("**Fortune Speed**") entered into a conditional subscription agreement (the "**Subscription Agreement**") pursuant to which Fortune Speed has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Fortune Speed, 290,000,000 new non-voting and non-convertible preference share(s) of HK$0.01 each in the share capital of the Company (the "**Non-Convertible Preference Shares**") at the subscription price of HK$1.15 per Non-Convertible Preference Share, with an aggregate subscription amount of HK$333.5 million. The net proceeds from the issue of the Non-Convertible Preference Shares, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK$333.0 million. The Group intended to apply the net proceeds from the Subscription for business development of the Group. On 18 November 2021, the independent shareholders of the Company approved the allotment and issuance of the Non-Convertible Preference Shares. As disclosed in the announcement of the Company dated 2 March 2022, on 28 February 2022, taking into account the deteriorating COVID-19 pandemic situation in Hong Kong and the PRC, it is agreed between the Company and Fortune Speed in writing that completion of the subscription of the Non-Convertible Preference Shares shall take place on or before 30 June 2022.

For further details, please refer to the announcements of the Company dated 9 September 2021, 18 November 2021 and 2 March 2022, and the circular of the Company dated 28 October 2021.

On 30 December 2021, Lucky Win Limited (an indirect wholly-owned subsidiary of the Company), Access Prosper International Limited (the "**JV Partner**") and Mr. Chan Cheung Tim (each an Independent Third Party) (collectively, the "**Parties**"), entered into a termination agreement (the "**JV Termination Agreement**"), pursuant to which the Parties agreed to terminate the cooperation agreement dated 29 April 2020 and entered into among the Parties (the "**Cooperation Agreement**") in relation to the formation of Star Linkage Financial Holdings Limited ("**Star Linkage**") by way of the JV Partner acquiring 30% of the issued share capital in Star Linkage (owned by Lucky Win as at the date of the JV Termination Agreement) at a consideration of RMB100,338,082, which shall be paid within 120 days upon signing of the JV Termination Agreement. For further details, please refer to the announcement of the Company dated 30 December 2021.

Events after balance sheet date

The Group has no significant event subsequent to the year ended 31 December 2021.

Operating segment information

The Group's revenue and results for FY2021 were derived from property development. Performance assessment is based on the results of the Group as a whole. Therefore, management of the Group considers there is only one operating segment.

The geographic information is disclosed in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for allocation of resources and performance assessment.

Human resources and emolument policy

As at 31 December 2021, the Group had a total of 200 (2020: 187) full-time employees in the PRC and Hong Kong. For FY2021, the total staff costs, including the directors' emoluments, amounted to approximately RMB48.8 million (2020: RMB39.5 million), of which approximately RMB16.0 million (31 December 2020: RMB9.9 million) were capitalised into inventories.

The Group's emolument policies are formulated based on the performance and experience of individual employee and are in line with the salary trends in Hong Kong and the PRC. Other employee benefits include performance-linked bonuses, insurance and medical coverage and share options.

Since human resources management is an important factor in maintaining and enhancing the Group's strong expertise in the property development, the Group will provide appropriate training programs to the employees as the Group sees fit. From time to time, different on-the-job trainings will be provided to employees in order to ensure continuous staff development and skills upgrading.

Remuneration policy of Directors and senior management

The Directors and senior management of the Group receive compensation in the form of salaries and discretionary bonuses related to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The remuneration committee will regularly review and determine the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

DEED OF NON-COMPETITION

Fortune Speed Investments Limited, Winnermax Management Limited, Happy Family Assets Limited, Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun and Ms. Wong Wai Ling (the "**Controlling Shareholders**"), being the controlling shareholders (as defined under the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) of the Company, has entered into a deed of non-competition in favour of the Company on 30 November 2018 (the "**Deed of Non-competition**"). Each of the Controlling Shareholders has irrevocably and unconditionally undertaken, jointly and severally, with our Company that he, she or it shall provide, and shall procure their associates (other than members of the Group) to provide, to the Company and the Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by the independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Controlling Shareholders' and their associates' (other than members of the Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition.

Each of the Controlling Shareholders has confirmed compliance with the terms of the Deed of Non-competition and that during FY2021, there was no matter requiring deliberation by the Board in relation to the compliance and enforcement of the Deed of Non-competition. The Board comprising all the independent non-executive Directors is of the view that the Controlling Shareholders have been in compliance with the Deed of Non-competition in favour of the Company.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors do not recommend any payment of final dividend for FY2021 (2020: Nil). No interim dividend for 2021 was paid to the Shareholders during FY2021 (2020: Nil). The register of members of the Company will be closed from 7 June 2022 to 10 June 2022, both days inclusive, for the purpose of determining the entitlement of the Shareholders to attend the forthcoming annual general meeting, which shall be held on Friday, 10 June 2022 (the "**AGM**"), during such period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM, the Shareholders should ensure that all transfers accompanied by the relevant share certificates and transfer forms are lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 6 June 2022.

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

For FY2021, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

As the Company believes that good corporate governance can create value for its Shareholders, the Board is committed to maintain a high standard of corporate governance practices by placing strong emphasis on a quality Board, sound internal controls and effective accountability to the Shareholders as a whole. The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. In the opinion of the Directors, the Company has complied with all the mandatory code provisions set out in the CG Code for FY2021.

The Board will continue to enhance its corporate governance practices to ensure that it complies with the CG Code and aligns with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries made by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for FY2021.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for FY2021.

AUDIT COMMITTEE

The audit committee of the Board was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code (which has been re-numbered as paragraph D3 since 1 January 2022). The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board. For FY2021, the audit committee consists of three independent non-executive Directors, namely, Mr. Li Yinquan (chairman of the audit committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. Ip Shu Kwan, Stephen, Dr. Wu Wing Kuen (resigned as a committee member with effect from 10 December 2021) and Mr. Chan Hiu Fung, Nicholas (appointed as a committee member with effect from 10 December 2021). The written terms of reference of audit committee has been made available on the Company's website at www.millioncities.com.cn and on the website of the Stock Exchange. The audit committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the consolidated financial statements of the Group for FY2021.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 KPMG on the preliminary announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.millioncities.com.cn. The annual report for 2021 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Board proposes to amend the existing articles of association of the Company (the "**Articles**") for the purposes of, among others, bringing the Articles into line with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022 (collectively, the "**Proposed Amendments**").

Major changes entailed by the Proposed Amendments are set out below:

1. to include certain defined terms to align with the applicable laws of the Cayman Islands, the Listing Rules and the relevant provisions in the Articles including "clearing house", "close associate(s)" and "substantial shareholder" and to update the relevant provisions of the Articles in this regard;

2. to exclude the application of Section 8 and Section 19 of the Electronic Transactions Act (as revised) of the Cayman Islands to the extent it imposes obligations or requirements in addition to those set out in the Articles;

3. to clarify that the Board may accept the surrender for no consideration of any fully paid share;

4. to provide that title to listed shares may be evidenced and transferred in accordance with the Listing Rules that are and shall be applicable to such listed shares, and that the register of members of the Company in respect of its listed shares may be kept by recording the particulars required by the applicable laws of the Cayman Islands in a form otherwise than legible if such recording complies with the Listing Rules;

5. to clarify that any person appointed by the Directors to fill a casual vacancy on, or as an addition to, the Board shall hold office only until the first annual general meeting of the Company after his appointment, and shall then be eligible for re-election;

6. to provide that the Company must hold an annual general meeting in each financial year and that such annual general meeting must be held within six months after the end of the Company's financial year;

7. to clarify that an annual general meeting must be called by at least twenty-one (21) days' notice in writing;

8. to allow any one or more Shareholder holding a minority stake of 10% in the total number of issued shares to be able to convene an extraordinary general meeting and add resolutions to a meeting agenda;

9. to clarify that a general meeting other than an annual general meeting must be called by at least fourteen (14) days' notice in writing;

10. to provide that all Shareholders shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a Shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration;

11. to allow a Shareholder, who is a clearing house, to appoint representative(s) to attend any general meeting of the Company, and that such representative(s) shall be entitled to exercise the same rights and powers on behalf of the clearing house;

12. to empower the Board to capitalise certain reserves of the Company, including share premium account and the profit and loss account, to pay up unissued shares to be allotted to employees or trustee in connection with the operation of any share incentive scheme or employee benefit scheme that has been adopted or approved by the Shareholders at a general meeting;

13. to clarify that remuneration of the auditor of the Company (the "**Auditor**") shall be fixed by ordinary resolution at the general meeting at which it is appointed;

14. to clarify that removal of the Auditor shall be approved by ordinary resolution at a general meeting; and

15. to provide that a special resolution is required to approve a voluntary winding up of the Company.

Other house-keeping amendments to the Articles are also proposed for the purpose of clarifying existing practices and making consequential amendments in line with the Proposed Amendments, and to better align the wording with that of the relevant Listing Rules and the applicable laws of the Cayman Islands.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the upcoming AGM, with amendments to take effect when the Proposed Amendments become effective at the AGM.

A circular containing, amongst other things, further information regarding the Proposed Amendments, together with the notice of the AGM will be despatched to the Shareholders in due course.

By order of the Board
Million Cities Holdings Limited
Wong Ting Chung
Chairman and executive Director

Hong Kong, 28 March 2022

As at the date of this announcement, the chairman and executive Director is Mr. Wong Ting Chung; the executive Directors are Mr. Lau Ka Keung and Mr. Li Wa Tat, Benedict; and the independent non-executive Directors are Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Mr. Chan Hiu Fung, Nicholas.