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渝太地產集團有限公司*
Y. T. REALTY GROUP LIMITED

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

2022 Interim Results Announcement

The board of directors of Y. T. Realty Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022. The interim results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
REVENUE	2, 3		
Sales of properties		496,998	518,857
Rental income		12,666	24,432
Interest income		-	974
Total revenue		<u>509,664</u>	<u>544,263</u>
Cost of sales		<u>(308,166)</u>	<u>(352,960)</u>
Gross profit		201,498	191,303
Other income and gains		4,740	3,119
Other expenses and losses		(1,719)	(1,560)
Selling and marketing expenses		(93,906)	(201,220)
Administrative expenses		(100,806)	(54,122)
Finance costs	4	(133,957)	(68,608)
Changes in fair value of investment properties		17,348	(112)
LOSS BEFORE TAX	5	<u>(106,802)</u>	<u>(131,200)</u>
Income tax credit	6	1,233	19,942
LOSS FOR THE PERIOD		<u><u>(105,569)</u></u>	<u><u>(111,258)</u></u>
Attributable to:			
Equity holders of the Company		(73,901)	(81,863)
Non-controlling interests		<u>(31,668)</u>	<u>(29,395)</u>
		<u><u>(105,569)</u></u>	<u><u>(111,258)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	7	<u><u>(HK9.2 cents)</u></u>	<u><u>(HK10.2 cents)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(105,569)</u>	<u>(111,258)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(112,651)</u>	<u>23,879</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(112,651)</u>	<u>23,879</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(218,220)</u></u>	<u><u>(87,379)</u></u>
Attributable to:		
Equity holders of the Company	(182,791)	(58,047)
Non-controlling interests	<u>(35,429)</u>	<u>(29,332)</u>
	<u><u>(218,220)</u></u>	<u><u>(87,379)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Note</i>	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		207,564	194,982
Investment properties		801,283	873,999
Goodwill		274,191	286,593
Other intangible asset		9,760	9,760
Equity investment designated at fair value through other comprehensive income		2,400	2,400
Deferred tax assets		100,180	43,945
Deposits		-	10
Total non-current assets		1,395,378	1,411,689
CURRENT ASSETS			
Properties under development		13,355,691	10,867,177
Interests in land use rights for property development		1,360,841	583,805
Other receivables, deposits and prepayments		1,380,362	1,230,644
Prepaid income tax		226,860	181,867
Cash and bank balances		764,947	1,675,439
Total current assets		17,088,701	14,538,932
CURRENT LIABILITIES			
Trade and retention payables	9	669,741	624,863
Other payables and accrued expenses		1,030,520	580,979
Interest-bearing bank and other borrowings		437,209	97,472
Contract liabilities		11,494,829	9,847,054
Tax payable		379	175
Total current liabilities		13,632,678	11,150,543
NET CURRENT ASSETS		3,456,023	3,388,389
TOTAL ASSETS LESS CURRENT LIABILITIES		4,851,401	4,800,078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2022

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,851,401	4,800,078
NON-CURRENT LIABILITIES		
Deferred tax liabilities	404,796	396,802
Interest-bearing bank and other borrowings	2,958,099	2,767,340
Other payables	80	147
Total non-current liabilities	3,362,975	3,164,289
Net assets	1,488,426	1,635,789
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	79,956	79,956
Reserves	1,412,251	1,595,042
	1,492,207	1,674,998
Non-controlling interests	(3,781)	(39,209)
Total equity	1,488,426	1,635,789

Notes:

1 Basis of preparation and accounting policies

This unaudited interim condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 to the Main Board Listing Rules (the “Listing Rules”).

This unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The accounting policies and basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the revised HKFRSs and changes in accounting policies as disclosed below.

The Group has adopted the following revised HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial information:

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

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

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

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 during the first six months of 2022 as follows:

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

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

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

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

2 Operating segment information (continued)

	Property development and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 June 2022 (Unaudited)					
Segment revenue	496,998	12,666	-	-	509,664
Segment results	7,316	26,577	(9)	-	33,884
Specific finance costs	(133,779)	-	-	-	(133,779)
General finance costs					(178)
Unallocated other income and gains					4
Corporate and other unallocated expenses and losses					(6,733)
Loss before tax					(106,802)
Income tax credit/(expense)	5,909	(4,676)	-	-	1,233
Loss for the period					(105,569)

	Property development and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
At 30 June 2022 (Unaudited)						
Assets and liabilities						
Total assets	17,580,429	812,700	-	-	90,950	18,484,079
Total liabilities	16,542,225	444,634	-	-	8,794	16,995,653
Six months ended 30 June 2022 (Unaudited)						
Other segment information:						
Capital expenditure*	234,288	16,001	-	-	-	250,289
Depreciation	10,144	-	-	-	425	10,569
Fair value gains of investment properties	-	17,348	-	-	-	17,348
Loss on disposal of subsidiaries	-	1,605	-	-	-	1,605

2 Operating segment information (continued)

	Property development and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 June 2021 (Unaudited)					
Segment revenue	518,857	24,432	974	-	544,263
Segment results	(81,657)	23,492	988	-	(57,177)
Specific finance costs	(67,760)	-	-	-	(67,760)
General finance costs					(848)
Corporate and other unallocated expenses and losses					(5,415)
Loss before tax					(131,200)
Income tax credit/(expense)	23,236	(3,294)	-	-	19,942
Loss for the period					(111,258)

	Property development and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
At 31 December 2021 (Audited)						
Assets and liabilities						
Total assets	14,916,315	939,551	-	-	94,755	15,950,621
Total liabilities	13,856,512	446,885	-	-	11,435	14,314,832
Six months ended 30 June 2021 (Unaudited)						
Other segment information:						
Capital expenditure*	56,579	15,112	-	-	8	71,699
Depreciation	22,853	-	-	-	536	23,389
Fair value losses of investment properties	-	112	-	-	-	112

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

2 Operating segment information *(continued)*

Geographical information

(a) Revenue from external customers

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Mainland China	496,998	518,857
United Kingdom	12,615	24,312
Hong Kong	51	1,094
	<u>509,664</u>	<u>544,263</u>

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

(b) Non-current assets

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Mainland China	730,570	746,906
United Kingdom	552,161	594,946
Hong Kong	10,067	23,492
	<u>1,292,798</u>	<u>1,365,344</u>

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

Information about major customers

During the six months ended 30 June 2022 and 2021, no revenue from transactions with a single external customer amounted to 10% or more of the total revenue of the Group.

3 Revenue

An analysis of revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Sales of properties	<u>496,998</u>	<u>518,857</u>
Revenue from other sources		
Rental income from investment properties operating leases:		
Fixed lease payments	<u>12,666</u>	<u>24,432</u>
Interest income from debt investments at amortised cost	<u>-</u>	<u>974</u>
	<u>509,664</u>	<u>544,263</u>

4 Finance costs

An analysis of finance costs is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest on bank and other borrowings	219,221	196,953
Interest expenses arising from revenue contracts	1,302,778	131,983
Interest on lease liabilities	22	20
Imputed interest on retention payables	<u>22,389</u>	<u>13,448</u>
Total interest expenses	1,544,410	342,404
Less: Interest capitalised	<u>(1,410,453)</u>	<u>(273,796)</u>
	<u>133,957</u>	<u>68,608</u>

5 Loss before tax

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation of owned assets	9,243	20,379
Depreciation of right-of-use asset	1,326	3,010
	<u>10,569</u>	<u>23,389</u>
Staff costs (including executive directors' remuneration):		
Wages and salaries	24,867	10,887
Pension scheme contributions	118	79
	<u>24,985</u>	<u>10,966</u>
Foreign exchange differences, net**	79	772
Loss on disposal of subsidiaries**	1,605	-
Bank interest income*	(3,958)	(1,998)
	<u>(3,958)</u>	<u>(1,998)</u>

* This item is included in "other income and gains" in the consolidated statement of profit or loss.

** These items are included in "other expenses and losses" in the consolidated statement of profit or loss.

6 Income tax credit

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current - United Kingdom		
Charge for the period	1,127	3,064
Under-provision in prior years	122	128
	<u>1,249</u>	<u>3,192</u>
Current - Mainland China		
PRC corporation income tax	-	1,081
PRC land appreciation tax	26,579	15,968
	<u>26,579</u>	<u>17,049</u>
Deferred	<u>(29,061)</u>	<u>(40,183)</u>
Total tax credit for the period	<u>(1,233)</u>	<u>(19,942)</u>

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

The calculation of the basic loss per share amounts for the periods are based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the periods.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2022 and 2021.

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<u>Loss</u>		
Loss for the period attributable to ordinary equity holders of the Company	<u>(73,901)</u>	<u>(81,863)</u>
	Number of shares	
	Six months ended 30 June	
	2022	2021
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	<u>799,557,415</u>	<u>799,557,415</u>

8 Dividends

The board of directors has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9 Trade and retention payables

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

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables:		
Within 1 month	38,048	169,042
1 to 2 months	703	12,531
2 to 3 months	1,204	3,486
Over 3 months	85,308	9,975
	<u>125,263</u>	<u>195,034</u>
Retention payables	<u>544,478</u>	<u>429,829</u>
	<u>669,741</u>	<u>624,863</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2022, the global economy remained challenging and uncertainties persisted. Despite the take-up rate of vaccinations had increased, infection cases of COVID-19 variants continued and the pandemic could not be satisfactorily controlled. During the period, even though lockdown measures in many countries were relaxed substantially, economic activities were still below the pre-COVID level due to cross-border restriction and various degrees of social distancing measures imposed by governments in some countries. In addition, due to geopolitical conflicts, the supply chains of various goods, commodities and energy resources were interrupted and became major causes for rising inflationary pressure in U.S. and many major economies. To counter high inflation rate, the U.S. had increased interest rate which further dampened the economic recovery of many countries.

In Mainland China, COVID-19 was very much in check under strict preventive measures and concerted efforts taken by the central government. The central government had provided accommodative monetary policy and necessary fiscal stimulus to ensure economic recovery. During the period, the property market continued its downturn carried forward from last year as many property developers experienced serious credit and liquidity crunch as a result of the central government effort to rectify the overleveraged property market. The overall sentiment of the property market inevitably affected the Group's property business in Mainland China.

In the UK, the economy had gradually rebounded due to increase in vaccinations, ease on social distancing and lockdown measures. Even though the property market was still affected, certain sectors such as hospitality and logistics had recovered. The property market in London where the Group has property investment was more resilient as compared with the rest of the UK.

In Hong Kong, the local economy had picked up from its low as the number of vaccinations had improved. The pace of economic recovery remained uneven as consumption-based activities and exports of goods had improved slightly while tourism remained very weak due to restriction on cross-border travels imposed by the government. During the period, the property market, especially the commercial sector remained weak.

For the first half of 2022, the Group's total revenue amounted to HK\$509.7 million, representing a decrease of 6.4% from HK\$544.3 million recorded in the last corresponding period. Revenue from property sale amounted to HK\$497.0 million decrease 4.2% from HK\$518.9 million. Rental income from investment properties amounted to HK\$12.7 million, down 48.2% from HK\$24.4 million. No treasury management income was recorded during the first half of 2022 (2021: HK\$1.0 million).

The Group's net loss attributable to shareholders for the first six months of 2022 amounted to HK\$73.9 million as compared to loss of HK\$81.9 million in the last corresponding period. Loss per share for the first six-month period of 2022 was HK9.2 cents (2021: loss per share HK10.2 cents).

The Group's investment property portfolio was independently valued at the end of the period resulting in revaluation gain of HK\$17.3 million (2021: HK\$0.1 million loss). The revaluation gain was reported in the consolidated statement of profit or loss.

Property Development and Trading

During the first half of 2022, the Group had pre-sales for three property projects in Sichuan, the PRC. The total contract sales was approximately HK\$1,840.9 million (2021: HK\$4,297.5 million) and the revenue recognised amounted to HK\$497.0 million (2021: HK\$518.9 million) in the first half of the year.

The breakdown of contract sales in the first half of 2022 is as follows:

Projects	Location	Contract Sales	Contract Sales	Average
		RMB'M	GFA Sqm	Selling Price RMB/sqm
Binjiang Wisdom City	Meishan, Sichuan	327.5	29,719	11,022
The City of Islands	Meishan, Sichuan	730.3	79,358	9,202
Rare Land	Chengdu, Sichuan	473.6	20,357	23,264

Property Investment

As at 30 June 2022, the Group's major investment properties include 1 Harrow Place in London, the UK and investment properties under construction in Sichuan, the PRC.

Gross rental income for the period amounted to HK\$12.7 million, a decrease of 48.2% when compared with rental income of HK\$24.4 million in last corresponding period. Decrease in rental income is primarily due to the disposal of 1 Chapel Place during the 2nd half of 2021. As at 30 June 2022, the occupancy rate of the Group's investment property in the UK is 100%.

Treasury Management

During the first half of 2022, the Group did not have treasury management income as compared to HK\$1.0 million recorded in the last corresponding period.

Material Acquisition

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

Event after the Reporting Period

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

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

Prospects

For the second half of 2022, it is anticipated that the global economy will still be volatile and challenging. Factors such as continuous threat of COVID-19 and its variants, increase in interest rates in the United States and many major economies, disruption in supply chain due to the pandemic and regional geopolitical tension will undermine economic recovery. It is difficult to predict when the global economy can be recovered and resume its normal pace. However, it is anticipated that many countries may take suitable measures to provide flexible and accommodative monetary policies and fiscal stimulus to support economic recovery in case of extreme economic downturn.

In Mainland China, it is expected that the economy will be stable with growth as the pandemic has been under control and the central government will continue its effort to provide accommodative monetary policy and fiscal stimulus to support economic growth. Appropriate support measures by government are expected to be formulated to ease the downturn of the property market which is essential to the economy. It is anticipated that the property market will gradually recover and remain resilient in the long run.

For the UK, the economy will still be affected by factors such as the uncertain development of the pandemic, rising inflation, and high interest rate. It is hard to predict when the economy will be fully back to its normal pace. It is anticipated that property market in London will still be more resilient as compared to other regions in the UK as London is the major business hub in Europe and preferred location of international investment.

In Hong Kong, the pace of recovery of the local economy remains uncertain and volatile. Even though the local economy had somewhat improved in the first half of 2022, the degree of sustainable economic recovery depends very much on the successful control of the pandemic locally and around the world, and the substantial re-opening of cross-border travels. It is expected that the commercial property market will still be challenging.

Under the challenging and volatile economic conditions, the Group will continue to adopt a prudent and proactive approach for its business operations and investment, and to look for business opportunities in property markets with stable and long-term economic prospects. The Group remains positive about the overall and long-term economic prospect of China and the PRC property market. The Group will continue its efforts for its property business in Mainland China for sustainable development of the Group.

Liquidity and Financial Resources

As at 30 June 2022, the Group had net borrowing of HK\$2,630.4 million (31 December 2021: HK\$1,189.4 million), consisting cash and bank balances of HK\$764.9 million (31 December 2021: HK\$1,675.4 million) and total borrowings of HK\$3,395.3 million (31 December 2021: HK\$2,864.8 million). The gearing ratio of the Group was 176.3% (31 December 2021: 71.0%). The gearing ratio, if any, is calculated as the ratio of net borrowings to shareholders' funds.

As at 30 June 2022, the total cash and bank balances amounted to HK\$764.9 million (31 December 2021: HK\$1,675.4 million), approximately 88.4% was denominated in RMB, 8.9% in HKD, 1.4% in USD, and 1.3% in GBP.

As at 30 June 2022, the Group's total borrowings amounted to HK\$3,395.3 million (31 December 2021: HK\$2,864.8 million) which is secured by the pledge of certain property interest and equity interests in certain subsidiaries of the Group. Approximately 87.6% of total borrowings was denominated in RMB and 12.4% 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 30 June 2022 is as follows:

	RMB	HKD	Total	
	HK\$'M	HK\$'M	HK\$'M	Percentage
Repayable:				
Within one year or on demand	437.2	-	437.2	12.9%
In the second year	1,382.0	-	1,382.0	40.7%
In the third to fourth years, inclusive	1,156.6	419.5	1,576.1	46.4%
Total	<u>2,975.8</u>	<u>419.5</u>	<u>3,395.3</u>	<u>100.0%</u>

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

Contingent Liabilities/Financial Guarantees

As at 30 June 2022, the Group provided financial guarantees to certain banks in respect of mortgage facilities provided for certain purchasers of the Group's properties in the PRC amounting to HK\$3,852.5 million (31 December 2021: HK\$3,352.1 million).

Save as disclosed above, the Group did not have any contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

STAFF

As at 30 June 2022, the Group employed 98 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 board depending upon the financial performance of the Group.

INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

CORPORATE GOVERNANCE CODE

Throughout the accounting period covered by the interim report, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules save for the deviations described below.

The Company has deviated from C.2.1 of the CG Code to the extent that the roles of chairman and chief executive are both performed by Mr. Wong Hy Sky (“Mr. Wong”). 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. Wong facilitates the effective implementation and execution of its business strategies by, and ensure a consistent leadership for, the Group. Further, a balance of power and authority between the board and management can be ensured by the operation of the board, whose members (including the three independent non-executive directors) are individuals of high calibre with ample experience, such that the interests of shareholders can be safeguarded. The Company will continue to review the structure and composition of the board from time to time to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions for its directors and its 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 in Appendix 10 to the Listing Rules (the “Model Code”).

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

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 period.

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

Hong Kong, 23 August 2022

As at the date hereof, the board of directors of the Company comprises Wong Hy Sky, Yuen Wing Shing, Liu Jie and Yang Shengxian 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*