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

(Incorporated in Bermuda with limited liability)
(Stock Code: 00075)

2023 Annual Results Announcement

The board of directors (the “Board” or “Directors”) of Y. T. Realty Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	2, 3		
Sales of properties		7,246,188	2,681,239
Rental income		27,050	25,543
Interest income		1,130	181
Total revenue		<u>7,274,368</u>	2,706,963
Cost of sales		<u>(6,200,305)</u>	(2,581,026)
Gross profit		1,074,063	125,937
Other income and gains		54,068	9,976
Other expenses and losses		(232)	(2,567)
Selling and marketing expenses		(639,060)	(308,807)
Administrative expenses		(118,959)	(213,017)
Finance costs	4	(261,167)	(406,942)
Changes in fair value of investment properties		<u>(132,881)</u>	5,854
LOSS BEFORE TAX	5	<u>(24,168)</u>	(789,566)
Income tax credit/(expenses)	6	<u>(49,626)</u>	104,945
LOSS FOR THE YEAR		<u><u>(73,794)</u></u>	<u><u>(684,621)</u></u>
Attributable to:			
Equity holders of the Company		<u>(30,094)</u>	(475,968)
Non-controlling interests		<u>(43,700)</u>	(208,653)
		<u><u>(73,794)</u></u>	<u><u>(684,621)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	<u><u>(HK3.8 cents)</u></u>	<u><u>(HK59.5 cents)</u></u>

Per share information:

- Proposed final dividend per share	Nil	Nil
- Consolidated net asset value attributable to equity holders of the Company per share	HK\$1.29	HK\$1.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(73,794)</u>	<u>(684,621)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	13,292	(142,954)
Release of exchange fluctuation reserve upon disposal of subsidiaries	<u>(2,372)</u>	<u>-</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	10,920	(142,954)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of an equity investment designated at fair value through other comprehensive income	<u>(220)</u>	<u>(420)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>10,700</u>	<u>(143,374)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(63,094)</u></u>	<u><u>(827,995)</u></u>
Attributable to:		
Equity holders of the Company	(23,944)	(621,957)
Non-controlling interests	<u>(39,150)</u>	<u>(206,038)</u>
	<u><u>(63,094)</u></u>	<u><u>(827,995)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		204,406	202,013
Investment properties		759,637	805,904
Goodwill		257,336	264,299
Other intangible asset		11,080	9,960
Equity investment designated at fair value through other comprehensive income		1,760	1,980
Deferred tax assets		134,905	107,578
Other receivables		61,388	60,247
Total non-current assets		<u>1,430,512</u>	<u>1,451,981</u>
CURRENT ASSETS			
Properties under development		9,831,941	12,449,902
Interests in land use rights for property development		40,921	1,117,720
Completed properties held for sale		1,841,803	285,863
Other receivables, deposits and prepayments		1,704,857	1,691,831
Prepaid income tax		117,681	208,218
Cash and bank balances		997,547	1,125,650
Total current assets		<u>14,534,750</u>	<u>16,879,184</u>
CURRENT LIABILITIES			
Trade and retention payables	9	1,519,781	1,216,828
Other payables and accrued expenses		1,269,100	939,343
Interest-bearing bank and other borrowings		219,539	899,711
Contract liabilities		10,176,114	11,974,740
Tax payable		118,834	121,702
Total current liabilities		<u>13,303,368</u>	<u>15,152,324</u>
NET CURRENT ASSETS		<u>1,231,382</u>	<u>1,726,860</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,661,894</u>	<u>3,178,841</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		46,819	143,646
Interest-bearing bank and other borrowings		1,790,308	2,154,902
Other payables		9,210	1,642
Total non-current liabilities		<u>1,846,337</u>	<u>2,300,190</u>
Net assets		<u>815,557</u>	<u>878,651</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		79,956	79,956
Reserves		949,141	973,085
		<u>1,029,097</u>	<u>1,053,041</u>
Non-controlling interests		<u>(213,540)</u>	<u>(174,390)</u>
Total equity		<u>815,557</u>	<u>878,651</u>

Notes:

1 Basis of preparation and accounting policies

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

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, and they did not have any material impact on the financial position of the Group.

1 Basis of preparation and accounting policies (continued)

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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

2 Operating segment information

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

- (a) The property 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that general finance costs, unallocated other income and gains and corporate and other unallocated expenses and losses are excluded from this measurement.

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

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

2 Operating segment information (continued)

	Property development and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2023					
Segment revenue <i>(note 3)</i>	<u>7,246,188</u>	<u>27,050</u>	<u>1,130</u>	<u>-</u>	<u>7,274,368</u>
Segment results	375,326	(108,398)	1,119	-	268,047
Specific finance costs	(202,400)	(56,442)	-	-	(258,842)
General finance costs					(2,325)
Unallocated other income and gains					1,152
Corporate and other unallocated expenses and losses					<u>(32,200)</u>
Loss before tax					(24,168)
Income tax credit/(expenses)	(64,013)	14,387	-	-	<u>(49,626)</u>
Loss for the year					<u><u>(73,794)</u></u>

	Property development and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property managemen t and related services <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets and liabilities						
Total assets	<u>15,149,999</u>	<u>766,892</u>	<u>-</u>	<u>-</u>	<u>48,371</u>	<u>15,965,262</u>
Total liabilities	<u>14,681,847</u>	<u>455,357</u>	<u>-</u>	<u>-</u>	<u>12,501</u>	<u>15,149,705</u>
Other segment information:						
Capital expenditure*	6,825	66,278	-	-	1,134	74,237
Depreciation	9,602	-	-	-	4,087	13,689
Fair value losses on investment properties	-	132,881	-	-	-	132,881
Reversal of impairment loss on other intangible asset	-	-	-	-	1,120	1,120
Gain on disposal of subsidiaries	42,266	-	-	-	-	42,266
Impairment of properties under development and completed properties held for sale	<u>166,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,789</u>

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

2 Operating segment information (continued)

	Property development and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	
2022						
Segment revenue <i>(note 3)</i>	<u>2,681,239</u>	<u>25,543</u>	<u>181</u>	<u>-</u>	<u>2,706,963</u>	
Segment results	(384,977)	26,952	170	-	(357,855)	
Specific finance costs	(406,473)	-	-	-	(406,473)	
General finance costs					(469)	
Unallocated other income and gains					221	
Corporate and other unallocated expenses and losses					<u>(24,990)</u>	
Loss before tax					(789,566)	
Income tax credit/(expenses)	110,318	(5,373)	-	-	<u>104,945</u>	
Loss for the year					<u>(684,621)</u>	
	Property development and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets and liabilities						
Total assets	<u>17,441,384</u>	<u>812,035</u>	<u>-</u>	<u>-</u>	<u>77,746</u>	<u>18,331,165</u>
Total liabilities	<u>16,995,226</u>	<u>444,770</u>	<u>-</u>	<u>-</u>	<u>12,518</u>	<u>17,452,514</u>
Other segment information:						
Capital expenditure*	36,358	44,921	-	-	813	82,092
Depreciation	15,333	-	-	-	1,374	16,707
Fair value gains on investment properties	-	5,854	-	-	-	5,854
Reversal of impairment loss on other intangible asset	-	-	-	-	200	200
Loss on disposal of subsidiaries	-	1,605	-	-	-	1,605
Impairment of properties under development and completed properties held for sale	<u>426,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,810</u>

2 Operating segment information *(continued)*

Geographical information

(a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Chinese Mainland	7,246,188	2,681,239
United Kingdom	27,050	25,492
Hong Kong	1,130	232
	<u>7,274,368</u>	<u>2,706,963</u>

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

(b) Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Chinese Mainland	747,171	715,130
United Kingdom	467,650	552,240
Hong Kong	17,638	14,806
	<u>1,232,459</u>	<u>1,282,176</u>

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

Information about major customers

During the years ended 31 December 2023 and 2022, 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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sales of properties	<u>7,246,188</u>	<u>2,681,239</u>
Revenue from other sources		
Gross rental income from investment property operating leases:		
Fixed lease payments	27,050	25,543
Interest income from time deposits	<u>1,130</u>	<u>181</u>
Subtotal	<u>28,180</u>	<u>25,724</u>
Total revenue	<u><u>7,274,368</u></u>	<u><u>2,706,963</u></u>

4 Finance costs

An analysis of finance costs is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings	240,717	384,227
Interest expenses arising from revenue contracts	1,595,125	1,145,459
Interest on lease liabilities	915	154
Imputed interest on retention payables	<u>55,609</u>	<u>45,839</u>
Total interest expenses	1,892,366	1,575,679
Less: Interest capitalised	<u>(1,631,199)</u>	<u>(1,168,737)</u>
Total	<u><u>261,167</u></u>	<u><u>406,942</u></u>

5 Loss before tax

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gross rental income	(27,050)	(25,543)
Less: Outgoings	80	96
Net rental income	(26,970)	(25,447)
Cost of properties sold	6,033,436	2,154,120
Depreciation of owned assets	9,740	14,525
Depreciation of right-of-use assets	4,175	2,678
	13,915	17,203
Less: Amount capitalised	(226)	(496)
Total	13,689	16,707
Staff costs (including executive directors' remuneration):		
Wages and salaries	67,096	46,751
Discretionary bonuses	1,688	1,725
Pension scheme contributions*	242	243
Total	69,026	48,719
Foreign exchange differences, net**	163	376
Reversal of impairment loss on other intangible asset***	(1,120)	(200)
Written off of property, plant and equipment**	-	88
Loss/(gain) on disposal of subsidiaries	(42,266) ***	1,605**
Impairment of properties under development and completed properties held for sale****	166,789	426,810

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

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

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

**** This item is included in "Cost of sales" in the consolidated statement of profit or loss.

6 Income tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current and the prior years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The corporation tax rate in the United Kingdom has increased from 19% to 25% from 1 April 2023.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current - United Kingdom		
Charge for the year	3,404	2,540
Over-provision in prior years	(20)	(18)
Current - Chinese Mainland		
PRC corporate income tax	136,174	81,845
PRC land appreciation tax	34,687	104,630
	174,245	188,997
Deferred	(124,619)	(293,942)
Total tax expense/(credit) for the year	<u>49,626</u>	<u>(104,945)</u>

7 Dividends

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2023 (2022: Nil). No interim dividend was declared in respect of the current year (2022: Nil).

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

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

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<u>Loss</u>		
Loss for the year attributable to ordinary equity holders of the Company	<u>(30,094)</u>	<u>(475,968)</u>
	Number of shares	
	2023	2022
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year	<u>799,557,415</u>	<u>799,557,415</u>

9 Trade and retention payables

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
Within 1 month	371,640	384,380
1 to 2 months	8,704	17,471
2 to 3 months	423	7,945
Over 3 months	77,277	122,122
Subtotal	458,044	531,918
Retention payables	1,061,737	684,910
Total	1,519,781	1,216,828

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil). No interim dividend was paid during the year (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (the “AGM”). During which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2024.

NET ASSET VALUE

The consolidated net asset value attributable to equity holders of the Company as at 31 December 2023 was HK\$1,029.1 million (2022: HK\$1,053.0 million). The consolidated net asset value attributable to equity holders of the Company per share as at 31 December 2023 was HK\$1.29 based on 799,557,415 shares in issue as compared to HK\$1.32 per share based on 799,557,415 shares in issue as at 31 December 2022.

BUSINESS REVIEW

During 2023, despite social and economic activities have been restored to pre-COVID-19 level after the pandemic was under control around the world, the global economy was still very challenging due to high inflation in many major economies and geopolitical conflicts around the world especially Russia and Ukraine in Europe, and Israel and Palestine in the Middle-East. To counter high inflation rates, the U.S. and many countries had continued to increase interest rates during the year which caused hardship for economic recovery.

In Mainland China, the overall economic activities had improved as compared to the corresponding period in 2022 as pandemic restrictions were removed during the early part of 2023. During the year, the Central Government continued to provide accommodative monetary policy and necessary fiscal stimulus to boost economic recovery. Despite the magnitude of economic recovery was below expectation because of the continued trade and political tension with the U.S., Growth Domestic Product (“GDP”) growth of about 5% was recorded for 2023. However, the property sector continued its weakness as many property developers have yet to resolve the credit and liquidity problems carried forward from previous years and there existed lack of confidence in the general market. In general, overall property sales and sales prices declined as compared to the previous year across sectors and regions on Mainland.

In the UK, the economy had resumed its pace to pre-pandemic level in terms of economic activities. However, the economic growth was affected by high inflation and rising interest rate. During the year, the property market was under pressure due to high borrowing cost. The property market in London where the Group has property investment was inevitably affected as well.

In Hong Kong, the economy had finally recovered and picked up its pace as pandemic prevention measures and cross-border restrictions had been lifted during the early part of 2023. With improved economic activities and the Hong Kong government’s supportive measures such as Consumption Vouchers Scheme to boost local spending and marketing efforts to promote Hong Kong for the tourism industry, Hong Kong had experienced real GDP growth as compared to the previous year and unemployment rate had dropped to encouraging low level. However, the overall property market was weak due to rising interest rates.

BUSINESS REVIEW (continued)

In 2023, the Group's total revenue amounted to HK\$7,274.4 million, representing an increase of 168.7% from HK\$2,707.0 million recorded in 2022. Revenue from property sale increased by 170.3% to HK\$7,246.2 million from HK\$2,681.2 million in 2022. Rental income from investment properties amounted to HK\$27.1 million, up 5.9% from HK\$25.5 million. Treasury management income amounted to HK\$1.1 million, increased 524.3% from HK\$0.2 million.

In 2023, the Group recorded a loss attributable to shareholders in the amount of HK\$30.1 million as compared to net loss of HK\$476.0 million in 2022. Loss per share for 2023 was HK3.8 cents (2022: loss per share HK59.5 cents). The substantial decrease in loss was mainly attributed to the increase in net profit as a result of the increase in revenue from sale of properties recognised in 2023, decrease in impairment losses of certain property development projects and gain from disposal of certain subsidiaries, and which is offset by the losses arising from revaluation of the Group's investment properties as compared to gains in the prior year.

Revaluation of the Group's investment properties resulted in a loss of HK\$132.9 million (2022: HK\$5.9 million gain). The change in value based on revaluation was reported in the consolidated statement of profit or loss.

Property Development and Trading

In 2023, the Group had pre-sales for three property projects in Sichuan, PRC. The aggregate contract sales in 2023 was approximately HK\$4,075.8 million (2022: HK\$4,017.1 million) and the revenue recognised amounted to HK\$7,246.2 million (2022: HK\$2,681.2 million) for the year.

The summary of contract sales in 2023 is as follows:

Projects	Location	Contract Sales RMB'M	Contract Sales GFA Sqm	Average Selling Price RMB/Sqm
Binjiang Wisdom City	Meishan, Sichuan	363.9	35,868	10,146
The City of Islands	Meishan, Sichuan	3,174.5	373,387	8,502
Rare Land	Chengdu, Sichuan	150.2	6,572	22,855

Property Investment

As at the end of 2023, the Group's major investment properties include 1 Harrow Place in London, UK and investment properties under construction in Sichuan, PRC.

Gross rental income for the year amounted to HK\$27.1 million, an increase of 5.9% as compared with last year's rental income of HK\$25.5 million. As at 31 December 2023, the occupancy rate of the Group's investment property in UK is 100%.

Treasury Management

In 2023, treasury management income amounted to HK\$1.1 million as compared to HK\$0.2 million recorded in 2022.

Material Disposal

On 22 November 2023, the Group entered into an agreement to dispose of the entire issued capital of Chengdu Runbin Corporate Management Co. Ltd. ("Chengdu Runbin"), an indirect wholly-owned subsidiary of the Group, Chengdu Runbin indirectly held 100% interest of the unsold portion of Group's development project known as Rare Land in Chengdu, Sichuan. The total consideration for the disposal was RMB1.96 million (equivalent to approximately HK\$2.14 million). Completion took place on 23 November 2023. Further details of the disposal were already disclosed in the relevant announcement dated 22 November 2023 issued by the Company.

BUSINESS REVIEW (continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had net borrowing of HK\$1,012.3 million (2022: HK\$1,929.0 million), consisting cash and bank balances of HK\$997.5 million (2022: HK\$1,125.7 million) and total borrowings of HK\$2,009.8 million (2022: HK\$3,054.6 million). The gearing ratio of the Group was 98.4% (2022: 183.2%). The gearing ratio, if any, is calculated as the ratio of net borrowings to shareholders' funds.

As at 31 December 2023, the total cash and bank balances amounted to HK\$997.5 million (2022: HK\$1,125.7 million), approximately 96.7% (2022: 94.4%) was denominated in Renminbi ("RMB"), 1.6% (2022: 4.3%) in Hong Kong dollar ("HKD"), 1.1% (2022: 0.9%) in U.S. dollar, and 0.6% (2022: 0.4%) in British Pound Sterling.

As at 31 December 2023, the Group's total borrowings amounted to HK\$2,009.8 million (2022: HK\$3,054.6 million) which is secured by the pledge of certain property interest and equity interests in certain subsidiaries of the Group, and certain amount of the Group's total borrowings is guaranteed by the Company. Approximately 77.8% (2022: 86.3%) of total borrowings was denominated in RMB and 22.2% (2022: 13.7%) in HKD. The Group proactively managed its financial resources and devised appropriate funding plan for working capital and capital expenditure.

The maturity profile of the Group's bank and other borrowings as at 31 December 2023 is as follows:

	RMB HK\$'M	HKD HK\$'M	Total HK\$'M	Percentage
Repayable:				
Within one year or on demand	219.5	—	219.5	10.9%
In the second year	230.5	446.0	676.5	33.7%
In the third to fourth years, inclusive	1,113.8	—	1,113.8	55.4%
Total	<u>1,563.8</u>	<u>446.0</u>	<u>2,009.8</u>	<u>100.0%</u>

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

CONTINGENT LIABILITIES / FINANCIAL GUARANTEES

As at 31 December 2023, the Group provided financial guarantees to certain banks in respect of mortgage facilities provided for certain purchasers of the Group's properties in Mainland China amounting to HK\$7,338.2 million (2022: HK\$5,033.5 million).

Save as disclosed above, the Group did not have any contingent liabilities as at 31 December 2023 (2022: Nil).

PROSPECTS AND STRATEGIES

For the coming year, it is anticipated that the global economy will be challenging and volatile. Even though inflation has decreased from its high in 2023 and the cycle of interest rate increases may reach its peak in the U.S. and many major economies, but high level of interest rate is expected to continue until the U.S. Federal Reserve begins to make downward adjustment on interest rate based on solid evidence that inflation is within the desired range. In addition, uncertainties surrounding Russia-Ukraine war and the Middle East geopolitical conflicts will continue to undermine economic recovery.

PROSPECTS AND STRATEGIES *(continued)*

In Mainland China, the economic outlook in 2024 depends on a number of key factors, such as domestic policies, the global economic conditions, and the international trade environment. It is expected that the Central Government will continue its effort to provide proactive and accommodative monetary policy and fiscal stimulus to ensure stable economic growth. To revive and support the property market, more supportive policies and measures by Central Government are expected to be put in place as the property market is very vital to the overall economy. With the support from the Central Government to boost confidence for the economy, it is anticipated that the property market will gradually recover and improve in the long run.

In the UK, the economic growth will continue to be dampened by inflation and high interest rate environment though reduction in interest rate is expected during 2024. It is anticipated that economic growth will be volatile and the general property market will remain weak. The property market in London will still be under pressure even it is relatively more resilient as compared to other regions in the UK.

In Hong Kong, it is anticipated that the pace of economic growth will be affected by the interest rate cycle of the U.S.. The general local market conditions and tourism will be affected by the economic growth of Mainland China. It is expected that the property market across sectors will remain weak due to high interest rate.

In anticipation of the challenging economic environment, the Group will continue to adopt prudent and proactive approach for its business operations and development. The Group will look for business opportunities in property markets with stable and long-term economic prospects for sustainable growth, and endeavor to enhance the returns for our shareholders in the long run. The Group will continue its efforts in the property business in Mainland China which is expected to improve gradually with supportive measures by the government to ensure healthy economic growth.

STAFF

As at 31 December 2023, the Group employed 288 staff members. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, pension scheme and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the Directors depending upon the financial performance of the Group.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2023, the Company complied with the code provisions of the Corporate Governance Code in force (the “CG Code”) set out within Appendix C1 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited save for the deviations from C.2.1 and C.3.3 as described below.

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

CORPORATE GOVERNANCE CODE*(continued)*

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (within the meaning of the CG Code) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix C3 to the Listing Rules (the "Model Code").

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

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "Audit Committee") comprises three members, including Mr. Luk Yu King, James (Chairman of the Audit Committee), Mr. Leung Yu Ming, Steven and Mr. Lai Degang, all being independent non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial control, internal controls system, risk management and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2023.

SCOPE OF WORK OF ERNST & YOUNG ("EY")

The figures in respect of the preliminary announcement of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, EY, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by EY on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

Hong Kong, 27 March 2024

As at the date hereof, the Board comprises Wong Hy Sky, Yuen Wing Shing and Liu Jie who are executive Directors; and Lai Degang, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive Directors.

** For identification purposes only*