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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 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December			
	2022	2021	Change	
	RMB'million	*RMB'million*	*RMB'million*	*%*
	(in approximate)	(in approximate)	(in approximate)	(in approximate)
Revenue	**571.2**	1,348.5	(777.3)	−57.7%
Gross profit	**275.1**	313.4	(38.3)	−12.2%
Gross profit margin	**48.2%**	23.2%	N/A	25.0%
Profit attributable to the equity shareholders of the Company	**69.2**	166.4	(97.2)	−58.4%
Earnings per share — Basic and diluted *(RMB cents)*	**9.22**	22.18	(12.9)	−58.4%
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 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022
(Expressed in Renminbi)

	Note	**2022** **RMB'000**	2021 RMB'000
Revenue	*3*	**571,183**	1,348,501
Cost of sales		**(296,093)**	(1,035,122)
Gross profit		**275,090**	313,379
Valuation gains on investment properties		**17,093**	28,046
Other net income	*4*	**6,458**	5,174
Selling expenses		**(35,021)**	(44,804)
Administrative expenses		**(63,368)**	(66,651)
Other expenses		**(1,410)**	(1,547)
Profit from operations		**198,842**	233,597
Finance costs	*5*	**(4,622)**	(23,845)
Share of profits less losses of associates		**42,835**	79,810
Profit before taxation	*6*	**237,055**	289,562
Income tax	*7*	**(122,615)**	(102,280)
Profit for the year		**114,440**	187,282
Attributable to:			
Equity shareholders of the Company		**69,178**	166,381
Non-controlling interests		**45,262**	20,901
Profit for the year		**114,440**	187,282
Basic and diluted earnings per share *(RMB cents)*	*8*	**9.22**	22.18

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Expressed in Renminbi)

	2022 *RMB'000*	2021 *RMB'000*
Profit for the year	**114,440**	187,282
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	**(6,021)**	1,913
— the Hong Kong and overseas subsidiaries	**(9,796)**	2,640
Other comprehensive income for the year, net of nil tax	**(15,817)**	4,553
Total comprehensive income for the year	**98,623**	191,835
Attributable to:		
Equity shareholders of the Company	**72,907**	164,729
Non-controlling interests	**25,716**	27,106
Total comprehensive income for the year	**98,623**	191,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022
(Expressed in Renminbi)

	Note	**2022**	2021
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**51,588**	55,192
Investment properties		**86,200**	59,300
Interest in associates		**446,921**	403,760
Deferred tax assets		**81,418**	80,626
Other non-current assets	*10*	**98,820**	—
		764,947	598,878
Current assets			
Inventories and other contract costs		**1,455,589**	1,711,481
Trade and other receivables	*11*	**136,380**	134,684
Prepaid tax		**32,262**	47,721
Structured deposits		**—**	33,000
Pledged and restricted deposits		**66,714**	46,782
Cash and cash equivalents		**205,561**	373,468
		1,896,506	2,347,136
Non-current assets held for sale	*12*	**92,965**	92,965
		1,989,471	2,440,101
Total assets		**2,754,418**	3,038,979
Current liabilities			
Bank loans	*13*	**158,400**	322,499
Contract liabilities	*14*	**66,307**	192,362
Trade and other payables	*15*	**781,928**	926,045
Lease liabilities		**162**	485
Tax payable		**276,081**	228,962
		1,282,878	1,670,353
Net current assets		**706,593**	769,748
Total assets less current liabilities		**1,471,540**	1,368,626

	Note	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities		**48**	181
Deferred tax liabilities		**11,453**	7,191
		11,501	7,372
NET ASSETS		**1,460,039**	1,361,254
CAPITAL AND RESERVES			
Share capital	*16*	**6,605**	6,605
Reserves		**1,160,848**	1,087,779
Total equity attributable to equity shareholders of the Company		**1,167,453**	1,094,384
Non-controlling interests		**292,586**	266,870
TOTAL EQUITY		**1,460,039**	1,361,254

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 Mainland China.

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

The consolidated financial statements for the years ended 31 December 2022 and 2021 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 2022.

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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(c) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cashflow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(d) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 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
HKFRS 17, *Insurance contracts*	1 January 2023
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 Mainland China.

Disaggregation of revenue

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of properties:		
— Recognised at a point in time	**538,068**	1,285,213
— Recognised overtime	**30,026**	60,193
	568,094	1,345,406
Revenue from other sources		
Gross rentals from properties	**3,089**	3,095
	571,183	1,348,501

For the year ended 31 December 2022, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue (2021: 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**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Huizhou	**511,672**	273,534	**495,906**	359,284
Tianjin	**59,511**	1,074,967	**58,319**	30,653
Zhumadian	**—**	—	**128,875**	127,261
Others	**—**	—	**429**	1,054
	571,183	1,348,501	**683,529**	518,252

4. OTHER NET INCOME

	2022	2021
	RMB'000	*RMB'000*
Interest income from bank deposits	**3,592**	4,912
Interest income from loan receivable *(Note 10)*	**2,320**	—
Government grants *(Note)*	**216**	—
Net exchange (loss)/gain	**(455)**	143
Others	**785**	119
	6,458	5,174

Note: In 2022, 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

	2022 *RMB'000*	2021 *RMB'000*
Interest on bank loans	**12,142**	20,937
Interest on lease liabilities	**20**	41
Accrued interest on significant financing component of contract liabilities	**14,412**	40,895
Others	**—**	1,891
	26,574	63,764
Less: Interest expenses capitalised into inventories*	**(21,952)**	(39,919)
	4,622	23,845

* 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 2022 (2021: 5.05% to 6.18% per annum).

6. PROFIT BEFORE TAXATION

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

	2022 *RMB'000*	2021 *RMB'000*
Depreciation and amortisation	**5,823**	7,697
Auditors' remuneration		
— audit service	**2,460**	2,447
— non-audit service	**500**	455
	2,960	2,902
Rentals receivable from investment properties	**(686)**	(667)

7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2022 *RMB'000*	2021 *RMB'000*
Current tax		
Provision for Corporate Income Tax ("CIT")	**43,700**	52,838
Provision for LAT	**75,445**	55,025
	119,145	107,863
Deferred tax		
— CIT	**3,470**	(5,583)
	122,615	102,280

(i) CIT and Hong Kong Profits Tax

The provision for CIT is based on the estimated taxable income at the rates applicable to each Mainland China subsidiary of the Group. The income tax rate applicable to the principal subsidiaries in the People's Republic of China (the "**PRC**") is 25% during the year (2021: 25%).

No provision for Hong Kong Profits Tax was recognised for the year (2021: 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 RMB69,178,000 (2021: RMB166,381,000) and the weighted average number of issued ordinary shares of 750,000,000 (2021: 750,000,000) during the year ended 31 December 2022.

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2022 and 2021 were the same as the basic earnings per share as the deemed issue of shares under the Company's share option scheme was anti-dilutive for both years.

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 2022.

On 27 March 2023, the Board resolved not to recommend a final dividend for the year ended 31 December 2022 (2021: Nil).

10. OTHER NON-CURRENT ASSETS

On 5 May 2022, the Group, Mr. Wong Ting Chung, the chairman and executive director of the Company and a third party (the "Borrower") entered into a loan agreement, pursuant to which, the Group grants a loan of RMB96,500,000 to the Borrower for a term of 3 years with an interest rate of 4% per annum, and Mr. Wong Ting Chung provides a personal guarantee in favour of the Group. The Borrower shall repay the whole principal amount together with all accrued interest due and payable to the Group on 4 May 2025, or repay part of the principal amount together with all accrued interest due throughout the term of the loan by instalments, or on demand by the Group.

For further details, please refer to announcement of the Company dated 5 May 2022.

Up to 31 December 2022, the Group has accrued interest income of RMB2,320,000 in respect of the loan.

11. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade debtors *(note (a))*		
— Gross rentals from properties	**314**	314
	314	314
Amounts due from associates *(note (b))*	**18,054**	18,016
Amounts due from non-controlling interests *(note (b))*	**24,565**	24,565
Other debtors	**63,961**	55,353
Financial assets measured at amortised cost	**106,894**	98,248
Deposits *(note (c))*	**2,518**	3,446
Prepayments *(note (d))*	**26,968**	32,990
	136,380	134,684

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

(a) As at 31 December 2022, the ageing analysis of trade debtors, based on the date the trade debtors recognised, net of allowance for doubtful debts, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**1**	44
1 to 3 months	**1**	90
3 to 6 months	**2**	135
Over 6 months	**310**	45
	314	314

As at 31 December 2022, no trade debtors were past due (2021: 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 2022, the balance mainly included prepaid construction costs for properties development of RMB805,000 (2021: RMB4,078,000), and prepayments for VAT and surcharges with an aggregated amount of RMB26,163,000 (2021: RMB28,912,000).

12. NON-CURRENT ASSETS HELD FOR SALE

In 2020, 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 cooperation agreement (the "Cooperation Agreement"), pursuant to which the Group and the JV Partner invested in 30% and 70% of the issued share capital of Star Linkage Financial Holdings Limited ("Star Linkage") respectively. Star Linkage together with its subsidiaries ("Star Linkage Group") were treated as associates of the Group (the "Associates"). The Group has paid a capital loan of RMB93,000,000 to the Associates in 2020.

On 30 December 2021, the Parties entered into a termination agreement (the "Termination Agreement"), pursuant to which the Parties agreed to terminate the Cooperation Agreement by way of the JV Partner acquiring 30% of the issued share capital of Star Linkage from the Group, at a consideration of approximately RMB100,338,000 (the "Consideration"), being the sum of capital loan made by the Group in an amount of RMB93,000,000 plus an interest amount approximately of RMB7,338,000, being accrued at an interest rate of 4% per annum from 10 January 2020 to 30 December 2021. The Consideration shall be paid to the Group within 120 days upon signing of the Termination Agreement. This constituted a forward contract.

Upon signing of the Termination Agreement, the Cooperation Agreement was terminated and the Group was released from its capital contribution obligations and all other obligations and commitments under the Cooperation Agreement. For further details, please refer to the announcement of the Company dated 30 December 2021.

The Group reclassified the interests in Star Linkage Group to non-current assets held for sale accordingly and recognised at the lower of the carrying amount and fair value less costs to sell. The forward contract was accounted for at fair value.

On 30 June 2022, the Parties entered into a supplemental agreement to the Termination Agreement, pursuant to which the Parties agreed to amend the payment terms of the Consideration whereby the balance of the Consideration, together with interest payable on the outstanding Consideration calculated at 4% per annum, shall be paid to the Group of RMB5,000,000 per month, with the last payment being settled no later than 28 December 2023. Legal title of the equity interests and the corresponding rights in Star Linkage will only be transferred to the JV Partner upon full settlement of the Consideration and the corresponding interests. For further details, please refer to the announcement of the Company dated 30 June 2022.

As at 31 December 2022, payments made by the JV Partner to the Group amounted to RMB54,000,000.

13. BANK LOANS

	2022	2021
	RMB'000	*RMB'000*
Secured	**158,400**	322,499

The secured bank loans with amount of RMB158,400,000 and RMB160,000,000 as at 31 December 2022 and 31 December 2021 respectively are secured by assets below:

	2022	2021
	RMB'000	*RMB'000*
Inventories	**381,084**	424,845

As at 31 December 2021, secured bank loan amounted to RMB162,499,000 was secured by trade debtors from sales and leasing of certain properties of the Group. The loan was fully repaid in 2022.

As at 31 December 2022, the bank loans were interest-bearing at one-year Loan Prime Rate ("LPR") published by the People's Bank of China plus 1.95% per annum (2021: one-year LPR plus 1.25%–1.95%).

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 2022 (2021: nil).

At 31 December 2022, bank loans were repayable as follows according to the repayment schedules as set out in the loan agreements:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**38,400**	164,099
After 1 year but within 2 years	**120,000**	38,400
After 2 years but within 5 years	**—**	120,000
	158,400	322,499

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, bank 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.

14. CONTRACT LIABILITIES

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

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities — Receipts in advance from property sales	**66,307**	192,362

(b) Movements in contract liabilities

	2022	2021
	RMB'000	*RMB'000*
Balance at 1 January	**192,362**	945,939
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	**(160,148)**	(944,944)
Increase in contract liabilities as a result of receipts in advance from property sales during the year in respect of properties still under construction or revenue recognition not being met as at 31 December	**33,635**	190,011
Increase in contract liabilities as a result of accruing interest expense on receipt in advance	**458**	1,356
Balance at 31 December	**66,307**	192,362

15. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade creditors *(note (a))*	**203,010**	419,244
Interest payables	**—**	420
Other payables and accruals	**62,414**	68,406
Amounts due to related parties *(note (b))*	**460,975**	434,201
Financial liabilities measured at amortised cost	**726,399**	922,271
Financial guarantee issued *(note (c))*	**1,529**	3,774
Derivative financial instruments *(note 12)*	**54,000**	—
	781,928	926,045

(a) Ageing analysis of trade creditors included in trade and other payables as at 31 December 2022, based on the date of the trade payables recognised:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**170,711**	368,954
3 to 6 months	**2,171**	617
6 to 12 months	**653**	1,513
Over 12 months	**29,475**	48,160
	203,010	419,244

All trade and other payables are expected to be settled within one year or are payable on demand.

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

(c) On 17 March 2021, Huizhou Logan Junhong Real Estate Limited ("Logan Junhong"), the associate of the Group, entered into a loan agreement ("Loan Agreement") with total bank facility amounted to RMB420,000,000 which was 100% guaranteed by Logan Group Company Limited ("Logan Group"). On 10 May 2021, the Group and Logan Group, entered into a counter-guarantee agreement ("Counter-guarantee") pursuant to which the Group has agreed, subject to the terms and conditions contained therein to provide a counter-guarantee to Logan Group with regard to the Loan Agreement in proportion to the Group's respective equity interest in Logan Junhong (30%). As at 31 December 2022, the total bank loan secured by the Counter-guarantee attributable to the Group was RMB84,000,000 (31 December 2021: RMB114,000,000). Deferred income in respect of the financial guarantees issued was RMB1,529,000 (31 December 2021: RMB3,774,000).

For further details, please refer to announcement of the Company dated 10 May 2021.

16. SHARE CAPITAL

	No. of shares	Amount in HKD
Authorised share capital of the Company:		
Ordinary shares of HKD0.01 each		
As at 1 January 2021	2,000,000,000	20,000,000
Transfer to preference shares *(note)*	(600,000,000)	(6,000,000)
As at 31 December 2021, 1 January 2022 and 31 December 2022	1,400,000,000	14,000,000
Preference shares of HKD0.01 each		
As at 1 January 2021	—	—
Preference shares authorised *(note)*	600,000,000	6,000,000
As at 31 December 2021, 1 January 2022 and 31 December 2022	600,000,000	6,000,000

The share capital as at 31 December 2021 and 2022, 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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	750,000,000	7,500,000	6,605,250

Note:

On 9 September 2021, the Company and Fortune Speed Investments Limited ("Fortune Speed"), the immediate parent of the Company, 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 shares 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. On 18 November 2021, the independent shareholders of the Company approved the allotment and issuance of the Non-Convertible Preference Shares. As at 31 December 2022, the subscription of the Non-Convertible Preference Share lapsed.

For further details, please refer to announcement of the Company dated 9 September 2021, 18 November 2021, 2 March 2022 and 4 July 2022 and the circular of the Company dated 28 October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2022 was undeniably a challenging year, marked by the recurrent pandemic in the People's Republic of China (the "**PRC**") and the complex and severe international situation. Factors such as the conflict between Russia and Ukraine, the ramifications of US interest rate hikes, and the restructuring of global industrial chain all had prolonged impact on the domestic economy. Nonetheless, under the efficient monitoring of the Chinese government, macroeconomic policy adjustments were strengthened to stabilise economic development. As a result, the gross domestic product ("**GDP**") grew by 3% when compared with the corresponding period of the previous year.

In 2022, the real estate market in the PRC experienced a downturn due to continued pressure on demand contraction and a sluggish recovery in the consumption market. Furthermore, several real estate enterprises faced financial crisis, leading to frequent liquidity risks and further eroding confidence in the real estate sector. According to the data released by the National Bureau of Statistics of China, in 2022, the total sales area of commercial housing in 2022 amounted to approximately 1.36 billion square meters ("**sq.m.**"), representing a decrease of approximately 24.3% as compared with that of the previous year. In terms of monetary value, the sales volume of commercial housing decreased by approximately 26.7% to approximately RMB13.3 trillion as compared with that of the previous year. Besides, the total investment in the real estate sector in 2022 amounted to approximately RMB13.3 trillion, representing a year-on-year decrease of approximately 10.0%. The data illustrated that the sales and investment performance of real estate market were weakened.

To alleviate the impact of the sluggish real estate market, the government has prioritised to ensure the delivery of properties. In addition, the government has taken significant steps to relax financing channels for real estate enterprises, and introduce supportive policies for bond financing, credit financing, and equity financing to promote reasonable financing and alleviate financial pressure of real estate enterprises. Monetary policy has also been further eased with two reserve requirement ratio cuts and three interest rate cuts, leading to a decrease in mortgage rates and improving liquidity for real estate enterprises. Furthermore, regulatory measures have been relaxed, with numerous cities in China improving their home purchase restriction policies. Nevertheless, "houses are being built to be inhabited but not for speculation" remains the key direction that will not be compromised. The central government will continue to support local governments in implementing differentiated policies to stabilise the real estate market.

BUSINESS REVIEW

Given the challenging market environment, the Group has maintained a cautious and low-leverage approach while improving turnover and liquidity. The strategic directions of the Group focused on ensuring financial soundness and promoting efficient operation.

For the year ended 31 December 2022, ("**FY2022**"), the Group recorded an approximately 57.7% year-on-year decrease in revenue to approximately RMB571.2 million. The revenue from sale of properties was mainly contributed by Million Cities Legend Phase 3 in Huizhou, but was lower than that of the revenue recognised in the previous year, which was mainly contributed by Million Cities Tycoon Places Phases 3 and 4 in Tianjin, and from the sale of Crown Grand Court villas in Huizhou. Furthermore, share of profits less losses of associates for FY2022 decreased to approximately RMB42.8 million as only one project, namely Dragon Terrace Phase 2 in Huizhou, was completed for delivery during FY2022. In comparison, two projects, namely Dragon Terrace Phase 1 in Huizhou and Dragon Palace Phase 1 Section 1 and Section 2 in Henan Province, were completed for delivery for the year ended 31 December 2021 ("**FY2021**"). The net profit attributable to equity shareholders of the Company amounted to approximately RMB69.2 million, representing a year-on-year decrease of approximately 58.4%. For FY2022, the Group achieved an aggregated contracted sales value of approximately RMB487.0 million with a total gross floor area ("**GFA**") of approximately 40,800 sq.m., which was mainly attributable to the pre-sale of Million Cities Legend Phase 3 and the Jade Terrace in Huizhou as well as Dragon Palace Sections 4 and 5 in Henan.

BUSINESS OUTLOOK

Looking forward, in 2023, the easing of pandemic prevention and control measures is anticipated to spur a rapid economic recovery, which will further bolster consumer confidence in economic growth. The government has gradually relaxed funding restrictions on real estate enterprises to meet their reasonable financing needs. This is expected to relieve the tight cash flow of real estate developers to some extent and rebuild the confidence of property buyers. With the development of urbanisation, the rigid demand for basic and improvement housing remains strong, and will provide favourable development opportunities for healthy real estate enterprises. Nonetheless, the improvement of the real estate industry ultimately hinges on sales performance. While sales growth has been improved in early 2023 as compared with previous periods, sustained market growth is necessary to achieve a true recovery.

The Group primarily focuses on property development in the Great Bay Area, particularly the city of Huizhou. With the rapid development of the 9+2 cities agglomeration in Huizhou (惠州灣區9＋2城市), the construction of the urban 2+1 modern industrial clusters (城市2+1現代產業集群) and 3+7 industrial parks (3+7工業園區) construction has achieved significant progress. Huizhou is entering a new phase of high-quality and efficient development, which is favourable for the future growth of the Group.

In addition, the Group will remain committed to exploring and pursuing promising business opportunities, including investing in sustainable development projects, so as to create long-term value for our Shareholders and potential investors.

FINANCIAL REVIEW

Revenue

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

Revenue from sale 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 FY2022, the Group continued the pre-sale of Jade Terrace Phases 1 and 2 (玖璟台一期及二期), Dragon Palace Phase 1 Section 3, Phase 2 Section 4 and Section 5 (聚瓏灣一期第三標段，二期第四標段及第五標段), as well as the sale of Million Cities Legend Phase 3 (萬城名座三期), Legend Plaza (名座廣場), Million Cities Tycoon Place Phase 3 (萬城聚豪三期) and the villas of Crown Grand Court (皇冠豪苑別墅). Total properties contracted sales (based on GFA of sales consent), including sale of properties by the associates of the Group, amounted to approximately RMB487.4 million, representing a GFA of approximately 40,800 sq.m. sold during FY2022.

(ii) Land bank

As at 31 December 2022, the total GFA of the Group's land bank was approximately 1,581,176 sq.m., out of which (i) approximately 409,997 sq.m. GFA was unsold completed properties projects; (ii) approximately 154,425 sq.m. GFA was unsold and under construction; and (iii) approximately 1,016,754 sq.m. GFA was reserved for future development.

(iii) Revenue

Revenue from sale of properties for FY2022 amounted to approximately RMB568.1 million, as compared with approximately RMB1,345.4 million reported for FY2021, representing a decrease by approximately 57.7%. Revenue recognised for FY2022, was mainly contributed by Million Cities Legend Phase 3 (萬城名座三期) in Huizhou, but was lower than that of the revenue from Million Cities Tycoon Places Phases 3 and 4 (萬城聚豪三期及四期) in Tianjin, which were completed for delivery in FY2021, and from the sale of Crown Grand Court (皇冠豪苑) villas in Huizhou.

Rental income

Gross rental income from investment properties and inventories for FY2022 remained stable at approximately RMB3.1 million, as compared to that of FY2021, i.e. approximately RMB3.1 million.

Cost of sales

Cost of sales for FY2022 was approximately RMB296.1 million, as compared with approximately RMB1,035.1 million reported last year, representing a decrease by approximately 71.4%. The decrease in cost of sales was mainly due to decrease in revenue from sale of properties.

Gross profit and gross profit margin

The gross profit for FY2022 was approximately RMB275.1 million, as compared with approximately RMB313.4 million reported last year, representing a decrease by approximately 12.2%. The decrease in gross profit was mainly due to the decrease in sales revenue as mentioned above. Nevertheless, the magnitude of decrease was lower than that of revenue (i.e. 57.7%), mainly due to the improvement of gross profit margin.

The gross profit margin for FY2022 increased to approximately 48.2% (FY2021: 23.2%). The increase was mainly due to higher gross profit margin recorded for the Huizhou project, i.e. Million Cities Legend Phase 3 (萬城名座三期), as compared with the projects in Tianjin, i.e. Million Cities Tycoon Places Phases 3 and 4 (萬城聚豪三期及四期), which was attributable to different sales and costs structures in different locations.

Valuation gains on investment properties

Valuation gains for FY2022 was approximately RMB17.1 million (FY2021: RMB28.0 million), representing a decrease by approximately 39.1%. The decrease was mainly attributable to the decrease in the number of additional commercial shops held for leasing purpose, from two located in Huiyang in FY2021, to one located in Tianjin in FY2022.

Other net income

Other net income for FY2022 was approximately RMB6.5 million, as compared with approximately RMB5.2 million for FY2021, representing an increase by approximately 24.8%, which was mainly due to the increase in interest income from loan receivable during FY2022.

Selling expenses

Selling expenses for FY2022 were approximately RMB35.0 million, as compared with approximately RMB44.8 million reported in FY2021, representing a decrease by approximately 21.8%. The decrease in selling expenses was mainly due to (i) the decrease in sale of properties; and (ii) lower commission incurred for the sale of the Huizhou projects, namely Million Cities Legend Phase 3 (萬城名座三期), in FY2022 as compared to that of Tianjin project, namely Million Cities Tycoon Places Phases 3 and 4 (萬城聚豪三期及四期), in FY2021.

Administrative expenses

Administrative expenses for FY2022 were approximately RMB63.4 million, as compared with approximately RMB66.7 million reported for FY2021, representing a slight decrease by approximately 4.9%.

Share of profits less losses of associates

Share of profits less losses of associates amounted to approximately RMB42.8 million for FY2022, as compared with approximately RMB79.8 million for FY2021, representing a decrease by approximately 46.3% as only one project, namely Dragon Terrace Phase 2 in Huizhou, was completed for delivery during FY2022. In comparison, two projects, namely Dragon Terrace Phase 1 in Huizhou and Dragon Palace Phase 1 Section 1 and Section 2 in Henan province, were completed for delivery during FY2021.

Finance costs

Finance costs for FY2022 were approximately RMB4.6 million, as compared with approximately RMB23.8 million for FY2021, representing a decrease by approximately 80.6% due to (i) the recognition of significant financing component costs incurred from the delivery of Million Cities Tycoon Place Phase 4 during the period between completion of such project in January 2021 and delivery thereof in May 2021 (no such significant financing component costs were incurred during FY2022); and (ii) the repayment of a bank loan of approximately RMB160.0 million during FY2022.

Income tax

For FY2022, income tax was approximately RMB122.6 million, representing an increase of approximately RMB20.3 million, as compared with income tax of approximately RMB102.3 million for FY2021, mainly due to the increase in land appreciation tax.

Profit for the year attributable to equity shareholders of the Company

Profit for the year attributable to equity shareholders of the Company for FY2022 was approximately RMB69.2 million, representing a decrease of approximately RMB97.2 million or approximately 58.4%, as compared with that of FY2021. Such decrease was mainly due to the decrease in profits from subsidiaries and share of profits less losses of associates of FY2022 as mentioned above.

OTHER FINANCIAL INFORMATION

Liquidity and financial resources

For FY2022, 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 2022 was approximately 10.9%, as compared with approximately 23.7% as at 31 December 2021. Such decrease was mainly due to the repayment of bank loans during FY2022.

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

As at 31 December 2022, the Group's cash and cash equivalents, amounting to approximately RMB205.6 million, were mainly denominated in Hong Kong dollars (HK$) (20.9%) and RMB (79.1%).

As at 31 December 2022, the Group's bank loans which were due for repayment are as follows:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**38,400**	164,099
After one year but within two years	**120,000**	38,400
After two years but within five years	**—**	120,000
	158,400	322,499

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 2022, the Group's bank loans were denominated in RMB. The bank loans were interest-bearing at one-year Loan Prime Rate ("LPR") published by the People's Bank of China plus 1.95% per annum (31 December 2021: one-year LPR plus 1.25% to 1.95% per annum).

(c) As at 31 December 2022, the Group's certain bank loans were secured by inventories with a total carrying amount of approximately RMB381.1 million (31 December 2021: RMB424.8 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 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 FY2022 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 2022, 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 FY2022.

As at 31 December 2022, 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 RMB2.6 million for FY2022 which were mainly related to the addition of electronic and other equipment. These capital expenditures were fully financed by internal resources.

Capital commitments

The Group's capital commitments as at 31 December 2022 amounted to approximately RMB4.6 million (31 December 2021: RMB155.4 million) which were mainly related to development costs for the Group's properties under development.

Charge on assets

As at 31 December 2022, the Group's inventories with a total carrying amount of approximately RMB381.1 million (31 December 2021: RMB424.8 million) were pledged to banks to secure certain banking facilities granted to the Group.

Contingent liabilities

During FY2022, 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 RMB597.7 million as at 31 December 2022 (31 December 2021: RMB223.0 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.

Significant investments, acquisitions and disposals

During FY2022, the Company did not have any significant investments, acquisitions and disposals.

Provision of loan

On 5 May 2022, Huizhou China Field Real Estate Development Company Limited* (惠州漢基房地產開發有限公司), an indirect wholly-owned subsidiary of the Company (the "**Lender**"), as lender, an independent third party as the borrower (the "**Borrower**") and Mr. Wong Ting Chung, the chairman of the Board and an executive Director as guarantor entered into a loan agreement (the "**Loan Agreement**"), pursuant to which the Lender has agreed to grant the loan in the principal amount of RMB96,500,000 to the Borrower for a term of 3 years. In addition, Mr. Wong Ting Chung agreed to provide personal guarantee to the Borrower in favour of the Lender.

Prior to entering into the Loan Agreement, the Group has conducted credit risk assessment on the Borrower and Mr. Wong Ting Chung.

The interest rate of 4% per annum of the Loan was agreed between the Lender and the Borrower at arm's length negotiations, with reference to the annual interest income derived from the Group's current agreement deposits and the market estimated long-term agreement deposits, which are at the range of approximately 1.5% to 2.75% per annum, as well as the subscription of the non-convertible preference shares of the Company, which if materialised, would be approximately 3.6% per annum. Therefore, the Directors (including the independent non-executive Directors) are of the view that although the entering into of the Loan Agreement is not in the ordinary and usual course of business of the Group, the terms of the Loan Agreement (including its interest rate of 4% per annum) are entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

For details, please refer to the announcements of the Company dated 5 May 2022 and 25 May 2022.

Events after balance sheet date

The Group has no significant event subsequent to the year ended 31 December 2022.

Operating segment information

The Group's revenue and results for FY2022 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 2022, the Group had a total of 130 (2021: 200) full-time employees in the PRC and Hong Kong. For FY2022, the total staff costs, including the directors' emoluments, amounted to approximately RMB41.8 million (2021: RMB48.8 million), of which approximately RMB13.5 million (31 December 2021: RMB16.0 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 FY2022, 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 FY2022 (2021: Nil). No interim dividend for 2022 was paid to the Shareholders during FY2022 (2021: Nil). The register of members of the Company will be closed from 14 June 2023 to 19 June 2023, 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 Monday, 19 June 2023 (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 13 June 2023.

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

For FY2022, 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 FY2022.

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 FY2022.

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 FY2022.

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 D3 of the CG Code. 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 FY2022, 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, and Mr. Chan Hiu Fung, Nicholas. 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 FY2022.

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 FY2022 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 2022 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 FY2022 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 March 2023

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.