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China New City Commercial Development Limited
中國新城市商業發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Change
	RMB'000	*RMB'000*	
Revenue	**1,955,853**	1,924,619	+1.6%
Gross profit	**778,236**	340,491	+128.6%
Profit/(loss) for the year	**45,289**	(221,997)	NA
Profit/(loss) attributable to owners of the parent	**26,270**	(243,524)	NA
Earnings/(loss) per share attributable to ordinary equity holders of the parent – Basic and diluted	**RMB 1.3 cents**	(RMB 13 cents)	

	As at 31 December		
	2019	2018	Change
	RMB'000	*RMB'000*	
Total assets	**14,508,724**	13,231,588	+10%
Net assets	**6,141,535**	5,898,043	+4%
Net assets value per share	**RMB3.05**	RMB3.21	NA

CHAIRPERSON'S STATEMENT

Dear shareholders,

On behalf of China New City Commercial Development Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2019 ("**the year under review**").

REVIEW OF RESULTS

During the year under review, the revenue of the Group was approximately RMB1,956 million. Our property business reported sales of nearly RMB1,535 million. The gross profit of the Group was approximately RMB778 million. The profit of the Group was approximately RMB45 million.

During the year under review, the Group recorded a profit attributable to owners of the parent of approximately RMB26 million; and the earnings per share attributable ordinary to equity holders of the parent was approximately RMB1.3 cents. The board of directors of the Company (the "**Board**") do not recommend the payment of any final dividend for the year under review.

MARKET AND BUSINESS REVIEW

In 2019, the Chinese economy maintained steady growth with a year-on-year gross domestic product ("**GDP**") growth rate of 6.1%. As affected by factors such as Sino-US trade war, accelerated aging population, and weakening domestic demand consumption, the Group continued to adhere to the consistent principle of prudent investment and sound operation. Under the key tone of national policy of "houses for habitation not for speculation", a number of policies were introduced to maintain regulation and control over real estate industry. On the one hand, the Group sought to strengthen its main real estate business and to improve its diversified industries; and on the other hand, the Group integrated various business platforms to create synergy through the coordinated development among industries. Driven by China's market policy, the Group will continue to serve the needs of human beings for a better life and promote new breakthroughs in the Group's performance in order to achieve better performance.

1. Property Sales

Located in the prime location of Qianjiang Century City, IOC• Jiarun Mansion Project ("**Jiarun Mansion**") is the Plot A3 project of Hangzhou International Office Center ("**IOC**") in the core location of Qianjiang Century City. It is a large complex comprising furnished studio flats, luxury and spacious flat floor apartments, commercial streets, hotels, international kindergartens and training centers for children. The total area of IOC is 320,000 sq.m., which has been acquired by more than 1,500 owners and stationed by over 20 business operators.

During the year under review, Jiarun Mansion at Plot A3 recorded good sales performance by launching a tower of fine-decorated apartments with new Chinese-style show flats. The Plot A3.1#2 was currently under fine-decoration construction by the Group and was expected that centralized delivery will be made at the end of June in 2020. The Group believes that Jiarun Mansion could bring a stable revenue of property sales and higher profitability to the Group.

In addition, Xixi New City Project and Xixi Manhattan Project, which are in prime location and close proximity to Xixi Wetland and Hangzhou Future Science and Technology City, were delivered successively and became the main driving force for the growth of the Group's property sales revenue during the year under review.

2. Property Leasing

At present, the Group's revenue from the property leasing increase steadily as compared with the same period last year, mainly from Highlong Plaza in Xiaoshan, Hangzhou and Zhong An Intime City in Yuyao. During the year under review, with 24 newly-joined brands, the occupancy rate of the shopping mall of Highlong Plaza reached over 94%. The adjustments to business strategy were completed successfully, which stimulated rental performance. With the commercial elements and the theme "Happy Time", the plaza caters for children's food and beverages, living and services. By adding mainstream IP and enhancing differentiation and experience elements, it effectively increased visitor traffic and promoted the spending in the plaza. The occupancy rate of Zone B in Zhong An Times Square, Yuyao ("**Zone B**") was more than 90% with sound operation. During the year under review, Zone B was carried out a commercial street reconstruction plan. From street lighting and scene creation, to market launch and enhancement of amusement facilities for kids, the "Happy Time 24H Style Street" was created, where Zone B was a multifunctional and comprehensive commercial pedestrian street that integrating catering, leisure and entertainment, and living facilities. The Group believes that it will continue to contribute income to property leasing in the future.

3. Hotel Operations

During the year under review, the Group's Huaibei Bright Hotel and Hangzhou Qiandao Lake Bright Resort Hotel operated well, with revenue increased by nearly 26.9% year on year.

In addition, Ningbo Bright Hotel ("**Ningbo Bright**") was majestically opened on 1 October 2019. Ningbo Bright is a luxury business hotel proudly presented by the Group that was built according to the five-star standard. The hotel is in an excellent location which is in proximity to Yuyao North High Speed Rail Station. It became a leading hotel in its area for conferences and dining with higher than expected occupancy rate within 3 months of the opening, bringing considerable revenue to the Group. Zhejiang Bright Hotel Management Co. Ltd. and Meituan Hotel entered into a strategic cooperation agreement. Through cooperation, Meituan Hotel will enhance its core competitiveness by means of brand building, system building and data analysis, thereby driving multi-segment revenue from hotel accommodation, catering, conferences and entertainment.

4. New Emerging Business

(1) Education

For the commerce and real estate business, the Group further adjusted its business model and optimized its operating structure, and launched its new child-oriented business pattern on the basis of the traditional business model. The Group focused on serving children in cities and integrating child health, child education, child entertainment and child sports to build a diversified and intelligentized body of comprehensive functions in order to inject new impetus to the development of the child-related industry.

Maggie & Rose, the parent-child family club ("**Club**") carried out the IP upgrade from original graphic cartoon images to lively cartoon characters, vivid stage shows and brand derivatives in order to further create brand value. On 17 January 2020, a charity fundraising dinner, "An Enchanting Evening with Lang Lang", with the theme of "Music Changes Life, Music Changes the World" was held at The Peninsula Hong Kong. Adult guests were immersed in the beautiful music atmosphere set by Maggie & Rose. The next day, a concert named "Jaap's Beethoven 1 | Lang Lang" was successfully held at the Concert Hall of Hong Kong Cultural Centre. Maggie & Rose was the designated sponsor of this Lang Lang concert's finale, hence more guests came to know the Maggie & Rose brand.

The Group expected to open approximately 4 directly-operated clubs in the Greater China region in the next three years, and planned to establish more than 40 Clubs in joint venture and franchise models to increase market share and achieve large-scale operation.

(2) Film and Entertainment

The Group currently has 4 cinemas. Chengdu Cinema was grandly opened on 9 January 2020. It set an outstanding record as the number of customers received exceeded 10,000 and the total box office was over 240,000 in the first weekend of the opening. The film and television revenue of the Group grew by nearly 42%, and the cumulative number of customers received increased by roughly 46%, both compared to the same period last year. In the future, more cinemas will be opened to build regional layout and operational advantages, giving play to regional scale effect and brand superiority.

ENTERPRISE SUSTAINABLE DEVELOPMENT

The Group actively participated in social welfare activities and established Zhongan Charity Foundation ("**Zhongan Charity**") to focus on charitable activities. During the year under review, the Group co-organized a charity auction with Zhongan Charity, and all charity proceeds from the auction were donated to Zhongan Charity for the project fund under the "Flower Project – Caring and support for forsaken children" to provide the left-behind children with care and warmth from multiple aspects such as economy, life and mind. On 28 January 2020, the Group and Zhongan Charity jointly established a RMB10 million fund specialized for prevention and control of COVID-19, with an aim to support the prevention and control of the pandemic in Hubei, Zhejiang and other areas seriously affected by the COVID-19 in China. According to the actual needs in the seriously affected areas, medical supplies including masks and protective clothing will be purchased and provided, thereby offering necessary help to front line medical staff and other relevant workers combating the pandemic.

PROSPECTS AND DEVELOPMENT STRATEGIES

Looking forward to 2020, maintaining the "stability" of China's real estate market will still remain as the top priority. Specifically, maintaining the continuity and stability of policy to prevent drastic fluctuations of real estate market, and a full implementation of "Policy by City", which in turn will be conducive to achieving long-term control objectives of stabilizing land and housing prices and maintaining market expectations, thus stable and healthy development of the real estate market will be attained. The Chinese economy is under downward pressure; however, the Chinese government stepped up its efforts on the "Six Stability" policy, that is "stabilizing employment, finance, foreign trade, foreign investment, domestic investment, and expectations" over the years, which achieved significant results in the past year, and GDP has maintained steady growth throughout the year. The impact of the novel coronavirus outbreak on the real estate market in China may be short-lived. Home buyers are merely delaying purchases rather than completely putting their home purchase plans on hold. As the fight against the virus is ongoing across the country, the demand is expected to pick up when the epidemic is brought under control.

The Group remains optimistic about future prospects. Adhering to the corporate mission of "creating new urban life" and the strategic guiding principle of "focusing on the demand of the public", the Group further developed its cultural education, health care, film and entertainment, and cultural leisure tourism segments based on its existing business and sophisticated development and investment concepts, and extended their presence to the whole Yangtze River Delta region.

Among numerous developing projects, the International Office Center (the "IOC") project remained a key development project of the Group. The completed Jiarun Mansion in Lot A3 had been generating record-breaking sales for the Group. The development of the IOC (Lot A2) was commenced at the end of 2018. The IOC project was expected to continue to drive the property sales revenue of the Group, thus to assure the steady growth in the Group's revenue from property sales in the future.

Highlong Plaza and its surroundings will be built into commercial underground space, with business elites and surrounding residential residents as the core customer group. It will integrate three functions of business center + subway hub + tourist attraction into one to create a space for stylish experiences that comprising the themes of leisure, entertainment, music and trends. The mall will comprehensively enhance the brand influence of "Happy Time", and will integrate with IP to form a theme series. The Times Square in Yuyao will connect shopping malls, commercial streets in Zone B and the Central Grand Plaza; and will introduce food trunks, street markets, outdoor decoration, and children's sports and entertainment facilities so as to create night culture at the Plaza by delicacy, beauty and fun, and thus attract more visitors. Xixi New City will be transformed into an innovative and entrepreneurial industrial park with high-end sophisticated future industries as its core. There will be four major centers, including "service center, office center, R&D center, and production center" + future incubation space in pursuit of pioneering and innovation in business sectors.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to express my sincere gratitude to the continuing support and trust of the shareholders and business partners as well as the dedicated efforts of all the staff.

Shi Kancheng
Chairperson

Hong Kong, 31 March 2020

The board of directors (the "**Board**" or the "**Directors**") of China New City Commercial Development Limited (the "**Company**")is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**year**" or the "**year under review**"), together with the comparative figures for the corresponding year ended 31 December 2018, and such annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*4*	**1,955,853**	1,924,619
Cost of sales		**(1,177,617)**	(1,584,128)
Gross profit		**778,236**	340,491
Other income and gains	*4*	**68,460**	18,905
Selling and distribution expenses		**(137,603)**	(138,519)
Administrative expenses		**(184,836)**	(198,455)
Other expenses		**(3,069)**	(40,099)
Finance costs	*5*	**(154,960)**	(110,330)
Fair value gain/(loss) upon transfer to investment properties		**50,642**	(25,030)
Changes in fair value of investment properties		**(36,742)**	22,223
Profit/(loss) before tax	*6*	**380,128**	(130,814)
Income tax expense	*7*	**(334,839)**	(91,183)
Profit/(loss) for the year		**45,289**	(221,997)
Attributable to:			
Owners of the parent		**26,270**	(243,524)
Non-controlling interests		**19,019**	21,527
		45,289	(221,997)
Earnings/(loss) per share attributable to ordinary equity holders of the parent	*8*		
Basic		**RMB1.3 cents**	(RMB13 cents)
Diluted		**RMB1.3 cents**	(RMB13 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Profit/(loss) for the year	**45,289**	(221,997)
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**10,741**	(4,106)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**10,741**	(4,106)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	**–**	9,000
Income tax effect	**–**	(2,250)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	6,750
Total comprehensive income for the year	**56,030**	(219,353)
Attributable to:		
Owners of the parent	**37,011**	(240,880)
Non-controlling interests	**19,019**	21,527
	56,030	(219,353)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property and equipment		**2,450,208**	2,058,952
Investment properties		**5,358,640**	5,502,607
Properties under development		**935,311**	933,400
Right-of-use assets		**316,788**	–
Goodwill		**98,995**	–
Other intangible assets		**34,257**	–
Equity investments designated at fair value through other comprehensive income		**374,672**	416,814
Long term prepayments		**134,213**	230,981
Deferred tax assets		**6,444**	4,553
Restricted cash		**8,922**	6,565
Total non-current assets		**9,718,450**	9,153,872
Current assets			
Completed properties held for sale		**1,734,021**	2,009,041
Properties under development		**497,524**	913,669
Inventories		**27,700**	22,842
Trade receivables	*10*	**29,375**	21,501
Prepayments, other receivables and other assets		**701,005**	403,579
Amounts due from related companies		**1,060,275**	24,541
Financial assets at fair value through profit or loss		**650**	42,093
Restricted cash		**14,271**	69,850
Cash and cash equivalents		**408,493**	548,907
Investment properties classified as held for sale		**316,960**	21,693
Total current assets		**4,790,274**	4,077,716
Current liabilities			
Trade payables	*11*	**643,029**	690,793
Other payables and accruals		**212,871**	184,946
Contract liabilities		**476,063**	1,123,792
Amounts due to related companies		**711,707**	986,909
Interest-bearing bank and other borrowings		**351,860**	922,460
Lease liabilities		**24,297**	–
Tax payable		**597,102**	426,644
Total current liabilities		**3,016,929**	4,335,544
Net current assets/(liabilities)		**1,773,345**	(257,828)
Total assets less current liabilities		**11,491,795**	8,896,044

	2019	2018
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing bank and other borrowings	**4,104,245**	2,045,625
Deferred tax liabilities	**937,915**	952,376
Lease liabilities	**308,100**	–
Total non-current liabilities	**5,350,260**	2,998,001
Net assets	**6,141,535**	5,898,043
Equity		
Equity attributable to owners of the parent		
Share capital	**160,443**	144,850
Reserves	**5,623,608**	5,438,136
	5,784,051	5,582,986
Non-controlling interests	**357,484**	315,057
Total equity	**6,141,535**	5,898,043

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and Group information

China New City Commercial Development Limited (the "**Company**") is a limited liability company incorporated as an exempted company in the Cayman Islands on 2 July 2013 under the Companies Law (revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") were members of Zhong An Group Limited ("**Zhong An**") and its subsidiaries ("**Zhong An Group**"). Zhong An, the shares of which have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since November 2007, is the holding company of Zhong An Group.

The Group is principally engaged in commercial property development, leasing and hotel operations.

In the opinion of the Company's directors (the "**Directors**"), the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007.

The Company was separately listed on Stock Exchange with stock code "1321" on 10 July 2014 and raised capital amounting to HK$608 million from the market.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Application of new and revised IFRSs

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC – Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases – Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have significant impact on leases where the Group is the lessor

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

<u>New definition of a lease</u>

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

<u>As a lessee – Leases previously classified as operating leases</u>

Nature of the effect of adoption of IFRS 16
The Group has lease contracts for items of buildings. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. The Group has no lease assets that were recognised previously under finance leases and needed to be reclassified from property and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	279,579
Decrease in prepayments, other receivables and other assets	(6,401)
Increase in total assets	273,178
Liabilities	
Increase in total liabilities	273,178

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	381,274
Weighted average incremental borrowing rate as at 1 January 2019	4.60%
Discounted operating lease commitments at 1 January 2019	273,178
Lease liabilities as at 1 January 2019	**273,178**

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after 1 January 2022
[4] No mandatory effective date yet determined but available for adoption

3. Operating segment information

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

(a) the commercial property development segment develops and sells commercial properties in Mainland China;

(b) the property rental segment leases investment properties in Mainland China;

(c) the hotel operations segment owns and operates hotels; and

(d) the "others" segment comprises, principally, the Group's property management services business, which provides management and security services to commercial properties.

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 from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, non-lease related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from the measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2019	Commercial property development *RMB'000*	Property rental *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**1,534,552**	**175,412**	**141,270**	**104,619**	**1,955,853**
Intersegment sales	**–**	**41,330**	**–**	**2,240**	**43,570**
	1,534,552	**216,742**	**141,270**	**106,859**	**1,999,423**
Reconciliation:					
Elimination of intersegment sales					**(43,570)**
Revenue from operations					**1,955,853**
Segment results	**510,395**	**14,468**	**(69,333)**	**55,072**	**510,602**
Reconciliation:					
Interest income					**24,486**
Finance costs					**(154,960)**
Profit before tax					**380,128**
Segment assets	**5,097,245**	**5,708,493**	**2,328,661**	**1,602,179**	**14,736,578**
Reconciliation:					
Elimination of intersegment receivables					**(723,854)**
Corporate and other unallocated assets					**496,000**
Total assets					**14,508,724**
Segment liabilities	**1,134,309**	**51,730**	**730,812**	**1,183,070**	**3,099,921**
Reconciliation:					
Elimination of intersegment payables					**(723,855)**
Corporate and other unallocated liabilities					**5,991,123**
Total liabilities					**8,367,189**
Other segment information:					
Depreciation and amortisation	**5,013**	**1,819**	**52,419**	**61,001**	**120,252**
Capital expenditure	**457**	**–**	**21,927**	**88,851**	**111,235**

Year ended 31 December 2018	Commercial property development RMB'000	Property rental RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,578,447	160,369	111,328	74,475	1,924,619
Intersegment sales	–	35,952	–	1,722	37,674
	1,578,447	196,321	111,328	76,197	1,962,293
Reconciliation:					
Elimination of intersegment sales					(37,674)
Revenue from operations					1,924,619
Segment results	154,965	(29,623)	(51,693)	(107,844)	(34,195)
Reconciliation:					
Interest income					13,711
Finance costs					(110,330)
Loss before tax					(130,814)
Segment assets	4,780,196	5,565,032	2,107,184	760,815	13,213,227
Reconciliation:					
Elimination of intersegment receivables					(638,266)
Corporate and other unallocated assets					656,627
Total assets					13,231,588
Segment liabilities	1,875,708	126,107	257,391	1,365,501	3,624,707
Reconciliation:					
Elimination of intersegment payables					(638,266)
Corporate and other unallocated liabilities					4,347,104
Total liabilities					7,333,545
Other segment information:					
Depreciation	750	1,995	39,753	7,173	49,671
Capital expenditure	10,603	414	17,725	98,034	126,776

Geographical information

(a) *Revenue from external customers*

	Year ended December 31	
	2019	2018
	RMB'000	*RMB'000*
Mainland China	**1,945,910**	1,924,619
Others	**9,943**	–
	1,955,853	1,924,619

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

(b) *Non-current assets*

	As at December 31	
	2019	2018
	RMB'000	*RMB'000*
Mainland China	**9,067,875**	8,653,791
Japan	**91,057**	78,705
Others	**178,402**	9
	9,337,334	8,732,505

The non-current assets information above are based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

4. Revenue, other income and gains

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,780,441**	1,764,250
Revenue from other sources		
Gross rental income from investment property operating leases	**175,412**	160,369
	1,955,853	1,924,619

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2019

Segments	**Property development**	**Property management and other related services**	**Hotel operations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods or services				
Sale of properties	1,534,552	–	–	1,534,552
Hotel operating income	–	–	141,270	141,270
Property management fee income	–	104,619	–	104,619
Total revenue from contracts with customers	1,534,552	104,619	141,270	1,780,441
Timing of revenue recognition				
At a point in time	1,534,552	–	141,270	1,675,822
Over time	–	104,619	–	104,619
Total revenue from contracts with customers	1,534,552	104,619	141,270	1,780,441

Year ended 31 December 2018

Segments	Property development *RMB'000*	Property management and other related services *RMB'000*	Hotel operations *RMB'000*	Total *RMB'000*
Type of goods or services				
Sale of properties	1,578,447	–	–	1,578,447
Hotel operating income	–	–	111,328	111,328
Property management fee income	–	74,475	–	74,475
Total revenue from contracts with customers	1,578,447	74,475	111,328	1,764,250
Timing of revenue recognition				
At a point in time	1,578,447	–	111,328	1,689,775
Over time	–	74,475	–	74,475
Total revenue from contracts with customers	1,578,447	74,475	111,328	1,764,250

Revenue from sales of properties recognised which was included in contract liabilities at the beginning of the reporting period amounted to RMB862,687,000 (2018: RMB942,899,000).

	2019 ***RMB'000***	2018 *RMB'000*
Other income		
Subsidy income	**1,451**	1,879
Bank interest income	**24,486**	13,711
Others	**10,447**	3,315
	36,384	18,905
Gains		
Changes in fair value of financial assets at fair value through profit or loss	**31,625**	–
Gain on fair value re-measurement of existing equity in business combination not under common control	**451**	–
	32,076	–
	68,460	18,905

5. Finance costs

An analysis of the Group's finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**218,936**	198,985
Interest on lease liabilities	**15,034**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**233,970**	198,985
Less: Interest capitalised in properties under development	**(79,010)**	(88,655)
	154,960	110,330

6. Profit before tax

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

	2019	2018
	RMB'000	*RMB'000*
Cost of properties sold	**849,453**	1,330,618
Depreciation of property and equipment	**75,856**	49,671
Depreciation of right-of-use assets	**43,963**	–
Amortisation of other intangible assets	**433**	–
Minimum lease payments under operating leases	**–**	38,979
Lease payments not included in the measurement of lease liabilities	**22,358**	–
Auditors' remuneration	**1,600**	1,600
Staff costs including directors' and chief executive's remuneration:		
– Salaries and other staff costs	**114,317**	106,133
– Pension scheme contributions	**18,758**	16,983
Foreign exchange differences, net	**579**	3,495
Direct operating expenses (including repairs and maintenance arising on investment properties)	**4,818**	3,856
Loss on disposal of investment properties	**1,427**	29,554
Gains on fair value re-measurement of existing equity in business combination not under common control	**(451)**	–
Fair value (gains)/losses, net:		
Changes upon transfer to investment properties	**(50,642)**	25,030
Changes in fair value of investment properties	**36,742**	(22,223)
Changes in fair value of financial assets at fair value through profit or loss	**(31,625)**	1,514

7. Income tax expense

The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the year (2018: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2018: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

	2019	2018
	RMB'000	*RMB'000*
Current – PRC corporate income tax for the year	**131,076**	60,482
Current – PRC LAT for the year	**233,156**	161,392
Deferred	**(29,393)**	(130,691)
Total tax charge for the year	**334,839**	91,183

8. Earnings/(loss) per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share is based on the earnings for the year attributable to ordinary equity holders of the parent of RMB26,270,000 (2018: loss of RMB243,524,000) and the weighted average number of ordinary shares of 2,010,309,319 (2018: 1,839,783,242) in issue of shares during the year, as adjusted to reflect the shares issued during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 and 2018.

9. Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

10. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing and unsecured.

The Group assessed that there was no significant loss allowance recognised in accordance with the ECL model under IFRS 9 as at 31 December 2019 and 2018.

11. Trade payables

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the payment due dates, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within six months	**580,609**	602,405
Over six months but within one year	**44,130**	64,857
Over one year	**18,290**	23,531
	643,029	690,793

The trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

12. Commitments

The Group had the following commitments for property development expenditure at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**767,467**	480,529

13. Contingent liabilities

	2019	2018
	RMB'000	*RMB'000*
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**258,800**	332,636

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year of 2019 presented rather involved macroeconomic situation for property policies to evolve. In further response to the keynote of "housing is for living in, not for speculation", and to carry on the philosophy of implementing measures adjusted to the scale of cities, local governments have made tougher effort on market surveillance to curb housing speculation so that a reasonable demand for housing is to be met. Specifically, local governments restructured housing supply at supply side, promoted tenancy market in its full swing and launched houses with joint property rights and other affordable housing in a rewarding direction to an effective supply. Despite of less favorable market conditions, the Group managed to achieve still desirable results in contract sales with its unremitting effort against hardships and challenges. This fully embodied the Company's leading strategic vision, accurate investment layout as well as prudent and flexible operation strategy.

Outlook for 2020

Looking forward to 2020, the outbreak of COVID-19 will have a short-term impact on the Chinese economy. The revenue from the service industries such as catering, retail, transportation, and tourism declined significantly. As the global epidemic spreads, trade is affected and resulted in a weaker foreign demand. In order to achieve this year's economic goals, the Chinese government will adopt a more proactive monetary and fiscal policy to increase investment, promote consumption and stabilize foreign demand.

The COVID-19 will also have a short-term impact on sales, development, investment, and cash flow of the real estate industry. However, the financial policies concerning of the real estate industry will also remain stable, individual housing loan will increase steadily, and there is room for downward adjustments of mortgage rate. It is expected that market transactions throughout the year will stabilize following some moderation.

The outbreak will also have a certain impact on the Group, and the specific impact depends on the duration and development trend of the epidemic situation. We continue to strengthen cash flow management, speed up repayments and increase capital turnover rate. By optimizing the operation adjustment, we set to refine and strengthen the management of project timeline.

DEVELOPMENT OF MAJOR PROJECTS

Hangzhou, Zhejiang Province

Highlong Plaza

It is a large-scale integrated commercial complex located in Shanyin Road, Xiaoshan District, Hangzhou, comprising hotels, shopping malls and offices, and is the flagship project of the Company. The total site area of the project is 30,933 sq.m. and the total GFA thereof is 171,071 sq.m.. The project was completed in January 2009, and has been in good function to date.

International Office Center ("IOC")

IOC is a large-scale integrated commercial complex located in Qianjiang Century City（錢江世紀城）, Xiaoshan District, Hangzhou, comprising serviced apartments, shopping malls, hotels and offices. The total site area of Plot A3 is 92,610 sq.m. and total GFA is approximately 798,795 sq.m.. The project is in three phases, consists of Plots A1, A2 and A3. Among which, Plot A3 was completed in 2015, comprising serviced apartments, shops and underground car parking spaces with a total GFA of approximately 327,996 sq.m.. Plots A2 has commenced construction by the end of 2018 and its planned total GFA is approximately 263,555 sq.m..

Xixi New City

It is located in Jiangcun Unit, Xihu District, Hangzhou and is in proximity to Xixi Wetland. It is the only classic project integrating "Urban Prosperity" and "Ecological Tranquility" in Xixi. The total site area of the project is 39,703 sq.m. and total GFA is 83,391 sq.m.. The project commencing construction in 2017 is an integrated commercial complex comprising offices, serviced apartments and shops were delivered in 2019.

Xixi Manhattan

It is a commercial real estate project located in Yuhang District, Hangzhou, with GFA of 109,173 sq.m.. The project was open for sale in late August 2017 and part of the serviced apartments were delivered in 2018.

Chaoyang Yinzuo

It is the commercial portion of the Chaoyang community parcel, Xiaoshan District, Hangzhou with a total site area of 10,541 sq.m. and total GFA of 53,033 sq.m. The project mainly includes serviced apartments and shops, and pre-sale was commenced in 2016, and the serviced apartments were delivered in 2018.

Hangzhou Qiandao Lake Bright Resort Hotel

It is a hotel project located in the southwest of Qiandaohu Town（千島湖鎮）, Chunan County, Hangzhou, with total GFA of 46,691 sq.m.. The hotel is built adjacent to Thousand-Islet Lake Passengers Port which enjoys a beautiful lake view and natural habitat. This project was completed and commenced business in the first half of 2017.

Yuyao, Zhejiang Province

Zhong An Times Square

It is a large-scale integrated commercial project located in Yuyao, Zhejiang Province with estimated total GFA of 628,385 sq.m.. The development of project is completed by two phases, comprising hotels, shops, residences, serviced apartments, shopping malls and offices. The construction of phase II of this project was completed in 2016, and phase I was completed and delivered in 2018. All net economic benefits arising from the sale or pre-sale of the residential apartments in Phase II shall belong to a connected person (as defined under the Rules Governing the Listing of Securities ("**Listing Rules**") of the Group according to the Cooperation Agreement entered into between the Group (through its indirect non-wholly owned subsidiary) and such connected person on 16 March 2014. Details of the Cooperation Agreement were disclosed in the section headed "Continuing Connected Transaction" in the prospectus of the Company dated 17 June 2014.

Huaibei, Anhui Province

Huaibei Bright Hotel

It is a hotel project in Huaibei, Anhui province, with a site area of 60,768 sq.m. and total GFA of 67,061 sq.m.. This project has fully completed and commenced business by the end of 2017.

Xuzhou, Jiangsu Province

It is an integrated commercial complex located in the south of Xuzhou new district, Jiangsu Province with the site area of 154,802 sq.m. and total GFA of 562,371 sq.m.. The project is still under planning by the end of 2018 and the construction of Phase I of this project is expected to be completed in 2022.

Sales Review

For the year under review, the recognized sales of properties sold and delivered was approximately RMB1,534,552,000 (2018: approximately RMB1,578,447,000). The recognized GFA delivered of properties was approximately 58,666 sq.m.. In addition, the sales of investment properties of approximately RMB51,932,000 (2018: approximately RMB323,301,000) was not included in the sales of properties in accordance with International Accounting Standards.

	Sales of properties *(RMB million)*	**Proceeds from disposal of investment properties** *(RMB million)*
International Office Centre	240.2	9.7
Yuyao Zhong An Times Square Phase II	104.3	–
Highlong Plaza	–	42.2
Yuyao Zhong An Times Square Phase I	54.2	–
Chaoyang Yinzuo	44.9	–
Xixi Manhattan	188.9	–
Xixi New City	902.1	–
	1,534.6	51.9

2019 Contracted Sales

For the year under review, the contracted sales area of the Group was approximately 46,069 sq.m. (2018: approximately 71,906 sq.m.) and contracted sales revenue was approximately RMB1,040,700,000 (2018: approximately RMB1,670,300,000). Details of the contracted sales of the major projects are as below:

	Contracted sales area *(sq.m.)*	**Contracted sales revenue** *(RMB million)*
Jia Run Mansion	14,998	568.1
Yuyao Zhong An Times Square Phase I	7,557	57.1
Yuyao Zhong An Times Square Phase II	10,166	118.3
Chaoyang Yinzuo	1,897	47.5
Binhai Commercial Plaza	4,999	62.8
Xixi Manhattan	1,666	54.6
Xixi New City	2,097	90.9
Others	2,689	41.4
Total	46,069	1,040.7

Hotel Operation

There are four hotels of the Group that are currently under operation, being Holiday Inn Hangzhou Xiaoshan, Hangzhou Qiandao Lake Bright Resort Hotel, Ningbo Bright Hotel and Huaibei Bright Hotel. The hotel operation of the Group recorded a revenue of approximately RMB141,270,000 (2018: approximately RMB111,328,000), representing an increase of approximately 27%, during the year under review and the hotel occupancy rate was approximately 51% (2018: approximately 58%).

Leasing Business

The current leasing income of the Group mainly comes from Highlong Plaza, IOC and Yuyao Zhong An Times Square in operation, including office and shopping malls. The total revenue from leasing business for the year under review was approximately RMB175,412,000, representing an increase of approximately 9% from approximately RMB160,369,000 recorded in the year of 2018. The average occupancy rate of leasing properties (calculated by dividing total lease area by total area available for lease) was approximately 93% (2018: approximately 96%).

Land Reserve

As of 31 December 2019, the total GFA of land reserves held for development and/or sale of the Group was approximately 3,060,000 sq.m..

FINANCIAL ANALYSIS

Revenue

The Group recorded consolidated revenue of approximately RMB1,955,853,000 (2018: approximately RMB1,924,619,000) for the year under review, representing a slight increase of 1.6%.

Revenue from the property sales amounted approximately RMB1,534,552,000 (2018: approximately RMB1,578,447,000), representing a slight decrease of 2.8%. The investment property sales of approximately RMB51,932,000 were not included in the Group's revenue and gross profit in accordance with international accounting standards for the year under review.

The revenue from property rental amounted to approximately RMB175,412,000 (2018: approximately RMB160,369,000), representing an increase of 9.4%. The hotel operation recorded a revenue of approximately RMB141,270,000 (2018: approximately RMB111,328,000), representing an increase of 26.9%. Such an increase was due to the continuing improvement of revenue brought by the operations of Qiandao Lake Bright Resort Hotel and Huabei Bright Hotel.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year under review amounted to approximately RMB778,236,000 (2018: approximately RMB340,491,000), representing an increase of 128.6%. Gross profit margin was 39.8% (2018: 17.7%), increased by 22.1 percentage points. The significant increase in gross profit margin was mainly due to the increase in revenue generated from the core commercial property development projects with high profit-margin, hence gross profit increased substantially for the year under review. Moreover, the revenue and gross profit of the hotel segment of the Group had a continuing improvement.

Other Income and Gains

For the year under review, other income and gains amounted to approximately RMB68,460,000 (2018: approximately RMB18,905,000), representing a significant increase of 262.1%. This was mainly due to an increase in bank interest income and fair value of financial assets at fair value through profit or loss.

Selling and Distribution Costs

For the year under review, selling and distribution expenses amounted to approximately RMB137,603,000 (2018: approximately RMB138,519,000), representing a slight decrease of 0.7%. These expenses were incurred in sales commission, advertising and promotional expenses of the investment property sold during the year under review.

Administrative Expenses

For the year under review, administrative expenses amounted to approximately RMB184,836,000 (2018: approximately RMB198,455,000), representing a decrease of 6.9%. Such decrease was principally due to exclusion of one-off professional fees incurred in 2018.

Other Expenses and Losses

For the year under review, other expenses and losses amounted to approximately RMB3,069,000 (2018: approximately RMB40,099,000), representing a drop of 92.3%. The drop was mainly due to exclusion of loss on disposal of investment properties incurred in 2018.

Finance Costs

For the year under review, finance costs was approximately RMB154,960,000 (2018: approximately RMB110,330,000), representing an increase of 40.5%. The increase was mainly due to an increase in interest on bank borrowing and lease liabilities.

Profit for the Year

For the year under review, the profit of the Group amounted to approximately RMB45,289,000 (2018: loss of approximately RMB221,997,000).The turnaround from loss to profit for the year under review was mainly due to higher gross profit margin generated from Xixi New City and Xixi Manhattan and fair value gain upon transfer to investment properties.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Acquisition of Further interest in Maggie and Rose

On 27 May 2019, Zhong An Education (a wholly-owned subsidiary of the Group and an indirect non-wholly owned subsidiary of Zhong An Group Limited ("Zhong An")) entered into the share purchase agreement with eight several individual sellers to acquire approximately 31.56% of the equity interest of Maggie and Rose Limited for the consideration of GBP8,840,090 (equivalent to approximately HK$90,800,000).

For each of Zhong An and the Group, as the highest of the applicable percentage ratios in respect of the acquisition (whether on a stand-alone basis or when aggregating with the existing effective shareholding of approximately 14.96% in Maggie and Rose Limited held by the Group acquired in 2018) calculated under Rule 14.07 of the Listing Rules exceeds 5% but was less than 25%, the acquisition constituted a disclosable transaction for each of Zhong An and the Group and was subject to the reporting and announcement requirements but was exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Upon completion of the acquisition on 6 September 2019, Maggie and Rose Limited has been consolidated into the financial statements of the Zhong An and the Group and treated as a non-wholly owned subsidiary of Zhong An and the Group. For the details of the acquisition, please refer to the Company announcement dated 28 May 2019.

Acquisition of Further Equity Interest in Zhejiang Xinnongdou

Reference is made to the joint announcements of Zhong An Group Limited and the Company dated 21 August 2017 and 29 August 2017 in relation to Zhejiang Zhongan Shenglong Commercial Company Limited ("Zhong An Shenglong") (an indirect non-wholly owned subsidiary of the Company) acquiring 19.85% of the entire equity interests in Zhejiang Xinnongdou Industrial Company Limited ("Zhejiang Xinnongdou") from Hangzhou Oriental Culture Tourism Group Company Limited ("Hangzhou Oriental"); and the joint announcement of Zhong An and the Company dated 20 July 2018 and the circular of each of Zhong An and the Company both dated 30 November 2018 in relation to Zhong An Shenglong further acquiring 22.65% of the entire equity interest in Zhejiang Xinnongdou from Hangzhou Oriental.

On 7 January 2019, Zhong An Shenglong completed the acquisition of 22.65% equity interests in Zhejiang Xinnongdou from Hangzhou Oriental at the consideration which was satisfied by the issue of 178,280,000 consideration shares by the Company. However, Hangzhou Oriental had filed a lawsuit against the Company to cancel the transaction. As at the date of this annual results announcement, the lawsuit has not reached court decision. The Board considers there is uncertainty in the lawsuit.

Save as disclosed above, during the year under review, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position and Fund Available

As at 31 December 2019, the total cash and bank balances of the Group were approximately RMB431,686,000 (2018: approximately RMB625,322,000), comprising cash and cash equivalents of approximately RMB408,493,000 (2018: approximately RMB548,907,000) and restricted cash of approximately RMB23,193,000 (2018: approximately RMB76,415,000).

As at 31 December 2019, the Group's total available financial resources amounted to approximately RMB12,249,955,000 being the undrawn borrowing facilities of approximately RMB7,793,850,000 and the borrowings of approximately RMB4,456,105,000.

Borrowings

As at 31 December 2019, the Group's bank and other borrowings amounted to approximately RMB4,456,105,000 (2018: approximately RMB2,968,085,000), comprising bank loans of approximately RMB3,646,105,000 (2018: approximately RMB2,158,085,000) and other loans of approximately RMB810,000,000 (2018: approximately RMB810,000,000).

The maturity profile of borrowings were as follows:

	As at 31 December 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Within 1 year or on demand	**351,860**	922,460
Over 1 year but within 2 years	**948,298**	320,500
Over 2 years but within 5 years	**2,065,642**	1,565,000
Over 5 years	**1,090,305**	160,125
	4,456,105	2,968,085

For bank and other borrowings, except for certain short term bank and other borrowings amounting to approximately RMB2,390,000,000 (2018: approximately RMB1,010,000,000) that bear interest at fixed rates, all bank loans bear interest at floating rates. The Group's bank and other borrowings bear effective interest at rates ranging from 5.15% to 10% per annum as at 31 December 2019 (2018: 0.9% to 8.2%). The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

Pledge of Assets

As at 31 December 2019, the Group's bank and other borrowings of approximately RMB4,456,105,000 (2018: approximately RMB2,968,085,000) were secured by the Group's pledge of assets as follows:

	As at 31 December 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Investment properties	**1,317,502**	1,238,247
Properties under development	**124,462**	753,053
Completed properties held for sale	**824,359**	1,524,606
Property and equipment	**624,560**	498,179
Restricted cash	**13,974**	5,033
	2,904,857	4,019,118

Net Current Assets and Current Ratio

As at 31 December 2019, the Group's net current assets amounted to approximately RMB1,773,345,000 (2018: net current liabilities of approximately RMB257,828,000). As at 31 December 2019, the Group's current ratio, calculated as current assets divided by current liabilities, was approximately 1.59 (2018: 0.94).

Gearing Ratio

As at 31 December 2019, the Group's gearing ratio (as measured by net debt to total equity) was 66% (2018: 40%). Net debt is calculated as total interest-bearing borrowings less cash, cash equivalents and restricted cash.

Cost of Borrowings

For the year under review, the total cost of borrowings of the Group was approximately RMB218,936,000 (2018: approximately RMB198,985,000). In addition, for the year under review, interests with an amount of approximately RMB79,010,000 (2018: approximately RMB88,655,000) were capitalized. The decrease was mainly attributable to the increase in funds recovered from projects, which represented less time of borrowings of the Group.

TREASURY POLICIES

The Group principally operates in PRC and the revenue, operating cost and borrowings were mainly denominated in RMB. As a result, the Group has minimal exposure to exchange rate fluctuation. The interest rates for the Group's borrowings were floating and fixed. Upward fluctuations in interest rates will increase the cost of borrowings.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in RMB. The Group does not use any financial instruments for hedging purpose for the year under review.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group's contingent liabilities was approximately RMB258,800,000 (2018: approximately RMB332,636,000), which were mainly the guarantees provided by the Group in favour of certain banks for the grant of mortgage loans to purchasers of the Group's properties.

COMMITMENTS

As at 31 December 2019, the Group's commitments for property development expenditures amounted to approximately RMB767,467,000 (2018: approximately RMB480,259,000). It is expected that the Group will finance such commitments from its own funds and bank loans.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 1,763 staffs (2018: 1,399). For the year under review, the staff costs of the Group was approximately RMB133,076,000 (2018: approximately RMB123,116,000).

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain and enhance their competitiveness.

STRATEGIES

The management has developed sound strategies to overcome the above mentioned challenges and address the uncertainties faced by the Group, including formulating effective marketing strategy plan and improving our products and services quality to consolidate our brand. The Group will put more effort in formulating new policies, guidelines, systems and processes to facilitate effectively cost management, risk management, internal control and sustainable environmental management to enhance company management standards and corporate governance standards. For growth strategy, the Group will focus on identifying possible acquisitions with future development prospects and profitability to improve the returns on assets. The Group will further emphasize on investor relations management, and continue to convey clearly the operation vision, business updates and future development strategies of the Group and other information to various stakeholders through press conferences, roadshows, media delegation visits and one-on-one analyst or investor interview and otherwise to strive for the recognition and support from various stakeholders and obtain more resources for business development and maximize shareholders' value.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees, customers and suppliers are the key stakeholders who affected the sustainability of our business. Engaging with those stakeholders will not only help us understand the possible risks and opportunities to our business, but also help us to mitigate risk and seize the opportunities in the real market situation.

The Group believes that our people are critical factors to the Group's success and competitiveness in the market. As such, we had adopted a share option scheme on 20 May 2015 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

Customer satisfaction with our services and products has profound effects on our profitability. Our dedicated sales team constantly communicates with our customers and potential customers to uncover and create customer needs and help customers make informed decisions. To grasp the market trend is critical for the Group to timely adjust our operating strategies to fit the market requirement.

ENVIRONMENT POLICIES AND PERFORMANCE

As a responsible corporation, the Group is committed to protecting the environment in the areas where we operate and ensuring that environmental standards set by the government are consistently met.

We have closely monitored our projects at different stages to ensure that construction process is in compliance with laws and regulations related to environment protection and safety. The Group endeavors to manage its project operations by working with suppliers and contractors to ensure that they understand the importance of environmental protection, pollution prevention and waste reduction. We also encourage all our employees to be more environmentally conscious.

EVENTS AFTER THE YEAR UNDER REVIEW

On 13 February 2020, the Company granted share options to the employees of the Company or other eligible participants (the "**Grantees**") to subscribe for an aggregate of up to 173,800,000 ordinary shares of HK$0.10 each in the share capital of the Company under the share option scheme adopted by the Company on 20 May 2015 at an exercise price per share of HK$0.998. The validity period of the share options is from 13 February 2020 to 12 February 2022, both dates inclusive. None of the Grantees is a Director, chief executive or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

ANNUAL GENERAL MEETING

The annual general meeting (the “**AGM**”) of the Company will be held on Thursday, 11 June 2020. Notice of the AGM will be published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk), and will be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company (comprising all the independent non-executive Directors) had reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019, and reviewed with the management of the Group regarding the accounting standards and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code for the year under review and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules ("**CG Code**"). The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the year under review and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2019 containing the relevant information required under the Listing Rules will be dispatched to the Company's shareholders and will be published on the above websites in due course.

CLOSURE OF REGISTER OF MEMBERS

For determination of the entitlement to attend and vote at the AGM, the transfer books and register of members will be closed from Monday, 8 June 2020 to Thursday, 11 June 2020 (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 5 June 2020.

By order of the Board of
China New City Commercial Development Limited
中國新城市商業發展有限公司
Shi Kancheng
Chairperson

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises Mr. Dong Shuixiao, Ms. Jin Ni and Ms. Tang Yiyan as executive Directors; Mr. Shi Kancheng as non-executive Director; and Mr. Ng Sze Yuen Terry, Mr. Xu Chengfa and Mr. Yim Chun Leung as independent non-executive Directors.