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萬 城 控 股 有 限 公 司

MILLION CITIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liabilities)

(Stock Code: 2892)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change	
	2018	2017		
	RMB'million	*RMB'million*	*RMB'million*	*%*
Revenue	**567.8**	973.1	−405.3	−41.7%
Gross profit	**262.8**	205.4	57.4	+27.9%
Gross profit margin	**46.3%**	21.1%	N/A	+25.2 p.p.
Profit attributable to the equity shareholders of the Company	**33.4**	38.6	−5.2	−13.5%
Adjusted net profit *(Note)*	**52.1**	39.6	+12.5	+31.6%
Adjusted net profit margin	**9.2%**	4.1%	N/A	+5.1 p.p.
Earnings per share — Basic and diluted *(RMB cents)*	**5.87**	6.86	−0.99	−14.4%
Proposed final dividend per share *(RMB cents)*	**—**	—	N/A	N/A

Note: Adjusted net profit is derived from profit attributable to the equity shareholders of the Company excluding listing expenses which are considered to be non-recurring in nature.

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 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**567,827**	973,093
Cost of sales		**(305,001)**	(767,680)
Gross profit		**262,826**	205,413
Valuation gains on investment properties		**4,495**	1,670
Other net income	*4*	**8,382**	1,842
Selling expenses		**(9,391)**	(21,379)
Administrative expenses		**(67,473)**	(38,904)
Other expenses		**(1,064)**	(6,702)
Profit from operations		**197,775**	141,940
Finance costs	*5*	**(5,166)**	(219)
Share of profits less losses of associates		**(2,506)**	(252)
Share of profits less losses of joint ventures		**(1,809)**	(82)
Profit before taxation		**188,294**	141,387
Income tax	*6*	**(110,475)**	(64,610)
Profit for the year		**77,819**	76,777
Attributable to:			
Equity shareholders of the Company		**33,375**	38,592
Non-controlling interests		**44,444**	38,185
Profit for the year		**77,819**	76,777
Basic and diluted earnings per share *(RMB cents)*	*7*	**5.87**	6.86

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

(Expressed in Renminbi)

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**77,819**	76,777
Other comprehensive income for the year (after reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
The share of other comprehensive income of associates and joint ventures accounted for using the equity method	**(3,032)**	2,756
Exchange differences on translation of financial statements of Hong Kong and overseas subsidiaries	**(34,866)**	44,253
Other comprehensive income for the year, net of nil tax	**(37,898)**	47,009
Total comprehensive income for the year	**39,921**	123,786
Attributable to:		
Equity shareholders of the Company	**5,745**	70,668
Non-controlling interests	**34,176**	53,118
Total comprehensive income for the year	**39,921**	123,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

(Expressed in Renminbi)

	Note	**2018**	2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**58,898**	61,582
Investment properties		**19,420**	29,880
Interest in associates		**104,576**	87,078
Interest in joint ventures		**63,997**	43,956
Deferred tax assets		**1,087**	1,352
		247,978	223,848
Current assets			
Inventories and other contract costs		**1,688,275**	1,267,255
Trade and other receivables	*9*	**175,925**	214,677
Other financial assets		**—**	40,000
Pledged and restricted deposits		**487,013**	27,519
Cash and cash equivalents		**1,106,426**	94,172
Prepaid tax		**70,382**	16,919
		3,528,021	1,660,542
Non-current assets held for sale		**4,224**	—
		3,532,245	1,660,542
Total assets		**3,780,223**	1,884,390
Current liabilities			
Bank loans	*10*	**548,414**	299,317
Contract liabilities	*11*	**1,494,172**	71,281
Trade and other payables	*12*	**664,928**	1,183,671
Tax payable		**63,701**	56,029
		2,771,215	1,610,298
Net current assets		**761,030**	50,244
Total assets less current liabilities		**1,009,008**	274,092

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Other payables	*12*	**71,253**	—
Deferred tax liabilities		**31,456**	6,157
		102,709	6,157
NET ASSETS		**906,299**	267,935
CAPITAL AND RESERVES			
Share capital	*13*	**6,605**	22,385
Reserves		**787,748**	155,380
Total equity attributable to equity shareholders of the Company		**794,353**	177,765
Non-controlling interests		**111,946**	90,170
TOTAL EQUITY		**906,299**	267,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 November 2016 under the laws of the Cayman Islands as an exempted company with limited liability. 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 and has not carried on any business since the date of its incorporation. The core business activities of the Group include property sales and development (the "Listing Business") in the People's Republic of China (the "PRC").

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

During the years ended 31 December 2018 and 2017, the Listing Business was conducted through various domestic companies established in the PRC (the "PRC Operating Entities"), all of which are under the control of Wong Ting Chung, Wong Ting Kau, Wong Ting Chun, Wong Wai Wing, Raymond, Wong Wai Ling, Lau Ka Keung and Wong Wai Yue (together referred to as "Wong Ting Chung and his family"). To rationalise the corporate structure in preparation of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation"). Upon completion of the Reorganisation on 28 June 2018, the Company became the holding company of the Group. As the Reorganisation primarily involved inserting a newly formed entity with no substantive operations as the new holding company between Wong Ting Chung and his family and the PRC Operating Entities, there has been no change in the ultimate control and there were no substantive changes in the business and operations of the companies now comprising the Group. As the control is not transitory and, consequently, there was a continuation of risks and benefits to Wong Ting Chung and his family, the financial statements have been prepared and presented using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are consolidated using the book values from perspective of Wong Ting Chung and his family.

The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2018 and 2017 include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the years ended 31 December 2018 and 2017. The consolidated statements of financial position of the Group as at 31 December 2018 and 2017 have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates. Intra-group balances and transactions are eliminated in full in preparing the financial statements.

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 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 2018.

The Group has early adopted HKFRS 9, *Financial instruments* and HKFRS15, *Revenue from contracts with customers*, which are effective for the accounting period beginning on or after 1 January 2018, consistently throughout the years ended 31 December 2018 and 2017.

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

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell, while investment properties, even if held for sale, would continue to be measured 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) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

The new standards, amendments to standards and interpretations relevant to the Group which have been issued, but are not effective for the year ended 31 December 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019
Amendment to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term interest in associates and joint ventures	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Annual improvements to HKFRSs	Annual improvements to HKFRS 2015–2017 cycle	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined by HKICPA at a future date

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact to the consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of properties:		
— Recognised at a point in time	**243,010**	938,134
— Recognised over time	**321,082**	30,922
	564,092	969,056
Gross rentals from properties	**3,735**	4,037
	567,827	973,093

For the year ended 31 December 2018, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue (2017: 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 on 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 and interests in associates and joint ventures ("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 interests in associates and joint ventures.

	Revenues from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Huizhou	**476,148**	96,141	**108,463**	100,319
Tianjin	**91,679**	876,952	**33,516**	34,671
Zhumadian	**—**	—	**104,576**	86,754
Others	**—**	—	**336**	752
	567,827	973,093	**246,891**	222,496

4. OTHER NET INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income	**2,618**	1,343
Net gain on disposals of other financial assets	**26**	178
Net gain on disposals of investment properties	**5,450**	—
Net loss on disposal of property, plant and equipment	**(9)**	(59)
Net exchange gain/(loss)	**29**	(91)
Others	**268**	471
	8,382	1,842

5. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**20,430**	5,128
Accrued interest on significant financing component of contract liabilities	**14,175**	20,148
Others	**1,701**	—
	36,306	25,276
Less: Interest expenses capitalised into inventories*	**(31,140)**	(25,057)
	5,166	219

* The borrowing costs have been capitalised at a rate of 5.23%–6.18% per annum during the year ended 31 December 2018 (2017: 5.23%–5.70%).

6. INCOME TAX

Taxation in the consolidated statements of profit or loss represents:

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for Corporate Income Tax ("CIT")	**13,733**	26,487
Provision for Land Appreciation Tax ("LAT")	**71,178**	32,930
	84,911	59,417
Deferred tax		
Origination and reversal of temporary differences	**25,564**	5,193
	110,475	64,610

(i) CIT and Hong Kong profits tax

The provision for CIT is based on the estimated taxable income at the rates applicable to each subsidiary in the Group. The income tax rate applicable to the principal subsidiaries in the PRC is 25% during the year ended 31 December 2018 (2017: 25%).

No provision for Hong Kong profits tax was recognised for the year ended 31 December 2018 (2017: nil) as the subsidiaries in Hong Kong did not have any assessable profits for the year ended 31 December 2018.

(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 BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

7. 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 RMB33,375,000 (2017: RMB38,592,000) and the weighted average number of issued ordinary shares of 568,664,000 (2017: 562,500,000 shares) during the year ended 31 December 2018, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
	'000 shares	*'000 shares*
Issued ordinary shares at 1 January	**—**	—
Effect of capitalisation of shareholders' loans and capitalisation issue	**562,500**	562,500
Effect of shares issued upon initial public offering ("IPO")	**6,164**	—
Weighted average number of ordinary shares at 31 December	**568,664**	562,500

The weighted average number of shares in issue in 2018 and 2017 were based on the assumption that the 562,500,000 shares were issued before the listing of shares on the Stock Exchange, as if such shares had been outstanding throughout the years 2018 and 2017.

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2018 and 2017 were the same as the basic earnings per share as there were no potentially dilutive ordinary shares in existence during the years ended 31 December 2018 and 2017.

8. DIVIDENDS

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

On 26 March 2019, the Board resolved not to recommend a final dividend for the year ended 31 December 2018 (2017: Nil).

In respect of the deemed distribution to shareholders by the subsidiary of the Group, please refer to note 12(c).

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade debtors (note (a))		
— Sales of properties	**95**	5,969
— Gross rentals from operating lease	**323**	333
	418	6,302
Amounts due from related parties *(note (b))*	**—**	111,684
Other debtors	**7,449**	1,269
Financial assets measured at amortised cost	**7,867**	119,255
Deposits *(note (c))*	**11,562**	9,168
Prepayments *(note (d))*	**156,496**	86,254
	175,925	214,677

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

(a) Ageing analysis

As at the end of the years ended 31 December 2018 and 2017, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date the trade debtors recognised and net of allowance for doubtful debts, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**53**	5,887
1 to 3 months	**90**	90
3 to 6 months	**135**	135
Over 6 months	**140**	190
	418	6,302

As of 31 December 2018, no trade debtors were past due (2017: nil). Based on experience, management believes that no impairment allowance is necessary in respect of the trade debtors as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) The amounts due from related parties were interest-free, unsecured and recoverable during the year.

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

(d) At 31 December 2018, the balance mainly includes prepayments for properties development of RMB151,527,000 (2017: RMB56,756,000), and prepayments for VAT and surcharges with an aggregated amount of RMB4,968,000 (2017: RMB29,219,000).

10. BANK LOANS

	2018	2017
	RMB'000	*RMB'000*
— Secured	**460,794**	299,317
— Unsecured	**87,620**	—
	548,414	299,317

The secured bank loans are secured by assets below:

	2018	2017
	RMB'000	*RMB'000*
Inventories	**600,220**	163,078

At 31 December 2018, the secured bank loan of RMB96,316,000 (2017: RMB299,317,000) was guaranteed by related parties.

At 31 December 2018, the bank loans were interest-bearing at 110% and 130% of the benchmarked loan interest rate published by the People's Bank of China ("RMB Loan Benchmark Rate") or at Hong Kong Inter Bank Offered Rate ("HIBOR") plus 4% per annum.

At 31 December 2017, the bank loans were interest-bearing at 110% of the RMB Loan Benchmark Rate.

At 31 December 2018, bank loans were repayable as follows according to the repayment schedules as set out in the loan agreements:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**288,762**	80,700
After 1 year but within 2 years	**154,775**	188,300
After 2 years but within 5 years	**104,877**	30,317
	548,414	299,317

Notwithstanding the specified repayment schedules as stated in the facilities letters which allow the loans to be repaid over a period of more than one year, banking facilities granted to the Group include a clause that gives the bank an unconditional rights to call the bank loans at any time ("repayment on demand clause"). The secured bank loans subject to the repayment on demand clause amounted to RMB460,794,000 as at 31 December 2018 (2017: RMB299,317,000) were classified as current liabilities in the consolidated statement of financial position.

11. CONTRACT LIABILITIES

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

	2018	2017
	RMB'000	*RMB'000*
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	**95**	5,969
Contract liabilities — Receipt in advance from property sales	**1,494,172**	71,281

(b) **Movements in contract liabilities**

	2018	2017
	RMB'000	*RMB'000*
Balance at 1 January	**71,281**	730,339
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	**(71,281)**	(704,580)
Increase in contract liabilities as a result of receipt in advance from property sales during the year in respect of properties still under construction as at 31 December	**1,479,997**	45,522
Increase in contract liabilities as a result of accruing interest expense on receipt in advance	**14,175**	—
Balance at 31 December	**1,494,172**	71,281

12. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Current portion:		
Trade creditors *(note (a))*	**174,936**	74,552
Interest payables	**1,993**	—
Other payables and accruals	**136,155**	150,989
Amounts due to related parties *(note (b))*	**349,162**	958,130
Financial liabilities measured at amortised cost	**662,246**	1,183,671
Financial guarantee issued	**2,682**	—
	664,928	1,183,671
Non-current portion:		
Amounts due to related parties *(note (c))*	**67,145**	—
Financial guarantee issued	**4,108**	—
	71,253	—
	736,181	1,183,671

Notes:

(a) Ageing analysis of trade creditors included in trade and other payables as at 31 December 2018, based on the date of the trade payables recognised:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**157,633**	70,572
3 to 6 months	**148**	307
6 to 12 months	**98**	901
Over 12 months	**17,057**	2,772
	174,936	74,552

(b) Current portion of the amounts due to related parties are interest-free, unsecured and repayable on demand.

(c) Pursuant to the capital injection agreement between Huizhou Yuefu Real Estate Co., Ltd ("Huizhou Yuefu") and its shareholders signed on 25 June 2018 (the "Agreement"), an amount of RMB65,443,000, representing the sum of the retained profits as at 31 May 2018 and the estimated unrealised gain arising from the unsold inventories as at 31 May 2018, should be distributed to the original shareholders at their original equity interest in Huizhou Yuefu before the capital injection. The balance is initially recognised at fair value and subsequently stated at amortised cost. The balance is unsecured and expected to be settled upon disposal of the relevant inventories.

13. SHARE CAPITAL

The share capital in the Group's consolidated financial statements as at 1 January 2017 and 31 December 2017, 1 January 2018 represented the aggregate amount of the paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries. After the Reorganisation, the share capital as at 31 December 2018 represented the share capital of the Company. The authorised and issued share capital of the Company are set out below:

	No. of shares	*Amount in HKD*
Authorised shares of the Company:		
Ordinary share of HKD0.01 each		
At 1 January 2017, 31 December 2017 and 1 January 2018	1,000,000	10,000
Increase in authorised share capital	1,999,000,000	19,990,000
At 31 December 2018	2,000,000,000	20,000,000

	No. of shares	*Amount in HKD*	*Amount in RMB*
Ordinary shares, issued and fully paid:			
As at 1 January 2017, 31 December 2017 and 1 January 2018	1	—	—
Issuance of share	1	—	—
Capitalisation of shareholders' loans *(note (i))*	9,998	100	88
Capitalisation issue *(note (ii))*	562,490,000	5,624,900	4,953,849
Shares issued upon IPO *(note (iii))*	187,500,000	1,875,000	1,651,313
As at 31 December 2018	750,000,000	7,500,000	6,605,250

Notes:

(i) Pursuant to a written resolution of the Company's sole shareholder passed on 26 November 2018, the shareholders' loans of HKD543,501,000 (equivalent to approximately RMB478,662,000) were capitalised into 9,998 new shares of the Company. Accordingly, the total number of shares of the Company increased from 2 to 10,000 on 20 December 2018.

(ii) Pursuant to a written resolution of the Company's sole shareholder passed on 26 November 2018, the Directors authorised to allot and issue a total of 562,490,000 shares, by way of capitalising the share premium of HKD5,624,900 (equivalent to approximately RMB4,954,000). The capitalisation issue was completed upon listing (i.e. 20 December 2018). Accordingly, the total number of shares of the Company further increased to 562,500,000 on 20 December 2018.

(iii) On 20 December 2018, the Company completed its IPO by issuing 187,500,000 ordinary shares with par value of HKD 0.01 each at a price of HKD1.20 per share. Since then, the Company's shares have been listed on the Stock Exchange.

The total gross proceeds from the IPO amounted to approximately HKD225,000,000 (equivalent to approximately RMB198,160,000), among which HKD1,875,000 (equivalent to approximately RMB1,651,000) was credited to share capital and HKD223,125,000 (equivalent to approximately RMB196,509,000) was credited to share premium, net of share issuance expenses of HKD10,859,000 (equivalent to approximately RMB9,564,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The global economy was facing different challenges created by Brexit and trade tension between the PRC and the United States during 2018. After several years of financial tightening in an attempt to bring the interest rate level back to normal, global central banks started to send signals to market that, amid the weakening economy, the plan to withdraw economic stimulus and increase interest rate may be put on hold. The European Central Bank indicated that it will continue to keep interest rates at record lows in 2019. The Federal Reserve of the United States forecasted that it will put further rate hikes on hold, and is likely to pause the unwinding of its balance sheet and stop trimming the US$4 trillion portfolio of assets it built up a decade ago. The International Monetary Fund revised its forecast for the world economy, predicting it will grow at the slowest pace in three years in 2019, which is forecasted to be at 3.5 percent, beneath the 3.7 percent growth as expected in October 2018 and the growth rate of 2018.

In the PRC, the possibility of a deepening tension from the Sino-American trade war has cast a shadow over its economic prospect. Although the gross domestic product ("GDP") growth for 2018 remained at 6.6 percent, it has shown signs of gradual slow-down as the GDP growth in the fourth quarter has dropped to 6.4 percent from 6.5 percent in the previous quarter. Under such backdrop, the GDP growth target set out in Premier Li Keqiang's annual work report to the National People's Congress of the PRC was at a range from 6 to 6.5 percent for 2019, which would be the lowest in almost three decades.

In the PRC property market, new home prices are cooling down from the government's determination to stabilise the property price. New home prices began to cool down in August 2018, when price in smaller cities lost steam after a period of torrid gains. According to the data released by the National Bureau of Statistics of the PRC, across 70 cities monitored, new home prices moved up by 0.53 percent in February 2019, the slowest growth since April 2018, which was down from 0.61 percent in January 2019. The prices of new homes rose in 57 out of the 70 cities covered, down from 58 in January 2019 and 59 in December 2018. In particular, 35 third-tier cities saw a 0.4 percent increase in new home prices in January 2019, lower than the 0.6 percent increase in the month earlier and the 0.7 percent increase registered in the second-tier cities. In spite of the prevailing market sentiment, property market was under no less stringent control during 2018. Following the principle guideline laid down by the central government of the PRC that "housing is for living, not for speculation", measures such as restriction on property price, purchase and mortgage were still in place across the country. Despite market speculation on the potential loosening of the current controls in some smaller cities in the coming year, 2019 remained a year full of challenges for PRC property developers.

BUSINESS REVIEW

The Group is a property developer primarily focusing on residential property development in the Greater Bay Area and other regions in the PRC with growth potential. The Group has observed sustainable upward trend in the property market of the PRC due to local economic growth, rising disposable income and speeding up of the urbanisation process. The improved infrastructure connectivity among different cities of the PRC, particularly the continuous expansion of high speed railway network, will boost the economies of such areas, from property development, tourism to logistics, which will also encourage deeper intra-cities integration and bridge the gap in development levels between the cities. The expeditious economic development and urbanisation, as well as rising disposable income, have created strong demand for real estate investment, which contributes to further property price growth.

In recent years, an increasing number of property developers have entered into the property development market in the cities where the Group has gained foothold. This increased competition faced by the Group. On the other hand, the central government of the PRC and local governments have implemented different policies and restrictions to cool down the overheated property market. These have created challenges to the property developers in the PRC. Since the Group has (i) solid local market knowledge and experience in property development; (ii) a reputable brand name in the local markets; (iii) strategically owned land bank in Huizhou in the Greater Bay Area; and (iv) established foothold in locations in the PRC which it considers to have growth potential, the Directors believe that the Group will be able to tackle challenges effectively in the PRC property development industry.

The development projects of the Group, namely Million Cities Legend Phase 2 and Crown Grand Court, have commenced pre-sale in January and May 2018, respectively. Up to 31 December 2018, total GFA of approximately 109,000 square metres ("sq.m.") and 24,000 sq.m. were pre-sold (based on GFA of sales consent), respectively, representing approximately 95.6% and 76.5% of the total saleable GFA of such development projects respectively. Million Cities Tycoon Place Phase 4 and Dragon Palace Phase 1 which was held by an associate company of the Group, commenced pre-sale in September 2018. Up to 31 December 2018, total GFA of approximately 49,000 sq.m. and 40,000 sq.m. were pre-sold (based on GFA of sales consent), respectively, representing approximately 99.5% and 79.3% of the total saleable GFA of such development projects respectively.

FUTURE STRATEGIES AND PROSPECTS

The Directors believe that the outlook and development potential of Huizhou remains attractive as the central government of the PRC planned to develop the Greater Bay Area into a world class cluster and transform the PRC from the "World Factory" to a dynamic hub of innovation and services, upgrading the Greater Bay Area to the similar economic scale comparable to San Francisco Bay Area, Greater New York and Greater

Tokyo Area. With the upcoming infrastructure improvement in the Greater Bay Area, Huizhou will be the interchange hub of Ganshen high speed train line and Guangshen high speed train line by 2021. The opening of Guangzhou-Shenzhen Hong Kong Express Rail Link in 2018 has shortened the travelling time from Huizhou to Hong Kong to about 50 minutes. Upon completion of the infrastructure projects in the Greater Bay Area, cross-city travelling from Huizhou to other cities in the Greater Bay Area will be limited to approximately one hour. Within the one-hour living zone, it is expected that the surrounding cities which share the same border with Huizhou, including Guangzhou, Dongguan and Shenzhen, will become the direct catchment area of the real estate market of Huizhou. At the same time, Huizhou aimed at developing itself into a hub of innovation and technology and is positioned to be a high-tech conversion area. The development of the Tonghu Ecological Intelligent Zone which is expected to become the "Silicon Valley" in Guangdong is an example. According to the local government's plan, it is expected that the population of Tonghu Ecological Intelligent Zone will reach approximately 170,000 by the end of 2020, representing an increase of approximately four times as compared to the same in 2016, and an increase in GDP at a CAGR of approximately 19.4% from 2017 to 2030. For Huizhou, according to the local government's plan, the GDP is expected to increase at a CAGR of approximately 5.5% from 2017 to 2022, and the population is expected to increase at a CAGR of approximately 23.3% from 2017 to 2020.

In light of the Greater Bay Area development plan, upcoming infrastructure improvement, foreseeable population increase and economic growth, the Group considers that the outlook of the property market in the Greater Bay Area, including Huizhou, will be positive. With Huizhou being one of the focused cities of the Group and the Group's strong foothold in the city, such positive outlook of the property market in Huizhou will be beneficial to our Group and it is expected that there will be sufficient demand for the Group's future development projects in the relevant locations.

While the Greater Bay Area will continue as the Group's focused market, the Directors will also explore other regions with growth potentials to expand the Group's footprint and diversify the Group's geographical existence. With the global political and financial uncertainty overclouding the domestic economy, the Group will be cautious when making any land acquisition decisions. The Group will closely monitor property related government policies, market sentiment and demand to promptly respond to market changes with appropriate sales and development strategies in order to create reasonable return to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Our revenue mainly represented income from 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

During the year ended 31 December 2018, the Group launched pre-sale of four projects, namely Million Cities Legend Phase 2 (萬城名座二期), Crown Grand Court (皇冠豪苑), Million Cities Tycoon Place Phase 4 (萬城聚豪四期) and Dragon Palace Phase 1 (聚瓏灣一期). Total contracted sales (based on GPA of sales consent), including sales of properties by an associate of the Group, amounted to approximately RMB2,567.9 million, representing a GFA of approximately 227,300 sq.m. sold. The Group will continue to focus on the Greater Bay Area, with diversification to areas in the PRC with potential growth.

(ii) Land bank

As at 31 December 2018, the total GFA of the Group's land bank was about 2,100,000 sq.m., out of which about 105,000 sq.m. GFA was unsold or undelivered completed properties projects, about 914,000 sq.m. GFA was under construction and about 1,081,000 sq.m. GFA was reserved for future development.

(iii) Revenue

During the year ended 31 December 2018, the Group recorded revenue from sale of properties amounted to approximately RMB564.1 million, representing a decrease of approximately RMB405.0 million or 41.8%. The decrease in revenue was mainly due to a decrease in overall GFA recognised from approximately 127,000 sq.m. in 2017 to 53,000 sq.m. in 2018. Revenue recognised for the year ended 31 December 2018 was mainly contributed by Sunshine New Court Phase 1, Million Cities Legend Phase 2, Crown Grand Court and Million Cities Tycoon Place Phases 1, 2 and 4, while revenue recognised for the year ended 31 December 2017 was mainly attributable to Million Cities Tycoon Place Phase 1 and Phase 2.

The operating results for the year are dependent upon the GFA being recognised and the selling prices of the Group's properties. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in the PRC in general, as well as in the cities and regions in which the Group operates.

Rental income

Gross rental income from investment properties and inventories decreased from approximately RMB4.0 million for the year ended 31 December 2017 to approximately RMB3.7 million for the year ended 31 December 2018. The decrease in gross rental income was due to disposal of certain investment properties and inventories during the year ended 31 December 2018.

Cost of sales

Cost of sales decreased from approximately RMB767.7 million for the year ended 31 December 2017 to RMB305.0 million for the year ended 31 December 2018, representing a decrease of approximately RMB462.7 million or 60.3%. The decrease in cost of sales was mainly due to the decrease in GFA recognised for the year ended 31 December 2018.

Gross profit and gross profit margin

The gross profit increased from approximately RMB205.4 million for the year ended 31 December 2017 to approximately RMB262.8 million for the year ended 31 December 2018, representing an increase of approximately RMB57.4 million or 27.9%. The gross profit margin increased from approximately 21.1% for the year ended 31 December 2017 to approximately 46.3% for the year ended 31 December 2018. The increase in gross profit and gross profit margin was primarily due to the increase in average selling price per sq.m. sold. As a result of the booming property market in the PRC during the last couple of years, selling prices of properties sold during the year ended 31 December 2018 were generally higher than the same in previous years. The increase in gross profit and gross profit margin was also compounded by the decrease in average cost of sales per sq.m. sold. Apart from the above, the abovementioned variance in the average selling price per sq.m. and the average cost of sales per sq.m. sold was also due to the difference in the mix of properties sold during the years ended 31 December 2018 and 2017. The revenue for the year ended 31 December 2017 was derived from the sale of the Group's properties in both (i) Tianjin, namely Million Cities Tycoon Phases 1 and 2; and (ii) Huizhou in Guangdong province, namely Million Cities Legend Phase 1 and Sunshine New Court Phase 2, while the revenue for the year ended 31 December 2018 was mainly derived from the sale of the Group's properties in Huizhou, including Million Cities Legend Phase 2, Sunshine New Court Phase 1 and Crown Grand Court. Due to (i) the higher development cost and land acquisition cost for the development projects in Tianjin, as compared with those in Huizhou; (ii) the Group's pricing strategy of selling Million Cities Tycoon Place Phases 1 and 2, being a debut project of the Group in Tianjin, with relatively lower markup aiming to attract more buyers and as part of the strategy to expand the Group's foothold in Tianjin, the gross profit margin of Million Cities Tycoon Place Phases 1 and 2 was generally lower than that of most of the Group's properties in Huizhou.

Other net income

Other net income increased by approximately RMB6.6 million or 355.0% from approximately RMB1.8 million for the year ended 31 December 2017 to approximately RMB8.4 million for the year ended 31 December 2018, mainly as a result of disposal of investment properties which generated net gain on disposal of investment properties of approximately RMB5.5 million during the year. Interest income also increased by approximately RMB1.3 million or 94.9%, mainly due to higher bank balances from receipts of sales proceeds of properties sold during the year.

Selling expenses

Selling expenses decreased by approximately RMB12.0 million or 56.1%, from approximately RMB21.4 million for the year ended 31 December 2017 to approximately RMB9.4 million for the year ended 31 December 2018. The decrease of selling expenses was mainly the result of decrease in revenue, since most of the selling expenses were revenue linked sales commission.

Administrative expenses

Administrative expenses increased by approximately RMB28.6 million or 73.5% from approximately RMB38.9 million for the year ended 31 December 2017 to RMB67.5 million for the year ended 31 December 2018, primarily due to the increase in consultation and professional expenses in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange (the "Listing").

Finance costs

Finance costs increased by approximately RMB5.0 million or 2,258.9% from approximately RMB0.2 million for the year ended 31 December 2017 to approximately RMB5.2 million for the year ended 31 December 2018, due to increase in bank loans and interest expenses not qualified for capitalisation during the year ended 31 December 2018.

Income tax

For the year ended 31 December 2018, income tax increased by approximately RMB45.9 million, which was due to an increase in LAT as a result of higher gross profit recognised during the year ended 31 December 2018.

Adjusted profit for the year attributable to equity shareholders of the Company

It represented profit for the year attributable to equity shareholders of the Company after excluding the expenses for preparation of the Listing. After taking out the non-recurring listing expenses, adjusted profit increased by approximately RMB12.5 million or 31.6% due to the improved gross profit for the year.

OTHER FINANCIAL INFORMATION

Liquidity and financial resources

For the year ended 31 December 2018, 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, borrowings and proceeds from the Listing. The Group's gearing ratio decreased from approximately 111.7% as at 31 December 2017 to approximately 60.5% as at 31 December 2018. Such decrease was mainly due to increase in equity as a result of the capitalisation of shareholders' loan, share issuance upon the global offering, together with the profit recorded for the year ended 31 December 2018.

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

As at 31 December 2018, the Group's cash and cash equivalents, amounting to approximately RMB1,106.4 million, were denominated in Hong Kong Dollar ("HK$") (18.4%) and Renminbi ("RMB") (81.6%).

As at 31 December 2018, the Group's total borrowings were due for repayment as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**288,762**	80,700
After one year but within two years	**154,775**	188,300
After two years but within five years	**104,877**	30,317
	548,414	299,317

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 2018, the Group's borrowings were denominated in RMB (84.0%) and HK$ (16.0%). The bank loan is interest-bearing at 110% and 130% of the benchmarked loan interest rate published by the People's Bank of China ("RMB Loan Benchmark Rate") or at Hong Kong Inter Bank Offered Rate ("HIBOR") plus 4% per annum.

(c) As at 31 December 2018, the Group's certain borrowings were secured by inventories with a total carrying amount of approximately RMB600.2 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.

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 the year ended 31 December 2018 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 2018, no trade debtors of the Group were past due. The Group normally receives full payment from buyers before the hand-over of the property. For mortgage sales with sales proceeds not yet fully settled, the Group would not hand-over 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 sales 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 the year end 31 December 2018.

As at 31 December 2018, 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 RMB1.3 million for the year ended 31 December 2018, which were mainly related to the replacement of furniture and computer equipment. These capital expenditures were fully financed by internal resources.

Capital commitments

The Group's capital commitments as at 31 December 2018 amounted to approximately RMB560.1 million which were mainly related to development costs for the Group's properties under development.

Operating lease commitments

As at 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB1.6 million, with approximately RMB0.8 million due within one year and approximately RMB0.8 million due later than one year but not later than five years.

Charge on assets

As at 31 December 2018, the Group's inventories with a total carrying amount of approximately RMB600.2 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent liabilities

During the year ended 31 December 2018, 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 RMB567.0 million as at 31 December 2018, 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 immaterial, as the banks have the rights to sell the property 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 by the Directors.

During the year ended 31 December 2018, the Group provided guarantee to secure the loan borrowed by a joint venture of the Group. The total banking facility secured by this guarantee was approximately RMB1.45 billion and the outstanding loan balance was RMB360.0 million as at 31 December 2018. The bank loan is also jointly guaranteed by another shareholder of the joint venture and secured by the inventories of the joint venture. The Directors consider loss arising from this guarantee as a result of default payment by the joint venture to be immaterial.

Deferred income of approximately RMB6.8 million was recognised in respect of this financial guarantee as at 31 December 2018.

Operating segment information

The Group's revenue and results for the year ended 31 December 2018 were derived from property development. Performance assessment is based on the results of the Group as a whole. Therefore, management 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.

Events after balance sheet date

The Group did not have any significant events after balance sheet date.

Significant investments, acquisitions and disposals

The Group had no significant investments, acquisitions and disposals during the year ended 31 December 2018.

USE OF NET PROCEEDS

The net proceeds from the Listing amounted to approximately HK$190.8 million after deducting the underwriting commission and other fees and expenses paid by the Company for the Listing. Up to the date of this announcement, HK$100.0 million, representing approximately 52.4% of the net proceeds from the Listing, were used to repay the pre-IPO loan as disclosed in the prospectus dated 10 December 2018.

HUMAN RESOURCES

Human resources and emolument policy

As at 31 December 2018, the Group had a total of 154 (2017: 161) full-time employees in the PRC and Hong Kong. For the year ended 31 December 2018, the total staff costs, including the directors' emoluments, amounted to approximately RMB34.6 million (2017: RMB26.8 million).

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 training will be provided to employees in order to ensure continuous staff development and skills upgrading.

Remuneration policy

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 Wai Wing, Raymond, Ms. Wong Wai Ling (the "Controlling Shareholders"), being the controlling shareholders (as defined under the Listing Rules) 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 the year ended 31 December 2018, 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 the year ended 31 December 2018 (2017: Nil). No interim dividend for 2018 was paid to the shareholders of the Company during the year ended 31 December 2018 (2017: Nil). The register of members of the Company will be closed from 29 May 2019 to 3 June 2019, both days inclusive, for the purpose of determining the entitlement of the shareholders of the Company to attend the forthcoming annual general meeting, which shall be held on Monday, 3 June 2019 (the "Annual General Meeting"), during such period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, the shareholders of the Company 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, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 28 May 2019.

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

For the year ended 31 December 2018, 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 maintaining a high standard of corporate governance practices by placing strong emphasis on a quality board of Directors, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 from the date of Listing on 20 December 2018 to 31 December 2018.

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 since the date of the Listing up to 31 December 2018.

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 since the date of the Listing up to 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Board was established on 26 November 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 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 the year ended 31 December 2018, 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 Dr. Wu Wing Kuen. 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 the year ended 31 December 2018.

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 the year ended 31 December 2018 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 2018 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 2018 will be despatched to the shareholders of the Company 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 non-executive Director

Hong Kong, 26 March 2019

As at the date of this announcement, the chairman and non-executive Director is Mr. Wong Ting Chung; the executive Directors are Mr. Lau Ka Keung, Mr. Wong Ka Lun, Ms. Lau Pui Kwan and Mr. Lin Guoxian; and the independent non-executive Directors are Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Dr. Wu Wing Kuen.