MILLION CITIES

# 萬城控股有限公司
# MILLION CITIES HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2892)**

## ANNUAL RESULTS
## FOR THE YEAR ENDED 31 DECEMBER 2019

**FINANCIAL HIGHLIGHTS**

| | Year ended 31 December | | Change | |
|---|---|---|---|---|
| | **2019** | 2018 | | |
| | ***RMB'million*** | *RMB'million* | *RMB'million* | *%* |
| Revenue | **354.3** | 567.8 | −213.5 | −37.6% |
| Gross profit | **133.0** | 262.8 | −129.8 | −49.4% |
| Gross profit margin | **37.5%** | 46.3% | N/A | −8.8 p.p. |
| Profit attributable to the equity shareholders of the Company | **18.0** | 33.4 | −15.4 | −46.2% |
| Adjusted net profit *(Note)* | **18.0** | 52.1 | −34.1 | −65.5% |
| Adjusted net profit margin | **5.1%** | 9.2% | N/A | −4.1 p.p. |
| Earnings per share — Basic and diluted *(RMB cents)* | **2.39** | 5.87 | −3.48 | −59.3% |
| 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 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*Year ended 31 December 2019*
*(Expressed in Renminbi)*

| | *Note* | **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|---|
| **Revenue** | *3* | **354,284** | 567,827 |
| Cost of sales | | **(221,286)** | (305,001) |
| **Gross profit** | | **132,998** | 262,826 |
| Valuation gains on investment properties | | **780** | 4,495 |
| Other net income | *4* | **14,757** | 8,382 |
| Selling expenses | | **(5,820)** | (9,391) |
| Administrative expenses | | **(67,316)** | (67,473) |
| Other expenses | | **(4,965)** | (1,064) |
| **Profit from operations** | | **70,434** | 197,775 |
| Finance costs | *5* | **(9,818)** | (5,166) |
| Share of losses of associates | | **(324)** | (2,506) |
| Share of losses of joint ventures | | **(1,456)** | (1,809) |
| **Profit before taxation** | *6* | **58,836** | 188,294 |
| Income tax | *7* | **(41,168)** | (110,475) |
| **Profit for the year** | | **17,668** | 77,819 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **17,954** | 33,375 |
| Non-controlling interests | | **(286)** | 44,444 |
| **Profit for the year** | | **17,668** | 77,819 |
| Basic and diluted earnings per share *(RMB cents)* | *8* | **2.39** | 5.87 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2019*
*(Expressed in Renminbi)*

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit for the year** | **17,668** | 77,819 |
| **Other comprehensive income for the year (after reclassification adjustments)** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of financial statements of: | | |
| — the associates and joint ventures | **(1,558)** | (3,032) |
| — the Hong Kong and overseas subsidiaries | **(1,613)** | (34,866) |
| **Other comprehensive income for the year, net of nil tax** | **(3,171)** | (37,898) |
| **Total comprehensive income for the year** | **14,497** | 39,921 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **19,797** | 5,745 |
| Non-controlling interests | **(5,300)** | 34,176 |
| **Total comprehensive income for the year** | **14,497** | 39,921 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2019*

*(Expressed in Renminbi)*

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **57,905** | 58,898 |
| Investment properties | | **20,200** | 19,420 |
| Interest in associates | | **104,141** | 104,576 |
| Interest in joint ventures | | **64,696** | 63,997 |
| Deferred tax assets | | **17,199** | 1,087 |
| Other non-current assets | | **3,464** | — |
| | | **267,605** | 247,978 |
| **Current assets** | | | |
| Inventories and other contract costs | | **2,271,588** | 1,688,275 |
| Trade and other receivables | *10* | **97,576** | 175,925 |
| Prepaid tax | | **93,959** | 70,382 |
| Pledged and restricted deposits | | **402,964** | 487,013 |
| Cash and cash equivalents | | **731,909** | 1,106,426 |
| | | **3,597,996** | 3,528,021 |
| Non-current assets held for sale | | **—** | 4,224 |
| | | **3,597,996** | 3,532,245 |
| **Total assets** | | **3,865,601** | 3,780,223 |
| **Current liabilities** | | | |
| Bank loans | *11* | **313,102** | 548,414 |
| Contract liabilities | *12* | **1,923,393** | 1,494,172 |
| Trade and other payables | *13* | **544,161** | 664,928 |
| Tax payable | | **55,432** | 63,701 |
| | | **2,836,088** | 2,771,215 |
| **Net current assets** | | **761,908** | 761,030 |
| **Total assets less current liabilities** | | **1,029,513** | 1,009,008 |

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Other payables | *13* | **73,741** | 71,253 |
| Deferred tax liabilities | | **30,889** | 31,456 |
| | | **104,630** | 102,709 |
| **NET ASSETS** | | **924,883** | 906,299 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *14* | **6,605** | 6,605 |
| Reserves | | **811,632** | 787,748 |
| **Total equity attributable to equity shareholders of the Company** | | **818,237** | 794,353 |
| **Non-controlling interests** | | **106,646** | 111,946 |
| **TOTAL EQUITY** | | **924,883** | 906,299 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Million Cities Holdings Limited (the "Company") was incorporated in the Cayman Islands on 15 November 2016 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office is at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The core business activities of the Company and its subsidiaries (together, the "Group") include property development and sale (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 year ended 31 December 2018, 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 (the "Listing") 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 year ended 31 December 2018 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 year ended 31 December 2018. Intra-group balances and transactions are eliminated in full in preparing the financial statements.

The consolidated financial statements for the years ended 31 December 2019 and 2018 comprise the Group and the Group's interest in associates and joint ventures.

## 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 2019.

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.

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 2019**

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 2019 and have not been early adopted are as following:

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKFRS 3, *Definition of a business* | 1 January 2020 |
| Amendments to HKAS 1 and HKAS 8, *Definition of material* | 1 January 2020 |
| HKFRS 17, Insurance contracts | 1 January 2021 |

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 development and sale 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:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Sale of properties: | | |
| — Recognised at a point in time | **210,090** | 243,010 |
| — Recognised overtime | **141,739** | 321,082 |
| | **351,829** | 564,092 |
| Gross rentals from operating lease | **2,455** | 3,735 |
| | **354,284** | 567,827 |

For the year ended 31 December 2019, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue (2018: nil).

### (b) Operating segment

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating segments*.

***Geographic information***

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, other non-current assets and interests in associates 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 other non-current assets and interest in associates and joint ventures.

| | **Revenues from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Huizhou | **306,924** | 476,148 | **112,734** | 108,463 |
| Tianjin | **47,360** | 91,679 | **31,808** | 33,516 |
| Zhumadian | **—** | — | **104,141** | 104,576 |
| Others | **—** | — | **1,723** | 336 |
| | **354,284** | 567,827 | **250,406** | 246,891 |

## 4. OTHER NET INCOME

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income | **13,893** | 2,618 |
| Net gain on disposals of other financial assets | **367** | 26 |
| Net (loss)/gain on disposals of investment properties | **(99)** | 5,450 |
| Net gain/(loss) on disposals of property, plant and equipment | **225** | (9) |
| Net exchange gain | **53** | 29 |
| Others | **318** | 268 |
| | **14,757** | 8,382 |

## 5. FINANCE COSTS

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Interest on bank loans | **25,463** | 20,430 |
| Accrued interest on significant financing component of contract liabilities | **37,353** | 14,175 |
| Others | **3,508** | 1,701 |
| | **66,324** | 36,306 |
| Less: Interest expenses capitalised into inventories* | **(56,506)** | (31,140) |
| | **9,818** | 5,166 |

* The borrowing costs have been capitalised at a rate of 5.23%–6.18% per annum during the year ended 31 December 2019 (2018: 5.23%–6.18%).

## 6. PROFIT BEFORE TAXATION

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Depreciation and amortisation | **5,773** | 3,951 |
| Auditors' remuneration | **2,470** | 2,090 |
| Listing expenses | **—** | 18,718 |
| Rentals receivable from investment properties | **(640)** | (1,483) |
| Less: Direct outgoings | **—** | 47 |
| | **(640)** | (1,436) |

## 7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| Provision for Corporate Income Tax ("CIT") | **22,995** | 13,733 |
| Provision for Land Appreciation Tax ("LAT") | **34,852** | 71,178 |
| | **57,847** | 84,911 |
| **Deferred tax** | | |
| CIT | **(8,372)** | 25,564 |
| LAT | **(8,307)** | — |
| | **(16,679)** | 25,564 |
| | **41,168** | 110,475 |

**(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 of the Group. The income tax rate applicable to the principal subsidiaries in the PRC is 25% during the year ended 31 December 2019 (2018: 25%).

No provision for Hong Kong profits tax was recognised for the year ended 31 December 2019 (2018: nil) as the subsidiaries in Hong Kong did not have any assessable profits for the year ended 31 December 2019.

**(ii) LAT**

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

**(iii)** Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB17,954,000 (2018: RMB33,375,000) and the weighted average number of issued ordinary shares of 750,000,000 (2018: 568,664,000) shares during the year ended 31 December 2019, calculated as follows:

***Weighted average number of ordinary shares***

| | **2019** | 2018 |
|---|---|---|
| | ***'000 shares*** | *'000 shares* |
| Issued ordinary shares at 1 January | **750,000** | — |
| Effect of capitalisation of shareholders' loans and capitalisation issue | — | 562,500 |
| Effect of shares issued upon initial public offering ("IPO") | — | 6,164 |
| Weighted average number of ordinary shares at 31 December | **750,000** | 568,664 |

The weighted average number of shares in issue in 2018 were based on the assumption that 562,500,000 shares were issued before the listing of the Company's shares on the Stock Exchange, as if such shares had been outstanding throughout the year ended 31 December 2018.

### (b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2019 and 2018 were the same as the basic earnings per share.

At 31 December 2019, 22,200,000 share options (2018: nil) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

At 31 December 2018, there were no potential dilutive ordinary shares.

## 9. DIVIDENDS

No dividends have been declared or paid by the Company and its subsidiaries during the year ended 31 December 2019.

On 30 March 2020, the Board resolved not to recommend a final dividend for the year ended 31 December 2019 (2018: Nil).

In respect of the deemed distribution to shareholders by a subsidiary of the Group, please refer to note 13(c).

## 10. TRADE AND OTHER RECEIVABLES

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| *Trade debtors (note (a))* | | |
| — Sale of properties | **—** | 95 |
| — Gross rentals from operating lease | **332** | 323 |
| | **332** | 418 |
| Other debtors | **1,890** | 7,449 |
| Financial assets measured at amortised cost | **2,222** | 7,867 |
| Deposits *(note (b))* | **10,441** | 11,562 |
| Prepayments *(note (c))* | **84,913** | 156,496 |
| | **97,576** | 175,925 |

*Notes:*

**(a)** As at 31 December 2019, the ageing analysis of trade debtors based on the date the trade debtors recognised, net of allowance for doubtful debts, is as follows:

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 month | **62** | 53 |
| 1 to 3 months | **90** | 90 |
| 3 to 6 months | **135** | 135 |
| Over 6 months | **45** | 140 |
| | **332** | 418 |

As at 31 December 2019, no trade debtors were past due (2018: nil). Based on experience, management believes that no loss allowance is necessary in respect of the trade debtors as there has not been a significant change in credit quality. The Group is of the view that the expected irrecoverable trade debtors were insignificant. The Group does not hold any collateral over these balances.

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

**(c)** At 31 December 2019, the balance mainly included prepaid construction costs for properties development of RMB69,474,000 (2018: RMB151,527,000), and prepayments for VAT and surcharges with an aggregated amount of RMB15,439,000 (2018: RMB4,968,000).

## 11. BANK LOANS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Secured | **288,152** | 460,794 |
| Unsecured | **24,950** | 87,620 |
| | **313,102** | 548,414 |

The secured bank loans are secured by assets below:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Inventories | **917,390** | 600,220 |

At 31 December 2019, the secured bank loan of RMB103,362,000 (2018: RMB96,316,000) was guaranteed by related parties.

At 31 December 2019, 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 one-year Loan Prime Rate (LPR) published by the People's Bank of China plus 1.2% per annum.

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

At 31 December 2019, bank loans were repayable as follows according to the repayment schedules as set out in the loan agreements:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **168,462** | 288,762 |
| After 1 year but within 2 years | **123,377** | 154,775 |
| After 2 years but within 5 years | **21,263** | 104,877 |
| | **313,102** | 548,414 |

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 bank loans subject to the repayment on demand clause amounted to RMB313,102,000 as at 31 December 2019 (2018: RMB460,794,000) were classified as current liabilities in the consolidated statement of financial position.

## 12. CONTRACT LIABILITIES

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

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" | **—** | 95 |
| Contract liabilities — Receipt in advance from property sales | **1,923,393** | 1,494,172 |

**(b)** **Movements in contract liabilities**

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Balance at 1 January | **1,494,172** | 71,281 |
| 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 | **(213,391)** | (71,281) |
| 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 | **610,519** | 1,479,997 |
| Increase in contract liabilities as a result of accruing interest expense on receipt in advance | **32,093** | 14,175 |
| Balance at 31 December | **1,923,393** | 1,494,172 |

## 13. TRADE AND OTHER PAYABLES

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Current portion:** | | |
| Trade creditors *(note (a))* | **188,214** | 174,936 |
| Interest payables | **1,190** | 1,993 |
| Other payables and accruals | **74,655** | 136,155 |
| Amounts due to related parties *(note (b))* | **274,292** | 349,162 |
| Financial liabilities measured at amortised cost | **538,351** | 662,246 |
| Financial guarantee issued | **5,810** | 2,682 |
| | **544,161** | 664,928 |
| **Non-current portion:** | | |
| Amounts due to related parties *(note (c))* | **70,653** | 67,145 |
| Financial guarantee issued | **3,088** | 4,108 |
| | **73,741** | 71,253 |
| | **617,902** | 736,181 |

*Notes:*

(a) Ageing analysis of trade creditors included in trade and other payables as at 31 December 2019, based on the date of the trade payables recognised:

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 3 months | **173,135** | 157,633 |
| 3 to 6 months | **1,363** | 148 |
| 6 to 12 months | **29** | 98 |
| Over 12 months | **13,687** | 17,057 |
| | **188,214** | 174,936 |

(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 was 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.

## 14. SHARE CAPITAL

| | *No. of shares* | *Amount in HKD* |
|---|---|---|
| **Authorised share capital of the Company:** | | |
| Ordinary share of HKD0.01 each | | |
| At 1 January 2018 | 1,000,000 | 10,000 |
| Increase in authorised share capital | 1,999,000,000 | 19,990,000 |
| At 31 December 2018, 1 January 2019 and 31 December 2019 | 2,000,000,000 | 20,000,000 |

The issued share capital in the Group's consolidated financial statements as at 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 and 2019 represented the share capital of the Company.

| | *No. of shares* | *Amount in HKD* | *Amount in RMB* |
|---|---|---|---|
| **Ordinary shares, issued and fully paid:** | | | |
| As at 1 January 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, 1 January 2019 and 31 December 2019 | 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 trade tension between China and the United States of America (the "United States") continued to disrupt the Chinese economy during the year ended 31 December 2019. Although China and the United States signed a long-awaited phase one deal in January 2020, the adverse impact of trade dispute between the world's two largest economies was inevitable. Although China's gross domestic product still grew considerably by approximately 6.1% in 2019, yet this recorded the slowest growth in 29 years.

The property development sector remained as the driving force of China's economic growth. According to the data released by the National Bureau of Statistics, total areas of property sold across the country in 2019 amounted to approximately 1.7 billion square metres ("sq.m."), being approximately 0.1% lower than 2018. In terms of monetary value, property sold amounted to approximately RMB16.0 trillion, representing a growth of approximately 6.5% from previous year, indicating an approximately 6.6% increment in average selling price to approximately RMB9,310 for 2019.

Investment in property development, however, showed signs of slowing growth together with the macroeconomy. Total investment in property development of China for 2019 amounted to approximately RMB13.2 trillion, representing a year-on-year growth of approximately 9.9%, down by approximately 0.3 percentage points from November. The central government's principle of "housing is for living, not for speculation" and the tighter monetary policy continued to suppress the growth of the sector, resulting in the downward trend of investment in property development industry in China for most of the year.

In spite of the tightening measures imposed at the national level, the "one-size fits all" policy did not work on the diversified property markets. Local governments are thus allowed to make some adjustments from the national policy. As a result, some cities with relatively sluggish market, such as Zhongshan and Foshan in Guangdong province, Sanya in Hainan, Nanjing in Jiangsu, and Tianjin were taking small steps, like lifting price caps and removing re-sale restrictions, in an attempt to rejuvenate the market. Even first-tier cities like Guangzhou and Shenzhen also joined their counterparts in easing some restrictions on property buyers from Hong Kong and Macau to buy residential properties in any Guangzhou districts, as well as in the Qianhai special economic zone in Shenzhen.

## BUSINESS REVIEW

As at 31 December 2019, the Group had 8 projects with a total gross floor area ("GFA") of 1,198,000 sq.m. that were under construction. Crown Grand Court obtained its completion certificate and properties in such project were delivered to customers in December 2019, while Million Cities Legend Phase 2, which was expected to be delivered before the end of 2019, had a fire accident at the temporary construction workers' dormitory adjacent to the project in late November 2019, causing a suspension on the construction site and a delay of delivery to the first quarter of 2020. Due to the outbreak of coronavirus and national-wide suspension of all production activities, the delivery is expected to be further delayed to the second quarter of 2020.

The Group operates in cities with relative resilience. Dragon Terrace Phase 1 launched its sales in March 2019. The project is situated in Tonghu Ecological Intelligent Zone in Huizhou, a region marketed as the "Sillicon Valley" in Guangdong. Due to its strategic location, the project sold all of the 116,000 sq.m. launched during the year. Million Cities Tycoon Place Phase 3 in Tianjin launched 364 units of high-rise in 2019 and were sold out on the day of launch. Total area of contracted sales of the Group recorded for the year ended 31 December 2019 (including sales by a joint venture and an associate) increased to approximately 255,000 sq.m., up by approximately 12.2% from last year. Total contracted sales amounted to approximately RMB2,062.8 million, down by approximately 19.7% from last year, as a result of decrease in average selling price due to change in the geographic mix of sales.

## FUTURE STRATEGIES AND PROSPECTS

The coronavirus outbreak since January 2020 cast significant uncertainty on the Chinese economy. Manufacturing activity in China measured by the manufacturing purchasing managers' index (PMI) plunged to an all-time low of approximately 35.7 in February 2020. The composite PMI, which combines the manufacturing and services indices, dropped to approximately 28.9 from 53.0 in January 2020, pointing to the steepest contraction in the private sector on record as companies closures and travel restrictions were put in place due to the coronavirus outbreak. As the epidemic started to be contained in China from late February 2020, a new wave of outbreak spread to Japan, Korea, Italy, France, Iran and the United States, causing panic sell off in global stock markets.

In spite of the uncertainty in global economy, the Group is still optimistic about the prospect of the Greater Bay Area which has the endorsement from the central government. 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. Under the backdrop of global economic turmoil, the Group upholds its prudent approach in project development and land acquisition. 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

The Group's 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 2019, the Group launched pre-sale of Dragon Terrace Phase 1 and Million City Tycoon Place Phase 3. Total contracted sales (based on GFA of sales consent), including sales of properties by an associate and a joint venture of the Group, amounted to approximately RMB2,062.8 million, representing a GFA of approximately 255,000 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 2019, the total GFA of the Group's land bank was about 2,349,000 sq.m., out of which about 141,000 sq.m. GFA was unsold or undelivered completed properties projects, about 1,198,000 sq.m. GFA was under construction and about 1,010,000 sq.m. GFA was reserved for future development.

*(iii) Revenue*

During the year ended 31 December 2019, the Group recorded revenue from sale of properties amounted to approximately RMB351.8 million, representing a decrease of approximately RMB212.3 million or 37.6%. The decrease in revenue was mainly due to a decrease in overall GFA recognised from approximately 53,000 sq.m. in 2018 to approximately 33,000 sq.m. in 2019. Revenue recognised for the year ended 31 December 2019 was mainly contributed by Million Cities Legend Phase 2, Crown Grand Court and Million Cities Tycoon Place Phases 3 and 4, while revenue recognised for the year ended 31 December 2018 was mainly attributable to Sunshine New Court Phase 1, Million Cities Legend Phase 2, Crown Grand Court and Million Cities Tycoon Place Phases 1, 2 and 4.

***Rental income***

Gross rental income from investment properties and inventories decreased from approximately RMB3.7 million for the year ended 31 December 2018 to approximately RMB2.5 million for the year ended 31 December 2019. The decrease in gross rental income was due to disposal of certain investment properties and inventories during the years ended 31 December 2018 and 2019.

**Cost of sales**

Cost of sales decreased from approximately RMB305.0 million for the year ended 31 December 2018 to RMB221.3 million for the year ended 31 December 2019, representing a decrease of approximately RMB83.7 million or 27.4%. The decrease in cost of sales was mainly due to the decrease in GFA recognised for the year ended 31 December 2019.

**Gross profit and gross profit margin**

The gross profit decreased from approximately RMB262.8 million for the year ended 31 December 2018 to approximately RMB133.0 million for the year ended 31 December 2019, representing a decrease of approximately RMB129.8 million or 49.4%. The gross profit margin decreased from approximately 46.3% for the year ended 31 December 2018 to approximately 37.5% for the year ended 31 December 2019. The decrease in gross profit was primarily due to the decrease in GFA recognised for the year ended 31 December 2019. The decrease in gross profit margin was due to the difference in the mix of properties sold during the years ended 31 December 2019 and 2018. Revenue for the year ended 31 December 2019 included more sale of carparks which were of very low gross profit margin. Although located in the same city, Million City Legend Phase 2 had a higher average selling price and gross profit margin than Crown Grand Court, which contributed 62% of the gross profit for the year ended 31 December 2019. Gross profit margins of Million Cities Tycoon Place Phase 3 and 4 in Tianjin were generally lower than the Group's Huizhou projects. The gross profit margin was further reduced this year due to increase in construction costs in Tianjin.

**Other net income**

Other net income increased by approximately RMB6.4 million or 76.1% from approximately RMB8.4 million for the year ended 31 December 2018 to approximately RMB14.8 million for the year ended 31 December 2019, mainly as a result of increase in interest income by approximately RMB11.3 million due to higher average bank balances from receipts of sales proceeds of properties.

### Selling expenses

Selling expenses decreased by approximately RMB3.6 million or 38.0%, from approximately RMB9.4 million for the year ended 31 December 2018 to approximately RMB5.8 million for the year ended 31 December 2019. 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 remained virtually unchanged from approximately RMB67.5 million for the year ended 31 December 2018 to approximately RMB67.3 million for the year ended 31 December 2019.

### Finance costs

Finance costs increased by approximately RMB4.7 million or 90.1% from approximately RMB5.2 million for the year ended 31 December 2018 to approximately RMB9.8 million for the year ended 31 December 2019, due to increase in average bank loans balance and interest expenses not qualified for capitalisation during the year ended 31 December 2019.

### Income tax

For the year ended 31 December 2019, income tax decreased by approximately RMB69.3 million, which was in line with decrease in revenue and gross profit.

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

It represented net profit for the year attributable to equity shareholders of the Company after excluding the expenses for preparation of Listing for the year ended 31 December 2018. After taking out the non-recurring listing expenses for the year ended 31 December 2018, adjusted net profit decreased by approximately RMB34.1 million or 65.5% due to the decreased gross profit for the year ended 31 December 2019.

## OTHER FINANCIAL INFORMATION

### Liquidity and financial resources

For the year ended 31 December 2019, 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 Listing. The Group's gearing ratio decreased from approximately

60.5% as at 31 December 2018 to approximately 33.9% as at 31 December 2019. Such decrease was mainly due to repayment of the pre-IPO loan and construction loans, together with the profit recorded for the year ended 31 December 2019.

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

As at 31 December 2019, the Group's cash and cash equivalents, amounting to approximately RMB731.9 million, were denominated in HK$(12.3%) and RMB(87.7%).

As at 31 December 2019, the Group's bank loans were due for repayment as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **168,462** | 288,762 |
| After one year but within two years | **123,377** | 154,775 |
| After two years but within five years | **21,263** | 104,877 |
| | **313,102** | 548,414 |

*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 2019, the Group's bank loans were all denominated in RMB. These 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 one-year Loan Prime Rate ("LPR") published by the People's Bank of China plus 1.2% per annum.

(c) As at 31 December 2019, the Group's certain bank loans were secured by inventories with a total carrying amount of approximately RMB917.4 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 2019 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 2019, no trade debtors of the Group were past due. The Group normally receives full payment from buyers before the deliver of the property. For mortgage sales without settlement, the Group would not deliver the property to the customers unless it obtains confirmation from the banks providing mortgage that the respective mortgages have been approved. In addition, the Group would not transfer titles of the properties to customers until full amount of sales proceeds are received. Accordingly, the Group is of the view that the expected irrecoverable trade debtors were insignificant. Thus, no bad debt provision for trade debtors was recognised for the year end 31 December 2019.

As at 31 December 2019, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong and the PRC which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms. The Group has not experienced and does not expect to experience any difficulties in meeting credit obligations when they fall due.

**Capital expenditures**

The Group incurred capital expenditures of approximately RMB2.2 million for the year ended 31 December 2019, which were mainly related to the replacement of motor vehicle and electronic equipment. These capital expenditures were fully financed by internal resources.

**Capital commitments**

The Group's capital commitments as at 31 December 2019 amounted to approximately RMB617.9 million which were mainly related to development costs for the Group's properties under development.

**Charge on assets**

As at 31 December 2019, the Group's inventories with a total carrying amount of approximately RMB917.4 million were pledged to banks to secure certain banking facilities granted to the Group.

**Contingent liabilities**

During the year ended 31 December 2019, the Group has issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks, amounting to approximately RMB765.9 million as at 31 December 2019, will be terminated upon completion of transferring the legal title of the properties to the property buyers. The Directors consider loss arising from these guarantees as a result of default payment by customers to be insignificant, as the banks have the rights to sell the property and recover the outstanding loan balance from sales proceeds. The Group has not recognised any deferred income in respect of these guarantees as their fair values are considered to be insignificant.

During the year ended 31 December 2019, 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 RMB779.9 million as at 31 December 2019. The bank loan is also jointly guaranteed by another shareholder of the joint venture and secured by the inventories of the joint venture. Deferred income of approximately RMB8.9 million was recognised in respect of this financial guarantee as at 31 December 2019.

**Operating segment information**

The Group's revenue and results for the year ended 31 December 2019 were derived from property development. Performance assessment is based on the results of the Group as a whole. Therefore, management of the Group considers there is only one operating segment.

The geographic information is disclosed in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for allocation of resources and performance assessment.

**Events after balance sheet date**

On 9 January 2020, Lucky Win Limited, a wholly owned subsidiary of the Company, entered into a memorandum of understanding (the "MOU") with an independent third party (the "Partner"), pursuant to which, Lucky Win Limited and the Partner intended to cooperate in the acquisition of 100% equity interest in a company incorporated in the PRC (the "Target Company"), which owns four land parcels in Shenzhen. The MOU is effective for one year from the date of the MOU. During the term of the MOU, the Partner cannot procure any other third party to acquire the Target Company. In consideration of the exclusive negotiation right, an amount of RMB93 million earnest money was paid by the Group to the Partner on 9 January 2020. There is no binding cooperation agreement signed as at the date of this announcement.

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: setting out guidelines about prevention of coronavirus outbreak on construction sites and sending them to all site managers, assessing our contractors' readiness for resumption of construction work on sites; monitoring cash flows and negotiating with suppliers to postpone construction payments; negotiating with customers on delivery timetable. The Group will keep our contingency measures under review as the situation evolves.

On 20 December 2019, the Group announced that due to a fire accident happened in a temporary construction worker dormitory adjacent to the site of Million Cities Legend Phase 2, the delivery of Million Cities Legend Phase 2 to our customers was expected to be postponed to the first quarter of 2020. All construction works in China were suspended during February 2020 in order to contain the spread of COVID-19. As a result, the Group expected the delivery of Million Cities Legend Phase 2 will be further postponed to second quarter of 2020. The Group has proactively communicated about the foreseeable delay with our customers and does not consider there would be material claims from our customers.

**Significant investments, acquisitions and disposals**

The Group had no significant investments, acquisitions and disposals during the year ended 31 December 2019.

## USE OF NET PROCEEDS

The net proceeds from Listing amounted to approximately HK$190.8 million after deducting the underwriting commission and other fees and expenses paid by the Company for Listing.

Up to the date of this announcement, the net proceeds from Listing were used as following:

- HK$100 million, representing approximately 52.4% of the net proceeds from Listing, were used to repay the pre-IPO loan;

- HK$11.5 million, representing approximately 6.0% of the net proceeds, were used to fund the development costs for Million Cities Legend Phase 3;

- HK$68.5 million, representing approximately 35.9% of the net proceeds, were used to pay the earnest money for the potential project in Shenzhen in accordance with the MOU entered into on 9 January 2020;

- HK$10.8 million, representing approximately 5.7% of the net proceeds, were used for general working capital purposes.

As at 31 December 2019, the net proceeds was utilised in full.

## HUMAN RESOURCES

### Human resources and emolument policy

As at 31 December 2019, the Group had a total of 163 (2018: 154) full-time employees in the PRC and Hong Kong. For the year ended 31 December 2019, the total staff costs, including the directors' emoluments, amounted to approximately RMB43.8 million (2018: RMB34.6 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 of Directors and senior management

The Directors and senior management of the Group receive compensation in the form of salaries and discretionary bonuses related to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The remuneration committee will regularly review and determine the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

## DEED OF NON-COMPETITION

Fortune Speed Investments Limited, Winnermax Management Limited, Happy Family Assets Limited, Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong 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 2019, 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 2019 (2018: Nil). No interim dividend for 2019 was paid to the shareholders of the Company during the year ended 31 December 2019 (2018: Nil). The register of members of the Company will be closed from 2 June 2020 to 5 June 2020, 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 Friday, 5 June 2020 (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 1 June 2020.

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

For the year ended 31 December 2019, 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 for the year ended 31 December 2019.

The Board will continue to enhance its corporate governance practices to ensure that it complies with the CG Code and aligns with the latest developments.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries made by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 December 2019.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the year ended 31 December 2019.

## AUDIT COMMITTEE

The audit committee of the Board was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph 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 2019, 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 2019.

## 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 2019 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 2019 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 2019 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, 30 March 2020

*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. Cheng Kwan Kuen, Mr. Wong Ka Lun and Ms. Lau Pui Kwan; and the independent non-executive Directors are Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Dr. Wu Wing Kuen.*