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萬城
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 2020

	Year ended 31 December		Change	
	2020	2019		
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	%
Revenue	1,241.4	354.3	887.1	250.4%
Gross profit	551.2	133.0	418.2	314.4%
Gross profit margin	44.4%	37.5%	N/A	6.9 p.p.
Profit attributable to the equity shareholders of the Company	112.7	18.0	94.7	528.0%
Earnings per share — Basic and diluted (<i>RMB cents</i>)	15.03	2.39	12.64	528.9%
Proposed final dividend per share (<i>RMB cents</i>)	—	—	N/A	N/A

The board (the “Board”) of directors (the “Directors”) of Million Cities Holdings Limited (the “Company”, together with its subsidiaries, collectively the “Group”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	1,241,360	354,284
Cost of sales		<u>(690,122)</u>	<u>(221,286)</u>
Gross profit		551,238	132,998
Valuation gains on investment properties		—	780
Other net income	4	7,785	14,757
Selling expenses		(14,396)	(5,820)
Administrative expenses		(63,696)	(67,316)
Other expenses		<u>(2,374)</u>	<u>(4,965)</u>
Profit from operations		478,557	70,434
Finance costs	5	(8,470)	(9,818)
Share of gain/(losses) of associates		939	(324)
Share of losses of joint ventures		—	<u>(1,456)</u>
Profit before taxation	6	471,026	58,836
Income tax	7	<u>(239,163)</u>	<u>(41,168)</u>
Profit for the year		<u>231,863</u>	<u>17,668</u>
Attributable to:			
Equity shareholders of the Company		112,746	17,954
Non-controlling interests		<u>119,117</u>	<u>(286)</u>
Profit for the year		<u>231,863</u>	<u>17,668</u>
Basic and diluted earnings per share (RMB cents)	8	<u>15.03</u>	<u>2.39</u>

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

*For the year ended 31 December 2020
(Expressed in Renminbi)*

	2020	2019
	RMB'000	<i>RMB'000</i>
Profit for the year	231,863	17,668
Other comprehensive income for the year (after reclassification adjustments)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— the associates and joint ventures	4,307	(1,558)
— the Hong Kong and overseas subsidiaries	5,451	(1,613)
Other comprehensive income for the year, net of nil tax	9,758	(3,171)
Total comprehensive income for the year	241,621	14,497
Attributable to:		
Equity shareholders of the Company	108,503	19,797
Non-controlling interests	133,118	(5,300)
Total comprehensive income for the year	241,621	14,497

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		57,722	57,905
Investment properties		20,200	20,200
Interest in associates		415,383	104,141
Interest in joint ventures		—	64,696
Deferred tax assets		71,655	17,199
Other non-current assets		866	3,464
		<u>565,826</u>	<u>267,605</u>
Current assets			
Inventories and other contract costs		2,205,710	2,271,588
Trade and other receivables	10	81,248	97,576
Prepaid tax		71,550	93,959
Pledged and restricted deposits		107,296	402,964
Cash and cash equivalents		366,309	731,909
		<u>2,832,113</u>	<u>3,597,996</u>
Total assets		<u>3,397,939</u>	<u>3,865,601</u>
Current liabilities			
Bank loans	11	368,537	313,102
Contract liabilities	12	945,939	1,923,393
Trade and other payables	13	719,193	544,161
Lease liabilities		474	—
Tax payable		190,664	55,432
		<u>2,224,807</u>	<u>2,836,088</u>
Net current assets		<u>607,306</u>	<u>761,908</u>
Total assets less current liabilities		<u>1,173,132</u>	<u>1,029,513</u>

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current liabilities			
Other payables	<i>13</i>	—	73,741
Lease liabilities		662	—
Deferred tax liabilities		3,803	30,889
		<u>4,465</u>	<u>104,630</u>
NET ASSETS		<u>1,168,667</u>	<u>924,883</u>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	6,605	6,605
Reserves		922,298	811,632
Total equity attributable to equity shareholders of the Company		928,903	818,237
Non-controlling interests		239,764	106,646
TOTAL EQUITY		<u>1,168,667</u>	<u>924,883</u>

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 in the People’s Republic of China (the “PRC”).

These financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

The consolidated financial statements for the years ended 31 December 2020 and 2019 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 Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. For the purpose of preparing these financial statements, the Group has adopted all applicable new and revised HKFRSs, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2020.

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(c) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

The HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in the financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKFRS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts — Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of properties:		
— Recognised at a point in time	1,132,531	210,090
— Recognised overtime	<u>106,054</u>	<u>141,739</u>
	1,238,585	351,829
Revenue from other sources		
Gross rentals from properties	<u>2,775</u>	<u>2,455</u>
	<u><u>1,241,360</u></u>	<u><u>354,284</u></u>

For the year ended 31 December 2020, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue (2019: nil).

(b) Operating segment

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

Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Huizhou	1,187,342	306,924	267,872	112,734
Tianjin	54,018	47,360	30,140	31,808
Zhumadian	—	—	101,463	104,141
Shenzhen	—	—	92,944	—
Others	—	—	1,752	1,723
	<u>1,241,360</u>	<u>354,284</u>	<u>494,171</u>	<u>250,406</u>

4. OTHER NET INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income	6,009	13,893
Government grants (<i>note</i>)	430	—
Net gain on disposals of other financial assets	18	367
Net loss on disposals of investment properties	—	(99)
Net gain on disposals of property, plant and equipment	—	225
Net exchange gain	27	53
Others	1,301	318
	<u>7,785</u>	<u>14,757</u>

Note: In 2020, the Group received a funding from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government, for financial support to enterprises to retain their employees.

5. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank loans	19,310	25,463
Interest on lease liabilities	61	—
Accrued interest on significant financing component of contract liabilities	47,818	37,353
Others	3,702	3,508
	<u>70,891</u>	<u>66,324</u>
Less: Interest expenses capitalised into inventories*	<u>(62,421)</u>	<u>(56,506)</u>
	<u><u>8,470</u></u>	<u><u>9,818</u></u>

* The interest rates of borrowing costs that have been capitalised ranged from 5.05% to 6.18% per annum during the year ended 31 December 2020 (2019: 5.23% to 6.18% per annum).

6. PROFIT BEFORE TAXATION

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation and amortisation	8,795	5,773
Auditors' remuneration	2,473	2,470
	<u><u>11,268</u></u>	<u><u>8,243</u></u>
Rentals receivable from investment properties	<u><u>(587)</u></u>	<u><u>(640)</u></u>

7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Provision for Corporate Income Tax (“CIT”)	160,451	22,995
Provision for LAT	<u>160,254</u>	<u>34,852</u>
	320,705	57,847
Deferred tax		
— CIT	(74,206)	(8,372)
— LAT	<u>(7,336)</u>	<u>(8,307)</u>
	<u>(81,542)</u>	<u>(16,679)</u>
	<u><u>239,163</u></u>	<u><u>41,168</u></u>

(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 (2019: 25%).

No provision for Hong Kong Profits Tax was recognised for the year (2019: nil) as the subsidiaries in Hong Kong did not have any assessable profits for the year.

(ii) LAT

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

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

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB112,746,000 (2019: RMB17,954,000) and the weighted average number of issued ordinary shares of 750,000,000 (2019: 750,000,000) during the year ended 31 December 2020.

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2020 and 2019 were the same as the basic earnings per share.

At 31 December 2020, 18,700,000 share options (2019: 22,200,000) 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.

9. DIVIDENDS

No dividends have been declared or paid by the Company and its subsidiaries during the year ended 31 December 2020.

On 29 March 2021, the Board resolved not to recommend a final dividend for the year ended 31 December 2020 (2019: Nil).

10. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade debtors (<i>note (a)</i>)		
— Gross rentals from properties	327	332
	<u>327</u>	<u>332</u>
Amounts due from related parties (<i>note (b)</i>)	27,561	—
Other debtors	15,003	1,890
	<u>15,003</u>	<u>1,890</u>
Financial assets measured at amortised cost	42,891	2,222
Deposits (<i>note (c)</i>)	6,126	10,441
Prepayments (<i>note (d)</i>)	32,231	84,913
	<u>32,231</u>	<u>84,913</u>
	<u>81,248</u>	<u>97,576</u>

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

- (a) As at 31 December 2020, the ageing analysis of trade debtors, based on the date the trade debtors recognised, net of allowance for doubtful debts, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	57	62
1 to 3 months	90	90
3 to 6 months	135	135
Over 6 months	45	45
	<u>45</u>	<u>45</u>
	<u>327</u>	<u>332</u>

As at 31 December 2020, no trade debtors were past due (2019: nil). Based on experience, management believes that no loss allowance is necessary in respect of the trade debtors as there has not been a significant change in credit quality. The Group is of the view that the expected irrecoverable trade debtors were insignificant. The Group does not hold any collateral over these balances.

- (b) The amounts due from related parties were interest-free, unsecured and recoverable within one year.
- (c) The balance mainly included the deposits paid for the construction and development of properties.
- (d) At 31 December 2020, the balance mainly included prepaid construction costs for properties development of RMB17,931,000 (2019: RMB69,474,000), and prepayments for VAT and surcharges with an aggregated amount of RMB14,300,000 (2019: RMB15,439,000).

11. BANK LOANS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Secured	306,482	288,152
Unsecured	<u>62,055</u>	<u>24,950</u>
	<u>368,537</u>	<u>313,102</u>

The secured bank loans are secured by assets below:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Inventories	<u>963,919</u>	<u>917,390</u>

At 31 December 2020, the secured bank loan of RMB137,917,000 (2019: RMB103,362,000) was guaranteed by related parties.

At 31 December 2020, the bank loans were interest-bearing at one-year Loan Prime Rate published by the People's Bank of China plus 1.2%-2.125% per annum.

The Group's banking facilities are subject to the fulfilment of certain covenants which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. There was no breach of covenants as of 31 December 2020 (2019: nil).

At 31 December 2020, bank loans were repayable as follows according to the repayment schedules as set out in the loan agreements:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	315,245	168,462
After 1 year but within 2 years	53,292	123,377
After 2 years but within 5 years	<u>—</u>	<u>21,263</u>
	<u>368,537</u>	<u>313,102</u>

Notwithstanding the specified repayment schedules as stated in all facilities letters which allow the loans to be repaid over a period of more than one year, 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") and these bank loans 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract liabilities — Receipt in advance from property sales	<u>945,939</u>	<u>1,923,393</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Balance at 1 January	1,923,393	1,494,172
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	(1,161,124)	(213,391)
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	135,851	610,519
Increase in contract liabilities as a result of accruing interest expense on receipt in advance	<u>47,819</u>	<u>32,093</u>
Balance at 31 December	<u>945,939</u>	<u>1,923,393</u>

13. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current portion:		
Trade creditors (<i>note (a)</i>)	218,683	188,214
Interest payables	1,302	1,190
Other payables and accruals	60,958	74,655
Amounts due to related parties (<i>note (b)(c)</i>)	<u>435,872</u>	<u>274,292</u>
Financial liabilities measured at amortised cost	716,815	538,351
Financial guarantee issued	<u>2,378</u>	<u>5,810</u>
	<u>719,193</u>	<u>544,161</u>
Non-current portion:		
Amounts due to related parties (<i>note (c)</i>)	—	70,653
Financial guarantee issued	<u>—</u>	<u>3,088</u>
	<u>—</u>	<u>73,741</u>
	<u>719,193</u>	<u>617,902</u>

- (a) Ageing analysis of trade creditors included in trade and other payables as at 31 December 2020, based on the date of the trade payables recognised:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	145,779	173,135
3 to 6 months	16	1,363
6 to 12 months	53,542	29
Over 12 months	<u>19,346</u>	<u>13,687</u>
	<u>218,683</u>	<u>188,214</u>

- (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 equity holders 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 equity holders 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. The balance with amount of RMB74,355,000 has been reclassified to current liability as at 31 December 2020.

14. SHARE CAPITAL

	<i>No. of shares</i>	<i>Amount in HKD</i>
Authorised share capital of the Company:		
Ordinary share of HKD0.01 each		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>2,000,000,000</u>	<u>20,000,000</u>

The share capital as at 31 December 2019 and 2020, represented the share capital of the Company.

	<i>No. of shares</i>	<i>Amount in HKD</i>	<i>Amount in RMB</i>
Ordinary shares, issued and fully paid:			
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>750,000,000</u>	<u>7,500,000</u>	<u>6,605,250</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Looking back in 2020, the COVID-19 pandemic has caused huge impact to the global economy and brought far-reaching social consequences to the world. Nevertheless, thanks to the decisive and proactive measures from the Chinese government, we can see the situation in mainland China is being stabilized with the market resilience continuing to demonstrate improvement. After the contraction in the first quarter, the gross domestic product resumed to grow steadily quarter by quarter resulting in achieving an accumulated growth rate of 2.3% in the year, compared against general downturns of major economies in the rest of the world. It would be an encouraging element to our Group for our reliance relatively on the vitality of the PRC domestic market.

The real estate sector also demonstrated a steady growth in 2020 amid tough market environment due to the pandemic. According to the data released by the National Bureau of Statistics of China, total areas of commercialized buildings sold in 2020 amounted to approximately 1.8 billion sq.m., representing a 2.6% increase from last year. In terms of monetary value, sales value of commercialized buildings amounted to approximately RMB17.4 trillion, being a growth of approximately 8.7% from 2019. It indicated that the average selling price was approximately RMB9,860 per sq.m. for 2020, with an increment of approximately 5.9%. Overall, total investment in real estate sector for 2020 amounted to approximately RMB14.1 trillion, representing a year-on-year growth of approximately 7.0%.

The control direction of the central government adhered to houses being built to be inhabited but not for speculation continues to be stated in the Report on the Work of the Government delivered at the 14th National People's Congress of the People's Republic of China in March 2021. Furthermore, the Report illustrates the central government's determination in real estate market stability in terms of land prices, house prices and expectations. Our Group regards it as a positive sign to the market for promoting stable and healthy development of the property sector.

BUSINESS REVIEW

Despite the challenging market and social conditions, our Group continues to dedicate appropriate resources in fulfilling the schedules and commitments in our property development projects, and implement effective measures to protect the health and safety of customers and employees to ensure normal operating environment is in place.

During 2020, Million Cities Legend Phase 2 was completed for delivery, contributing greatly to boost our financial results. We are pleased to report that our revenue surged to approximately RMB1,241.4 million with net profit attributable to equity shareholders of the Company of approximately RMB112.7 million, showing a tremendous growth from the results of last year. Besides, the Group has achieved total contracted sales amounted to approximately RMB1.7 billion with total areas of contracted sales of approximately 195,000 sq.m. (including sales by associate companies), mainly from 2 projects in Huizhou (sales of Dragon Terrace Phase 2 and Crown Grand Court houses), Dragon Palace Phase 1 in Henan, and 2 projects in Tianjin (sales of Million Cities Tycoon Place Phase 3 houses and Legend Plaza).

Future strategies and prospects

No doubt the real estate market in the PRC will continue to be challenging due to the implementation of various control measures by the central government. The “Three Red Lines” is a hot topic since its introduction in 2020. Besides, land supply in major cities will be more concentrated through the way from public announcement to auction bidding so as to stabilize the market expectation. The Group is well prepared to meet these policy requirements by consistently adopting relatively conservative strategy aiming at stable growth of the Group. We are at safe harbor in fulfilling the “Three Red Lines” ratios currently and will continue to monitor our liquidity and debt commitment accordingly. Besides, instead of competing in the challenging open market, we will focus more on theme projects in areas such as health, culture and educational establishment which earn the generous support from the local government, with longer project development term at favorable land prices.

The Board remains confident in the Group’s prospects as our strategy in leveraging established strength in property development, particularly in Huizhou, is in alignment with the direction of the central government in developing the Greater Bay Area. Huizhou is one of the major cities in the Greater Bay Area. It is also a transportation hub and can reach all major cities in the Greater Bay Area within one hour. It is connected to Guangzhou, Shenzhen and Dongguan through an inter-city high speed transportation network of high-speed railway and expressways. The travelling time between Huizhou and Shenzhen and Huizhou and Dongguan through the Xiamen — Shenzhen high speed railway and the Dongguan — Huizhou inter-city railway is approximately 30 minutes. The construction of the Ganzhou — Shenzhen high speed railway and the Guangzhou — Shanwei high speed railway is scheduled to be completed by 2021 and 2022, respectively. In the future, upon completion of the extension of Shenzhen Metro Line 14 to the South Huizhou Station, the Shenzhen-Huizhou inter-city railway and the Huizhou Metro Line 1, the importance of Huizhou as a regional transportation hub will be further enhanced. The Group is well positioned to earn credits in these development trends by deeply mobilizing resources and focuses on both committed as well as targeted projects in Huizhou and also in the Greater Bay Area, with the ultimate aim at creating higher value for our shareholders.

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 2020 ("FY2020"), the Group continued to have pre-sale of Dragon Palace Phase 1 (聚龍灣一期). In addition, the Group launched pre-sale of Dragon Terrace Phase 2 (玖龍台二期) and Legend Plaza Phase 2 (名座廣場二期) in the second quarter of 2020. Among the pre-sale of Dragon Terrace Phase 2, 99% of the properties were sold within 3 months, which was extremely satisfactory to the Group. We also launched pre-sale of villas of Million Cities Tycoon Place Phase 3 (萬城聚豪花園三期) in the third quarter of 2020 and the sale of the villas of Crown Grand Court (皇冠豪苑) in the fourth quarter of 2020. Total contracted sales (based on GFA of sales consent), including sales of properties by the associates of the Group, amounted to approximately RMB1,688.8 million, representing a GFA of approximately 195,000 sq.m. sold. The Group will continue to focus on the Greater Bay Area, with diversification to other areas in the PRC with potential growth.

(ii) Land bank

As at 31 December 2020, the total GFA of the Group's land bank was about 2,328,000 sq.m., out of which about 146,000 sq.m. GFA was unsold or undelivered completed properties projects, about 1,104,000 sq.m. GFA was under construction and about 1,078,000 sq.m. GFA was reserved for future development.

(iii) Revenue

Revenue from sale of properties for FY2020 amounted to approximately RMB1,238.6 million, as compared with RMB351.8 million reported last year, representing an increase by approximately 252.1%. The increase in revenue was mainly due to the recognition of revenue from Million Cities Legend Phase 2, which was completed for delivery in 2020. Revenue recognised for FY2020 was mainly contributed by Million Cities Legend Phase 2, Million Cities Tycoon Place Phase 3 and 4 and Crown Grand Court. Profits from the sales of Dragon Terrace Phase 2 and Dragon Palace Phase 1 were reflected in the share of profits of associates.

Rental income

Gross rental income from investment properties and inventories for FY2020 was approximately RMB2.8 million, as compared with approximately RMB2.5 million reported last year, representing an increase by 12.0%. The increase in gross rental income was due to the increase in rental income from the car parks and inventories during FY2020.

Cost of sales

Cost of sales for FY2020 was approximately RMB690.1 million, as compared with approximately RMB221.3 million reported last year, representing an increase by approximately 211.9%. The increase in cost of sales was in conjunction with the increase in revenue recognised for FY2020.

Gross profit and gross profit margin

The gross profit for FY2020 was approximately RMB551.2 million (FY2019: RMB133.0 million) representing an increase by approximately 314.4%, as compared with last year. The gross profit margin for FY2020 was approximately 44.4% (FY2019: 37.5%). The increase in gross profit was primarily due to the increase in revenue recognised for FY2020. Revenue for FY2020 was mainly contributed by the revenue from Million Cities Legend Phase 2 which had a higher gross profit margin than the residentials of Crown Grand Court, resulted in the increase in gross profit margin for FY2020.

Other net income

Other net income for FY2020 was approximately RMB7.8 million, as compared with approximately RMB14.8 million for FY2019, representing a decrease by approximately 47.2%, which was mainly due to the decrease in interest income during FY2020.

Selling expenses

Selling expenses for FY2020 were approximately RMB14.4 million, as compared with approximately RMB5.8 million reported in FY2019, representing an increase by 147.4%. The increase in selling expenses was mainly due to the increase in revenue, since most of the selling expenses were revenue linked sales commission.

Administrative expenses

Administrative expenses for FY2020 were approximately RMB63.7 million, as compared with approximately RMB67.3 million for FY2019, representing a decrease by approximately 5.4%. The decrease in administrative expenses was mainly due to the decrease in legal and professional fees and equity settled share-based payment during FY2020.

Finance costs

Finance costs for FY2020 were approximately RMB8.5 million, as compared with approximately RMB9.8 million reported last year, representing a decrease by approximately 13.7%. This was due to the increase in repayment of bank loan and resulted in the decrease in bank interest expenses.

Income tax

For FY2020, income tax was approximately RMB239.2 million, representing an increase of approximately RMB198.0 million, as compared with income tax of approximately RMB41.2 million for FY2019, which was in line with increase in revenue and gross profit.

Profit for the year attributable to equity shareholders of the Company

Profit for the year attributable to equity shareholders of the Company for FY2020 was approximately RMB112.7 million, representing an increase by approximately RMB94.8 million or 528.0% year on year due to the increased gross profit for FY2020.

OTHER FINANCIAL INFORMATION

Liquidity and financial resources

For FY2020, the Group's cash and cash equivalents were mainly used in the Group's business operations, to serve the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings. The Group's gearing ratio as at 31 December 2020 was 31.5%, as compared with 33.9% as at 31 December 2019. Such decrease was mainly due to the increase in equity for FY2020.

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

As at 31 December 2020, the Group's cash and cash equivalents, amounting to approximately RMB366.3 million, were denominated in HK\$(18.6%) and RMB(81.4%).

As at 31 December 2020, the Group's bank loans were due for repayment as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	315,245	168,462
After one year but within two years	53,292	123,377
After two years but within five years	<u>—</u>	<u>21,263</u>
	<u>368,537</u>	<u>313,102</u>

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 2020, the Group's bank loans were all denominated in RMB. The bank loans were interest-bearing at one-year Loan Prime Rate published by People's Bank of China plus 1.2% to 2.125% per annum.
- (c) As at 31 December 2020, the Group's certain bank loans were secured by inventories with a total carrying amount of approximately RMB963.9 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 issued at variable rates that expose the Group to cash flow interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for FY2020 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 2020, no trade debtors of the Group were past due. The Group normally receives full payment from buyers before delivering 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 sale 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 FY2020.

As at 31 December 2020, 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 RMB256.4 million for FY2020, which were mainly related to the replacement of office and electronic equipment and interest in associates. These capital expenditures were fully financed by internal resources.

Capital commitments

The Group's capital commitments as at 31 December 2020 amounted to approximately RMB610.0 million which were mainly related to development costs for the Group's properties under development.

Charge on assets

As at 31 December 2020, the Group's inventories with a total carrying amount of approximately RMB963.9 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent liabilities

During FY2020, 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 RMB274.6 million as at 31 December 2020, 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 FY2020, the Group provided guarantee to secure the loan borrowed by an associate of the Group. The total banking facility secured by this guarantee was approximately RMB1.45 billion and the outstanding loan balance was RMB600.0 million as at 31 December 2020. The bank loan is also jointly guaranteed by another shareholder of the associate and secured by the inventories of the associate. Deferred income of approximately RMB2.4 million was recognised in respect of this financial guarantee as at 31 December 2020.

Significant investments, acquisitions and disposals

On 9 January 2020, Lucky Win Limited, a wholly-owned subsidiary of the Company, entered into a memorandum of understanding 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 Shenzhen Guoxin Electric Development Limited (“Shenzhen Guoxin”), which was established in the PRC and owns four land parcels in Shenzhen. 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. As at the date of this announcement, the Group owned 21% of the equity interests in Shenzhen Guoxin.

On 12 October 2020, Huizhou Million Cities Corporate Management Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Shenzhen Logan Real Estate Company Limited (“Logan”) and Huizhou Logan Junhong Real Estate Company Limited (“Logan Junhong”). Pursuant to such agreement, it was agreed that the Group shall acquire 30% equity interest in Logan Junhong at a consideration of approximately RMB158.8 million. For further details, please refer to the announcement of the Company dated 12 October 2020. Logan obtained a land parcel with a site area of approximately 38,200 square metres located in Tongqiao Town, Zhongkai High-tech Zone, Huizhou City, the PRC in September 2020 and Logan Junhong has obtained the title documents of the land parcel on 21 September 2020. The Group will cooperate with Logan for the property development in the above site.

Events after balance sheet date

The Group has no significant event subsequent to the year ended 31 December 2020.

Operating segment information

The Group's revenue and results for FY2020 were derived from property development. Performance assessment is based on the results of the Group as a whole. Therefore, management of the Group considers there is only one operating segment.

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

Human resources and emolument policy

As at 31 December 2020, the Group had a total of 187 (2019: 163) full-time employees in the PRC and Hong Kong. For FY2020, the total staff costs, including the directors' emoluments, amounted to approximately RMB39.5 million (2019: RMB43.8 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 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 Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)) of the Company, has entered into a deed of non-competition in favour of the Company on 30 November 2018 (the “Deed of Non-competition”). Each of the Controlling Shareholders has irrevocably and unconditionally undertaken, jointly and severally, with our Company that he, she or it shall provide, and shall procure their associates (other than members of the Group) to provide, to the Company and the Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by the independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Controlling Shareholders’ and their associates’ (other than members of the Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition.

Each of the Controlling Shareholders has confirmed compliance with the terms of the Deed of Non-competition and that during FY2020, 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 FY2020 (2019: Nil). No interim dividend for 2020 was paid to the shareholders of the Company during FY2020 (2019: Nil). The register of members of the Company will be closed from 15 June 2021 to 18 June 2021, 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, 18 June 2021 (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 11 June 2021.

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

For FY2020, 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 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 FY2020.

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 FY2020.

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 FY2020.

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 FY2020, 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 FY2020.

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 FY2020 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
2020 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 2020 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, 29 March 2021

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 and Mr. Cheng Kwan Kuen; and the independent non-executive Directors are Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Dr. Wu Wing Kuen.