NEW CITY DEVELOPMENT GROUP LIMITED
新城市建設發展集團有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 0456)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$34,982,000 (2015: HK$39,064,000)
- Profit for the year was approximately HK$1,219,000 (2015: HK$3,715,000)
- Earnings per share (basic) was 0.04 HK cents (2015: 0.13 HK cents)

FINAL RESULTS

The Board of Directors (the "Board") of New City Development Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2016 together with the comparative figures in 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	3	**34,982**	39,064
Cost of services provided		**(3,116)**	(3,358)
Gross profit		**31,866**	35,706
Other income and gains	3	**8,757**	14,280
Administrative and other operating expenses		**(24,973)**	(25,194)
Finance costs	6	**(12,721)**	(15,998)
PROFIT BEFORE TAX	5	**2,929**	8,794
Income tax expense	7	**(1,710)**	(5,079)
PROFIT FOR THE YEAR		**1,219**	3,715
Attributable to:			
Owners of the Company		**1,294**	3,715
Non-controlling interests		**(75)**	–
		1,219	3,715
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**0.04 cents**	0.13 cents
Diluted		**0.04 cents**	0.13 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**1,219**	3,715
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(26,958)**	(24,786)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(26,958)**	(24,786)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(25,739)**	(21,071)
Attributable to:		
Owners of the Company	**(25,621)**	(21,071)
Non-controlling interests	**(118)**	–
	(25,739)	(21,071)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,968**	2,358
Investment properties	*10*	**736,551**	778,322
Investment in an associate		**–**	–
Available for sales investment		**–**	–
Prepayments	*11*	**124,377**	69,931
Total non-current assets		**862,896**	850,611
CURRENT ASSETS			
Equity investment at fair value through profit or loss		**37,628**	36,976
Prepayments, deposits and other receivables	*11*	**39,745**	62,562
Due from an associate		**9**	8
Due from a related company		**8**	8
Cash and bank balances		**40,045**	164,278
Total current assets		**117,435**	263,832
CURRENT LIABILITIES			
Other payables and accruals	*12*	**12,872**	99,830
Deposits received		**7,738**	8,283
Finance lease payable		**101**	165
Interest bearing bank borrowings, secured	*13*	**3,334**	–
Due to a non-controlling shareholder		**4,710**	2,119
Due to related parties		**609**	2,799
Due to directors		**1,440**	1,320
Tax payable		**1,371**	2,611
Total current liabilities		**32,175**	117,127
NET CURRENT ASSETS		**85,260**	146,705
TOTAL ASSETS LESS CURRENT LIABILITIES		**948,156**	997,316
NON-CURRENT LIABILITIES			
Finance lease payable		**–**	101
Interest bearing bank borrowings, secured	*13*	**196,700**	211,698
Deferred tax liabilities		**147,763**	156,085
Total non-current liabilities		**344,463**	367,884
Net assets		**603,693**	629,432
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*14*	**13,268**	13,268
Reserves		**589,990**	615,611
		603,258	628,879
Non-controlling interests		**435**	553
Total equity		**603,693**	629,432

NOTES

1. CORPORATE AND GROUP INFORMATION

New City Development Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 10 August 1998. The registered office of the Company is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and its principal place of business in Hong Kong is situated at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in property development and investment in the People's Republic of China (the "PRC") which have not been changed during the year.

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 May 2000.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investment at fair value through profit or loss, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group, and for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), and certain amendments included in the Annual Improvements 2012-2014 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement of profit or loss. The amendments have had no significant impact on the Group's consolidated financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables (add any other debt instruments as applicable). The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables (add any other debt instruments as applicable) upon the adoption of HKFRS 9.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of property management services rendered and gross rental income received and receivable from the investment properties.

An analysis of revenue, other income and gains is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Rental income and related management service income	**34,982**	39,064
Other income and gains		
Interest income	**7,447**	967
Fair value gain on equity investment at fair value through profit or loss	**99**	2,726
Fair value gain on investment properties *(note 10)*	**1,211**	10,585
Others	**–**	2
	8,757	14,280
Total revenue, other income and gains	**43,739**	53,344

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's primary operating segment is property development and investment in the PRC. Since this is the only operating segment of the Group, no further analysis thereof is presented.

Geographical information

The Group operates principally in the PRC. Over 90% of the Group's assets are located in the PRC and over 90% of the revenue are generated in the PRC. Accordingly, no further geographical information of total assets and revenue was disclosed.

Information about a major customer

Rental income and related management service income

There are no significant concentrations of credit risk within the Group because there is a large number of diversified tenants.

5. PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Auditors' remuneration	**500**	400
Cost of services provided	**3,116**	3,358
Depreciation		
– owned assets	**465**	357
– leased assets	**184**	184
	649	541
Employee benefits expenses (including directors' remuneration):		
– Wages, salaries and allowance	**10,344**	9,849
– Pension scheme contributions	**586**	544
	10,930	10,393
Minimum lease payments under operating leases on land and buildings*	**1,572**	1,554
Direct operating expenses arising from rental income and related management service income	**664**	2,079
Exchange loss, net	**1,551**	691
Interest income	**(7,447)**	(967)
Fair value gain on equity investment at fair value through profit or loss	**(99)**	(2,726)
Fair value gain on investment properties *(note 10)*	**(1,211)**	(10,585)

* Minimum lease payments under operating leases on land and buildings included rental for director quarter of HK$624,000 (2015:HK$624,000).

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Amortisation of prepaid administrative fee for bank borrowings	–	4,238
Interest on:		
Bank and other borrowings, secured and wholly repayable within five years	**12,709**	11,738
Finance lease	**12**	22
	12,721	15,998

7. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: Nil).

Under the Enterprise Income Tax Law, the enterprise income tax ("EIT") is calculated at a rate of 25% (2015: 25%) on the Group's estimated assessable profits arising in the PRC during the year.

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	–	–
PRC	**1,384**	3,042
Under-provision/(over-provision) in previous year	**23**	(150)
	1,407	2,892
Deferred tax	**303**	2,187
Total tax charge for the year	**1,710**	5,079

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to effective tax rates, is as follows:

	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
Profit before tax	**2,929**		8,794	
Tax at the statutory tax rates	**1,210**	**41.3**	3,229	36.7
Income not subject to tax	**(1,222)**	**(41.7)**	(31)	(0.4)
Expenses not deductible for tax	**1,686**	**57.6**	2,032	23.1
Tax benefit not recognised/(utilised)	**13**	**0.4**	(1)	(0.1)
Under-provision/(over-provision) in previous year	**23**	**0.8**	(150)	(1.7)
Tax charge at effective rate	**1,710**	**58.4**	5,079	57.6

As at 31 December 2016 and 2015, the Group has not provided deferred tax assets in respect of tax losses available and decelerated depreciation for offsetting future assessable profits calculated at the rate of 16.5% (2015: 16.5%) as follows:

	2016	2015
	HK$'000	*HK$'000*
Tax losses	**255**	255
Decelerated depreciation	**168**	155
	423	410

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculation of basic earnings per share is based on:

	2016	2015
	HK$'000	*HK$'000*
Profit for the year attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**1,294**	3,715

	Number of shares	
	2016	2015
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**3,317,045,040**	2,784,325,283

No adjustment has been made to the basic earnings per share for the years ended 31 December 2016 and 2015 in respect of a dilution as there were no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

9. DIVIDENDS

The directors did not recommend any dividend for the year ended 31 December 2016 (2015: Nil).

10. INVESTMENT PROPERTIES

	The Guangzhou Properties at fair value		The Luoyang Properties at cost		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Completed project						
Investment properties in Guangzhou *(note (a))*						
Carrying amount at 1 January	**705,660**	737,508	–	–	**705,660**	737,508
Change in fair value of investment properties *(note 3)*	**1,211**	10,585	–	–	**1,211**	10,585
Exchange realignment	**(38,979)**	(42,433)	–	–	**(38,979)**	(42,433)
Carrying amount at 31 December	**667,892**	705,660	–	–	**667,892**	705,660
Incomplete project						
Investment properties in Luoyang *(note (b))*						
Carrying amount at 1 January	–	–	**72,662**	–	**72,662**	–
Acquisition of subsidiaries *(note 15)*						
– Construction in progress, at cost	–	–	–	72,662	–	72,662
Exchange realignment	–	–	**(4,003)**	–	**(4,003)**	–
Carrying amount at 31 December	–	–	**68,659**	72,662	**68,659**	72,662
Aggregate carrying amount at 31 December	**667,892**	705,660	**68,659**	72,662	**736,551**	778,322

Notes:

(a) Investment properties in Guangzhou (the "Guangzhou Properties") are situated at Nos. 20-22 Chigang West Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC and are held under medium term leases.

The Guangzhou Properties were leased to tenants under operating leases for rental income and management service income (note 3), further summary details of which are included in note 16 to this announcement. The Guangzhou Properties were stated at fair value at the end of the reporting period.

At 31 December 2016, the Guangzhou Properties with carrying amount of approximately HK$667,892,000 (2015: HK$705,660,000) were pledged to secure bank borrowings, details of which are set out in note 13 to this announcement.

The fair value of the Guangzhou Properties has been assessed by Access Partner Consultancy & Appraisals Limited ("Access Partner") (2015: Savills Valuation and Professional Services Limited), independent valuers (the "Valuers") by using the income approach to be RMB601,000,000 (equivalent to approximately HK$667,892,000) (2015: RMB600,000,000 (equivalent to approximately HK$705,660,000)) as at 31 December 2016.

Fair value measurement

The Guangzhou Properties are held for the purpose of generating rental income and/or for capital appreciation. The Directors considered that the adoption of the income approach is appropriate in accessing the fair value of the Guangzhou Properties as at 31 December 2015 and 2016. Accordingly, the fair value of the Guangzhou Properties was determined based on the income approach. The key assumptions have been disclosed in the annual report of the Company.

(b) Investment properties in Luoyang (the "Luoyang Properties") represented the construction in progress of a parcel of land which are situated at 洛陽新區伊濱區環湖路以東、白塔路以南、開拓大道以西、用地界以北, Luoyang, the PRC. The Luoyang Properties were acquired through the acquisition of the subsidiaries (note 15) during the year ended 31 December 2015. The Luoyang Properties comprise a parcel of land held under medium term leases with a site area of 69,942.185 square which can be developed into a total gross floor area of 173,724.12 square metres. Its carrying amount comprised the land use right and directly attributable costs and was stated at acquisition cost of RMB61,782,000 (equivalent to HK$68,659,000 (2015: HK$72,662,000)) and less impairment, if any. The directors are of opinion that the construction planning of the Luoyang Properties has yet been determined as at 31 December 2016 and accordingly, its fair value cannot be measured reliably.

Pursuant to a land use right agreement (國有建設用地使用權出讓合同) (the "Land Use Right Agreement") of the Luoyang Properties, which was entered into between 洛陽萬亨置業有限公司("洛陽萬亨"), a subsidiary of the Company upon completion of the Faith Onward Acquisition (note 15) and 洛陽國土資源局 ("國土局") on 1 February 2013, 洛陽萬亨 is required to commerce and complete the construction of the Luoyang Properties on or before 1 September 2013 and 1 September 2016 (the "Construction Period"), respectively. A penalty (the "Penalty") calculated at 0.1% per day on the original consideration paid by 洛陽萬亨 for the land use right, which was approximately RMB31,270,000, may be imposed by 國土局 if the construction was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the "Forfeiture") by 國土局 if the construction has not been completed beyond 60 days of the Construction Period. On 17 November 2016, the Group received a notice from 洛陽市城鄉一體化示範區管理委員會國土環保局, pursuant to which, the Group is required to commence the construction of the Luoyang Properties within 15 days after the date of the notice unless the Group has a reasonable excuse. The Group replied and expected to have the construction work commenced in June 2017. The directors have sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government in prior year and the risk for the Penalty or the loss on the Forfeiture is not material. Accordingly, no provision in respect of the Penalty and/or the Forfeiture, if any, has been included in the consolidated financial statements as at 31 December 2016 and 2015.

Impairment assessment of the Luoyang Properties

The recoverable amount of the Luoyang Properties has been assessed by an independent valuer, Access Partner, as at 31 December 2016. No impairment in respect of the Luoyang Properties has been provided as the recoverable amount of the Luoyang Properties was higher than its carrying amount as at 31 December 2016 (2015: Nil).

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Prepayments		
– Prepaid professional fee for the Luoyang Properties *(note (a))*	**1,532**	1,482
– Prepaid renovation and improvement costs (the "Prepaid Renovation Costs") of the Guangzhou Properties *(notes (b))*	**67,345**	68,449
– Others	**1,059**	926
Deposits		
– Vision Deposit and the Escrow Amount *(note (c))*	**55,500**	–
– Others	**274**	274
Other receivables		
– Due from the Subscriber *(note (d))*	**–**	29,003
– Due from Beijing Zhongzheng *(note (e))*	**36,858**	31,755
– Others	**1,554**	604
	164,122	132,493
Less: Non-current portion Prepaid professional fee and the Prepaid Renovation Costs classified as non-current assets	**(124,377)**	(69,931)
Current portion	**39,745**	62,562

Notes:

(a) The prepaid professional fee represented design fee and environmental assessment paid to independent construction consultants for the Luoyang Properties with a total contract sum of RMB11,119,000 (equivalent to approximately HK$12,356,000) (2015: RMB11,000,000 (equivalent to approximately HK$12,937,000)). As at 31 December 2016, an aggregate amount of RMB1,379,000 (equivalent to approximately HK$1,532,000) (2015: RMB$1,260,000 (equivalent to approximately HK$1,482,000)) has been prepaid by the Group to the consultants for preparation of the work.

(b) On 28 August 2015, the Group entered into a properties renovation, improvement and upgrading contract (裝修及設備改造項目工程施工合同) (the "Renovation Contract") with 北京吉彩裝飾工程有限公司 ("北京吉彩", a related company of the Company, of which Mr. Han Junran ("Mr. Han"), a director and substantial shareholder of the Company and his close family members are the ultimate shareholders, for the renovation, improvement and upgrading of the Guangzhou Properties (the "Properties Improvement") with a total contract sum (the "Contract Sum") of RMB133,500,000 (equivalent to approximately HK$148,359,000). Pursuant to the Renovation Contract, the Group is required to prepay (the "北京吉彩 Prepaid Renovation Cost") RMB80,100,000, being 60% of the Contract Sum, to 北京吉彩 with the remaining 35% and 5% of the Contract Sum payable upon completion and user acceptance of the Properties Improvement and 10 days after the 2 years' maintenance period, respectively. The renovation period (the "Renovation Period") is from 15 September 2015 to 15 September 2017. As at 31 December 2016, an aggregate amount of RMB60,600,000 (equivalent to approximately HK$67,345,000 (2015:

RMB58,200,000 (equivalent to approximately HK$68,449,000)) has been prepaid by the Group to 北京吉彩 which is guaranteed by 北京貝盟國際建築裝飾工程有限公司 (the "Guarantor"), an independent third party, pursuant to an agreement (the "Three Parties Agreement") entered into between the Group, 北京吉彩 and the Guarantor on 28 August 2015 whereby the Guarantor irrevocably guarantees and undertakes to procure 北京吉彩 to execute and fulfill its duties and responsibilities (the "Duties") under the Renovation Contract. Upon 北京吉彩's failure to perform its Duties, the Guarantor shall (i) repay to the Group the 北京吉彩 Prepaid Renovation Cost; and (ii) perform the Duties on behalf of 北京吉彩 at the Group's request. On 15 March 2016, the Group further entered into an agreement with Mr. Han, pursuant to which, Mr. Han further guarantees the responsibilities and duties of the Guarantor under the Three Parties Agreement.

However, the original renovation, improvement and upgrading plan has been modified (the "Modified Renovation Plan") by the directors during the year ended 31 December 2016. Therefore, the Group further entered into two memorandum of understanding (the "中科建設 MOU") with 中科建設開發總公司天津分公司 ("中科建設") on 26 August 2016 and 6 September 2016, respectively, for engaging 中科建設 as the main contractor for the Properties Improvement while retaining 北京吉彩 as the subcontractor. Pursuant to the 中科建設 MOU, the total contract sum of the Properties Improvement is revised to RMB180,000,000 (equivalent to approximately HK$200,034,000). Due to the modification, the Directors expect the commencement of the Properties Improvement in the second half of 2017.

(c) The Group entered into a memorandum of understanding (the "Vision Products MOU") with Vision Products Limited ("Vision Products") on 20 June 2016, pursuant to which, the Group engaged Vision Products as a consultant to lead a project on the development of cultural business in different brands and icons with an expected contract sum of HK$60,000,000 that the Group believes which would further contribute to the value of the Group. Vision Products has the experience and track records of building up cultural products and design of branded products and icons for various multinationals which are very popular in Europe and other markets worldwide. Pursuant to the Vision Products MOU, the Group has made deposit of approximately HK$5,980,000 (the "Vision Deposit") to Vision Products for its exclusive development for themed business so as to achieve their objective and target, (i) the attraction of family-based target consumer group with exclusive procurement of cultural products; (ii) promotion of different themes to the Group; and (iii) the nurture for people and family-based audience to become aware of our brands, products and the Group.

The Group has further taken this opportunity to leverage the expertise of Vision Products to contribute to the Modified Renovation Plan of renovating the Guangzhou Properties for upgrading it with new edge concept and value enhancement in collaboration with 廣州市青年設計師協會 ("GZYDA") in contributing to the design conceptualization into the Properties Improvement. To ensure the technical, engineering and construction requirement can be performed to express the design conceptualization created by Vision Products and GZYDA, Vision Products would have to seek qualified engineering company to lead the Modified Renovation Plan for the Group's final decision and appointment. However, in order to ensure the Group is having the financial strength and have specifically reserved the funding for such appointment of a well-qualified engineering company for the project, Vision Products has requested for a refundable deposit of approximately HK$49,520,000 (the "Escrow Amount") be escrowed for the specific purpose of construction cost involved in the renovation project so these contractors being approached by Vision Products would be comfortable and the necessary funding can be swiftly transferred to the selected contractor to fix the cost of the renovation upon the completion of the formal appointment with the selected contractor. The Group would then have a direct contractual relationship with the selected contractor being appointed.

On 31 December 2016, the Group further entered into an agreement with Mr. Han, pursuant to which, Mr. Han further guarantees the recoverability of the Vision Deposit and the Escrow Amount.

(d) During the year ended 31 December 2015, the Company agreed for the issuance of 136,060,042 shares at a subscription price of HK$0.247 per share to the Subscriber for his undertaking of the settlement for the Company of the Judgement Debt which was estimated to be RMB27,660,000 (equivalent to approximately HK$33,607,000) in respect of the Litigation filed by Shanghai Fudan. An amount of RMB3,000,000 has been settled by the subscriber for the company to Shanghai Fudan, leasing a remaining balance of RMB24,660,000 (equivalent to approximately HK$29,003,000) as at 31 December 2015. The remaining balance of RMB660,000 (equivalent to approximately HK$733,000) has been charged as the compensation for the services provided by the Subscriber and its associates in relation to the Litigation in the consolidated statement of profit and loss during the year ended 31 December 2016.

As detailed in note 12(c) and note 19 to this announcement, the Judgement Debt was finally agreed to be RMB27,000,000, which has been settled by the Subscriber to Shanghai Fudan as at 31 December 2016.

Terms in Capital Letters are defined in note 19 to this announcement.

(e) The amount represented the Judgement Debt recoverable from Beijing Zhongzheng in respect of the Litigation filed by Shanghai Fudan.

As detailed in note 19 to this announcement, in March 2016, Beijing Zhongzheng agreed to fully pay back the Judgement Debt to the Company together with (i) an interest at 15% per annum; and (ii) a fixed sum of RMB5,000,000 (equivalent to approximately HK$5,881,000) as compensation which shall be settled on or before 7 March 2018 and is guaranteed by 北京桑普新源技術有限公司, an independent third party. Accordingly, the directors are of the opinion that the Judgement Debt will be fully recovered from Beijing Zhongzheng and no further provision of the Litigation was recognised in the consolidated statement of profit or loss during the years ended 31 December 2015 and 2016.

Terms in Capital Letters are defined in note 19 to this announcement.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

12. OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Accrued expenses	**1,692**	2,482
Other payables	**1,454**	1,884
Due to 誠達 *(note (a))*	**9,726**	8,737
Due to Faith Grand Investments Limited ("Faith Grand") *(note (b))*	**–**	58,500
Due to Shanghai Fudan *(notes (c) and 19)*	**–**	28,227
	12,872	99,830
Less: Non current portion	**–**	–
Current portion	**12,872**	99,830

Note:

(a) The amount due to 誠達 is unsecured, interest-free and has no fixed terms of repayment.

(b) The amount as at 31 December 2015 represented the balance of the consideration on acquisition of Faith Onward (Hong Kong) Investment Limited (note 15) which has been settled during the year ended 31 December 2016.

(c) The amount represented the balance of the Judgement Debt payable to Shanghai Fudan in respect of the Litigation filed by Shanghai Fudan.

As detailed in note 19 to this announcement, the Group was liable to pay for the Judgement Debt of RMB27,000,000 (equivalent to approximately HK$31,755,000) payable to Shanghai Fudan. During the year ended 31 December 2015, RMB3,000,000 of the Judgement Debt had been settled by the Subscriber for the Company and the outstanding balance of RMB24,000,000 (equivalent to approximately HK$28,227,000) was further settled by the Subscriber during the year ended 31 December 2016.

Despite the Judgment Debt has been undertaken by the Subscriber (note 11(d)), the amount payable to Shanghai Fudan was not offset against the amount due from the Subscriber as at 31 December 2015 as the directors considered that the obligation of the Judgement Debt was retained in the Group until it was settled by the Subscriber to Shanghai Fudan and, therefore, the amount due from the Subscriber was recognised as "other receivables" (note 11(d)) in the consolidated statement of financial position as at 31 December 2015.

Terms in Capital Letters are defined in note 19 to this announcement.

13. INTEREST BEARING BANK BORROWINGS, SECURED

	Effective interest rate *(%)*	**Maturity**	**2016** ***HK$'000*** *(note)*	2015 *HK$'000*
Bank loan – Guangzhou Loan *(note a)*	5.94%	2020	**200,034**	211,698
			200,034	211,698
Analysed into:				
Repayable:				
Within one year or on demand			**3,334**	–
In the second to fifth years, inclusive			**196,700**	211,698
Total			**200,034**	211,698
Current portion			**(3,334)**	–
Non current portion			**196,700**	211,698

Note:

(a) On 3 August 2015, Guangdong Changliu Investment Company Limited ("Changliu"), an indirect wholly-owned subsidiary of the Company entered into a loan agreement (the "BOGZ Loan Agreement") with Bank of Guangzhou ("BOGZ"), pursuant to which, BOGZ agreed to grant a loan (the "BOGZ Loan") in the amount of RMB180,000,000 (equivalent to HK$200,034,000) (2015: RMB180,000,000 (equivalent to HK$211,698,000)) to Changliu for a term of 5 years, which is secured by legal charges over the Guangzhou Properties and has been fully drawn down by Changliu. The BOGZ Loan bears interest at 125% of the benchmark annual lending and deposit rate of the People's Bank of China, which is repayable on a quarterly basis. The principal amount of the BOGZ Loan is repayable as follows: (i) four instalments of RMB1,500,000 (equivalent to approximately HK$1,667,000) each on or before February 2017, August 2017, February 2018 and August 2018, respectively; (ii) four instalments of RMB10,000,000 (equivalent to approximately HK$11,113,000) each on or before February 2019, August 2019, February 2020 and August 2020, respectively; and (iii) the remaining balance of RMB134,000,000 (equivalent to approximately HK$148,914,000) on or before August 2020.

14. SHARE CAPITAL

	2016	2015
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.004 each	**40,000**	40,000
Issued and fully paid:		
3,317,045,040 ordinary shares of HK$0.004 each	**13,268**	13,268

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	2,544,787,999	10,179	253,344	263,523
Open offer of shares *(note (a))*	636,196,999	2,545	175,590	178,135
Issuing cost for the open offer	–	–	(4,239)	(4,239)
Issue of shares in respect of the Judgement Debt *(note (b))*	136,060,042	544	33,063	33,607
At 31 December 2015 and 2016	3,317,045,040	13,268	457,758	471,026

Note:

(a) On 17 August 2015, the Company completed an open offer of 636,196,999 offer shares at a price of HK$0.28 per offer share on the basis of one offer share for every four shares held. The net proceeds from the open offer amounted to approximately HK$173,896,000 after deduction of direct attributable costs of HK$4,239,000 and was applied as general working capital of the Group and acquisition of possible investment.

(b) As detailed in note 19 to this announcement, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Zhu Ya Yong (朱亞勇) (the "Subscriber") on 30 November 2015, pursuant to which, a total of 136,060,042 subscription shares of the Company were issued at a subscription price of HK$0.247 per share to the Subscriber for his undertaking for settlement of the Judgement Debt for the Company in respect of the litigation filed by Shanghai Fudan on 30 December 2015.

15. ACQUISITION OF SUBSIDIARIES

31 December 2015

On 30 October 2015, the Group entered into a sale and purchase agreement (the "Faith Onward Acquisition Agreement") with Faith Grand Investments Limited ("Faith Grand", a related company of the Company, of which Mr. Han Kairan, a director and substantial shareholder of Faith Grand, is a close family member of Mr. Han Junran, a director and substantial shareholder of the Company). Pursuant to the Faith Onward Acquisition Agreement, the Group acquired (the "Faith Onward Acquisition") (i) 100% equity interest of Faith Onward (Hong Kong) Investments Limited ("Faith Onward"), and 90% equity interest of 信誠(洛陽)酒店物業管理有限公司 and its subsidiary, 洛陽萬亨置業有限公司 (collectively, the "Faith Onward Group"); and (ii) the amount due to the Company's subsidiary of HK$41,058,000 by the Faith Onward Group (the "Sales Loan"), at a total consideration of HK$68,000,000. The Faith Onward Group is principally engaged in the property development and investment in Luoyang, the PRC. The Faith Onward Acquisition was completed on 31 December 2015 (the "Acquisition Date").

The directors are the opinion that the principal asset of the Faith Onward Group are the Luoyang Properties (note 10) which represent a parcel of land in Luoyang and is classified as construction in progress under investment properties in the consolidated statement of the financial position of the Faith Onward Group. As the Faith Onward Group did not have any operation as at the Acquisition Date and therefore, the Faith Onward Acquisition is not accounted for as a business combination but an acquisition of assets. Accordingly, the difference between the consideration over the carrying value of the individual identifiable assets and liabilities other than the construction in progress of the Faith Onward Group as at the Acquisition Date has been recognised as the deemed cost of the construction in progress.

Details of the identifiable assets and liabilities of the Faith Onward Group at the Acquisition Date are as follows:

	HK$'000
Property, plant and equipment	373
Construction in progress *(note 10 (b))*	72,662
Prepayments	1,565
Cash and bank balance	98
Other payables	(53)
Due to a related party	(1,774)
Due to a non-controlling shareholder	(4,318)
Due to a subsidiary of the Company by the Faith Onward Group (the Sales Loan)	(41,058)
Net assets of the Faith Onward Group	27,495
Non-controlling interests	(553)
Less: The Sales Loan	41,058
Cash consideration	68,000

An analysis of the cash flows in respect of the Faith Onward Acquisition is as follows:

	HK$'000
Cash consideration	68,000
Cash and bank balances acquired	(98)
Net outflow of cash and cash equivalents included in cash flows from investing activities	67,902

Since the completion of the Faith Onward Acquisition, the Faith Onward Group did not contribute to the Group's revenue and consolidated profit for the year ended 31 December 2015.

Had the Faith Onward Acquisition taken place at the beginning of the year ended 31 December 2015, the Group's revenue and consolidated profit for year would have been approximately HK$39,064,000 and HK$2,260,000, respectively.

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases the Guangzhou Properties (note 10) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years (2015: for a term of 1 to 5 years).

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**18,479**	14,627
In the second to fifth years, inclusive	**19,541**	14,074
	38,020	28,701

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years (2015: 1 to 2 years).

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**1,563**	665
In the second to fifth years, inclusive	**702**	85
	2,265	750

17. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 16 to this announcement, the Group had the following commitments at the end of the reporting period:

(a) Proposed acquisition

On 8 November 2013, the Group entered into a co-operation agreement (the "Agreement") with an independent third party (the "Vendor") and Qingdao Chengtai Real Estate Development Company Limited 青島成泰房地產開發有限公司 ("Qingdao Chengtai", a company wholly-owned by the Vendor), pursuant to which, the Group will acquire (the "Qingdao Acquisition") the entire equity interest in Qingdao Chengtai in 2 phases at a consideration (the "Consideration") of RMB 200,000,000 (equivalent to HK$222,260,000), subject to the upward adjustment.

The principal asset of Qingdao Chengtai is a leasehold land (the "Land") located in Qingdao City, Shangdong Province, the PRC which is intended for the development of real estates (the "Project").

For the first phase (the "1st Phase") of the Qingdao Acquisition, the Group shall acquire 65% equity interest in Qingdao Chengtai when, among other things, the planning approval of the Project is obtained from the relevant government authorities, which should be completed on or before 8 July 2014 and subsequently further extended to 30 June 2016. For the second phase (the "2nd Phase") of the Qingdao Acquisition, the Group shall acquire the remaining 35% equity interest in Qingdao Chengtai when the Project has been completed.

The Consideration shall be satisfied by (i) as to RMB80,000,000 (equivalent to approximately HK$88,904,000) by cash payable upon the completion of the 1st Phase; and (ii) as to RMB120,000,000 (equivalent to approximately HK$133,356,000), subject to an upward adjustment, by transferring the corresponding parts of the real estate of the Project which worth RMB120,000,000 (equivalent to approximately HK$133,356,000) upon the completion of the 2nd Phase.

However, the Qingdao Acquisition has been expired since 30 June 2016.

(b) Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the "Partner"), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited ("NC Fortune Medicare") was incorporated, of which, 34% equity interest in NC Fortune Medicare was held by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the "Shanghai Subsidiary") for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000, which shall be financed by all the shareholders of NC Fortune Medicare in proportion to their respective shareholdings therein. The Shanghai Subsidiary has not been established as at the date of this announcement. As at 31 December 2016, none of the RMB340,000 (equivalent to approximately HK$378,000), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

(c) Capital commitments

	2016	2015
	HK$'000	*HK$'000*
Construction design contracts for the Luoyang Properties *(note 11 (a))*	**10,824**	11,536
Renovation and improvement costs for the Guangzhou Properties *(note 11 (b))*	**192,689**	88,560
Capital contribution payable to a subsidiary	**7,779**	–
	211,292	100,096

18. CONTINGENT LIABILITIES

Save as those disclosed in note 10 (b) to this announcement, the Group did not have any material contingent liabilities as at 31 December 2016 and 2015.

19. LITIGATION

The Company and 北京中証房地產開發有限公司 (literally translated as Beijing Zhong Zheng Real Estate Development Company Limited) ("Beijing Zhongzheng", an ex-subsidiary of the Company which was disposed of in 2010) received a civil summons dated 15 May 2014 from the Higher People's Court of Beijing City (the "Higher Court"), pursuant to which, an application for retrial of a civil court case (the "Litigation") had been filed by 上海復旦光華信息科技股份有限公司 (literally translated as Shanghai Fudan Guanghua Information Technology Company Limited) ("Shanghai Fudan"). The Litigation was stemmed from a series of civil court proceedings commenced by Shanghai Fudan in Beijing No. 1 Intermediate People's Court and the other courts in the PRC since 2003 which alleged that Beijing Zhongzheng had failed to perform its obligation under a sale contract dated 27 June 2002 entered into between Beijing Zhongzheng and Shanghai Fudan for selling certain real properties (the "Properties Transactions") in the PRC to Shanghai Fudan at a consideration of US$1,755,432 (equivalent to approximately HK$13,605,000) (the "Allegation"). The Company became one of defendants as Shanghai Fudan claimed that Mr. Leung Kwo (梁戈) ("Mr. Leung"), the ex-director and former chairman of the Company, entered into a guarantee agreement (the "Guarantee Agreement") with Shanghai Fudan on 28 June 2002 for and on behalf of the Company, pursuant to which, the Company acted as a guarantor to guarantee Shanghai Fudan that Beijing Zhougzheng should perform its obligation under the Properties Transactions.

In view of the Litigation, the directors of the Company (the "Directors") have conducted extensive investigations, in which the Directors have (i) inspected all the minutes of the meetings of its board of directors from the date of its incorporation to the end of year 2013 to see if the Allegation has ever been brought to the attention of the Directors, (ii) contacted the key management personnel of Beijing Zhongzheng for ascertaining the merits of the Allegation, (iii) discussed in their meeting to determine the financial impact of the Litigation and the Allegation, and (iv) sought for legal advices from the lawyers in the Cayman Islands and the PRC (collectively, the "Lawyers") in respect of the Litigation. From such investigations, the Company found that (i) there was no record showing that the Allegation has ever been brought to the attention of the Directors and they did not approve and sign the Guarantee Agreement, (ii) Beijing Zhongzheng was aware of the Allegation and Litigation, but it has no records in respect of the sales of the Properties Transactions or the receipt of the sales proceeds as alleged in the Litigation.

On 29 July 2015, the Company received, through the Lawyer, the judgment dated 14 May 2015 (the "Judgment") granted by the Higher Court in respect of the Litigation, pursuant to which, the Higher Court overruled its own judgment dated 26 July 2013 and upheld the judgment dated 10 November 2010 granted by Beijing No.1 Intermediate People's Court. The Higher Court ruled that both the Properties Transactions and the Guarantee Agreement were legally effective. The Higher Court also ordered that both the Company and Beijing Zhongzheng shall be jointly liable to repay to Shanghai Fudan the sum of RMB14,529,886 together with interest accrued thereon from 1 July 2002 up to the date of payment (collectively, the "Judgment Debt") (which was preliminarily estimated by the Directors to be approximately RMB27,660,000 (equivalent to approximately HK$33,607,000) (note 11(d)).

On 30 November 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Zhu Ya Yong (朱亞勇) (the "Subscriber"), pursuant to which, the Subscriber agreed to negotiate with Shanghai Fudan for the entering into a debt settlement agreement between the Company, Shanghai Fudan and the Subscriber. It was intended that upon the completion of the debt settlement agreement, (i) the Company's obligation to repay the Judgment Debt will be assumed or satisfied by the Subscriber; and (ii) the Company will be indebted to the Subscriber for a sum of HK$33,606,830 which will be satisfied by way of the issuing of 136,060,042 shares of the Company at a subscription price of HK$0.247 per share.

Subsequently, 北京億隆悦泰投資有限公司 (literally translated as Beijing Yi Long Yuet Thai Investments Limited ("Beijing Yi Long"), a related company of the Subscriber) was nominated by the Subscriber for the negotiation with Shanghai Fudan and reached a settlement of the Judgment Debt at an aggregate amount of RMB27,000,000 (equivalent to approximately HK$31,755,000). Accordingly, the Company entered into a debt settlement agreement (執行和解協議) (the "Debt Settlement Agreement") with Shanghai Fudan and Beijing Yi Long on 9 December 2015, pursuant to which, the amount of the Judgment Debt was agreed at RMB27,000,000 (equivalent to approximately HK$31,755,000) which is interest-free, guaranteed and secured by a property of Beijing Yi Long (the "Yi Long Property") and (i) as to RMB3,000,000 (equivalent to approximately HK$3,528,000) payable at the date of signing of the Debt Settlement Agreement; and (ii) the remaining balance of RMB24,000,000 (equivalent to approximately HK$28,277,000) repayable by 4 quarterly installments on 31 March, 30 June, 30 September and 31 December 2016, respectively (note 12(c)).

On 30 December 2015, the Company further entered into an agreement (關於執行和解協議之四方協議) (the "Four Parties Agreement") with the Subscriber, Beijing Yi Long and 北京創意金典投資諮詢服務有限公司 ("北京創意"), a company controlled by the Subscriber, pursuant to which, (i) the Subscriber undertakes the settlement of the Judgment Debt for the Company; (ii) Beijing Yi Long pledges the Yi Long Property to Shanghai Fudan as security against the Judgment Debt; and (iii) 北京創意 pays on behalf of the Subscriber RMB3,000,000 of the Judgement Debt. The Directors are of the opinion that upon the entering of the Four Parties Agreement, the Company's obligation to repay the Judgment Debt has been assumed or satisfied by the Subscriber and therefore, the Company was indebted to the Subscriber in the sum of HK$33,606,830 which was satisfied by the issuing of 136,060,042 shares of the Company at a subscription price of HK$0.247 per share under the Subscription Agreement on 30 December 2015 (note 14(b)).

In view of the Litigation, the Directors have taken appropriate actions to negotiate with Beijing Zhongzheng for recovery of the Judgment Debt. On 7 March 2016, the Company entered into an agreement (關於支付承諾款項之三方協議) (the "Debt Recovery Agreement") with Beijing Zhongzheng, pursuant to which, Beijing Zhongzheng agreed to fully pay back the Judgment Debt to the Company together with (i) an interest at 15% per annum; and (ii) a fixed fee of RMB5,000,000 (equivalent to approximately HK$5,881,000) as compensation (collectively, the "Recoverable Debt"). The Recoverable Debt shall be settled on or before 7 March 2018 and is guaranteed by 北京桑普新源技術有限公司, an independent third party (note 11(e)). The Directors are of the opinion that the Judgment Debt will be fully recovered from Beijing Zhongzheng and no further provision of the Litigation was recognised in the consolidated statement of profit or loss during the years ended 31 December 2015 and 2016.

20. RELATED PARTIES TRANSACTIONS

(i) Save as those disclosed elsewhere in this announcement, the Group had the following material transactions with related parties during the year:

	2016	2015
	HK$'000	*HK$'000*
Rental expenses paid to related companies	**1,542**	1,542
Acquisition of the Faith Onward Group *(note 15)*	–	68,000
Granting of the Renovation Contract to a related company *(note (a))*	–	157,009

Note:

(a) As detailed in note 11(b) to the announcement, the Group entered into the Renovation Contract with 北京吉彩, a related company of the Company, of which Mr. Han, a director and substantial shareholder of the Company and his close family members are the ultimate shareholders, for the renovation, improvement and upgrading of the Guangzhou Properties with a total contract sum of RMB133,500,000 (equivalent to approximately HK$148,359,000). As at 31 December 2016, an aggregate amount of RMB60,600,000 (equivalent to approximately HK$67,345,000) (2015: RMB58,200,000 (equivalent to approximately HK$68,449,000) has been prepaid to 北京吉彩 in respect of the Renovation Contract. 北京吉彩's duties and responsibilities as well as the prepayment is guaranteed by 北京貝盟國際建築裝飾工程有限公司, an independent third party, and Mr. Han to the Company.

The directors are of the opinion that the related party transactions were conducted on terms negotiated between the Group and the related parties on normal commercial terms.

(ii) Compensation of key management personnel of the Group:

	2016	2015
	HK$'000	*HK$'000*
Short term employee benefits	**5,731**	5,456
Post-employment benefits	**–**	–
Equity-settled share option expenses	**–**	–
Total compensation paid to key management personnel	**5,731**	5,456

The number of directors, chief executive and key management personnel of the Group, whose remuneration/compensation fell within the following bands is as follows:

	Number of directors, chief executive and key management personnel	
	2016	2015
HK$Nil to HK$1,000,000	**8**	7
HK$1,000,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$10,000,000	**–**	–
Over HK$10,000,000	**–**	–
	10	9

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a turnover of approximately HK$34,982,000 and recorded a profit after tax of approximately HK$1,219,000 for the year.

Major business arrangements

Continuing Connected Transactions

On 30 May 2016, new tenancy agreements (the "New Tenancy Agreements") were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and car parking space. The New Tenancy Agreements are for a term of two years commencing from 1 June 2016. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

OUTLOOK

The Group's wholly-owned subsidiary, Guangdong Changliu Investment Company Limited ("Changliu"), currently is the Group's main operating unit. Due to the slowdown of PRC economic growth and the falling RMB exchange rate, the Group's rental and related management service income from Changliu slightly decreased. Leasing will continue to be the main commercial activity of Changliu. However, the Group will endeavor to develop feasible measures for enhancing the rental value of Changliu's properties.

The Group has currently engaged in the Modified Renovation Plan with 中科建設開發總公司天津分公司 (literally translated as Zhongke Construction Development Corporation Tianjin Branch) ("Zhongke Construction"). We will allocate resource in development of a cultural property project which combines cultural industry and sales of cultural products. We will undertake detailed planning and implement the expansion plan by phases, so as to maintain a stable cash flow of the Group. In addition, in order to improve the cultural value of the Modified Renovation Plan, the Group invites 廣州市青年設計師協會 (literally translated as Guangzhou Youth Designers Association) to carry out the design work of our plan and, on the other hand, the Group also allocates resource in the design of cultural products for future sales so as to provide a new source of income and reduce our reliance on the rental income from Changliu.

We expect that the rental income from major cities in the PRC will rise steadily in the coming year and we are optimistic about the company's prospects. The management will continue to strive for higher returns for the Group.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("Ascenda Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2016. The work performed by Ascenda Cachet in this respect did not constitute an 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 Ascenda Cachet on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Result

For the year under review, the Group reported a turnover which represented the rental income and management fee income of approximately HK$34,982,000 (2015: HK$39,064,000). The Group's net profit for the year was approximately HK$1,219,000 (2015: HK$3,715,000). The basic earnings per share for the year was approximately 0.04 HK cents (2015: 0.13 HK cents). Administrative expenses was approximately HK$24,973,000 (2015: HK$25,194,000). Finance cost was approximately HK$12,721,000 (2015: HK$15,998,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2016, the Group had obligations under hire purchase contracts of approximately HK$101,000 (2015: HK$266,000).

As at 31 December 2016, the Group's total assets was approximately HK$980,331,000 (2015: HK$1,114,443,000) and total liabilities were of approximately HK$376,638,000 (2015 HK$485,011,000). As at 31 December 2016, the cash and bank balances was approximately HK$40,045,000 (2015: HK$164,278,000) and the current ratio (current assets/current liabilities) was 3.65 as at 31 December 2016 (2015: 2.25).

Pledge of Assets

As at 31 December 2016, the Group's investment properties located in Guangzhou (note 10) were pledged to secure bank borrowing, details of which are set out in note 13 to this announcement. And the finance lease payable was secured by the leased motor vehicle with a carrying amount of approximately 92,000 (2015: HK$275,000).

Litigation

Details of the litigation are set out in note 19 to this announcement.

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 24% as at 31 December 2016 (2015: 20%).

Capital Structure

There is no change in the capital structure of the Company.

Exchange Risks

The majority of the Group's operations are located in the PRC and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assessing exchange risks.

Use of proceeds

On 8 September 2015, the Company issued and alloted 636,196,999 shares by way of open offer at the price of HK$0.28 per offer share. The net proceeds received are approximately HK$174 million, in which, (i) as to HK$68 million has been paid as a consideration for acquiring a property development-related project in Luoyang City, the PRC; (ii) as to approximately HK$37 million has been paid for a listed equity investment in Taiwan during the year ended 31 December 2015; (iii) as to approximately HK$55.5 million deposit and the escrow amount has been prepaid to Vision Products and (iv) the remaining net proceeds of approximately HK$13.5 million was applied as current year general working capital of the Group.

Dividends

The directors did not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

Prospect

The management of the Company continues to allocate resources mainly in city development and to identify business opportunities which are in line with its long established development strategy. Looking forward, the Group will adhere to its cultural industry development plan implemented in the current year and actively develop the real estate development business and explore profitable projects in the design culture field, so as to enhance the Company's financial performance and generate optimal returns for its shareholders.

Employees

As at 31 December 2016, the Group has employed about 51 (2015: 55) employees in Hong Kong and PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

Significant Investments and Material Acquisitions

The Group did not have any significant investments or acquisitions during the year ended 31 December 2016.

Contingent Liabilities

Details of the contingent liabilities are set out in notes 18 to this announcement.

Commitments

Details of the commitments are set out in notes 16 and 17 to this announcement.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions ("Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules of the Stock Exchange, save for the deviations listed below:

The Chairman of the Company is also the chief executive officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the current nature of the Group's business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.

According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

In respect of Code Provision A.6.7 of the CG Code, one Independent Non-executive Director did not attend the annual general meeting of the Company held on 3 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of the Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2016.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of Hong Kong Exchanges and Clearing Ltd (www.hkex.com.hk) and the Company (www.newcitygroup.com.hk). The 2016 Annual Report will be despatched to the Company's shareholders on or before 30 April 2017 and will be available at the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Leung Kwai Wah, Alex and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the consolidated financial statements for the year ended 31 December 2016.

REMUNERATION COMMITTEE

Pursuant to the provisions of the Code as set out in Appendix 14 of the Listing Rules, the Board has established the Remuneration Committee. The Remuneration Committee comprises two independent non-executive Director, Mr. Chan Yiu Tung, Anthony as chairman and Mr. Leung Kwai Wah, Alex and the chairman of the Board, Mr. Han Junran who is an executive Director. The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters.

NOMINATION COMMITTEE

The Company has established a nomination committee and was chaired by the chairman of the Board, Mr. Han Junran, an executive Director. Other members of the Nomination Committee include three independent non-executive Directors, Mr. Leung Kwai Wah, Alex, Mr. Chan Yiu Tung, Anthony and Mr. Zheng Qing. The Nomination Committee is responsible for nominating potential candidates for directorship appointment and succession planning of the Board, reviewing the composition and structure of the Board regularly and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board.

BOARD OF DIRECTORS

As at the date of this announcement, the Company has (i) four executive directors, namely Mr. Han Junran (Chairman), Mr. Fu Yiu Kwong, Mr. Luo Min and Mr. Seto Man Fai; and (ii) five independent non-executive directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Zheng Qing, Dr. Ouyang Qingru, Mr. Leung Kwai Wah, Alex and Mr. Zhang Jing.

By Order of the Board
New City Development Group Limited
Han Junran
Chairman

Hong Kong , 31 March 2017