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 2017

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$39,076,000 (2016: HK$34,982,000)
- Profit for the year was approximately HK$23,010,000 (2016: HK$1,219,000)
- Earnings per share (basic) was 0.70 HK cents (2016: 0.04 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 2017 together with the comparative figures in 2016 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
REVENUE	*5*	**39,076**	34,982
Cost of services provided		**(3,124)**	(3,116)
Gross profit		**35,952**	31,866
Other income	*6*	**31,697**	8,757
Administrative and other operating expenses		**(27,594)**	(24,973)
Finance costs	*7*	**(13,952)**	(12,721)
PROFIT BEFORE TAX		**26,103**	2,929
Income tax expense	*8*	**(3,093)**	(1,710)
PROFIT FOR THE YEAR	*9*	**23,010**	1,219
Profit for the year attributable to:			
Owners of the Company		**23,274**	1,294
Non-controlling interests		**(264)**	(75)
		23,010	1,219
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*10*	**0.70 cents**	0.04 cents
Diluted	*10*	**0.70 cents**	0.04 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**23,010**	1,219
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX:		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**37,034**	(26,958)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**60,044**	(25,739)
Total comprehensive income for the year attributable to:		
Owners of the Company	**60,041**	(25,621)
Non-controlling interests	**3**	(118)
	60,044	(25,739)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,968**	1,968
Investment properties	12	**793,411**	736,551
Investment in an associate		**–**	–
Available-for-sale investment		**–**	–
Prepayments, deposits and other receivables	13	**206,027**	124,377
		1,003,406	862,896
CURRENT ASSETS			
Equity investment at fair value through profit or loss		**57,906**	37,628
Prepayments, deposits and other receivables	13	**5,549**	39,745
Due from an associate		**11**	9
Due from a related company		**11**	8
Due from a non-controlling shareholder		**1,580**	–
Cash and bank balances		**35,684**	40,045
		100,741	117,435
CURRENT LIABILITIES			
Accruals and other payables	14	**21,307**	12,872
Deposits received		**9,156**	7,738
Finance lease payable		**–**	101
Interest-bearing bank borrowings, secured	15	**3,597**	3,334
Due to non-controlling shareholders		**5,820**	4,710
Due to related parties		**612**	609
Due to a director		**1,560**	1,440
Tax payable		**3,064**	1,371
		45,116	32,175
NET CURRENT ASSETS		**55,625**	85,260
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,059,031**	948,156
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings, secured	15	**236,183**	196,700
Deferred tax liabilities		**159,111**	147,763
		395,294	344,463
NET ASSETS		**663,737**	603,693
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**13,268**	13,268
Reserves		**650,031**	589,990
		663,299	603,258
Non-controlling interests		**438**	435
TOTAL EQUITY		**663,737**	603,693

NOTES

For the year ended 31 December 2017

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 referred to as 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.

In the opinion of the directors of the Company, Junyi Investments Limited, a company incorporated in the British Virgin Islands ("BVI") is the immediate and ultimate parent of the Company and Mr. Han Juran ("Mr. Han"), a director of the Company, is the ultimate controlling party of the Company.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance.

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. Note 3 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

The 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 2017. 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.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value. The amendments had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12 (Annual Improvements Cycle 2014-2016)

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments had no impact on the Group's financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 40	Investment Property: Transfers of Investment property[1]
HKFRS 16	Leases[2]
HK (IFRIC) – Int 23	Uncertainty are Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9, HKFRS 15 and HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially adopted in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at amortised costs, fair value through profit or loss and fair value through other comprehensive income. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and at fair value through profit or loss will continue with their classification and measurements upon the adoption of HKFRS 9. The Group currently measures certain unlisted equity investment at cost less impairment. Under HKFRS 9, these 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

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's other financial assets.

Based on historical experience of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future consolidated financial statements. The above assessments were made based on an analysis of the Group's financial assets as at 31 December 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 January 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

Currently, other than the rental income, the main revenue of the Group is the building management service income which is recognised when the services are rendered.

Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

The rental income of the Group is recognised in accordance with HKAS 17 Leases. The adoption of HKFRS 15 will not affect the recognition of rental income. The impact of rental income under HKFRS 16 was mentioned below.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 19 to this announcement, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to approximately HK$1,179,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

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. REVENUE

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

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Rental income and related management service income	**39,076**	34,982

6. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income	**8,397**	7,447
Fair value gain on equity investment at fair value through profit or loss	**17,112**	99
Fair value gain on investment properties	**–**	1,211
Net foreign exchange gains	**6,188**	–
	31,697	8,757

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**13,950**	12,709
Finance lease charges	**2**	12
	13,952	12,721

8. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: Nil).

Under the Enterprise Income Tax Law, the enterprise income tax is calculated at a rate of 25% (2016: 25%) on the Group's estimated assessable profits arising in the PRC during the year.

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	–
PRC	**3,341**	1,384
Under-provision in previous year	**52**	23
	3,393	1,407
Deferred tax	**(300)**	303
	3,093	1,710

9. PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging/(crediting):

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration		
– Current	**500**	500
– Under-provision in prior year	**172**	–
	672	500
Cost of services provided	**3,124**	3,116
Depreciation		
– Owned assets	**430**	465
– Leased assets	**92**	184
	522	649
Staff cost (including directors' remuneration):		
– Salaries, bonuses and allowance	**11,975**	10,344
– Contributions to defined contribution retirement plan	**626**	586
	12,601	10,930
Minimum lease payments under operating leases on land and buildings*	**1,663**	1,572
Net foreign exchange (gains)/losses	**(6,188)**	1,551
Fair value gain on equity investment at fair value through profit or loss	**(17,112)**	(99)
Fair value loss/(gain) on investment properties	**1,199**	(1,211)

* Minimum lease payments under operating leases on land and buildings included rental for director quarter of approximately HK$624,000 (2016: HK$624,000).

10. 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 2017 and 2016.

The calculation of basic earnings per share is based on:

	2017	2016
	HK$'000	*HK$'000*
Profit for the year attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**23,274**	1,294

	Number of shares	
	2017	2016
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**3,317,045,040**	3,317,045,040

No adjustment has been made to the basic earnings per share for the years ended 31 December 2017 and 2016 in respect of a dilution as there were no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

11. DIVIDENDS

The directors did not recommend any dividend for the year ended 31 December 2017 (2016: Nil).

12. INVESTMENT PROPERTIES

	The Guangzhou Properties at fair value		The Luoyang Properties at cost		Total	
	2017	2016	**2017**	2016	**2017**	2016
	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	**667,892**	705,660	–	–	**667,892**	705,660
Change in fair value of investment properties	**(1,199)**	1,211	–	–	**(1,199)**	1,211
Exchange realignment	**52,647**	(38,979)	–	–	**52,647**	(38,979)
Carrying amount at 31 December	**719,340**	667,892	–	–	**719,340**	667,892
Incomplete project						
Investment properties in Luoyang *(note (b))*						
Carrying amount at 1 January	–	–	**68,659**	72,662	**68,659**	72,662
Exchange realignment	–	–	**5,412**	(4,003)	**5,412**	(4,003)
Carrying amount at 31 December	–	–	**74,071**	68,659	**74,071**	68,659
Aggregate carrying amount at 31 December	**719,340**	667,892	**74,071**	68,659	**793,411**	736,551

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 5), further summary details of which are included in note 19 to this announcement. The Guangzhou Properties were stated at fair value at the end of the reporting period.

At 31 December 2017, the Guangzhou Properties with carrying amount of approximately HK$719,340,000 (2016: HK$667,892,000) were pledged to secure bank borrowings, details of which are set out in note 15 to this announcement.

The fair value of the Guangzhou Properties has been assessed by Access Partner Consultancy & Appraisals Limited ("Access Partner"), an independent valuer (the "Valuer"), by using the income approach to be RMB600,000,000 (equivalent to approximately HK$719,340,000) (2016: RMB601,000,000 (equivalent to approximately HK$667,892,000)) as at 31 December 2017.

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 2016 and 2017. 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 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 metres 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 approximately RMB61,782,000 (equivalent to approximately HK$74,071,000 (2016: HK$68,659,000)), 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 2017 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 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") is 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 (equivalent to approximately HK$37,490,000), will be imposed by 國土局 if the construction of the Luoyang Properties 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.

On 26 June 2017, the Group received a 閒置土地調查通知書 (the "Notice of Investigation of Idle Land") from 國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 國土局. On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. The Group expected to commence work at the end of 2017. On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 ("規劃局"). After reviewed by 規劃局, the Group was instructed to modify certain aspects of the construction plan and prepare required documents for resubmission to 規劃局 for further approval before commencement of the construction work.

Up to the approval date of the consolidated financial statements, the construction plan of the Luoyang Properties was still under modification and yet been resubmitted to 規劃局.

In preparing the consolidated financial statements, the directors had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 規劃局 on the modification of construction plan of the Luoyang Properties and the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 31 December 2017 and 2016.

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 2017. 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 2017 (2016: Nil).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments		
– Prepaid professional fee for the Luoyang Properties	**1,806**	1,532
– Prepaid renovation and improvement costs of the Guangzhou Properties	**47,154**	67,345
– Others	**780**	1,059
Deposits held by		
– Vision Products Limited *(note)*	**55,500**	55,500
– 珠海市潤珠商貿有限公司 *(note)*	**41,962**	–
– 珠海市騰順實業有限公司 *(note)*	**11,989**	–
– Others	**289**	274
Other receivables		
– Due from 北京中證房地產開發有限公司 *(note)*	**47,616**	36,858
– Others	**4,480**	1,554
	211,576	164,122
Less: Non-current portion	**(206,027)**	(124,377)
Current portion	**5,549**	39,745

Note:

The recoverability of the above amounts are guaranteed by Mr. Han, who is responsible for its collection pursuant to guarantee agreements entered into between Mr. Han and the Company.

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.

14. ACCRUALS AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Accrued expenses	**5,415**	1,692
Other payables	**5,399**	1,454
Due to 北京誠達順逸商貿有限公司	**10,493**	9,726
	21,307	12,872

15. INTEREST-BEARING BANK BORROWINGS, SECURED

	Effective interest rate	**Maturity**	**2017**	2016
			HK$'000	*HK$'000*
Bank loan – Guangzhou Loan *(note a)*	5.94%	2020	**–**	200,034
Bank loan – Guangzhou Loan *(note b)*	6.71%	2027	**239,780**	–
			239,780	200,034

	2017	2016
Analysed into:		
Repayable:		
Within one year or on demand	**3,597**	3,334
In the second to fifth years, inclusive	**59,945**	196,700
Over five years	**176,238**	–
Total	**239,780**	200,034
Current portion	**(3,597)**	(3,334)
Non current portion	**236,183**	196,700

Note:

(a) On 3 August 2015, 廣東暢流投資有限公司 (“暢流”) entered into a loan agreement (the “Loan Agreement 1”) with Bank of Guangzhou (“BOGZ”), pursuant to which, BOGZ agreed to grant a loan (the “BOGZ Loan 1”) in the amount of RMB180,000,000 (equivalent to approximately HK$200,034,000) to 暢流 for a term of 5 years, which was secured by legal charges over the Guangzhou Properties and has been fully drawn down by 暢流. The BOGZ Loan 1 bore interest at 125% of the benchmark annual lending and deposit rate of the People’s Bank of China, which was repayable on a quarterly basis. The principal amount of the BOGZ Loan 1 was repayable by 8 instalments starting from February 2017 and to be matured in August 2020. The BOGZ Loan 1 was repaid on 7 July 2017.

(b) On 7 July 2017, 暢流 entered into another loan agreement (the “Loan Agreement 2”) with BOGZ, pursuant to which, BOGZ agreed to grant a loan (the “BOGZ Loan 2”) in the amount of RMB200,000,000 (equivalent to approximately HK$239,780,000) to 暢流 for a term of 10 years, which is secured by legal charges over the Guangzhou Properties and has been fully drawn down by 暢流. The BOGZ Loan 2 bears interest at 137% 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 2 is repayable by 20 instalments starting from January 2018 and will mature in July 2027.

16. SHARE CAPITAL

	2017	2016
	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 2016, 31 December 2016, 1 January 2017 and 31 December 2017	3,317,045,040	13,268	457,758	471,026

17. CONTINGENT LIABILITIES

Save as those disclosed in note 12 (b) to this announcement, the Group did not have any material contingent liabilities as at 31 December 2017 and 2016.

18. RELATED PARTIES TRANSACTIONS

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

	2017	2016
	HK$'000	*HK$'000*
Rental expenses paid to related/connected companies	**1,542**	1,542

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

	2017	2016
	HK$'000	*HK$'000*
Short term employee benefits	**5,695**	5,731
Total compensation paid to key management personnel	**5,695**	5,731

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	
	2017	2016
HK$Nil to HK$1,000,000	**8**	8
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	10

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases the Guangzhou Properties (note 12(a)) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years (2016: for a term of 1 to 5 years).

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**24,771**	18,479
In the second to fifth years, inclusive	**21,221**	19,541
	45,992	38,020

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 4 years (2016: 1 to 2 years).

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**808**	1,563
In the second to fifth years, inclusive	**371**	702
	1,179	2,265

20. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 19 to this announcement, the Group had the following commitments at the end of the reporting period:

(a) 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 (equivalent to approximately HK$1,199,000), 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 2017, none of the RMB340,000 (equivalent to approximately HK$408,000), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

(b) Capital commitments

	2017	2016
	HK$'000	*HK$'000*
Construction design contracts for the Luoyang Properties	**11,525**	10,824
Renovation and improvement costs for the Guangzhou Properties	**3,000**	192,689
	14,525	203,513

21. EVENTS AFTER THE REPORTING PERIOD

(a) Proposed issue of convertible bonds

On 9 February 2018, the Company and Red Swan Capital Management Limited (the "Subscriber") entered into a subscription agreement ("Subscription Agreement") pursuant to which the Subscriber has agreed to subscribe for the convertible bonds ("CBs") in the aggregate principal amount of HK$30,000,000 ("Subscription") to be issued by the Company. The CBs holder is entitled to exercise the CBs in full at a conversion price of HK$0.2566 per share of the Company.

The completion of the Subscription is conditional upon satisfaction of the conditions precedent as set out in the Subscription Agreement.

As of the approval date on the consolidated financial statements, the Proposed Subscription is under progress and not yet completed. Details are disclosed in the Company's announcement dated 9 February 2018.

(b) Memorandum of cooperation

On 14 February 2018, the Company entered into a memorandum of cooperation ("Memorandum of Cooperation") with Zhongfang United Investment Group Health Industry Investment Co., Ltd. (the "Vendor"), being a holder of Guangdong Xizhou Education Co., Ltd. (the "Target Company") as to not less than 70%, and the Target Company, in relation to the possible acquisition of not less than 70% of the equity interest of the Target Company (the "Possible Acquisition").

To the best of the knowledge, information and belief of the board of directors of the Company after having made all reasonable enquiries, the Vendor and the Target Company are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Pursuant to the Memorandum of Cooperation, the Company intends to acquire not less than 70% of the equity interest of the Target Company by way of acquiring the equity interest of the Target Company from the Vendor.

The consideration for the Possible Acquisition (the "Consideration") has not yet been determined and shall be subject to the formal agreement, and it shall be determined in accordance with the results of negotiations conducted between the Company and the Vendor based on the situation of the Target Company. The Company may also consider engaging an independent professional valuer to assess the fair value of the Target Company for reference when determining the Consideration. The Company intends to pay the Consideration by way of cash and issuance of the Company's shares.

As of the approval date on the consolidated financial statements, no formal agreement in relation to the Proposed Acquisition has been entered. Details are disclosed in the Company's announcement dated 14 February 2018.

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a turnover of approximately HK$39,076,000 and recorded a profit after tax of approximately HK$23,010,000 for the year.

Major business arrangements

Continuing Connected Transactions

On 31 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 for leasing of the office premises; (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 growth in property market in China and the appreciation of Renminbi exchange rate, the Group's rental and related management service income from Changliu increased. 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 Company will also invest in property development in Zhuhai and other properties in the PRC.

The Company will focus on cultural and innovative projects in the coming year. We realize that each property project has its own characteristics as residents who are in different living places, of different ages and from different social groups have distinct hobbies and habits, which creates unique cultural features in various projects. Therefore, in respect of the Company's development and taking into account our existing resources and property projects under progress in different regions, we, on one hand, will continue to participate in the property development market, and on the other hand, will integrate cultural features in our property development projects.

We hope our cultural projects, such as providing children's creativity trainings and providing venues for microfilms-shooting, will gear towards the core values of our business, in different aspects from education, health to various life facilities as well as products, which enable us not only to provide commercial or residential zones as a traditional developer, but also to enhance the brand value of the Company.

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 is carrying 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 China 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 2017 have been agreed by the Group's auditors, World Link CPA Limited ("World Link"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2017. The work performed by World Link 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 World Link 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$39,076,000 (2016: HK$34,982,000). The Group's net profit for the year was approximately HK$23,010,000 (2016: HK$1,219,000). The basic earnings per share for the year was approximately 0.70 HK cents (2016: 0.04 HK cents). Administrative expenses was approximately HK$27,594,000 (2016: HK$24,973,000). Finance costs was approximately HK$13,952,000 (2016: HK$12,721,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2017, the Group had obligations under hire purchase contracts of approximately Nil (2016: HK$101,000).

As at 31 December 2017, the Group's total assets was approximately HK$1,104,147,000 (2016: HK$980,331,000) and total liabilities were of approximately HK$440,410,000 (2016: HK$376,638,000). As at 31 December 2017, the cash and bank balances was approximately HK$35,684,000 (2016: HK$40,045,000) and the current ratio (current assets/current liabilities) was 2.23 as at 31 December 2017 (2016: 3.65).

Pledge of Assets

As at 31 December 2017, the Group's investment properties located in Guangzhou (note 12(a)) were pledged to secure bank borrowing, details of which are set out in note 15 to this announcement. And the finance lease payable was secured by the leased motor vehicle with a carrying amount of approximately Nil (2016: HK$92,000).

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 27% as at 31 December 2017 (2016: 24%).

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 and consider to hedge significant item should the need arise.

Dividends

The directors did not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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 2017, the Group has employed about 50 (2016: 51) 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 2017.

Contingent Liabilities

Details of the contingent liabilities are set out in notes 17 to this announcement.

Commitments

Details of the commitments are set out in notes 19 and 20 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 2017.

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, three Independent Non-executive Director did not attend the annual general meeting of the Company held on 27 June 2017.

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 2017.

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 2017 Annual Report will be despatched to the Company's shareholders on or before 30 April 2018 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 2017.

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) three executive directors, namely Mr. Han Junran (Chairman), 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 , 27 March 2018