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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$48,494,000 (2018: HK$91,764,000)
- (Loss)/profit for the year was approximately HK$(3,739,000) (2018: HK$13,711,000)
- (Loss)/earnings per share (basic) was (0.03) HK cents (2018: 0.41 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 2019 together with the comparative figures in 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**48,494**	91,764
Cost of goods sold and services provided		**(7,344)**	(51,781)
Gross profit		**41,150**	39,983
Other income	6	**27,947**	77,375
Administrative and other operating expenses		**(46,315)**	(67,436)
Profit from operations		**22,782**	49,922
Finance costs	7	**(26,410)**	(21,917)
(Loss)/profit before tax		**(3,628)**	28,005
Income tax expense	8	**(111)**	(14,294)
(Loss)/profit for the year	9	**(3,739)**	13,711
(Loss)/profit for the year attributable to:			
Owners of the Company		**(1,075)**	13,753
Non-controlling interests		**(2,664)**	(42)
		(3,739)	13,711
(Loss)/earnings per share attributable to owners of the Company (cents)			
Basic	10	**(0.03)**	0.41
Diluted	10	**(0.03)**	0.41

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(3,739)**	13,711
Other comprehensive income for the year, net of tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(20,843)**	(25,962)
Total comprehensive income for the year	**(24,582)**	(12,251)
Total comprehensive income for the year attributable to:		
Owners of the Company	**(17,025)**	(11,616)
Non-controlling interests	**(7,557)**	(635)
	(24,582)	(12,251)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**57,750**	62,296
Investment properties	*12*	**1,130,667**	810,436
Intangible assets		**34,643**	—
Right-of-use assets		**786**	—
Investments in associates		**—**	11,500
Financial assets at fair value through other comprehensive income ("FVTOCI")		**28,253**	—
Prepayments, deposits and other receivables	*13*	**90,899**	139,958
Deferred tax assets		**39,723**	—
		1,382,721	1,024,190
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		**34,557**	34,594
Inventories	*14*	**7,660**	11,460
Prepayments, deposits and other receivables	*13*	**122,651**	20,375
Due from associates		**14**	97,257
Due from a related company		**13**	13
Due from non-controlling shareholders		**557**	939
Cash and bank balances		**11,175**	72,603
		176,627	237,241
Current liabilities			
Accruals and other payables	*15*	**36,957**	22,695
Deposits received		**12,817**	11,500
Borrowings	*16*	**8,232**	2,847
Finance lease payables		**—**	557
Lease liabilities		**1,020**	—
Due to non-controlling shareholders		**6,999**	6,165
Due to related parties		**7,765**	581
Due to a director		**1,649**	1,680
Promissory notes		**10,500**	—
		85,939	46,025
Net current assets		**90,688**	191,216
Total assets less current liabilities		**1,473,409**	1,215,406

	Notes	2019 *HK$'000*	2018 *HK$'000*
Non-current liabilities			
Accruals and other payables	*15*	**145,151**	—
Borrowings	*16*	**361,970**	315,961
Finance lease payables		**—**	3,129
Lease liabilities		**496**	—
Convertible notes		**—**	41,769
Promissory notes		**8,100**	—
Deferred tax liabilities		**216,080**	165,341
		731,797	526,200
Net assets		**741,612**	689,206
Equity			
Equity attributable to owners of the Company			
Share capital	*17*	**14,459**	13,919
Reserves		**700,308**	675,484
		714,767	689,403
Non-controlling interests		**26,845**	(197)
Total equity		**741,612**	689,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Corporate information

New City Development Group Limited (the "Company") was incorporated in the Cayman Islands with limited liabilities on 10 August 1998. The address of its registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1–1205, Cayman Islands. The principal place of business in Hong Kong is located at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 May 2000.

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.

In the opinion of the directors of the Company, as at 31 December 2019, Junyi Investments Limited, a company incorporated in the British Virgin Islands (the "BVI") is the immediate and ultimate parent of the Company and Mr. Han Junran ("Mr. Han"), a director of the Company, is the ultimate controlling party of the Company.

2. Basis of preparation

These 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. These 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. Significant accounting policies adopted by the Group are disclosed below.

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 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 these consolidated financial statements.

3. Adoption of new and revised HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.75%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

— applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

— used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

— excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

— relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	2,816
Less: total future interest expenses	(101)
Add: finance lease liabilities recognised as at 31 December 2018	3,686
Lease liabilities recognised as at 1 January 2019	6,401
Of which are:	
Current lease liabilities	2,373
Non-current lease liabilities	4,028
	6,401

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of HKFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16		**Carrying amount as at 31 December 2018**	**Reclassification**	**Recognition of leases**	**Carrying amount as at 1 January 2019**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Right-of-use assets		—	—	2,654	2,654
Liabilities					
Lease liabilities		—	3,686	2,715	6,401
Finance lease payables	*note*	3,686	(3,686)	—	—

Note:

The Group reclassified the obligation under finance leases of approximately HK$557,000 and HK$3,129,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. Operating Segment Information

The Group is engaged in property development and investment in PRC and trading of buses. Accordingly, there are two reportable segments to be presented.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those accounting policies of the Group described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated other income, administrative and other operating expenses, finance costs and income tax expense. Segment assets do not include unallocated property, plant and equipment, intangible assets, right-of-use assets, investments in associates, financial assets at FVTOCI, financial assets at FVTPL, prepayments, deposits and other receivables, amounts due from associates, a related company and non-controlling shareholders, cash and bank balances and deferred tax assets. Segment liabilities do not include unallocated accruals and other payables, borrowings, finance lease payables, lease liabilities, amounts due to non-controlling shareholders, related parties and a director, convertible notes, promissory notes and deferred tax liabilities.

Information about reportable segment profit or loss, assets and liabilities:

	Property development and investment	**Sales of buses**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Year ended 31 December 2019			
Revenue from external customers	**44,287**	**4,207**	**48,494**
Segment profit	**40,743**	**407**	**41,150**
As at 31 December 2019			
Segment assets	**1,130,667**	**7,660**	**1,138,327**
Segment liabilities	**12,817**	**—**	**12,817**

	Property development and investment	Sales of buses	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2018			
Revenue from external customers	41,925	49,839	91,764
Segment profit	38,989	994	39,983
As at 31 December 2018			
Segment assets	810,436	11,460	821,896
Segment liabilities	11,500	—	11,500

Reconciliations of segment profit or loss:

	2019	2018
	HK$'000	*HK$'000*
Profit or loss		
Total profit of reportable segments	**41,150**	39,983
Other income	**27,947**	77,375
Administrative and other operating expenses	**(46,315)**	(67,436)
Finance costs	**(26,410)**	(21,917)
Consolidated (loss)/profit before tax	**(3,628)**	28,005

Reconciliations of segment assets or liabilities:

	2019	2018
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**1,138,327**	821,896
Property, plant and equipment	**57,750**	62,296
Intangible assets	**34,643**	—
Right-of-use assets	**786**	—
Investments in associates	**—**	11,500
Financial assets at FVTOCI	**28,253**	—
Financial assets at FVTPL	**34,557**	34,594
Prepayments, deposits and other receivables	**213,550**	160,333
Due from associates	**14**	97,257
Due from a related company	**13**	13
Due from non-controlling shareholders	**557**	939
Cash and bank balances	**11,175**	72,603
Deferred tax assets	**39,723**	—
Consolidated total assets	**1,559,348**	1,261,431
Liabilities		
Total liabilities of reportable segments	**12,817**	11,500
Accruals and other payables	**182,108**	22,695
Borrowings	**370,202**	318,808
Finance lease payables	**—**	3,686
Lease liabilities	**1,516**	—
Due to non-controlling shareholders	**6,999**	6,165
Due to related parties	**7,765**	581
Due to a director	**1,649**	1,680
Convertible notes	**—**	41,769
Promissory notes	**18,600**	—
Deferred tax liabilities	**216,080**	165,341
Consolidated total liabilities	**817,736**	572,225

Geographical information

The Group's revenue from external customers by location of operations are detailed below:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**4,207**	49,839
PRC	**44,287**	41,925
Consolidated total revenue	**48,494**	91,764

Over 90% of the Group's non-current assets (excluding intangible assets, right-of-use assets, investments in associates, financial assets at FVTOCI, prepayments, deposits and other receivables and deferred tax assets) are located in the PRC. Accordingly, no further geographical information of non-current assets was disclosed.

Revenue from major customers:

	2019	2018
	HK$'000	*HK$'000*
Sales of buses		
Customer a	**N/A**	18,650
Customer b	**N/A**	17,432

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

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

	2019	2018
	HK$'000	*HK$'000*
Products transferred at a point in time:		
Sales of buses	**4,207**	49,839
Services transferred over time:		
Rental income and related management service income	**44,287**	41,925
	48,494	91,764

6. Other income

	2019	2018
	HK$'000	*HK$'000*
Dividend income	**—**	4,694
Interest income	**6,624**	6,548
Fair value gain on investment properties	**—**	56,930
Gain on bargain purchases on acquisition of an associate	**—**	9,189
Gain on bargain purchases on acquisition of subsidiaries	**14,838**	—
Gain on fair value measurement of an associate	**6,485**	—
Others	**—**	14
	27,947	77,375

7. Finance costs

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**25,579**	20,530
Interest on convertibles notes	**681**	1,289
Interest on lease liabilities	**150**	—
Finance lease charges	**—**	98
	26,410	21,917

8. Income tax expense

	2019	2018
	HK$'000	*HK$'000*
Current tax — PRC Enterprise Income Tax		
Under-provision in prior years	**111**	61
	111	61
Deferred tax	**—**	14,233
	111	14,294

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived from Hong Kong for the year.

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%).

9. (Loss)/profit for the year

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

	2019	2018
	HK$'000	*HK$'000*
Allowance for doubtful debts	**400**	5,700
Auditor's remuneration	**700**	550
Cost of goods sold and services provided	**7,344**	51,781
Depreciation of property, plant and equipment	**6,054**	5,518
Depreciation of right-of-use assets	**1,670**	—
Loss on disposal of property, plant and equipment	**102**	—
Minimum lease payments under operating leases on land and buildings *(note)*	**—**	1,894
Net foreign exchange losses	**751**	4,203
Fair value loss on financial assets at FVTPL	**7,488**	21,662
Fair value gain on investment properties	**—**	(56,930)
Staff cost (including directors' remuneration)		
— Salaries, bonuses and allowances	**11,721**	11,941
— Contributions to defined contribution retirement plan	**671**	611
	12,392	12,552

Note:

Minimum lease payments under operating leases on land and buildings included rental for a director quarter of approximately HK$624,000 for the year ended 31 December 2018.

10. (Loss)/earnings per share attributable to owners of the company

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic (loss)/earnings per share is based on:

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to owners of the Company, used in the basic earnings per share calculation	**(1,075)**	13,753

	Number of shares	
	2019	2018
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**3,580,808,340**	3,381,141,886

As the conversion of the Group's outstanding convertible notes for the year ended 31 December 2018 would be anti-dilutive, no diluted earnings per share to be presented.

No adjustment has been made to the basic loss per share for the year ended 31 December 2019 in respect of a dilution as there were no potentially dilutive ordinary shares in issue as at 31 December 2019.

11. Dividends

The directors did not recommend any dividend for the year ended 31 December 2019 (2018: Nil).

12. Investment properties

	Properties at fair value		Properties at cost		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Completed project						
Investment properties in Guangzhou *(note (a))*						
At 1 January	**740,090**	719,340	**—**	—	**740,090**	719,340
Fair value gains/(losses)	**—**	56,930	**—**	—	**—**	56,930
Exchange differences	**(13,715)**	(36,180)	**—**	—	**(13,715)**	(36,180)
At 31 December	**726,375**	740,090	**—**	—	**726,375**	740,090
Incomplete project						
Investment properties in Luoyang *(note (b))* and Zhuhai Properties *(note (c))*						
At 1 January	**—**	—	**70,346**	74,071	**70,346**	74,071
Acquisition of a subsidiary	**—**	—	**339,750**	—	**339,750**	—
Exchange differences	**—**	—	**(5,804)**	(3,725)	**(5,804)**	(3,725)
At 31 December	**—**	—	**404,292**	70,346	**404,292**	70,346
Total carrying amount at 31 December	**726,375**	740,090	**404,292**	70,346	**1,130,667**	810,436

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 earning rental income and management service income and were stated at fair value at the end of the reporting period.

The fair value of the Guangzhou Properties has been assessed by Ravia Global Appraisal Advisory Limited ("Ravia Global"), an independent valuer, by using the income approach to be RMB650,000,000 (equivalent to approximately HK$726,375,000) (2018: RMB650,000,000 (equivalent to approximately HK$740,090,000)) as at 31 December 2019.

At 31 December 2019, the Guangzhou Properties with carrying amount of approximately HK$726,375,000 (2018: HK$740,090,000) were pledged to secure bank borrowings, details of which are set out in note 16 to this announcement.

(b) Investment properties in Luoyang (the "Luoyang Properties") represented the construction in progress of a parcel of land which are situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Xinqu Luoyang, Henan, 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$69,042,000 (2018: HK$70,346,000)), 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 2019 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 Luoyang Wan Heng Property Company Limited (洛陽萬亨置業有限公司) ("Luoyang Wan Heng"), a subsidiary of the Company and 洛陽國土資源局 ("洛陽國土局") on 1 February 2013, Luoyang Wan Heng is required to commence 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 Luoyang Wan Heng for the land use right, which was approximately RMB31,270,000 (equivalent to approximately HK$34,944,000), will be imposed by 洛陽國土局 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 洛陽國土局 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 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局. 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 ("洛陽規劃局"). After reviewed by 洛陽規劃局, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018.

Up to the approval date on these consolidated financial statements, the construction plan of the Luoyang Properties has yet been approved by 洛陽市城鄉一體化示範區商務中心區辦公室.

In preparing these 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 洛陽規劃局 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 2019 and 2018.

At 31 December 2019, the Luoyang Properties with carrying amount of approximately HK$69,042,000 (2018: Nil) were pledged to secure bank borrowings, details of which are set out in note 16 to this announcement.

Impairment assessment of the Luoyang Properties

The recoverable amount of the Luoyang Properties has been assessed by Ravia Global, as at 31 December 2019. 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 2019 (2018: Nil).

(c) Investment properties in Zhuhai (the "Zhuhai Properties") represented the construction in progress of a parcel of land which are situated at the south side of Jindao Road, the west side of Hongyang Road, Sanzao, Jinwan District, Zhuhai City, Guangdong Province the PRC. The Zhuhai Properties were acquired through the acquisition of a subsidiary during the year ended 31 December 2019. The Zhuhai Properties comprise a parcel of land held under medium term leases with a site area of 11,956.46 square metres under State-owned Land Use Rights Certificate (國有土地使用證). Its carrying amount comprised the land use right and directly attributable costs and was stated at cost of approximately RMB300,000,000 (equivalent to approximately HK$335,250,000), and less impairment, if any. The directors are of opinion that the construction of the Zhuhai Properties has yet been completed as at 31 December 2019 and accordingly, its fair value cannot be measured reliably.

At 31 December 2019, the Zhuhai Properties with carrying amount of approximately HK$335,250,000 (2018: Nil) were pledged to secure bank borrowings, details of which are set out in note 16 to this announcement.

Impairment assessment of the Zhuhai Properties

The recoverable amount of the Zhuhai Properties has been assessed by Ravia Global, as at 31 December 2019. No impairment in respect of the Zhuhai Properties has been provided as the recoverable amount of the Zhuhai Properties was higher than its carrying amount as at 31 December 2019 (2018: Nil).

13. Prepayments, deposits and other receivables

	2019	2018
	HK$'000	*HK$'000*
Prepayments		
— Prepaid professional fee for the Luoyang Properties	**2,018**	1,959
— Others	**9,178**	1,358
Deposits held by		
— Vision Products Limited ("Vision Products")	**5,980**	5,980
— An independent contractor	**49,520**	49,520
— 珠海市潤珠商貿有限公司 ("珠海潤珠")	**39,113**	39,851
— Others	**992**	1,097
Other receivables		
— Due from 北京中証房地產開發有限公司 ("北京中証")	**53,901**	50,307
— Others	**58,948**	15,961
	219,650	166,033
Less: Allowance for doubtful debts	**(6,100)**	(5,700)
	213,550	160,333
Less: Non-current portion	**(90,899)**	(139,958)
Current portion	**122,651**	20,375

14. Inventories

	2019	2018
	HK$'000	*HK$'000*
Buses	**7,660**	11,460

15. Accruals and other payables

	2019	2018
	HK$'000	*HK$'000*
Accrued expenses	**3,722**	3,017
Due to a former shareholder of Guangdong Changliu	**9,780**	9,965
Due to former shareholders of Zhuhai Teng Shun	**64,195**	—
Other payables	**104,411**	9,713
	182,108	22,695
Less: Non-current portion	**(145,151)**	—
Current portion	**36,957**	22,695

16. Borrowings

	Effective interest rate	Maturity	**2019**	2018
			HK$'000	*HK$'000*
Bank loan — CZBANK Loan *(note (a))*	8.085%	2030	**304,569**	318,808
Bank loan — DGBANK Loan *(note (b))*	9.000%	2022	**65,633**	—
			370,202	318,808
Analysed into:				
Repayable:				
— Within one year or on demand			**8,232**	2,847
— In the second to fifth years, inclusive			**150,693**	68,316
— Over five years			**211,277**	247,645
Total			**370,202**	318,808
Less: Non-current portion			**(361,970)**	(315,961)
Current portion			**8,232**	2,847

Notes:

(a) On 20 June 2018, Guangdong Changliu entered into a loan agreement with China Zheshang Bank Co., Ltd. ("CZBANK"), pursuant to which, CZBANK agreed to grant a loan (the "CZBANK Loan") in the amount of RMB280,000,000 (equivalent to approximately HK$312,900,000 (2018: HK$318,808,000)) to Guangdong Changliu for a term of 12 years, which is secured by legal charges over the Guangzhou Properties and personal guarantee provided by Mr. Han. The CZBANK Loan bears interest at 8.085%, 165% 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 CZBANK Loan is repayable by 48 instalments starting from 20 September 2019 and will mature on 7 May 2030.

(b) On 30 April 2019, Zhuhai Teng Shun entered into a loan agreement with Dongguan Bank Co., Ltd. ("DGBANK"), pursuant to which, DGBANK agreed to grant a loan (the "DGBANK Loan") in the amount of RMB58,732,000 (equivalent to approximately HK$65,633,000 (2018: Nil)) to Zhuhai Teng Shun for a term of 3 years, which is secured by legal charges over the Luoyang Properties, Zhuhai Properties and entire issued share capital of Zhuhai Teng Shun, corporate guarantee provided by Guangdong Changliu, Guangdong Changyang and non-controlling shareholders, personal guarantee provided by Mr. Han, a legal representative of a subsidiary and a key management personnel of a related company. The DGBANK Loan bears interest at 9%, 184% of the benchmark annual lending and deposit rate of the People's Bank of China, which is repayable on monthly basis. The principal amount of the DGBANK Loan is repayable once on the maturity date and will mature on 22 May 2022.

17. Share capital

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.004 each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	**10,000,000,000**	**40,000**
Issued and fully paid:		
Ordinary shares of HK$0.004 each 1 January 2018	3,317,045,040	13,268
Conversion of CN1 *(note (a))*	162,790,697	651
At 31 December 2018 and 1 January 2019	**3,479,835,737**	**13,919**
Conversion of CN2 *(note (b))*	**135,000,000**	**540**
At 31 December 2019	**3,614,835,737**	**14,459**

Note:

(a) On 25 June 2018 and 23 October 2018, face value of HK$21,500,000 and HK$13,500,000 of CN1 had been converted into 100,000,000 and 62,790,697 ordinary shares of the Company respectively. The premium on the conversion of CN1, amounting to approximately HK$34,714,000, was credited to the Company's share premium account.

(b) On 3 April 2019, face value of HK$43,200,000 of CN2 had been converted into 135,000,000 ordinary shares of the Company. The premium on the conversion of CN2, amounting to approximately HK$44,265,000, was credited to the Company's share premium account.

18. 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 2019 and 2018.

19. Related party transactions

(a) Save as those disclosed elsewhere in these consolidation financial statements, the Group had the following material transactions with related/connected companies during the year:

	2018 *HK$'000*
Rental expenses paid to related/connected companies	1,542

The Group entered into 2 years lease agreement with a related/connected company of the Group, during the year ended 31 December 2018. The total undiscounted cash flows over the lease terms amounted to approximately HK$3,084,000.

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

	2019 ***HK$'000***	2018 *HK$'000*
Fees	**1,073**	600
Other emoluments		
salaries, wages and other benefits	**4,506**	4,466
contributions to defined contribution retirement plan	**90**	79
	4,596	4,545
	5,669	5,145

Further details of directors' and the chief executive's emoluments are set out in notes 14 and 15 to the consolidated financial statements.

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

	2019	2018
Nil to HK$1,000,000	**9**	9
HK$1,000,001 to HK$1,500,000	**2**	—
HK$1,500,001 to HK$5,000,000	**—**	1
	11	10

20. Operating lease commitments

(a) As lessor

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 *HK$'000*
Within one year	19,908
In the second to fifth years inclusive	31,530
	51,438

Operating leases relate to investment property owned by the Group with lease terms of 1 to 6 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2019
	HK$'000
Within first year	**23,101**
In the second year	**15,107**
In the third year	**10,074**
In the fourth year	**6,501**
In the fifth year	**3,095**
After five years	**4,130**
	62,008

(b) As lessee

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018
	HK$'000
Within one year	1,904
In the second to fifth years inclusive	912
	2,816

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for terms ranging from 2 to 4 years and rentals are fixed over the lease terms and do not include contingent rentals.

21. Other commitments

In addition to the operating lease commitments, 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$1,118,000 (2018: HK$1,139,000)), 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 approving these consolidated financial statements. As at 31 December 2019, none of the RMB340,000 (equivalent to approximately HK$380,000 (2018: HK$387,000)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

(b) Capital commitment

	2019	2018
	HK$'000	*HK$'000*
Construction design contracts for the Luoyang Properties	**10,407**	10,701

22. Notes to the consolidated statement of cash flows

(a) Acquisition of subsidiaries

On 22 May 2019, 31 August 2019 and 31 December 2019, the Group acquired 15.88%, 70% and 41% of the issued share capital of Zhuhai Teng Shun, China Goal Inc. and Peaceful Kingdom Inc. for a total consideration of approximately HK$19,140,000 and satisfied by cash and promissory notes of approximately HK$540,000 and HK$18,600,000 respectively. Zhuhai Teng Shun was engaged in properties development, China Goal Inc. was engaged in property management and Peaceful Kingdom Inc. was engaged in supermarket business.

The fair value of the identifiable assets and liabilities of subsidiaries acquired as at the date of acquisition are as follows:

	Total
Net assets acquired:	*HK$'000*
Property, plant and equipment	1
Investment properties	339,750
Intangible assets	34,643
Financial assets at FVTOCI	28,253
Financial assets at FVTPL	3,129
Deferred tax assets	40,256
Other receivables	6,051
Bank and cash balances	828
Other payables	(311,865)
Deferred tax liabilities	(54,484)
	86,562
Non-controlling interests	(34,599)
Fair value of 39.12% of equity interest in Zhuhai Teng Shun	(17,985)
Gain on bargain purchases on acquisition of a subsidiary	(14,838)
	19,140
Satisfied by:	
Cash	540
Promissory notes	18,600
	19,140
Net cash inflow arising on acquisition:	
Cash consideration paid	(540)
Cash and cash equivalents acquired	828
	288

23. Events after the reporting period

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent. The Group's rental income in 2020 could possibly be affected by the temporary waivers of rentals offered to tenants and tenant's requests in adjustments of existing lease contract terms.

The overall financial effect cannot be reliably estimated as of the date of these consolidated financial statements. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a revenue of approximately HK$48,494,000 and recorded a loss after tax of approximately HK$(3,739,000) for the year ended 31 December 2019.

Major business arrangements

Continuing Connected Transactions

On 31 May 2018, 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 car parking space; 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 2018. 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 & PROSPECT

The Group's wholly-owned subsidiary, Guangdong Changliu Investment Company Limited ("Changliu"), currently is the Group's main operating unit. Profit generated from the rental and related management service of Changliu slightly increased as compared to last corresponding period. The leasing of Changliu will continue to be one of the Group's main commercial activities. The Group expects that the rental income from Changliu will be maintainable in the coming year.

Due to the decrease in demand of local tourism buses, the sales of buses of the Group dropped significantly during the year.

Investment properties in Luoyang

With regard to Luoyang Properties, on 5 December 2017, the Group submitted a construction plan to 洛陽市城鄉規劃局 (“洛陽規劃局”). After 洛陽規劃局’s review, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. Up to the date of this announcement, the construction plan of the Luoyang Properties has yet been approved by 洛陽市城鄉一體化示範區商務中心區辦公室.

During the period under review, the Group acquired several new business activities which provide new sources of income and reduce the Group’s reliance on the rental income from Changliu.

Property Development in Zhuhai, PRC

On 22 May 2019, the Agreement was entered among Guangdong Chang Yang Investment Co Ltd (a subsidiary of the Group, the equity interest of which is owned as to 70% by the New City Development Group Ltd indirectly) (“Guangdong Chang Yang”), Zhuhai Qi Tian Industrial Co Ltd (“Zhuhai Qi Tian”) and Zhuhai Teng Shun Industrial Co Ltd (the “Target Company”) in relation to acquisition of a total of 55% of the equity interest, upon completion of the acquisition, in the Target Company (details of which were disclosed in the announcements of the Company of 6 January 2019 and 29 May 2019 respectively).

Through the Target Company, Zhuhai Qi Tian and the Group will jointly redevelop a parcel of land situated at the south side of Jindao Road, the west side of Hongyang Road, Sanzao, Jinwan District, Zhuhai City, Guangdong Province, with a total site area of approximately 11,956.46 sq.m. and a plot ratio of 5.09 for commercial, retail and hotel uses.

Considering that the Land is located at a prime location in Zhuhai, one of the cities in Guangdong, Hong Kong and Macau Bay Area, which is of strategic position in the PRC and is seen to be a place with good development potential. The Directors believe that the acquisition is an opportunity to the Group to consolidate and strengthen the Group’s land bank in Guangdong, Hong Kong and Macau Area at a prime location. It is also expected that the re-development of the Land will bring synergies to the Group’s property development business, and thereby expanding the Group’s operating income, which is in the interest of the Company and its shareholders as a whole.

Property Management in Beijing, PRC

The Group has materialized its property development projects in PRC with a prosperous view in long-run and therefore it is now being the appropriate time to extend to synergistic development of property management services.

On 21 August 2019, the Group as purchaser entered into a share purchase agreement with Best Sunning Limited ("**Best Sunning**") as Vendor under which the Group shall purchase and that Best Sunning shall sell the 70% of the issued share capital of China Goal Inc. ("**China Goal**") at a consideration of HK$23,800,000.00 ("**China Goal Acquisition**"). The total consideration is being satisfied by the Group with the issuance promissory notes for each of the year ended 31 December 2020 and 2021 respectively subject to possible adjustment in direct proportion to the amount of Profit achieved by China Goal.

Before the acquisition, China Goal is wholly owned by Best Sunning, which Best Sunning is the proprietary owner of certain Property Management Intellectual Properties, know-how and methodologies and systems ("**Property Management Intellectual Properties — PMIP**"). It has licensed at a nominal value to its then wholly-owned subsidiary, China Goal, Inc. for its use for 20-year term, allowing its further licensing of other parties.

Supermarket Business, PRC

On 20 December 2019, the Group as purchaser entered into a share purchase agreement with Ocean Capital Corporation ("**Ocean Capital**") as Vendor, under which the Group shall purchase and that Ocean Capital shall sell 41 shares, representing 41% of the issued share capital (the "**Sales Shares**") of Peaceful Kingdom Inc. ("**Peaceful Kingdom**"). Upon the completion of this Acquisition, the Group shall have the right to nominate three out of five directors to the board of directors of Peaceful Kingdom and shall control Peaceful Kingdom.

Peaceful Kingdom possesses the exclusive license of certain intellectual properties rights and the operation of a chain supermarket in the PRC under the brand name of 益百家 (in English, for identification purpose only, YBJ) (the "**Rights**") for an initial term of 10 years in the territory of the PRC. YBJ has been operating successfully as a well-established supermarket chain of six stores, all are located at Zhuhai city, Guangdong Province, with vision in developing the Great Bay area business in line with the strategic development of our Group there.

The Group believes that the above new businesses, together with the Changliu's business, will gear towards the core value of the Group's business, in different aspects from property development, property management and supermarket in the PRC, which enable the Group to reduce the reliance on the rental income from Changliu.

From the perspective of macro-economic, the world economies show sign of downward and uncertainties remain in the years ahead mainly due to the outbreak of Coronavirus.

While facing with challenges, the economies of PRC still offer ample opportunities. Urbanization will be the next emphasis for the economic growth in China. To this end, the Group will also continue to utilize its strengths in developing urban complex and focus on identifying opportunities. Meanwhile, the Group will identify opportunities in the arena of sustainable city development. Strategic business alliance will be made with other business partners in order to expand our scope of business, as well as to widen our sources of income. Through this, New City's mission, which the Group has been emphasizing can be achieved.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditors, McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2019. The work performed by McMillan Woods 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 McMillan Woods 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 related management service income and sales of buses of approximately HK$44,287,000 and HK$4,207,000 (2018: HK$41,925,000 and HK$49,839,000). The Group's net loss for the year was approximately HK$(3,739,000) (2018: profit HK$13,711,000). The basic loss per share for the year was approximately 0.03 HK cents (2018: earnings per share 0.41 HK cents). Administrative expenses was approximately HK$46,315,000 (2018: HK$67,436,000). Finance costs was approximately HK$26,410,000 (2018: HK$21,917,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2019, the Group had obligations under hire purchase contracts of approximately HK$685,000 (2018: HK$3,686,000), which was reclassified to lease liabilities, instead of "finance lease payables", as the impact of the adoption of HKFRS 16.

As at 31 December 2019, the Group's total assets was approximately HK$1,559,348,000 (2018: HK$1,261,431,000) and total liabilities were of approximately HK$817,736,000 (2018: HK$572,225,000). As at 31 December 2019, the cash and bank balances was approximately HK$11,175,000 (2018: HK$72,603,000) and the current ratio (current assets/ current liabilities) was 2.06 as at 31 December 2019 (2018: 5.15).

Pledge of Assets

As at 31 December 2019, the Group's investment properties located in Guangzhou (note 19a) Luoyang (note 19b) and Zhuhai (note 19b) were pledged to secure bank borrowings, details of which are set out in note 30 to the consolidated financial statement. And the finance lease payable was secured by the leased motor vehicle with a carrying amount of approximately HK$685,000 (2018: 3,686,000), which was reclassified to lease liabilities, as the impact of the adoption of HKFRS 16.

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 45% as at 31 December 2019 (2018: 33%).

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 People's Republic of China (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.

Dividends

The directors did not recommend the payment of any dividend for the year ended 31 December 2019 (2018: 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 also actively develop real estate development business and explore profitable projects to achieve the core value of the Group's business in different aspects, so as to enhance the Company's financial performance and generate optimal returns for its shareholders.

Employees

As at 31 December 2019, the Group has employed about 68 (2018: 52) 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 2019.

Contingent Liabilities

Details of the contingent liabilities are set out in note 38 to the consolidated financial statements.

Commitments

Details of the commitments are set out in notes 40 and 41 to the consolidated financial statements.

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 2019.

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 18 June 2019.

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 2019.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This Annual Report will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.newcitygroup.com.hk). The 2019 Annual Report will be despatched to our Shareholders on or before 30 April 2020 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. Zhang Jing. 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 2019.

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. Zhang Jing. 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) two executive directors, namely Mr. Han Junran (Chairman) and Mr. Luo Min; and (ii) five independent non-executive directors, namely Mr. Chan Yiu Tung, Anthony, Dr. Ouyang Qingru, Mr. Leung Kwai Wah, Alex, Mr. Zhang Jing and Mr. Wong Pak Wing.

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

Hong Kong , 31 March 2020