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China New City Commercial Development Limited

中國新城市商業發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Change
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	
Revenue	700,370	1,955,853	-64.2%
Gross profit	170,155	778,236	-78.1%
Profit for the year	25,081	45,289	-44.6%
Profit attributable to owners of the parent	44,429	26,270	+69.1%
Earnings per share attributable to ordinary equity holders of the parent			
– Basic	RMB2.2 cents	RMB1.3 cents	
– Diluted	RMB2.2 cents	RMB1.3 cents	
	As at 31 December		Change
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	
Total assets	15,175,856	14,508,724	+4.6%
Net assets	6,077,418	6,141,535	-1.0%
Net assets value per share	RMB3.02	RMB3.05	-1.0%

The board of directors (the “**Board**” or the “**Directors**”) of China New City Commercial Development Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the corresponding year ended 31 December 2019, and such annual results have been reviewed by the audit committee of the Company and agreed with the auditors of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Revenue	4	700,370	1,955,853
Cost of sales		<u>(530,215)</u>	<u>(1,177,617)</u>
Gross profit		170,155	778,236
Other income and gains, net	4	186,665	68,460
Selling and distribution expenses		(164,303)	(137,603)
Administrative expenses		(201,024)	(184,836)
Other expenses		(43,288)	(3,069)
Finance costs	5	(219,197)	(154,960)
Fair value gain upon transfer to investment properties		356,806	50,642
Changes in fair value of investment properties		<u>23,030</u>	<u>(36,742)</u>
Profit before tax	6	108,844	380,128
Income tax expense	7	<u>(83,763)</u>	<u>(334,839)</u>
Profit for the year		<u>25,081</u>	<u>45,289</u>
Attributable to:			
Owners of the parent		44,429	26,270
Non-controlling interests		<u>(19,348)</u>	<u>19,019</u>
		<u>25,081</u>	<u>45,289</u>
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic		<u>RMB2.2 cents</u>	<u>RMB1.3 cents</u>
Diluted		<u>RMB2.2 cents</u>	<u>RMB1.3 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	<u>25,081</u>	<u>45,289</u>
Other comprehensive (loss)/income		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(14,755)</u>	<u>10,741</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(14,755)</u>	<u>10,741</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	<u>17,200</u>	–
Income tax effect	<u>(4,300)</u>	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>12,900</u>	–
Total comprehensive income for the year	<u>23,226</u>	<u>56,030</u>
Attributable to:		
Owners of the parent	<u>42,574</u>	37,011
Non-controlling interests	<u>(19,348)</u>	<u>19,019</u>
	<u>23,226</u>	<u>56,030</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Non-current assets			
Property and equipment		2,483,582	2,450,208
Investment properties		5,359,845	5,358,640
Properties under development		955,398	935,311
Right-of-use assets		318,126	316,788
Goodwill		98,995	98,995
Other intangible assets		32,522	34,257
Equity investments designated at fair value through other comprehensive income		392,590	374,672
Long term prepayments		338,761	134,213
Deferred tax assets		11,889	6,444
Restricted cash		–	8,922
		<u>9,991,708</u>	<u>9,718,450</u>
Total non-current assets			
Current assets			
Completed properties held for sale		1,255,130	1,734,021
Properties under development		1,153,750	497,524
Inventories		24,631	27,700
Trade receivables	10	37,636	29,375
Prepayments, other receivables and other assets		539,276	701,005
Amounts due from related companies		1,009,969	1,060,275
Financial assets at fair value through profit or loss		113	650
Restricted cash		114,776	14,271
Cash and cash equivalents		994,112	408,493
Investment properties classified as held for sale		54,755	316,960
		<u>5,184,148</u>	<u>4,790,274</u>
Total current assets			
Current liabilities			
Trade payables	11	532,399	643,029
Other payables and accruals		289,684	212,871
Contract liabilities		393,694	476,063
Amounts due to related companies		605,910	711,707
Interest-bearing bank and other borrowings		665,555	351,860
Lease liabilities		35,061	24,297
Tax payable		549,082	597,102
		<u>3,071,385</u>	<u>3,016,929</u>
Total current liabilities			
Net current assets		<u>2,112,763</u>	<u>1,773,345</u>
Total assets less current liabilities		<u>12,104,471</u>	<u>11,491,795</u>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current liabilities		
Interest-bearing bank and other borrowings	4,803,094	4,104,245
Deferred tax liabilities	907,819	937,915
Lease liabilities	<u>316,140</u>	<u>308,100</u>
Total non-current liabilities	<u>6,027,053</u>	<u>5,350,260</u>
Net assets	<u>6,077,418</u>	<u>6,141,535</u>
Equity		
Equity attributable to owners of the parent		
Share capital	160,220	160,443
Reserves	<u>5,674,558</u>	<u>5,623,608</u>
	5,834,778	5,784,051
Non-controlling interests	<u>242,640</u>	<u>357,484</u>
Total equity	<u>6,077,418</u>	<u>6,141,535</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and Group information

China New City Commercial Development Limited (the “**Company**”) is a limited liability company incorporated as an exempted company in the Cayman Islands on 2 July 2013 under the Companies Law (revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was separately listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**SEHK**”) with the stock code “1321” on 10 July 2014 and raised capital amounting to HK\$ 608 million from the market.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) were members of Zhong An Group Limited (“**Zhong An**”) and its subsidiaries (“**Zhong An Group**”). Zhong An, the shares of which have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) since November 2007, is the holding company of Zhong An Group.

The Group is principally engaged in commercial property development, leasing and hotel operations.

In the opinion of the Company’s directors (the “**Directors**”), the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”), and International Accounting Standards and Standing Interpretations Committee, interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, investment properties classified as held for sale, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The adoption of the *Conceptual Framework for Financial Reporting 2018* and the above revised IFRSs do not have any material impact on the Group’s financial statements.

2.3 Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
IFRS 17	<i>Insurance Contracts</i> ⁴
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{4, 6}
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁴
Amendments to IAS 1	<i>Disclosure of Accounting Policies</i> ⁴
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ³
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> ¹
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ³
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ⁴
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ³

¹ *Effective for annual periods beginning on or after 1 June 2020*

² *Effective for annual periods beginning on or after 1 January 2021*

³ *Effective for annual periods beginning on or after 1 January 2022*

⁴ *Effective for annual periods beginning on or after 1 January 2023*

⁵ *No mandatory effective date yet determined but available for adoption*

⁶ *As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Operating segment information

For management purposes, the Group is organised into business units based on income derived from business and has four reportable operating segments as follows:

- (a) the commercial property development segment develops and sells commercial properties in Mainland China and Japan;
- (b) the property rental segment leases investment properties in Mainland China;
- (c) the hotel operations segment owns and operates hotels; and
- (d) the “others” segment comprises, the Group’s property management services business, the Group’s project management business and other business that the Group is involved in.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group’s profit before tax from continuing operations except that interest income and finance costs are excluded from the measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2020	Commercial property development RMB '000	Property rental RMB '000	Hotel operations RMB '000	Property management and other services RMB '000	Total RMB '000
Segment revenue					
Sales to external customers	248,942	144,845	182,516	124,067	700,370
Intersegment sales	–	24,378	–	1,561	25,939
	248,942	169,223	182,516	125,628	726,309
<i>Reconciliation:</i>					
Elimination of intersegment sales					(25,939)
Revenue from operations					<u>700,370</u>
Segment results	48,538	370,912	(70,030)	(118,182)	231,238
<i>Reconciliation:</i>					
Interest income					96,803
Finance costs					(219,197)
Profit before tax					<u>108,844</u>
Segment assets	5,554,621	5,437,682	2,301,507	1,533,252	14,827,242
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(845,167)
Corporate and other unallocated assets					<u>1,193,781</u>
Total assets					<u>15,175,856</u>
Segment liabilities	929,762	59,443	774,721	1,548,601	3,312,327
<i>Reconciliation:</i>					
Elimination of intersegment payables					(845,167)
Corporate and other unallocated liabilities					<u>6,631,078</u>
Total liabilities					<u>9,098,438</u>
Other segment information:					
Depreciation and amortisation	6,112	2,884	70,488	62,653	142,137
Capital expenditure	<u>3,096</u>	<u>948</u>	<u>10,402</u>	<u>47,860</u>	<u>62,306</u>

Year ended 31 December 2019	Commercial property development RMB'000	Property rental RMB'000	Hotel operations RMB'000	Property management and other services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	1,534,552	175,412	141,270	104,619	1,955,853
Intersegment sales	–	41,330	–	2,240	43,570
	1,534,552	216,742	141,270	106,859	1,999,423
<i>Reconciliation:</i>					
Elimination of intersegment sales					(43,570)
Revenue from operations					<u>1,955,853</u>
Segment results					
	510,395	14,468	(69,333)	55,072	510,602
<i>Reconciliation:</i>					
Interest income					24,486
Finance costs					(154,960)
Profit before tax					<u>380,128</u>
Segment assets					
	5,097,245	5,708,493	2,328,661	1,602,179	14,736,578
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(723,854)
Corporate and other unallocated assets					496,000
Total assets					<u>14,508,724</u>
Segment liabilities					
	1,134,309	51,730	730,812	1,183,070	3,099,921
<i>Reconciliation:</i>					
Elimination of intersegment payables					(723,855)
Corporate and other unallocated liabilities					5,991,123
Total liabilities					<u>8,367,189</u>
Other segment information:					
Depreciation and amortisation	5,013	1,819	52,419	61,001	120,252
Capital expenditure	457	–	21,927	88,851	111,235

Geographical information

(a) Revenue from external customers

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	666,418	1,945,910
Others	33,952	9,943
	<u>700,370</u>	<u>1,955,853</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	9,321,900	9,067,875
Japan	91,780	91,057
Others	173,549	178,402
	<u>9,587,229</u>	<u>9,337,334</u>

The non-current assets information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

4. Revenue, other income and gains, net

An analysis of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>	555,525	1,780,441
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases	<u>144,845</u>	<u>175,412</u>
	<u><u>700,370</u></u>	<u><u>1,955,853</u></u>

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2020

Segments	Commercial property development <i>RMB'000</i>	Property management and other related services <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Sale of properties	248,942	–	–	248,942
Hotel operation services	–	–	182,516	182,516
Property management and other services	–	124,067	–	124,067
Total revenue from contracts with customers	<u><u>248,942</u></u>	<u><u>124,067</u></u>	<u><u>182,516</u></u>	<u><u>555,525</u></u>
Timing of revenue recognition				
At a point in time	248,942	–	182,516	431,458
Over time	–	124,067	–	124,067
Total revenue from contracts with customers	<u><u>248,942</u></u>	<u><u>124,067</u></u>	<u><u>182,516</u></u>	<u><u>555,525</u></u>

Year ended 31 December 2019

Segments	Commercial property development <i>RMB'000</i>	Property management and other related services <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Sale of properties	1,534,552	–	–	1,534,552
Hotel operation services	–	–	141,270	141,270
Property management and other services	–	104,619	–	104,619
	<u>1,534,552</u>	<u>104,619</u>	<u>141,270</u>	<u>1,780,441</u>
Total revenue from contracts with customers	<u><u>1,534,552</u></u>	<u><u>104,619</u></u>	<u><u>141,270</u></u>	<u><u>1,780,441</u></u>
Timing of revenue recognition				
At a point in time	1,534,552	–	141,270	1,675,822
Over time	–	104,619	–	104,619
	<u>1,534,552</u>	<u>104,619</u>	<u>141,270</u>	<u>1,780,441</u>
Total revenue from contracts with customers	<u><u>1,534,552</u></u>	<u><u>104,619</u></u>	<u><u>141,270</u></u>	<u><u>1,780,441</u></u>

Revenue from the sale of properties recognised that was included in contract liabilities at the beginning of the reporting period is amounted to RMB351,821,000 (2019: RMB862,687,000).

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income		
Subsidy income*	3,232	1,451
Interest income	96,803	24,486
Others	<u>1,530</u>	<u>10,447</u>
	<u>101,565</u>	<u>36,384</u>
Gains		
Gains on disposal of a subsidiary	84,937	–
Changes in fair value of financial assets at fair value through profit or loss	163	31,625
Gain on fair value remeasurement of existing equity in business combination not under common control	<u>–</u>	<u>451</u>
	<u>85,100</u>	<u>32,076</u>
	<u><u>186,665</u></u>	<u><u>68,460</u></u>

* There are no unfulfilled conditions or contingencies to these grants.

5. Finance costs

An analysis of the Group's finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank and other borrowings	386,653	218,936
Interest on lease liabilities	14,735	15,034
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Total interest expense on financial liabilities not at fair value through profit or loss	401,388	233,970
Less: Interest capitalised in properties under development	(182,191)	(79,010)
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	219,197	154,960
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6. Profit before tax

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of properties sold	231,513	849,453
Depreciation of property and equipment	98,695	75,856
Depreciation of right-of-use assets	41,707	43,963
Amortisation of other intangible assets	1,735	433
Lease payments not included in the measurement of lease liabilities	24,065	22,358
Auditor's remuneration	2,000	1,600
Staff costs including directors' and chief executive's remuneration:		
– Salaries and other staff costs	150,129	114,317
– Pension scheme contributions	9,973	18,758
Foreign exchange differences, net	1,465	579
Direct operating expenses (including repairs and maintenance arising on investment properties)	4,337	4,818
Equity-settled share option expense	10,373	–
Loss on disposal of investment properties	36,153	1,427
Gains on fair value remeasurement of existing equity in business combination not under common control	–	(451)
Gain on disposal of a subsidiary	(84,937)	–
Fair value (gains)/losses, net:		
Changes upon transfer to investment properties	(356,806)	(50,642)
Changes in fair value of investment properties	(23,030)	36,742
Changes in fair value of financial assets at fair value through profit or loss	(163)	(31,625)
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7. Income tax expense

The Group's subsidiaries incorporated in Hong Kong and United Kingdom were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong and United Kingdom during the year (2019: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2019: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current – PRC corporate income tax for the year	99,454	123,932
Current – PRC LAT for the year	24,150	233,156
Deferred	(39,841)	(22,249)
Total tax charge for the year	83,763	334,839

8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB44,429,000 (2019: RMB26,270,000) and the weighted average number of ordinary shares of 2,011,100,932 (2019: 2,010,309,319) in issue of shares during the year, as adjusted to reflect the shares repurchased during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

9. Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

10. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing and unsecured.

An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one month	17,718	14,348
Over one month but within three months	19,504	14,098
Over three months but within one year	414	929
	<u>37,636</u>	<u>29,375</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the sale of commercial properties, rentals under operating leases and provision of property management services, hotel operation businesses and other business of the Group, management has assessed that the expected credit loss rate for trade receivables is minimal as at 31 December 2020 and 31 December 2019. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

11. Trade payables

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the payment due dates, is as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within six months	453,256	580,609
Over six months but within one year	57,488	44,130
Over one year	21,655	18,290
	<u>532,399</u>	<u>643,029</u>

The trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

12. Commitments

The Group had the following commitments for property development expenditure at the end of the reporting period:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Properties under development	<u>1,001,730</u>	<u>767,467</u>

13. Contingent liabilities

(a) Mortgage facilities granted by banks

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	<u>46,656</u>	<u>258,800</u>

(b) Claim arising from the litigation

On 7 January 2019, the Company allotted and issued 178,280,000 shares to Hangzhou Oriental Culture Tourism Group Co., Ltd. ("**the Seller**") for the purpose of acquiring 22.65% of equity interests in Zhejiang Xinnongdu Industrial Co., Ltd. ("**XND**") under the equity transfer agreement announced on 20 July 2018 ("**the Transaction**"). However, the Seller had filed a lawsuit against the Company to cancel the Transaction. The Company had lost the lawsuit in the first trial verdict, and had appealed to higher court. Currently, the lawsuit is still in process. The directors, based on the advice from the Group's legal counsel, believe that they have a valid defence against the allegation in their appeal to higher court, and have not provided for the claim arising from the litigation, other than the related legal and other costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of 2020

In 2020, due to the outbreak of COVID-19, the health of the people and economic activities around the world faced unprecedented shocks. The Chinese government took a series of measures to actively fight against the epidemic and maintain economic stability, making it the only major economy with positive growth in the world.

The Chinese government insisted on the regulatory objectives of “houses are built to be inhabited, not for speculation” and “stabilizing land prices, housing prices and expectations” for the real estate industry, and introduced the long-term regulatory mechanism of new management and control regulations featured by “Three Red Lines and Four Camps” (the “**New Management and Control Regulations**”) in 2020. We believe that the New Management and Control Regulations will help guide the long-term, stable and healthy development of the real estate industry.

In 2020, the Group’s revenue recorded a substantial decline, but the capital structure was optimized. During the year, the Group’s revenue was approximately RMB700,370,000, representing a year-on-year decrease of approximately 64.2%; gross profit was approximately RMB170,155,000, representing a year-on-year decrease of approximately 78.1%; profit attributable to owners of the Company was approximately RMB44,429,000, representing a year-on-year increase of approximately 69.1%. As of the end of 2020, the total equity of the Group reached approximately RMB6,077,418,000, representing a slight decrease of approximately 1.0% from the end of 2019; the carrying amount of cash reached approximately RMB1,108,888,000. As a result, all asset and liability indicators were improved, and capital structure was optimized.

Outlook for 2021

In 2021, with the popularization of COVID-19 vaccine, it is believed that the COVID-19 pandemic will reach a turning point and be effectively controlled around the world and the global economy will resume growth. The regulation policies for domestic real estate market expect no change and will continue with the regulatory targets of “houses are built to be inhabited, not for speculation” and “stabilizing land prices, housing prices and expectations”. The land market will tend to be rational as a result of the long-term mechanism such as the New Management and Control Regulations featured by “**Three Red Lines and Four Camps**” and the requirements of new regulations for centralized supply in the land market, which is beneficial for the long-term and healthy development of the property development industry.

The Group will complete certain properties for sale in 2021. It is expected that the completed properties for sale during the year will exceed RMB1,255.1 million, most of which are located in Zhejiang Province. Such high-quality properties for sale will provide strong support for the Group’s achievement of annual sales target. In 2021, the Group will continue to assess market opportunities in the premise of ensuring continuous optimization of its capital structure, and ride on its diversified land acquisition capabilities to acquire quality land prudently. The Group will also closely monitor the introduction of centralized land supply policy and its impact, and capture opportunities in the open market prudently.

In 2021, the Group will actively upgrade its organizational capabilities to empower higher quality development. The Group will upgrade its organizational structure so as to cater for different business segments to have independent and complete competitiveness, and enhance the comprehensive abilities of city companies constantly. The Group will provide support to the development of different business segments through delegating administrative authority and the Group headquarters will play a more important role in development strategy, business integration, innovation guidance, technology empowerment, risk control and culture guard in the future. The Group aims to cultivate different business segments to have competitive strategies, independent business thinking capacities, and self-developed comprehensive competitiveness.

In the future, the Group will continue to take commercial property development as its core business, maintain the balanced and high-quality development of its core business of commercial property development and accelerate the improvement in the competitive advantages so as to rapidly develop itself into a large enterprise group that has comprehensive competitive advantages and vast growth potentials.

DEVELOPMENT OF MAJOR PROJECTS

Hangzhou, Zhejiang Province

Highlong Plaza

It is a large-scale integrated commercial complex located in Shanyin Road, Xiaoshan District, Hangzhou, comprising hotels, shopping malls and offices, and is the flagship project of the Company. The total site area of the project is 30,933 sq.m.. The Groups holds a total GFA of 53,914 sq.m. for leasing.

International Office Centre

It is a large-scale integrated commercial complex located in Qianjiang Century City, Xiaoshan District, Hangzhou, comprising serviced apartments, shopping malls, hotels and offices. The total site area of Plot A is 92,610 sq.m. and planned total GFA is 798,795 sq.m.. The project is constructed in three phases, consists of Plots A1, A2 and A3. Among which, Plot A3 was completed in 2015, comprising serviced apartments, shops and underground car parking spaces with a total GFA of approximately 327,996 sq.m.. The construction of Plot A2 has commenced in 2018 with a total GFA of approximately 263,555 sq.m.. The project started the pre-sales in the third quarter of 2020.

Xixi New City

It is located in Jiangeun Unit, Xihu District, Hangzhou and is in proximity to Xixi Wetland. With an integration of “Urban Prosperity” and “Ecological Tranquility”. The total site area of the project is 39,703 sq.m. and total GFA is 83,391 sq.m.. The project is an integrated commercial complex comprising offices, serviced apartments and shops. The Groups holds a total GFA of 17,279 sq.m. for leasing.

Fashion Color City

It is located in Xinjie Village, Xiaoshan District, Hangzhou, It consists of hardcover loft apartments, large flat floor apartments and shops, with a total floor area of approximately 26,087 sq.m. and an estimated total GFA of approximately 78,261 sq.m., and is for commercial use. The project has commenced construction in the third quarter of 2020 and started the pre-sale in the fourth quarter of 2020. The volume of pre-sales of the project during the year under review was within expectation.

Yuyao, Zhejiang Province

Zhong An Times Square

It is a large-scale integrated commercial project located in Yuyao, Zhejiang Province with a total GFA of 628,385 sq.m. in two phases. Phase I includes a shopping mall named Zhong An Square, a boutique hotel and two serviced apartments (SOHO) and underground office buildings car parking spaces, while Phase II includes a hotel, a Grade A office tower and six high-rise serviced apartment buildings, underground car parking spaces and shops. The Group holds a total GFA of 101,923 sq.m. for leasing.

Sales Review

For the year ended 31 December 2020 (the “**Year**”), the recognized sales of properties sold and delivered was approximately RMB248,942,000 (2019: approximately RMB1,534,552,000). In addition, the sales of investment properties of approximately RMB819,759,000 (2019: approximately RMB51,932,000) was not recognized in the sales of properties in accordance with the International Accounting Standards. A total of the recognized GFA delivered of properties was approximately 44,894 sq.m..

	Sales of properties (RMB million)	Proceeds from disposal of investment properties (RMB million)
Hinglong Plaza	–	8.5
International Office Centre	–	811.3
Jia Run Mansion	43.9	–
Yuyao Zhong An Times Square Phase I	37.8	–
Yuyao Zhong An Times Square Phase II	86.6	–
Chaoyang Yinzuo	19.8	–
Xixi New City	48.0	–
Other projects	12.8	–
	<u>248.9</u>	<u>819.8</u>

2020 Contracted Sales

The contracted sales area of the Group was approximately 60,936 sq.m. for the Year (2019: approximately 46,069 sq.m.) and contracted sales revenue was approximately RMB1,242,900,000 for the Year (2019: approximately RMB1,040,700,000). Details of the contracted sales of the major projects are as below:

	Contracted sales area <i>(sq.m.)</i>	Contracted sales revenue <i>(RMB million)</i>
Fashion Color City	1,707	45.6
Yuyao Zhong An Times Square Phase I	4,477	34.3
Yuyao Zhong An Times Square Phase II	13,566	115.8
Chaoyang Yinzuo	1,960	19.7
Binhai Commercial Plaza	4,325	51.6
Hinglong Plaza	306	4.5
Xinnongdu	14,620	185.6
International Office Centre A3	16,982	645.5
International Office Centre A2	2,950	139.2
Others	43	1.1
	<hr/>	<hr/>
Total	<u>60,936</u>	<u>1,242.9</u>

Hotel Operation

There are four hotels of the Group namely Holiday Inn Hangzhou Xiaoshan, Qiandao Lake Bright Resort Hotel, Ningbo Bright Hotel and Huaibei Bright Hotel. The hotel operation of the Group recorded a revenue of approximately RMB182,516,000 (2019: approximately RMB141,270,000), representing an increase of approximately 29.2%, during the Year and the hotel occupancy rate was approximately 43% (2019: approximately 51%).

Leasing Business

The leasing income of the Group mainly comes from Highlong Plaza, International Office Centre and Zhong An Times Square, including office and shopping malls. The total revenue from leasing business for the Year was approximately RMB144,845,000, representing a decrease of approximately RMB30,567,000 (2019: approximately RMB175,412,000). The average occupancy rate of leasing properties (calculated by dividing total lease area by total area available for lease) was approximately 94% (2019: approximately 93%).

Land Reserve

As of 31 December 2020, the total GFA of land reserves held for development and/or sale of the Group was approximately 4,154,935 sq.m..

REVENUE

The Group recorded the consolidated revenue of approximately RMB700,370,000 for the Year, representing a drop of approximately RMB1,255,483,000 or 64.2% when compared with the same period in 2019. The drop was mainly due to widespread disruptions in social and economic activities arising from city lockdowns and epidemic prevention measures of COVID-19 in China and the sales of investment properties were not recognized in the revenue of property sales in accordance with the International Accounting Standards.

The revenue from the property sales dropped to approximately RMB248,942,000 during the Year, representing a drop of approximately RMB1,285,610,000 or 83.8% when compared with the same period in 2019. But, the Group disposed of 24,120 sq. m of investment properties at the consideration of approximately RMB819,759,000, which was not recognized in the revenue of property sales in accordance with the International Accounting Standards. Taking this into consideration, the drop of the property sales was approximately RMB465,851,000 or 30.4% during the Year.

The revenue from the property rental and property management amounted to approximately RMB144,845,000 during the Year, representing a decrease of approximately RMB30,567,000 or 17.4% when compared with the same period in 2019. The decrease was mainly due to the rental concession offered to tenants for alleviation of their burden during city lockdowns.

The revenue from the hotel operation amounted to approximately RMB182,516,000 during the Year, representing an increase of approximately RMB41,246,000 or 29.2% when compared with the same period in 2019. The moderate increase was mainly due to the new opening of one hotel in late October 2019 and it has mitigated the overall impact of COVID-19 on the revenue of the hotel operation.

GROSS PROFIT

The gross profit of the Group for the Year amounted to approximately RMB170,155,000 for the Year, representing a drop of approximately RMB608,081,000 or 78.1% when compared with the same period in 2019. Gross profit margin was 24.3%, decreased by 15.5% when compared with the same period in 2019. The drop in gross profit was mainly due to a significant decrease in the consolidated revenue.

OTHER INCOME AND GAINS, NET

The other income and gains, net amounted to approximately RMB186,665,000 during the Year, representing a tangible increase of approximately RMB118,205,000 or 172.7% when compared with the same period in 2019. The increase was mainly due to an increase in interest income and gain on disposal of a subsidiary.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses amounted to approximately RMB164,303,000 during the Year, representing an increase of approximately RMB26,700,000 or 19.4% when compared with the same period in 2019. Such increase was principally due to an increase in advertising and promotional activities for the properties pre-sold during the Year when compared with the same period in 2019.

ADMINISTRATIVE EXPENSES

The administrative expenses amounted to approximately RMB201,024,000 during the Year, representing an increase of approximately RMB16,188,000 or 8.8% when compared with the same period in 2019. Such increase was principally due to an increase in headcounts for new projects deployed.

OTHER EXPENSES

The other expenses amounted to approximately RMB43,288,000 during the Year, mainly representing the loss of disposal of investment properties.

FINANCE COSTS

The finance costs of the Group amounted to approximately RMB219,197,000 for the Year, representing an increase of approximately RMB64,237,000 or 41.5% when compared with the same period in 2019. Such increase was mainly due to the interest on bank loans and other commercial borrowings for completed properties, which could not be capitalized.

PROFIT FOR THE YEAR

The profit attributable to the Group was approximately RMB25,081,000 for the Year, representing a decrease of approximately RMB20,208,000 or 44.6% when compared with the same period in 2019. Such decrease in profit for the Year was mainly due to a drop in revenue, leading to a significant drop in gross profit. Given the similar operating cost structure, the profit for the Year was affected.

CAPITAL EXPENDITURE

The Group's capital expenditure requirements mainly relate to additions of its property and equipment. The Group spent approximately RMB62,306,000 on property and equipment during the Year.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the Year.

MATERIAL DISPOSALS

On 3 February 2021, the Group had entered into sale and purchase agreements with Zhong An Group to agree conditionally to sell the entire operation in commercial property management business at an aggregate of consideration of RMB104.65 million (equivalent to approximately HK\$125.58 million) ("**Proposed Transfers**").

As Zhong An Group is the controlling shareholder of the Group, Zhong An Group is a connected person of the Group. As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Proposed Transfers exceed 5%, the Proposed Transfers constitute non-exempt connected transactions for the Group under the Listing Rules and are subject to the reporting, announcement and approval by the independent shareholders under Chapter 14A of the Listing Rules. An extraordinary general meeting had been held on 24 March 2021 to approve the Proposed Transfers.

At the date of this announcement, the completion of the Proposed Transfers have yet to be taken place.

CAPITAL STRUCTURE

As at 31 December 2020, the Group had aggregate cash and cash equivalents and restricted cash of approximately RMB1,108,888,000 (as at 31 December 2019: approximately RMB431,686,000). The current ratio (as measured by current assets to current liabilities) as at 31 December 2020 was 1.69 (as at 31 December 2019: 1.59).

As at 31 December 2020, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB665,555,000 and approximately RMB4,803,094,000 respectively (as at 31 December 2019: approximately RMB351,860,000 and approximately RMB4,104,245,000 respectively). Except for certain short-term bank and other borrowings amounting to approximately RMB854,120,000 (as at 31 December 2019: approximately RMB2,390,000,000) that bear interest at fixed rates, all bank loans bear interest at floating rates.

As at 31 December 2020, the Group's gearing ratio (as measured by net debt to total equity) was 72% (as at 31 December 2019: 66%). Net debt is calculated as total borrowings less cash, cash equivalents and restricted cash.

PLEDGE OF ASSETS

As at 31 December 2020, the Group's bank borrowings and other borrowings of approximately RMB5,468,649,000 (as at 31 December 2019: approximately RMB4,456,105,000) were secured by the Group's pledge of assets as follows:

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Property and equipment	1,236,965	624,560
Investment properties	3,185,130	1,317,502
Properties under development	485,411	124,462
Completed properties held for sale	913,191	824,359
Restricted cash	40,572	13,974
	<u>5,861,269</u>	<u>2,904,857</u>

TREASURY POLICIES

The Group principally operates in PRC and the revenue, operating cost and borrowings were mainly denominated in RMB. As a result, the Group has minimal exposure to exchange rate fluctuation. The interest rates for the Group's borrowings were both floating and fixed. Upward fluctuations in interest rates will increase the cost of borrowings.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in RMB. The Group does not use any financial instruments for hedging purpose for the Year.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group's contingent liabilities was approximately RMB46,656,000 (2019: approximately RMB258,800,000), which were mainly the guarantees provided by the Group in favour of certain banks for the grant of mortgage loans to purchasers of the Group's properties.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group's capital commitments for property development expenditures amounted to approximately RMB1,001,730,000 (2019: approximately RMB767,467,000). It is expected that the Group will finance such capital commitments from its own funds and bank loans.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 1,729 employees (2019: 1,763). The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain and enhance their competitiveness.

STRATEGIES

The management has developed sound strategies to overcome the above mentioned challenges and address the uncertainties faced by the Group, including formulating effective marketing strategy plan and improving our products and services quality to consolidate our brand. The Group will put more effort in formulating new policies, guidelines, systems and processes to facilitate effectively cost management, risk management, internal control and sustainable environmental management to enhance company management standards and corporate governance standards. For growth strategy, the Group will focus on identifying possible acquisitions with future development prospects and profitability to improve the returns on assets. The Group will further emphasize on investor relations management, and continue to convey clearly the operation vision, business updates and future development strategies of the Group and other information to various stakeholders through press conferences, roadshows, media delegation visits and one-on-one analyst or investor interview and otherwise to strive for the recognition and support from various stakeholders and obtain more resources for business development and maximizing shareholders' value.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees, customers and suppliers are the key stakeholders who affect the sustainability of our business. Engaging with those stakeholders will not only help us understand the possible risks and opportunities to our business, but also help us to mitigate risk and seize the opportunities in the real market situation.

The Group believes that our people are critical factors to the Group's success and competitiveness in the market. As such, we had adopted a share option scheme on 20 May 2015 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

Customer satisfaction with our services and products has profound effects on our profitability. Our dedicated sales team constantly communicates with our customers and potential customers to uncover and create customer needs and help customers make informed decisions. To grasp the market trend is critical for the Group to timely adjust our operating strategies to fit the market requirement.

EVENTS AFTER THE REPORTING PERIOD

Except for the matters disclosed under the "Material Disposals" section under the "Management Discussion and Analysis" of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this announcement.

ENVIRONMENT POLICIES AND PERFORMANCE

As a responsible corporation, the Group is committed to protecting the environment in the areas where we operate and ensuring that environmental standards set by the government are consistently met.

We have closely monitored our projects at different stages to ensure that construction process is in compliance with laws and regulations related to environment protection and safety. The Group endeavors to manage its project operations by working with suppliers and contractors to ensure that they understand the importance of environmental protection, pollution prevention and waste reduction. We also encourage all our employees to be more environmentally conscious.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on 10 June 2021, Thursday. Notice of the AGM will be published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk), and will be dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

SCOPE OF WORK OF ERNST & YOUNG

The figures above in respect of this annual results announcement for the year ended 31 December 2020 have been agreed with the Company's auditor, Ernst & Young, certified public accountants ("**Ernst & Young**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by Ernst & Young 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 Ernst & Young on this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company (comprising all the independent non-executive Directors) have reviewed the consolidated annual results of the Group for the Year, and reviewed with the management of the Group regarding the accounting standards and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company repurchased a total of 2,480,000 Shares on the Stock Exchange for HK\$2,464,057 on 19 February 2020 (corresponding period in 2019: NIL).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code for the year under review and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules ("**CG Code**"). The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the Year and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the Year containing the relevant information required under the Listing Rules will be dispatched to the Company's shareholders and will be published on the above websites in due course.

CLOSURE OF REGISTER OF MEMBERS

For determination of the entitlement to attend and vote at the AGM, the transfer books and register of members will be closed from 7 June 2021, Monday to 10 June 2021, Thursday (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 June 2021, Friday.

By order of the Board of
China New City Commercial Development Limited
中國新城市商業發展有限公司
Shi Kancheng
Chairperson

The PRC, 25 March 2021

As at the date of this announcement, the Board comprises Mr. Shi Nanlu, Mr. Liu Bo and Ms. Tang Yiyan as executive Directors; Mr. Shi Kancheng and Mr. Tang Min as non-executive Directors; and Mr. Ng Sze Yuen Terry, Mr. Xu Chengfa and Mr. Yim Chun Leung as independent non-executive Directors.