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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 2020

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$46,794,000 (2019: HK\$48,494,000)
- Loss for the year was approximately HK\$33,788,000 (2019: HK\$3,739,000)
- Loss per share (basic) was (0.68) HK cents (2019: 0.03 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 2020 together with the comparative figures in 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	46,794	48,494
Cost of goods sold and services provided		<u>(2,960)</u>	<u>(7,344)</u>
Gross profit		43,834	41,150
Other income	6	11,081	6,624
Other gains and losses	7	2,400	13,084
Administrative and other operating expenses		(39,157)	(37,676)
Impairment losses for deposits and other receivables		<u>(21,629)</u>	<u>(400)</u>
(Loss)/profit from operations		(3,471)	22,782
Finance costs	8	<u>(30,306)</u>	<u>(26,410)</u>
Loss before tax		(33,777)	(3,628)
Income tax expense	9	<u>(11)</u>	<u>(111)</u>
Loss for the year	10	<u>(33,788)</u>	<u>(3,739)</u>
Loss for the year attributable to:			
Owners of the Company		(27,950)	(1,075)
Non-controlling interests		<u>(5,838)</u>	<u>(2,664)</u>
		<u>(33,788)</u>	<u>(3,739)</u>
Loss per share attributable to owners of the Company (cents)			
Basic	11	<u>(0.68)</u>	<u>(0.03)</u>
Diluted	11	<u>(0.68)</u>	<u>(0.03)</u>

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

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	(33,788)	(3,739)
Other comprehensive income for the year, net of tax:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>32,213</u>	<u>(20,843)</u>
Total comprehensive income for the year	<u>(1,575)</u>	<u>(24,582)</u>
Total comprehensive income for the year		
attributable to:		
Owners of the Company	<u>3,872</u>	(17,025)
Non-controlling interests	<u>(5,447)</u>	<u>(7,557)</u>
	<u>(1,575)</u>	<u>(24,582)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		56,449	57,750
Investment properties	<i>13</i>	848,373	1,130,667
Intangible assets		32,410	34,643
Right-of-use assets		889	786
Investments in associates		—	—
Financial assets at fair value through other comprehensive income (“FVTOCI”)		28,253	28,253
Prepayments, deposits and other receivables	<i>14</i>	36,616	90,899
Deferred tax assets		39,723	39,723
		1,042,713	1,382,721
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		34,577	34,557
Inventories	<i>15</i>	7,660	7,660
Properties under development and held for sale		401,264	—
Prepayments, deposits and other receivables	<i>14</i>	401,800	122,651
Due from associates		14	14
Due from a related company		14	13
Due from non-controlling shareholders		1,082	557
Cash and bank balances		43,458	11,175
		889,869	176,627
Current liabilities			
Accruals and other payables	<i>16</i>	140,254	36,957
Deposits received		16,003	12,817
Borrowings	<i>17</i>	14,633	8,232
Lease liabilities		515	1,020
Due to non-controlling shareholders		3,417	6,999
Due to related parties		5,867	7,765
Due to a director		1,708	1,649
Promissory notes		5,446	10,500
		187,843	85,939
Net current assets		702,026	90,688
Total assets less current liabilities		1,744,739	1,473,409

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Accruals and other payables	<i>16</i>	205,628	145,151
Borrowings	<i>17</i>	514,703	361,970
Lease liabilities		878	496
Promissory notes		4,609	8,100
Deferred tax liabilities		226,884	216,080
		<u>952,702</u>	<u>731,797</u>
Net assets		<u>792,037</u>	<u>741,612</u>
Equity			
Equity attributable to owners of the Company			
Share capital	<i>18</i>	17,309	14,459
Reserves		753,330	700,308
		<u>770,639</u>	<u>714,767</u>
Non-controlling interests		21,398	26,845
Total equity		<u>792,037</u>	<u>741,612</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2020, 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 Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts-cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018 — 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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 HK\$'000	Sales of buses HK\$'000	Total HK\$'000
Year ended 31 December 2020			
Revenue from external customers	46,794	—	46,794
Segment profit	43,834	—	43,834
As at 31 December 2020			
Segment assets	1,249,637	7,660	1,257,297
Segment liabilities	16,003	—	16,003
	Property development and investment HK\$'000	Sales of buses HK\$'000	Total 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

Reconciliations of segment profit or loss:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit or loss		
Total profit of reportable segments	43,834	41,150
Other income	11,081	6,624
Other gains and losses	2,400	13,084
Administrative and other operating expenses	(39,157)	(37,676)
Impairment losses for deposits and other receivables	(21,629)	(400)
Finance costs	(30,306)	(26,410)
	<hr/>	<hr/>
Consolidated loss before tax	<u>(33,777)</u>	<u>(3,628)</u>

Reconciliations of segment assets or liabilities:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	1,257,297	1,138,327
Property, plant and equipment	56,449	57,750
Intangible assets	32,410	34,643
Right-of-use assets	889	786
Investments in associates	—	—
Financial assets at FVTOCI	28,253	28,253
Deferred tax assets	39,723	39,723
Financial assets at FVTPL	34,577	34,557
Prepayments, deposits and other receivables	438,416	213,550
Due from associates	14	14
Due from a related company	14	13
Due from non-controlling shareholders	1,082	557
Cash and bank balances	43,458	11,175
	<u>1,932,582</u>	<u>1,559,348</u>
Liabilities		
Total liabilities of reportable segments	16,003	12,817
Accruals and other payables	345,882	182,108
Borrowings	529,336	370,202
Lease liabilities	1,393	1,516
Due to non-controlling shareholders	3,417	6,999
Due to related parties	5,867	7,765
Due to a director	1,708	1,649
Promissory notes	10,055	18,600
Deferred tax liabilities	226,884	216,080
	<u>1,140,545</u>	<u>817,736</u>

Geographical information

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	—	4,207
PRC	<u>46,794</u>	<u>44,287</u>
Consolidated total revenue	<u>46,794</u>	<u>48,494</u>

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:

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 December 2020 (2019: nil).

5. Revenue

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Products transferred at a point in time:		
Sales of buses	—	4,207
Revenue from other sources:		
Rental income and related management service income	<u>46,794</u>	<u>44,287</u>
	<u>46,794</u>	<u>48,494</u>

6. Other income

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividend income	3,751	—
Interest income	7,330	6,624
	<u>11,081</u>	<u>6,624</u>

7. Other gains or losses

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net foreign exchange gains/(losses)	3,200	(751)
Fair value loss on financial assets at FVTPL	(800)	(7,488)
Gain on bargain purchases on acquisition of subsidiaries	—	14,838
Gain on fair value measurement of an associate	—	6,485
	<u>2,400</u>	<u>13,084</u>

8. Finance costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	26,762	25,579
Interest on convertibles notes	—	681
Interest on lease liabilities	89	150
Interest on promissory notes	3,455	—
	<u>30,306</u>	<u>26,410</u>

9. Income tax expense

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax — PRC Enterprise Income Tax		
Under-provision in prior years	<u>11</u>	<u>111</u>
	11	111
Deferred tax	<u>—</u>	<u>—</u>
	<u>11</u>	<u>111</u>

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% (2019: 25%).

10. Loss for the year

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment loss for deposits and other receivables	21,629	400
Auditor's remuneration	700	700
Cost of goods sold and services provided	2,960	7,344
Depreciation of property, plant and equipment	6,880	6,054
Depreciation of right-of-use assets	1,050	1,670
Amortisation of intangible assets	2,234	—
Loss on disposal of property, plant and equipment	—	102
Minimum lease payments under operating leases on land and buildings (<i>note</i>)	1,524	—
Net foreign exchange gains/(losses)	(3,200)	751
Fair value loss on financial assets at FVTPL	800	7,488
Staff cost (including directors' remuneration)		
— Salaries, bonuses and allowances	11,568	11,721
— Contributions to defined contribution retirement plan	478	671
	<u>12,046</u>	<u>12,392</u>

Note:

Minimum lease payments under operating leases on land and buildings included rental for a director quarter of approximately HK\$364,000 for the year ended 31 December 2020.

11. Loss per share attributable to owners of the company

The calculation of basic loss per share is based on the loss 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 2020.

The calculation of basic loss per share is based on:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to owners of the Company, used in the basic earnings per share calculation	<u><u>(27,950)</u></u>	<u><u>(1,075)</u></u>
	Number of shares	
	2020	2019
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u><u>4,083,882,881</u></u>	<u><u>3,580,808,340</u></u>

No adjustment has been made to the basic loss per share for the year ended 31 December 2020 in respect of a dilution as there were no potentially dilutive ordinary shares in issue as at 31 December 2020.

12. Dividends

The directors did not recommend any dividend for the year ended 31 December 2020 (2019: nil).

13. Investment properties

	Properties at fair value		Properties at cost		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Completed project						
Investment properties in Guangzhou (<i>note (a)</i>)						
At 1 January	726,375	740,090	—	—	726,375	740,090
Exchange differences	48,360	(13,715)	—	—	48,360	(13,715)
At 31 December	774,735	726,375	—	—	774,735	726,375
Incomplete project						
Investment properties in Luoyang (<i>note (b)</i>) and Zhuhai Properties (<i>note (c)</i>)						
At 1 January	—	—	404,292	70,346	404,292	70,346
Acquisition of a subsidiary	—	—	—	339,750	—	339,750
Additions	—	—	43,694	—	43,694	—
Transferred to inventories	—	—	(401,264)	—	(401,264)	—
Exchange differences	—	—	26,916	(5,804)	26,916	(5,804)
At 31 December	—	—	73,638	404,292	73,638	404,292
Total carrying amount at 31 December	774,735	726,375	73,638	404,292	848,373	1,130,667

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.

At 31 December 2020, the Guangzhou Properties with carrying amount of approximately HK\$774,735,000 (2019: HK\$726,375,000) were pledged to secure bank borrowings, details of which are set out in note 17 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\$73,638,000 (2019: HK\$69,042,000)), 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\$37,271,000), 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 2020 and 2019.

At 31 December 2020, the Luoyang Properties with carrying amount of approximately HK\$73,638,000 (2019: HK\$69,042,000) were pledged to secure bank borrowings, details of which are set out in note 17 to this announcement.

- (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.

The Zhuhai Properties were transferred to properties under development and held for sale as the development were commenced during the year ended 31 December 2020.

At 31 December 2019, the Zhuhai Properties with carrying amount of approximately HK\$335,250,000 were pledged to secure bank borrowings, details of which are set out in note 17 to this announcement.

14. Prepayments, deposits and other receivables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments	213,517	11,196
Deposits	56,492	95,605
Other receivables	196,136	112,849
	<u>466,145</u>	<u>219,650</u>
Less: Allowance for doubtful debts	<u>(27,729)</u>	<u>(6,100)</u>
	438,416	213,550
Less: Non-current portion	<u>(36,616)</u>	<u>(90,899)</u>
Current portion	<u><u>401,800</u></u>	<u><u>122,651</u></u>

15. Inventories

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Buses	<u>7,660</u>	<u>7,660</u>

16. Accruals and other payables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued expenses	2,904	3,722
Due to a former shareholder of Guangdong Changliu	10,432	9,780
Due to former shareholders of Zhuhai Teng Shun	315,417	64,195
Other payables	<u>17,129</u>	<u>104,411</u>
	345,882	182,108
Less: Non-current portion	<u>(205,628)</u>	<u>(145,151)</u>
Current portion	<u>140,254</u>	<u>36,957</u>

17. Borrowings

	Effective interest rate	Maturity	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank loan 1	8.085%	2030	316,066	304,569
Bank loan 2	9.000%	2022	—	65,633
Bank loan 3	7.153%	2024	213,270	—
			<u>529,336</u>	<u>370,202</u>
Analysed into:				
Repayable:				
— Within one year or on demand			14,633	8,232
— In the second to fifth years, inclusive			321,552	150,693
— Over five years			193,151	211,277
			<u>529,336</u>	<u>370,202</u>
Total			529,336	370,202
Less: Non-current portion			<u>(514,703)</u>	<u>(361,970)</u>
Current portion			<u>14,633</u>	<u>8,232</u>

18. Share capital

	Number of shares	Amount <i>HK\$'000</i>
Authorised: Ordinary shares of HK\$0.004 each At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	<u>10,000,000,000</u>	<u>40,000</u>
Issued and fully paid: Ordinary shares of HK\$0.004 each At 1 January 2019	3,479,835,737	13,919
Conversion of convertible notes	<u>135,000,000</u>	<u>540</u>
At 31 December 2019 and 1 January 2020	3,614,835,737	14,459
Completion of the subscription of new shares <i>(note (a))</i>	<u>712,328,767</u>	<u>2,850</u>
At 31 December 2020	<u>4,327,164,504</u>	<u>17,309</u>

Note:

- (a) The Board is pleased to announce that all the Conditions Precedents to completion of the Subscription have been fulfilled and the completion of the Subscription took place on 5 May 2020.

The Subscription Shares, being 712,328,767 new Shares, have been subscribed by the Subscriber at the Subscription Price of HK\$0.073 per Subscription Share pursuant to the terms and conditions of the Subscription Agreement.

19. Contingent liabilities

Save as those disclosed in note 13(b) to this announcement, the Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

20. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental expenses paid to related/connected companies	<u>1,524</u>	<u>—</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fees	<u>1,358</u>	<u>1,073</u>
Other emoluments		
salaries, wages and other benefits	2,141	4,506
contributions to defined contribution retirement plan	<u>36</u>	<u>90</u>
	<u>2,177</u>	<u>4,596</u>
	<u>3,535</u>	<u>5,669</u>

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

	2020	2019
Nil to HK\$1,000,000	10	9
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$5,000,000	—	—
	<u>12</u>	<u>11</u>

21. Operating lease commitments

(a) As lessor

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within first year	24,687	23,101
In the second year	18,880	15,107
In the third year	14,145	10,074
In the fourth year	9,510	6,501
In the fifth year	4,197	3,095
After five years	5,878	4,130
	<u>77,297</u>	<u>62,008</u>

(b) As lessee

The portfolio of short-term leases for certain of its offices which are regularly entered into by the Group during the year ended 31 December 2020. As at 31 December 2020, the outstanding lease commitments is HK\$382,000 (2019: nil).

22. 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\$1,191,900 (2019: HK\$1,118,000)), 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 2020, none of the RMB340,000 (equivalent to approximately HK\$405,246 (2019: HK\$380,000)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

(b) Capital commitment

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction design contracts for the Luoyang Properties	<u>5,747</u>	<u>10,407</u>

23. Notes to the consolidated statement of cash flows

(a) Acquisition of subsidiaries

During the year ended 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, China Goal Inc. and Peaceful Kingdom Inc. are engaged in properties development, investment holding company in particular to hold a license of property management intellectual properties and supermarket business respectively.

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

	Total <i>HK\$'000</i>
Net assets acquired:	
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	<u>(54,484)</u>
	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	<u>(14,838)</u>
	<u><u>19,140</u></u>
Satisfied by:	
Cash	540
Promissory notes	<u>18,600</u>
	<u><u>19,140</u></u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(540)
Cash and cash equivalents acquired	<u>828</u>
	<u><u>288</u></u>

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a revenue of approximately HK\$46,794,000 and recorded a loss after tax of approximately HK\$(33,777,000) for the year ended 31 December 2020.

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 AND 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 decreased 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.

Since year 2019, the Group has already planned to launch its “New Day, New Life, New City” theme of its future development as part of the integration of property development and property management with daily needs in living. Through the entrance of retail business both online and supermarket chain, YBJ, located in Great Bay Area together with the acquisition of the Beijing property management intellectual property licensor as well as the Zhuhai property development company, all these have made a perfect integration and implementation of the aforesaid theme of the Group in the year 2020.

Supermarket Business, PRC

During the period under review, the outbreak of COVID-19 has adversely and significantly impacted the retail industry. The management has discussed with the partner of the retail business of YBJ supermarket operation. Having reviewed the current situation, the Company has determined to commence substantial operation from year 2021 for a period of 20-year operating right licensing from its original tenure of 10-year under the original intangible asset licensing arrangement instead.

Property Management in Beijing, PRC

The Group acquired 70% equity interest of China Goal, Inc. in the year 2019 which has licensed out its intellectual property rights on property management through a Hong Kong incorporated company to PRC entities. In view of the future recovery of the economic activities after the COVID-19 time, the market is expected to put more emphasis on the demand of well-managed property hygiene. The Group has a prosperous view on the development of the property management market and would expect to explore different opportunities to widen its participation in the property management market in forthcoming years.

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. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties was minimal adjusted. Due to the outbreak of COVID-19 the Group is still waiting for 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the change of Luoyang Properties in order for the Group to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

Property Development in Zhuhai, PRC

The development of Zhuhai property is part of the Group's commercial property development projects in Great Bay Area that was scheduled in year 2020. The impact of COVID-19 has actually delayed the development of the whole property market. The Group believes that the property market will revive in year 2021 with the significant input in boosting up the recovery of economy after the COVID-19 time. The Group foresees there are lots of opportunities in capturing the strong growing prospect of economic recovery in the next years ahead as part of the National policy of encouraging economic growth by the Government. The Group has determined that most of the development units of the Zhuhai project would be regarded as inventory for future realization with the view of reserving more cash on hand so as to capture different business opportunities in the forthcoming years instead of treating the development project as an investment property.

The Group would continue its effort in implementing its theme of “New Day, New Life, New City” in the year 2021 in line with the economic recovery at the Post COVID-19 time, particularly in the Great Bay Area.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 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 2020. 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\$46,794,000 and nil (2019: HK\$44,287,000 and HK\$4,207,000). The Group's net loss for the year was approximately HK\$33,788,000 (2019: loss HK\$3,739,000). The basic loss per share for the year was approximately 0.68 HK cents (2019: earnings per share 0.03 HK cents). Administrative expenses was approximately HK\$39,157,000 (2019: HK\$37,676,000). Finance costs was approximately HK\$30,306,000 (2019: HK\$26,410,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2020, the Group had obligations under hire purchase contracts of approximately HK\$482,000 (2019: HK\$685,000).

As at 31 December 2020, the Group's total assets was approximately HK\$1,932,582,000 (2019: HK\$1,559,348,000) and total liabilities were of approximately HK\$1,140,545,000 (2019: HK\$817,736,000). As at 31 December 2020, the cash and bank balances was approximately HK\$43,458,000 (2019: HK\$11,175,000) and the current ratio (current assets/current liabilities) was 4.93 as at 31 December 2020 (2019: 2.06).

Pledge of Assets

As at 31 December 2020, the Group's investment properties and properties under development and held for sale located in Guangzhou, Luoyang and Zhuhai were pledged to secure bank borrowings, details of which are set out in note 17 to this announcement.

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 53% as at 31 December 2020 (2019: 45%).

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 2020 (2019: Nil).

Employees

As at 31 December 2020, the Group has employed about 74 (2019: 68) 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 2020.

Contingent Liabilities

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

Commitments

Details of the commitments are set out in notes 21 and 22 to this announcement.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2020.

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 2020.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This Annual Results Announcement 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 2020 Annual Report will be despatched to our Shareholders on or before 30 April 2021 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 2020.

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) six independent non-executive directors, namely Mr. Chan Yiu Tung, Anthony, Dr. Ouyang Qingru, Mr. Leung Kwai Wah, Alex, Mr. Zhang Jing, Mr. Wong Pak Wing and Mr. Luo Zhen.

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

Hong Kong , 31 March 2021