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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 2015

FINANCIAL HIGHLIGHTS

| | For the year ended 31 December | | Change |
|--|---|-------------|---------------|
| | 2015 | 2014 | |
| Revenue (<i>RMB'000</i>) | 503,986 | 208,853 | 141.31% |
| Profit attributable to equity holders of the Company (<i>RMB'000</i>) | 740,337 | 476,504 | 55.37% |
| Earnings per share attributable to equity holders of the Company – Basic and diluted | RMB43 cents | RMB32 cents | 34.38% |

CHAIRPERSON'S STATEMENT

Dear shareholders,

On behalf of China New City Commercial Development Limited (the “**Company**”) and its subsidiaries (collectively referred as the “**Group**”), I am pleased to present the results of the Group for the year ended 31 December 2015 (“**the year under review**”).

REVIEW OF RESULTS

For the year under review, revenue of the Group was approximately RMB503.99 million, representing an increase of approximately 141.31% from the year of 2014. Gross profit was approximately RMB179.44 million, representing an increase of approximately 65.21% as compared to the year of 2014. Profit attributable to equity holders of the Company was approximately RMB740.34 million, representing an increase of 55.37% when compared with the year of 2014, while earnings per share amounted to approximately RMB0.43 with an increase of 34.38% over the year of 2014. The board (“**Board**”) of directors (“**Directors**”) does not recommend the payment of final dividend for the year under review (2014: nil).

MARKET AND BUSINESS REVIEW

In 2015, the slowdown of economic growth in the People's Republic of China (“**PRC**”) had prompted the PRC central government to change its control policies on real estate market, replacing the previous restrictive measures with more open and market-oriented policies. Under the stimulation of the multiple housing policies, the market was further fragmented with both quantity and price pushing up in first-tier and some popular second-tier cities, while those in third-tier and forth-tier cities still remain sluggish and disturbed by high inventory level. Looking ahead in 2016, it is expected that the PRC central government will push forward more supporting measures in monetary policy and fiscal policy and the overall housing market will remain stable.

The Group is a commercial property developer and operator committed to developing integrated commercial complexes in sub-city centers of second-tier cities in the Yangtze River Delta region. It anticipates expanding its business into the land development sector in different towns and counties in PRC in future as well as the respective new urbanization services. The Group follows the integrated business model of selling and leasing property, strategically decentralizing its income source and return period.

1. Property Development

In respect of property development, the delivery of part of the property of Jia Run Mansion (嘉潤公館), the serviced apartments of the International Office Center (“**IOC**”) (Plot A3), was completed smoothly in which it drove up property sales income significantly. During the year under review, with Hangzhou Municipal Government announcing that it has successfully won the hosting of the 2022 Asian Games and is also the hosting city of the 2016 Group of Twenty (G20) Summit, the sales of Jia Run Mansion (嘉潤公館) which is adjacent to the Olympic Sports Center and Hangzhou International Convention Center went buoyant. The Group expects the average selling price of the project will increase further.

2. Investment Properties

In respect of the investment properties, the rental income of the shopping mall and office tower of Highlong Plaza in Xiaoshan District of Hangzhou City remained stable. Facing the dual bombardments from both emerging e-commerce as well as massive new supply in recent years, the Group continued to adjust the commercial combinations and business structure of its commercial properties, striving to improve customer's sense of experience. At the same time, the Group reached the strategic cooperation with Beijing Yintai Landmark Commercial Co., Ltd. (北京銀泰置地商業有限公司) in September 2015 to pursue the joint operation of Yuyao Zhong An YinTai Cheng (余姚眾安銀泰城) under the internet+ model, thereby enhancing the attraction of Yuyao Zhong An Times Square project significantly.

As at 31 December 2015, the fair value of the investment properties of the Group amounted to approximately RMB5,244,100,000 with a gross floor area ("GFA") of approximately 311,310 sq.m.

3. Hotel Operations

As to the hotel operations, the hotel Holiday Inn Hangzhou Xiaoshan operated well and the construction progress of the Hangzhou Qiandao Lake Run Zhou Resort Hotel project was also in line with its expectation. In September 2015, the Group announced the commencement of its new homestay business by rolling out an O2O platform "Zhong Jia Le Homestay Travel Web" (眾家樂民宿旅遊網) and the operations of the self-operated chain of homestay facilities (自營民宿連鎖店) under the brand name of "Another Village" (又一村). By taking a comprehensive business model that integrate beer and skittles, tourism, shopping and accommodation as the service-oriented structure, it targets to establish a global homestay network with the foothold in PRC and create a renowned brand of homestay industry in PRC and even globally. As at 31 December 2015, the Group had already owned two self-operated homestay facilities under the brand name of "Another Village" and 33,000 rooms available for travellers for booking under the Zhong Jia Le Homestay Travel Web.

PROSPECTS, DEVELOPMENT STRATEGIES AND OUTLOOK

Looking ahead in 2016, the global market still remains sluggish, the economy of PRC will continue to face challenges in structural adjustments and retarding growth, and risks and opportunities co-exist in real estate market. The intensifying real estate market fragmentation last year had indicated that the property market has transformed from speculative investment demand to a market dominated by robust demand. The main development segment of the Group is at the Yangtze River Delta region that has strong economic fundamentals and benefited from the spillover effects of the Shanghai economy as well as the rapid internet economic development in Hangzhou. We strongly believe that the development projects under the Group will continue to be well received by the market.

IOC is still the major development project of the Group. Qianjiang Century City (錢江世紀城), where IOC is located, and Qianjiang New Town (錢江新城) across the river are the new main city centers of Hangzhou. The project enjoys a spectacular river view, and is also adjacent to Hangzhou Olympic Sports Stadium, which will host the 2022 Asian Games, and Hangzhou International Conference Center, which will host the 2016 Group of Twenty (G20) Summit. With the ancillary infrastructure of Qianjiang Century City further improved, the value of such project will further escalate. In addition, it is expected that the Group's Hangzhou Qiandao Lake Run Zhou Resort Hotel and Yuyao Zhong An Times Square under development will be completed one after another within this year or next year, whereby the Group will achieve significant growth in leasable area upon completion. The investment properties portfolio will be upgraded and renovated fully for improving both its value and rental income to increase its recurring revenue. Furthermore, the increasing domestic consumption power of Chinese nationals and the rapid promotion in urbanization will bring new opportunities to the Group in the development of community and urban commercial activities.

In recent years, the PRC central government issued documents on many occasions confirming the policy measures of facilitating tourism investments and consumption, mentioned the development of personalized and characterized rural tourism, and encouraged increasing credit support by financial institutions. The innovative and active internet development has further stimulated tourism development. The Group will fully develop a diversified internet-based industry that encompasses homestay, urban apartment, eco-catering, local specialty and capital operation by leveraging on the development model of self-operated homestay under the brand names of the online "Zhong Jia Le Homestay Travel Web" and the offline "Another Village". Despite the two self-operated homestay facilities, "Another Village" which is owned by the Group, have not yet to make significant contribution to the Group's revenue, however, the Group plans to develop and expand "Another Village", its own brand, orderly in future, boosting the online cooperation resource with its offline brand in establishing a new norm for the nationwide homestay industry in PRC.

The Group will continue to achieve the development strategy of transforming from the traditional asset-intensive investment model to the light asset business-based model, actively facing the development opportunities brought by urbanization in the PRC, developing diversified new property projects by leveraging on the latest internet technology to achieve quality growth. Under the reasonable control of the existing investment size of commercial complexes, it will develop emerging industries like leisure tourism, elderly care and healthcare services, cultural and entertainment and modern agriculture.

The Group will also insist on its prudent financial strategies, increase corporate governance transparency, seek satisfactory and continuous returns for the shareholders of the Company.

ACKNOWLEDGEMENT

At last, on behalf of the Board, I would like to express my sincere gratitude to the support and trust of the shareholders of the Company and business partners as well as the dedicated efforts of all the staff of the Group.

Shi Kancheng
Chairperson

Hong Kong, 22 March 2016

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2015 together with the comparative amounts for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Year ended 31 December | |
|---|--------------|-------------------------------|---------------------------|
| | | 2015 | 2014 |
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| REVENUE | 4 | 503,986 | 208,853 |
| Cost of sales | | <u>(324,542)</u> | <u>(100,239)</u> |
| Gross profit | | 179,444 | 108,614 |
| Other income and gains | 4 | 256,899 | 35,377 |
| Selling and distribution expenses | | (55,176) | (35,955) |
| Administrative expenses | | (109,165) | (111,811) |
| Other expenses | | (752) | (265) |
| Fair value gain upon transfer to investment properties | | 796,581 | 656,784 |
| Changes in fair value of investment properties | | 29,414 | 33,200 |
| Finance costs | 5 | (19,602) | (30,047) |
| Share of profits and losses of: | | | |
| Joint ventures | | (2,208) | (259) |
| An associate | | <u>–</u> | <u>141</u> |
| PROFIT BEFORE TAX | 6 | 1,075,435 | 655,779 |
| Income tax expense | 7 | <u>(324,265)</u> | <u>(193,275)</u> |
| PROFIT FOR THE YEAR | | <u>751,170</u> | <u>462,504</u> |
| Attributable to: | | | |
| Equity holders of the Company | | 740,337 | 476,504 |
| Non-controlling interests | | <u>10,833</u> | <u>(14,000)</u> |
| | | <u>751,170</u> | <u>462,504</u> |
| Earnings per share attributable to equity holders of the Company | 8 | | |
| Basic and diluted | | <u>RMB43 cents</u> | <u>RMB32 cents</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|------------------------|-----------------------|
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| PROFIT FOR THE YEAR | <u>751,170</u> | <u>462,504</u> |
| Other comprehensive income | | |
| Other comprehensive income, which may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | <u>11,248</u> | <u>(11,798)</u> |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | <u>11,248</u> | <u>(11,798)</u> |
| Total comprehensive income for the year | <u>762,418</u> | <u>450,706</u> |
| Attributable to: | | |
| Equity holders of the Company | 751,585 | 464,706 |
| Non-controlling interests | <u>10,833</u> | <u>(14,000)</u> |
| | <u>762,418</u> | <u>450,706</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Notes</i> | As at 31 December | |
|--|--------------|--------------------------|----------------|
| | | 2015 | 2014 |
| | | RMB'000 | RMB'000 |
| NON-CURRENT ASSETS | | | |
| Property and equipment | | 161,563 | 167,845 |
| Investment properties | | 5,244,100 | 3,773,200 |
| Properties under development | | 2,909,524 | 3,063,991 |
| Available-for-sale investment | | 3,300 | 3,300 |
| Long term prepayments | | 15,360 | 18,661 |
| Investments in joint ventures | | 774 | 46,228 |
| Loans and receivables from a joint venture | | – | 390,931 |
| Deferred tax assets | | 19,289 | 49,582 |
| Restricted cash | | 90,100 | – |
| | | <hr/> | <hr/> |
| Total non-current assets | | 8,444,010 | 7,513,738 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Completed properties held for sale | | 1,361,490 | 846,936 |
| Properties under development | | 312,676 | 614,464 |
| Inventories | | 4,358 | 3,570 |
| Trade receivables | <i>10</i> | 15,321 | 12,961 |
| Prepayments, deposits and other receivables | | 90,343 | 46,357 |
| Amount due from a related company | | 66,534 | 112,359 |
| Loans and receivables from a joint venture | | – | 29,769 |
| Restricted cash | | 50,794 | 139,758 |
| Cash and cash equivalents | | 947,638 | 723,909 |
| | | <hr/> | <hr/> |
| Total current assets | | 2,849,154 | 2,530,083 |
| | | <hr/> | <hr/> |
| CURRENT LIABILITIES | | | |
| Trade payables | <i>11</i> | 823,192 | 564,032 |
| Other payables and accruals | | 158,838 | 119,752 |
| Advances from customers | | 160,852 | 129,473 |
| Amounts due to a related company | | 1,200 | – |
| Interest-bearing bank and other borrowings | | 707,472 | 1,638,031 |
| Tax payable | | 220,694 | 178,549 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 2,072,248 | 2,629,837 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS/(LIABILITIES) | | 776,906 | (99,754) |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 9,220,916 | 7,413,984 |
| | | <hr/> | <hr/> |

| | As at 31 December | |
|--|-------------------|------------------|
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank and other borrowings | 3,051,662 | 2,240,498 |
| Deferred tax liabilities | 949,412 | 716,062 |
| | <u>4,001,074</u> | <u>2,956,560</u> |
| Total non-current liabilities | | |
| | <u>4,001,074</u> | <u>2,956,560</u> |
| Net assets | 5,219,842 | 4,457,424 |
| | <u>5,219,842</u> | <u>4,457,424</u> |
| EQUITY | | |
| Equity attributable to equity holders of the Company | | |
| Share capital | 138,183 | 138,183 |
| Reserves | 4,901,276 | 4,149,691 |
| | <u>5,039,459</u> | <u>4,287,874</u> |
| | 5,039,459 | 4,287,874 |
| Non-controlling interests | 180,383 | 169,550 |
| | <u>180,383</u> | <u>169,550</u> |
| Total equity | 5,219,842 | 4,457,424 |
| | <u>5,219,842</u> | <u>4,457,424</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate 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 is an investment holding company. The Company and its subsidiaries (collectively referred as, the “Group”) were members of the group of Zhong An Real Estate Limited (“Zhong An”) and its subsidiaries (collectively referred as “Zhong An Group”). Zhong An, the shares of which have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“the 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 that remain in effect. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Significant accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting year of the Group and the Company.

| | |
|-------------------------------------|--|
| Amendments to IAS 19 | <i>Defined Benefit Plans: Employee Contributions</i> |
| Annual Improvements 2010-2012 Cycle | <i>Amendments to a number of IFRSs</i> |
| Annual Improvements 2011-2013 Cycle | <i>Amendments to a number of IFRSs</i> |

The adoption of the above revised Standards and interpretations has had no significant financial effect on these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 which develops and sells commercial properties in the PRC;
- (b) the property rental segment which leases investment properties in the PRC;
- (c) the hotel operations segment which owns and operates a hotel; and
- (d) the others segment comprises, principally, the Group's property management services business, which provides management and security services to commercial properties.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources 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 operation. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax from continuing operation except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such 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 2015 | Commercial property development RMB'000 | Property rental RMB'000 | Hotel operations RMB'000 | Others RMB'000 | Total RMB'000 |
|--|--|--|---|---------------------------|--------------------------|
| Segment revenue: | | | | | |
| Sales to external customers | 374,922 | 81,901 | 45,372 | 1,791 | 503,986 |
| Intersegment sales | – | 27,412 | – | 9,569 | 36,981 |
| | <u>374,922</u> | <u>109,313</u> | <u>45,372</u> | <u>11,360</u> | <u>540,967</u> |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment sales | | | | | <u>(36,981)</u> |
| Revenue from continuing operations | | | | | <u>503,986</u> |
| Segment results | 255,720 | 858,163 | (11,296) | (20,133) | 1,082,454 |
| <i>Reconciliation:</i> | | | | | |
| Interest income | | | | | 12,583 |
| Finance costs | | | | | <u>(19,602)</u> |
| Profit before tax | | | | | <u>1,075,435</u> |
| Segment assets | 3,797,736 | 5,829,105 | 478,832 | 419,735 | 10,525,408 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment receivables | | | | | (359,567) |
| Corporate and other unallocated assets | | | | | <u>1,127,323</u> |
| Total assets | | | | | <u>11,293,164</u> |
| Segment liabilities | 1,183,120 | 14,849 | 12,269 | 293,412 | 1,503,650 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment payables | | | | | (359,567) |
| Corporate and other unallocated liabilities | | | | | <u>4,929,239</u> |
| Total liabilities | | | | | <u>6,073,322</u> |
| Other segment information: | | | | | |
| Share of profits and losses of joint ventures | 2,182 | 26 | – | – | 2,208 |
| Depreciation | 1,765 | 624 | 8,184 | 1,950 | 12,523 |
| Investments in joint ventures | – | 774 | – | – | 774 |
| Capital expenditure | <u>266</u> | <u>1,012</u> | <u>5,679</u> | <u>246</u> | <u>7,203</u> |

| Year ended 31 December 2014 | Commercial property development RMB'000 | Property rental RMB'000 | Hotel operations RMB'000 | Others RMB'000 | Total RMB'000 |
|--|--|--|---|---------------------------|--------------------------|
| Segment revenue: | | | | | |
| Sales to external customers | 80,857 | 82,157 | 44,947 | 892 | 208,853 |
| Intersegment sales | — | 27,158 | — | — | 27,158 |
| | 80,857 | 109,315 | 44,947 | 892 | 236,011 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment sales | | | | | (27,158) |
| Revenue from continuing operations | | | | | 208,853 |
| Segment results | 29,735 | 712,031 | (10,246) | (20,952) | 710,568 |
| <i>Reconciliation:</i> | | | | | |
| Interest income | | | | | 2,537 |
| Equity-settled share option expense | | | | | (159) |
| IPO expense | | | | | (27,120) |
| Finance costs | | | | | (30,047) |
| Profit before tax | | | | | 655,779 |
| Segment assets | 4,854,309 | 3,795,208 | 482,520 | 338,255 | 9,470,292 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment receivables | | | | | (359,193) |
| Corporate and other unallocated assets | | | | | 932,722 |
| Total assets | | | | | 10,043,821 |
| Segment liabilities | 666,538 | 18,586 | 8,363 | 478,963 | 1,172,450 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment payables | | | | | (359,193) |
| Corporate and other unallocated liabilities | | | | | 4,773,140 |
| Total liabilities | | | | | 5,586,397 |
| Other segment information: | | | | | |
| Share of profits and losses: | | | | | |
| Joint ventures | 259 | — | — | — | 259 |
| An associate | (141) | — | — | — | (141) |
| Depreciation | 1,831 | 1,621 | 8,028 | 1,933 | 13,413 |
| Investments in joint ventures | 46,228 | — | — | — | 46,228 |
| Capital expenditure | 1,271 | 224 | 186 | 1,015 | 2,696 |

Geographical information

All of the Group's revenue is derived from customers based in Mainland China and all of the non-current assets of the Group are located in Mainland China.

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 2015 and 2014.

4. Revenue, other income and gains

Revenue represents income from the sale of properties, property leasing income, property management fee income and hotel operating income during the year, net of business tax and other sales related taxes and discounts allowed.

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

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| Revenue | | |
| Sale of properties | 397,637 | 86,851 |
| Property leasing | 88,018 | 90,072 |
| Property management fee | 2,420 | 946 |
| Hotel operating | 48,107 | 47,613 |
| Less: Business tax and surcharges | (32,196) | (16,629) |
| | <u>503,986</u> | <u>208,853</u> |
| Other income | | |
| Interest income from a joint venture | 115,633 | 29,769 |
| Bank interest income | 12,583 | 2,537 |
| Others | 1,209 | 613 |
| | <u>129,425</u> | <u>32,919</u> |
| Gains | | |
| Gain on disposal of joint ventures | 125,954 | – |
| Foreign exchange gains | 111 | 2,458 |
| Gain on disposal of items of investment properties | 1,409 | – |
| | <u>127,474</u> | <u>2,458</u> |
| | <u>256,899</u> | <u>35,377</u> |

5. Finance costs

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

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| Interest on bank loans and other borrowings | 320,546 | 300,993 |
| Less: Interest capitalised in properties under development | (300,944) | (270,946) |
| | <u>19,602</u> | <u>30,047</u> |

6. Profit before tax

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Cost of properties sold | 289,543 | 66,613 |
| Depreciation | 12,523 | 13,413 |
| Minimum lease payments under operating leases: | | |
| – Office premises | 2,614 | 951 |
| Auditors' remuneration | 1,747 | 1,795 |
| Staff costs including directors' and chief executive's remuneration: | | |
| – Salaries and other staff costs | 45,666 | 38,455 |
| – Equity-settled share option expense | – | 159 |
| – Pension scheme contributions | 7,464 | 5,954 |
| Foreign exchange differences, net | (111) | (2,458) |
| Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties) | 4,592 | 4,589 |
| Gain on disposal of investment properties | (1,409) | – |
| Fair value gain, net: | | |
| Fair value gain upon transfer to investment properties | (796,581) | (656,784) |
| Changes in fair value of investment properties | (29,414) | (33,200) |

7. Income tax

The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the year (2014: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2014: 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 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.

| | 2015 RMB'000 | 2014 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Current – PRC corporate income tax for the year | 41,708 | 5,699 |
| Current – PRC LAT for the year | 18,605 | 1,579 |
| Deferred | 263,952 | 185,997 |
| | <hr/> | <hr/> |
| Total tax charge for the year | 324,265 | 193,275 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of approximately RMB740,337,000 (2014: approximately RMB476,504,000) and the weighted average number of ordinary shares of 1,738,000,000 (2014: 1,491,876,712) in issue during the year under review.

The Group had no potential dilutive ordinary shares in issue for the year ended 31 December 2015 (2014: Nil).

9. Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: Nil).

10. Trade receivables

The Group's trading terms with its customers are mainly lease receivables on credit. The credit period is generally one month, extending up to three months for major customers. All balances of the trade receivables as at the end of the year under review were neither past due nor impaired and aged within one to three months.

Trade receivables are non-interest-bearing and unsecured.

11. Trade payables

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

| | 2015 RMB'000 | 2014 RMB'000 |
|-------------------------------------|-----------------|-----------------|
| Within six months | 734,814 | 514,119 |
| Over six months but within one year | 60,137 | 30,980 |
| Over one year | 28,241 | 18,933 |
| | <u>823,192</u> | <u>564,032</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:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|------------------|
| Contracted, but not provided for: Properties under development | <u>803,335</u> | <u>1,303,094</u> |

13. Contingent liabilities

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Guarantees given to banks for: Mortgage facilities granted to purchasers of the Group's properties (<i>Note</i>) | <u>230,071</u> | <u>169,633</u> |

Note: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year of 2015 witnessed signs of stabilization in the real estate industry in the People's Republic of China ("PRC"). The People's Bank of China made successive moves to lower interest rates and the required reserve ratio, loosen credit conditions and adjust the business tax exemption period for individual housing transfer; and local governments also implemented certain bailout policies, such as relaxing the Central Provident Fund (公積金) rules and offering financial subsidies, which contributed to a steady and soft landing of the PRC's real estate market.

In the year of 2016, it is expected that the PRC government will maintain "prudent to slightly loose" monetary policy and the macro economy may bottom out, where improving production and consumption will benefit the development of commercial properties.

Development of Major Projects

Hangzhou, Zhejiang Province

Hidden Dragon Bay

It is an integrated commercial complex located in Wenyan Town, Xiaoshan District, Hangzhou, Zhejiang province with a total gross floor area ("GFA") of approximately 241,695 sq. m. This project includes leisure mansions, serviced apartments, large-scale shopping malls, street shops and car parking spaces. Construction of the project was completed in April 2013.

International Office Center ("IOC")

IOC is a large-scale integrated commercial complex located in Qianjiang Century City (錢江世紀城), Xiaoshan District, Hangzhou, Zhejiang province with a total GFA under development of Plot A of approximately 800,000 sq. m. which consists of Plots A1, A2 and A3. IOC Plot A includes a hotel, an office tower, shopping malls, serviced apartments and underground car parking spaces. The GFA of the serviced apartments, shopping malls and underground car parking spaces in Plot A3 is approximately 327,996 sq. m.. Construction of Plot A3 was completed in 2015 while IOC Plot A1 and A2 are expected to be completed by December 2017.

Hangzhou Qiandao Lake Run Zhou Resort Hotel

It is a hotel project located in the southwest of Qiandaohu Town (千島湖鎮), Chunan County, Hangzhou, Zhejiang province, with estimated total GFA of 46,691 sq. m.. The hotel will be built adjacent to Thousand-Islet Lake Passengers Port which enjoys a beautiful lake view and natural habitat. As at 31 December 2015, 75% of the project has been completed and construction of the remaining portion of the project is expected to be completed by the second half of 2016.

Yuyao, Zhejiang province

Yuyao Zhong An Times Square

It is a large-scale integrated commercial project located in Yuyao, Zhejiang province with estimated total GFA of approximately 628,408 sq. m.. The development of project is completed by two phases. Phase I is planned to include a shopping mall, a boutique hotel and two commercial office towers and underground car parking spaces while Phase II is planned to include two hotels, one Grade A office tower and six high-rise residential apartment buildings, underground car parking spaces and street shops. The construction of phase II of this project is nearly completed while phase I of this project is still in progress and is expected to be completed by the end of 2016. Pre-sale of residential apartments, offices and shops in Phase II have commenced in the third quarter of 2015 while property leasing are expected to commence in September 2016. All net economic benefits arising from the pre-sale or sale of the residential apartments in Phase II shall belong to a connected person (as defined under the Listing Rules) of the Group according to the Cooperation Agreement entered into between such connected person and the Group (through its indirect non-wholly owned subsidiary) on 16 March 2014. Details of the Cooperation Agreement were disclosed in the prospectus (“Prospectus”) of the Company dated 17 June 2015 under the section headed “Continuing Connected Transaction”.

Two hotels, shopping malls, street shops with total area of approximately 200,000 sq.m. will be held as rental property.

Lubu New Town Project

The Group entered into the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement with the Lubu Town Government in respect of the proposed formation of the Lubu Town Joint Venture for the engagement in land development activities on the first phase of the Lubu New Town (陸埠新城) covering a total of approximately 1,200 mu of land. The project is currently in the planning stages.

The entering into of the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement and the participation in the Lubu Town Joint Venture allows the Group to capture the business and development opportunities arising from the continued urbanization of towns and counties in the PRC and facilitates the Group in expanding its market and business coverage to new towns and counties in the PRC.

Particulars of the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement were set out in the announcement of the Company dated 14 January 2015.

Jiangsu province

Jia Run Square

It is a large-scale integrated commercial project located in Suzhou, Jiangsu province, next to Jinji Lake. This project includes office towers, shopping malls, serviced apartments and a hotel with estimated total GFA of approximately 251,391 sq. m.. Construction of the project is expected to be completed in December 2016.

On 24 December 2015, Zhejiang Zhong An Sheng Long Commercial Co. Limited (“Sheng Long”), an indirect non-wholly owned subsidiary of the Company holding 50% interest of the project entered into an agreement with Jiangsu GCL Real Estate Company Limited (“Jiangsu GCL”), the other investor of the project holding the remaining 50% interest of the project, pursuant to which Sheng Long conditionally agreed to transfer its entire 50% interest of the project to Jiangsu GCL. As at 31 December 2015, the conditions for completion were fulfilled and the transaction was completed. The Group ceased to have any interest in the this project thereafter.

Sales Review

For the year under review, the recognized sales of properties (sold and delivered) was approximately RMB398 million (2014: approximately RMB87 million). The recognized sales area of properties was approximately 32,578 sq. m. and the recognized average sales price was approximately RMB12,200 per sq. m..

2015 Contracted sales

For the year under review, the contracted sales area of the Group was approximately 68,759 sq. m. (2014: approximately 21,534 sq. m.), contracted sales revenue was approximately RMB746 million (2014: approximately RMB235 million), details of the contracted sales of the major projects are as below:

| | Contracted sales area (sq. m.) | Contracted sales revenue (RMB million) |
|---------------------------------|---|---|
| <i>Zhejiang Province</i> | | |
| Hidden Dragon Bay | 8,124 | 61 |
| Jia Run Mansion | 28,878 | 403 |
| Yuyao Zhong An Times Square | 31,757 | 282 |
| | <hr/> | <hr/> |
| Total | 68,759 | 746 |

It is expected that the GFA available for sale or lease or operation in 2016 is approximately 526,459 sq. m., with details as below:

| | | GFA available for sale/lease/ operation (sq. m.) | Usage |
|-----------------------------|---|---|------------------|
| Hangzhou, Zhejiang province | International Office Center Plot A3 | 191,790 | For sale/leasing |
| | Hidden Dragon Bay | 108,806 | For sale/leasing |
| | Hangzhou Qiandao Lake Run Zhou Resort Hotel | 46,691 | For operation |
| | Commercial portion of the Chaoyang Commercial Site | 34,053 | For sale |
| Yuyao, Zhejiang province | Yuyao Zhong An Times Square | 96,298 | For sale/leasing |
| Huaibei, Anhui province | Vancouver City Hotel | <u>48,821</u> | For operation |
| | Total | <u><u>526,459</u></u> | |

Hotel Operation

Holiday Inn Hangzhou Xiaoshan of the Group is adjacent to Highlong Plaza in Xiaoshan district, Hangzhou, Zhejiang province. The hotel operation of the Group recorded a revenue of approximately RMB48,107,000 during the year under review and the hotel occupancy rate was approximately 55%.

Leasing Business

The current leasing income of the Group mainly comes from Highlong Plaza. The plaza comprises offices, a shopping mall, three hotels, serviced apartments and underground parking spaces. The total revenue from leasing business for the year under review was approximately RMB88,018,000, representing a decrease of about 2.3% from RMB90,072,000 recorded in the previous year. The average occupancy rate of leasing properties was approximately 75%.

Land Reserve

During the year under review, on 15 September 2015, the Group, through its indirect wholly owned subsidiary, Hong Kong Time Honour Property Limited, made a successful bid for the land use right of a land parcel through open tender auction organized and held by Hangzhou Land Resources Bureau at a consideration of RMB281,100,000. The land parcel with a site area of approximately 39,703 sq. m. and the total GFA of the buildings to be constructed on the land parcel shall not exceed approximately 59,555 sq. m.. This land parcel will be developed for commercial purpose.

As at 31 December 2015, the property development projects owned by the Group included 7 completed projects and units in 2 completed buildings, 5 projects under development, 5 projects held for future development and 2 projects contracted to be acquired. The total GFA of land reserves of the Group was approximately 2,721,000 sq. m..

FINANCIAL ANALYSIS

Revenue

Consolidated revenue of the Group was approximately RMB503,986,000 for the year under review, representing an increase of 1.4 times as compared to the revenue of approximately RMB208,853,000 for the year of 2014. This was mainly due to the increase in the revenue from sales of properties.

For the year under review, the revenue from sales of properties amounted to approximately RMB397,637,000, representing an increase of 3.6 times from approximately RMB86,851,000 for the year of 2014. The increase was primarily due to the increase in the recognition of sales of properties delivered during the year under review as the Group started to recognize revenue from sale of properties from the Jia Run Mansion in May 2015, upon its completion in the same month.

The revenue from property leasing recorded a decrease of 2.3% to approximately RMB88,018,000 during the year under review (2014: approximately RMB90,072,000). The revenue from hotel operation was approximately RMB48,107,000 during the year under review, representing an increase of approximately 1.0% as compared to previous year of approximately RMB47,613,000. Such changes was due to the periodic tenants and trade adjustments carried out by the Group during the year under review.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year under review amounted to approximately RMB179,444,000, representing an increase of approximately 65.2% when compared to approximately RMB108,614,000 for the year of 2014. This was mainly due to the increase in revenue from sales of properties.

Gross profit margin for the year under review was approximately 35.6% (2014: approximately 52.0%). The decrease was mainly due to the increased proportion in revenue from the sales of properties segment whose gross profit margins is lower than those for property leasing and hotel operation segments.

Other Income and Gains

During the year under review, other income and gains amounted to approximately RMB256,899,000, representing an increase of approximately 6.3 times from last year. The increase was mainly due to other interest income of approximately RMB115,633,000 from interest-bearing loans to a joint venture and the gain on disposal of the interest in a joint venture of approximately RMB125,954,000.

Selling and Distribution Costs

For the year under review, selling and distribution expenses amounted to approximately RMB55,176,000, representing an increase of 53.5% as compared to that from last year. Such increase was principally due to an increase in advertising and promotional expenses of the Jia Run Mansion during the year under review comparing to the year of 2014.

Administrative Expenses

For the year under review, administrative expenses amounted to approximately RMB109,165,000 (2014: approximately RMB111,811,000), representing a decrease of approximately RMB2,646,000 or approximately 2.4% from last year. The reduction was mainly attributable to the non-recurring listing expenses incurred during last year for the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) while no such expenses had been incurred in the year under review.

Finance Costs

For the year under review, finance costs was approximately RMB19,602,000 (2014: approximately RMB30,047,000), arising from the interest on bank loans and other borrowings for completed properties held for sale which could no longer be capitalized.

Earnings

For the year under review, the profit attributable to equity holders of the Company amounted to approximately RMB740,337,000 (2014: RMB476,504,000), representing an increase of approximately 55.4% compared to last year. The increase in profit attributable to equity holders of the Company for the year under review was primarily attributable to the fact that (i) revenue from sales of properties increased by 3.6 times as compared to last year, resulting in the increase of profit; (ii) other interest income of approximately RMB115,633,000 from interest-bearing loans to a joint venture; (iii) the gain on disposal of 50% of the entire equity interest in a joint venture for approximately RMB125,954,000; and (iv) fair value gain upon transfer to investment properties of approximately RMB796,581,000 (2014: approximately RMB656,784,000). The after-tax fair value gain upon transfer to investment properties was approximately RMB597,436,000 (2014: approximately RMB492,588,000).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 24 December 2015, Sheng Long, an indirect non-wholly owned subsidiary of the Company, entered into a share transfer agreement with Jiangsu GCL, pursuant to which Sheng Long conditionally agreed to transfer its entire 50% equity interest in Jiangsu Xiezhong Investment Co., Limited (“Jiangsu Xiezhong”) to Jiangsu GCL, at a consideration of RMB170,000,000.

Following completion of the disposal, Jiangsu Xiezhong will no longer be a joint venture of the Group. The gain from the disposal in amount of approximately RMB125,954,000, which was based on the consideration less the net asset value of Jiangsu Xiezhong attributable to Sheng Long as at the date of completion. Particulars of the disposal of the 50% equity interests in Jiangsu Xiezhong were set out in the announcement of the Company dated 28 December 2015.

As at 31 December 2015, the conditions for completion were fulfilled and the transaction was completed.

Save for the above, during the year under review, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position and Fund Available

As at 31 December 2015, the total cash and bank balances of the Group were approximately RMB1,088,532,000 (31 December 2014: approximately RMB863,667,000), comprising cash and cash equivalents of approximately RMB947,638,000 (31 December 2014: approximately RMB723,909,000) and restricted cash of approximately RMB140,894,000 (31 December 2014: approximately RMB139,758,000).

As at 31 December 2015, the Group’s available financial resources amounted to approximately RMB4,297,330,000 and the undrawn borrowing facilities were approximately RMB535,816,000.

Borrowings

As at 31 December 2015, the Group’s bank borrowings amounted to approximately RMB3,759,134,000 (31 December 2014: approximately RMB3,878,529,000), comprising bank loans of approximately RMB2,465,134,000 (31 December 2014: approximately RMB3,277,529,000) and other loans of approximately RMB1,294,000,000 (31 December 2014: approximately RMB601,000,000).

The maturity profile of borrowings were as follows:

| | As at 31 December 2015 <i>RMB'000</i> | As at 31 December 2014 <i>RMB'000</i> |
|---------------------------------|---|--|
| Within 1 year or on demand | 707,472 | 1,638,031 |
| Over 1 year but within 2 years | 1,438,245 | – |
| Over 2 years but within 5 years | 1,133,417 | 997,498 |
| Over 5 years | 480,000 | 1,243,000 |
| | <u>3,759,134</u> | <u>3,878,529</u> |

Bank and other borrowings bear interest at fixed rates and floating rates. The Group's bank and other borrowings bear interest at rates ranging from 2.02% to 12.00% per annum as at 31 December 2015 (31 December 2014: 3.65% to 12% per annum). The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

Pledge of Assets

As at 31 December 2015, the Group's bank borrowings of approximately RMB3,709,134,000 (31 December 2014: approximately RMB3,828,529,000) were secured by the Group's pledge of assets as follows:

| | As at 31 December 2015 <i>RMB'000</i> | As at 31 December 2014 <i>RMB'000</i> |
|---|---|--|
| Investment properties | 3,692,270 | 2,093,991 |
| Properties under development | 1,037,399 | 776,066 |
| Completed properties held for sale | 421,466 | 390,283 |
| Property, plant and equipment | 139,339 | 153,682 |
| Pledged cash | 90,040 | 95,750 |
| 100% equity interest in a subsidiary of the Group | 6,000 | – |
| | <u>5,386,514</u> | <u>3,509,772</u> |

Net Current Assets and Current Ratio

As at 31 December 2015, the Group's net current assets amounted to approximately RMB776.9 million (31 December 2014: approximately RMB(99.8) million). As at 31 December 2015, the Group's current ratio, calculated as current assets divided by current liabilities, was approximately 1.37 times (31 December 2014: approximately 0.96 times).

Gearing Ratio

As at 31 December 2015, the Group's gearing ratio (as measured by net debt to total equity) was 51.2% (31 December 2014: 67.6%). Net debt is calculated as total borrowings less cash, cash equivalents and restricted cash.

Cost of borrowings

For the year under review, the total cost of borrowings of the Group was approximately RMB320,546,000 (2014: approximately RMB300,993,000), representing an increase of approximately RMB19,553,000 (6.5%) when compared with the year of 2014. In addition, for the year under review, interests with an amount of approximately RMB300,944,000 (2014: approximately RMB270,946,000) were capitalized. The increase was mainly attributable to higher average balance of borrowings.

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 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 under review.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group's contingent liabilities amounted to approximately RMB230,071,000 (31 December 2014: approximately RMB169,633,000), 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.

COMMITMENTS

As at 31 December 2015, the Group's commitments for property development expenditures amounted to approximately RMB803,335,000 (31 December 2014: approximately RMB1,303,094,000). It is expected that the Group will finance such commitments from its own funds and/or bank loans.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed 678 staff (2014: 619). For the year under review, the staff costs of the Group was approximately RMB53,130,000 (2014: approximately RMB44,568,000), representing an increase of 19%, mainly due to the increased headcounts and average salary during the year under review.

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

Looking forward, the management had drew up short term goals for the year of 2016 as follows:

- increase the operating cash inflow to reduce current debt ratio;
- seize the opportunity of the rapid increase of homestay passengers in PRC, especially in southern regions such as Zhejiang Province, thereby promoting the development of homestay industry of the Group;
- solicit equity investments to optimize capital structure.

In pursuit of the abovementioned goals, the management will take positive moves against the following identified challenges:

- the economy in Zhejiang Province will most likely mirror the trend of the key macroeconomic indicators of the country and go downwards and this may affect local demand for commercial properties;
- tourism consumption activities may further slowdown as PRC continues to face economic headwinds and Renminbi depreciates.

The management have developed sound strategies to overcome the abovementioned challenges, which will address the uncertainties facing the Group, as well as allow the Group to seize the business opportunities brought by the 2016 G20 Hangzhou Summit that is going to be hosted in Hangzhou. Apart from formulating effective marketing strategy plan and improving our products and services quality to consolidate our brand, the Group will made effort in instituting 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 purpose and maximize shareholders' value.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Group recognizes that good risk management is essential for the long-term and sustainable growth of a business. The Board puts particular emphasis on determining the risk-tolerance levels in achieving the Group's strategic objectives. Management is responsible for the design, implementation and maintenance of a sound and effective internal control system underpinning the risk management framework. While taking into full account of the new requirements effective from 1 January 2016 under the Listing Rules brought by the Hong Kong Exchanges and Clearing Limited relating to risk management and internal control, the management also learns from the experience of outstanding companies and takes into consideration of the Company's unique business and operating environment in formulating the risk management and control framework. All employees are committed to continually enhancing the risk management framework, linking to our corporate strategies as well as integrating it into day-to-day operation.

Objective of the Risk Management and Internal Control

The objectives of the risk management and internal control framework of the Group include:

- to strengthen the Company's risk management and internal control in compliance with the Listing Rules requirement;
- to establish and constantly improve the risk management and internal control system;
- to implement a top-down and companywide risk management system that covers every aspect of the business; and
- to keep baseline risks within the acceptable range.

Three-tier Risk Management Approach

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provide technical support, develops new systems and oversees portfolio management. It ensures risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the internal audit department ensures that the first and second lines of defense are effective through constant inspection and monitoring.

Principles of Internal Control

Our internal control systems are developed with reference to the Committee of Sponsoring Organizations of the Treadway Commission principles which involved five elements as internal environment, risk assessment, control activities, information and communication and internal supervision. The aim of internal control is to reasonably guarantee the compliance of its operation and management with regulations and laws, assets security, and authenticity and integrity of financial report and related information, improve the efficiency and effect of operating activities and promote the realization of development strategy of the Group.

Principal Risks and Key Controls

1. Market risks

The Group's revenue is mainly derived from customers from PRC. The Group is exposed to the risks associated with the PRC market which include the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions. The market risks may pose an adverse impact on the Group's business, financial condition or results of operations.

The project team will carefully scrutinize each project for related risks and returns. These include assessment of relevant government policies, market demand and conditions and economic data. The management is responsible for supervision, conducting regular operation reviews and keeping the Board fully informed through regular reports, and prompt decisions can therefore be made if changes are required.

2. Business and operational risks

Distinctive risks factors in property related businesses such as default of buyers, tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems may have different levels of negative impact on the results of the Group's operation. Industrial accidents may happen although precautionary measures is established, which may damage the Company's reputation or cause financial loss to the Group.

The internal audit team will reviews key activities of the Group and ensures all material controls, including financial and operational, are functioning effectively. Precautionary and contingency measures are also set up to ensure the Group is protected against major potential loss, damage or impact to our operations. Insurance coverage against accidental losses and/or other hazards is used in protecting our assets and reputation against any potential liabilities.

3. *Financial risks*

The investment and business operation are exposed to risks from exchange rates, interest rates and liquidity. Amid global financial uncertainties, the financial risks encountered by the Group had increased accordingly.

The Group closely monitors the financial risks and when appropriate will adopt measures to manage and hedge corresponding risks by using of derivatives such as interest rate and currency swaps. The Group's cash and financing are centrally managed and controlled at the corporate level to achieve a better borrowing terms and coherent financial risk management. To meet our obligations as and when needed, the Group maintains sufficient facilities with various banks and financial institutions. The maturity of deposits and loans is carefully planned and managed to reduce liquidity risk.

4. *Talent risks*

Talent shortage and high employee turnover will have a negative impact on the Group's present and future performance. We believe that human resources are of critical importance for the success of the Company.

To attract, motivate and retain talented employees, the Group evaluate our employee remuneration packages and monitor them against market trends. We provide on-the-job training for new staff and offer career advancement opportunities for suitable staff to develop their full potential at various stages of their career. We also encourage communication with all levels of staff to gather feedback and suggestions for future improvement.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledge its responsibilities under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- the Group has strictly prohibited unauthorized use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors of the Company, company secretary and investor relations officers are authorized to communicate with parties outside the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees, customers and suppliers are the key stakeholders who affected 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 success factors to the Group's competitiveness in the market. As such, we had adopted a share option scheme in 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 a profound effects on our profitability. Our dedicated team of sales people are in constant communication 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.

Collaborative and mutual beneficial business relationship with our strategic suppliers and contractors is of important to achieve higher levels of efficiency and competitive advantage. The Group evaluate the capabilities of our supplier and contractors to determine if they are able to meet the requirement and needs of the Group from time to time.

Developing and maintaining good relationship with various commercial banks and financial institutions always are our main tasks because our capital-intensive projects require on-going funding to maintain continuous growth.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company's policies and practices highlight the importance of compliance with all relevant local laws, rules, regulations and standard. This in return, facilitate the continuous granting of specific licenses and permissions.

The Group will seek professional legal advice from legal advisers, where necessary, to ensure transactions and business to be performed by the Group are in compliance with the applicable laws and regulation.

No material accident related to serious injuries or death or property damage and no environmental claims, lawsuits, penalties or administrative sanctions were reported to our management during the year under review and as at the date of this announcement. The management is of the view that the Group were in compliance with all relevant PRC laws and regulations in all material respects.

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 government are consistently met or exceeded.

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

EVENTS AFTER THE YEAR UNDER REVIEW

No significant event affecting the Group took place subsequent to 31 December 2015 and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: Nil).

ANNUAL GENERAL MEETING (“AGM”)

The AGM of the Company will be held on Wednesday, 18 May 2016. Notice of AGM will be published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk), and will be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

AUDIT COMMITTEE

The Company has set up an audit committee (“Audit Committee”) and adopted the terms of reference which complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (“CG Code”). In view of the recent amendment to the CG code effective for the accounting period beginning on 1 January 2016, the Company has adopted a revised terms of reference of the Audit Committee on 18 January 2016 with retrospective effect from 1 January 2016 in order to comply with certain changes relating to the risk management and internal control section of the CG code.

The Chairperson of the Audit Committee is Mr. Ng Sze Yuen, Terry. The other members are Mr. Xu Chengfa and Mr. Yim Chun Leung. The Audit Committee is comprised of all of the three independent non-executive Directors.

The results for the year ended 31 December 2015 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), by Ernst & Young whose unmodified auditor’s report is included in the annual report to be sent to shareholders.

The Audit Committee had reviewed the audited consolidated financial statements of the Group for the year under review, and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Company’s initial public offering (after deducting the underwriting fees and related expenses) amounted to approximately HK\$550.8 million, which are applied in the manner as disclosed in the supplemental prospectus of the Company dated 30 June 2014.

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 (the “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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, they confirm that the Company has maintained at least 25% of the Company’s total issued share capital held by the public for the year under review and as at the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has adopted the code provisions of the 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 under review and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the year under review 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 ended 31 December 2015 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 Monday, 16 May 2016 to Wednesday, 18 May 2016 (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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 May 2016.

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

Hong Kong, 22 March 2016

As at the date of this announcement, the Board comprises Mr. Dong Shuixiao, Ms. Jin Ni and Ms. Tang Yiyan, as executive Directors; Mr. Shi Kancheng, as non-executive Director; and Mr. Ng Sze Yuen Terry, Mr. Xu Chengfa and Mr. Yim Chun Leung, as independent non-executive Directors.