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萬城控股有限公司

MILLION CITIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2892)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June			
	2019	2018	Change	
	RMB'million	*RMB'million*	*RMB'million*	*%*
	(unaudited)	(audited)		
Revenue	**59.4**	263.0	(203.6)	−77.4%
Gross profit	**26.4**	123.1	(96.7)	−78.6%
Gross profit margin	**44.4%**	46.8%	N/A	−2.4 p.p.
(Loss)/profit attributable to equity shareholders of the Company	**(12.3)**	16.8	(29.1)	−173.2%
Net (loss)/profit margin	**−20.7%**	6.4%	N/A	−27.1 p.p.
(Loss)/earnings per share — Basic and diluted *(RMB cents)*	**(1.64)**	2.99	(4.63)	−154.8%
Interim dividend per share *(RMB cents)*	**—**	—	N/A	N/A

The board of directors (the "Board") of Million Cities Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 together with the comparative figures for 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Note	**Six months ended 30 June 2019 *RMB'000* (Unaudited)**	Six months ended 30 June 2018 *RMB'000* (Audited)
Revenue	*4*	**59,416**	263,009
Cost of sales		**(33,045)**	(139,898)
Gross profit		**26,371**	123,111
Valuation gains on investment properties		**580**	1,420
Other net income	*5*	**7,759**	621
Selling expenses		**(2,046)**	(3,930)
Administrative expenses		**(29,651)**	(29,153)
Other expenses		**(1,770)**	(236)
Profit from operations		**1,243**	91,833
Finance costs	*6(a)*	**(5,775)**	(40)
Share of profits less losses of associates		**(38)**	(786)
Share of profits less losses of joint ventures		**(1,844)**	(181)
(Loss)/profit before taxation		**(6,414)**	90,826
Income tax	*7*	**(7,563)**	(51,206)
(Loss)/profit for the period		**(13,977)**	39,620
Attributable to:			
Equity shareholders of the Company		**(12,305)**	16,800
Non-controlling interests		**(1,672)**	22,820
(Loss)/profit for the period		**(13,977)**	39,620
Basic and diluted (loss)/earnings per share *(RMB cents)*	*8*	**(1.64)**	2.99

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Six months ended 30 June 2019 *RMB'000* (Unaudited)	Six months ended 30 June 2018 *RMB'000* (Audited)
(Loss)/profit for the period	**(13,977)**	39,620
Other comprehensive income for the period (after reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
— the associates and joint ventures	**(275)**	(1,745)
— the Hong Kong and overseas subsidiaries	**(389)**	(4,738)
Other comprehensive income for the period, net of nil tax	**(664)**	(6,483)
Total comprehensive income for the period	**(14,641)**	33,137
Attributable to:		
Equity shareholders of the Company	**(12,086)**	12,158
Non-controlling interests	**(2,555)**	20,979
Total comprehensive income for the period	**(14,641)**	33,137

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**58,640**	58,898
Investment properties		**20,000**	19,420
Interest in associates		**104,519**	104,576
Interest in joint ventures		**63,452**	63,997
Deferred tax assets		**1,529**	1,087
		248,140	247,978
Current assets			
Inventories and other contract costs		**1,896,710**	1,688,275
Trade and other receivables	*10*	**217,937**	175,925
Prepaid tax		**97,360**	70,382
Pledged and restricted deposits		**595,960**	487,013
Cash and cash equivalents		**831,476**	1,106,426
		3,639,443	3,528,021
Non-current assets held for sale		**—**	4,224
		3,639,443	3,532,245
Total assets		**3,887,583**	3,780,223
Current liabilities			
Contract liabilities		**1,837,509**	1,494,172
Trade and other payables	*11*	**552,574**	664,928
Bank loans	*12*	**468,654**	548,414
Tax payable		**31,096**	63,701
		2,889,833	2,771,215
Net current assets		**749,610**	761,030
Total assets less current liabilities		**997,750**	1,009,008

	At 30 June 2019 *RMB'000* (Unaudited)	At 31 December 2018 *RMB'000* (Audited)
Non-current liabilities		
Other payables	**72,961**	71,253
Deferred tax liabilities	**31,785**	31,456
	104,746	102,709
NET ASSETS	**893,004**	906,299
CAPITAL AND RESERVES		
Share capital	**6,605**	6,605
Reserves	**777,008**	787,748
Total equity attributable to equity shareholders of the Company	**783,613**	794,353
Non-controlling interests	**109,391**	111,946
TOTAL EQUITY	**893,004**	906,299

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 November 2016 under the laws of the Cayman Islands as an exempted company with limited liability. The registered office is at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the Group's reorganisation as described below. The core business activity of the Company and its subsidiaries (together, the "Group") include property development and sale (the "Listing Business") in the People's Republic of China (the "PRC").

This condensed consolidated interim financial information is presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 24 August 2019.

2. BASIS OF PREPARATION

During the six months ended 30 June 2018, the Listing Business was conducted through various domestic companies established in the PRC (the "PRC Operating Entities"), all of which are under the control of Wong Ting Chung, Wong Ting Kau, Wong Ting Chun, Wong Wai Wing, Wong Wai Ling, Lau Ka Keung and Wong Wai Yue (together referred to as the "Wong Ting Chung and his family"). To rationalise the corporate structure in preparation of listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation"). Upon completion of the Reorganisation on 28 June 2018, the Company became the holding company of the Group. As the Reorganisation primarily involved inserting a newly formed entity, with no substantive operations, as the new holding company between Wong Ting Chung and his family and the PRC Operating Entities, there has been no change in the ultimate control and there were no substantive changes in the business and operations of the companies now comprising the Group. As the control is not transitory and, consequently, there was a continuation of risks and benefits to the Wong Ting Chung and his family, the condensed consolidated interim financial information has been prepared and presented using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are consolidated using the book values from perspective of Wong Ting Chung and his family.

The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2018 include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the six months ended 30 June 2018. Intra-group balances and transactions are eliminated in full in preparing the financial statements.

This condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of this condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed consolidated interim financial information contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. The amendments, new standards and interpretations comprise of the following:

- HKFRS 16, *Leases*
- Amendments to HKFRS 9, *Prepayment features with negative compensation*
- Amendments to HKAS 19, *Plan amendment, curtailment or settlement*
- HK(IFRIC) 23, *Uncertainty over income tax treatments*
- Amendments to HKAS 28, *Long-term interests in associates and joint ventures*
- Annual improvement to HKFRSs 2015–2017 Cycle

None of these amendments, new standards and interpretations have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this condensed consolidated interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are property development and sale in the PRC.

Revenue mainly represents income from sale of properties and gross rentals from properties, net of sales related taxes and discounts allowed, and is analysed as follows:

	Six months ended 30 June 2019 *RMB'000* **(Unaudited)**	Six months ended 30 June 2018 *RMB'000* (Audited)
Revenue from contracts with customers		
Sales of properties:		
— Recognised at a point in time	**17,933**	135,654
— Recognised over time	**40,256**	125,256
	58,189	260,910
Revenue from other source		
Gross rentals from properties	**1,227**	2,099
	59,416	263,009

(b) Operating segment

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating segments*.

Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, investment properties and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the properties were developed. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and investment properties, and the location of operations, in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 June 2019	Six months ended 30 June 2018	**At 30 June 2019**	At 31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Huizhou city	**38,820**	243,230	**107,528**	108,463
Tianjin city	**20,596**	19,779	**32,661**	33,516
Zhumadian city	**—**	—	**104,519**	104,576
Others	**—**	—	**1,903**	336
	59,416	263,009	**246,611**	246,891

5. OTHER NET INCOME

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income	**7,088**	625
Net gain on disposals of other financial assets	**367**	26
Net loss on disposals of non-current assets held for sale	**(99)**	—
Net gain/(loss) on disposal of property, plant and equipment	**293**	(9)
Net exchange gain/(loss)	**51**	(32)
Others	**59**	11
	7,759	621

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June 2019 *RMB'000* **(Unaudited)**	Six months ended 30 June 2018 *RMB'000* (Audited)
Interest on bank loans	**13,468**	8,464
Accrued interest on significant financing component of contract liabilities	**29,551**	4,432
Others	**1,717**	—
	44,736	12,896
Less: Interest expenses capitalised into inventories	**(38,961)**	(12,856)
	5,775	40

(b) Staff costs

	Six months ended 30 June 2019 *RMB'000* **(Unaudited)**	Six months ended 30 June 2018 *RMB'000* (Audited)
Salaries, wages and other benefits	**17,383**	14,926
Contributions to defined contribution retirement plan	**979**	1,031
Equity-settled share-based payment expenses	**1,346**	—
Less: Staff costs capitalised into inventories	**(4,978)**	(2,642)
	14,730	13,315

(c) Other items

	Six months ended 30 June 2019 *RMB'000* (Unaudited)	Six months ended 30 June 2018 *RMB'000* (Audited)
Depreciation	**2,065**	1,930
Cost of inventories	**32,685**	138,594
Rentals receivables from investment properties	**(346)**	(868)
Less: Direct outgoings	**3**	39
	(343)	(829)

7. INCOME TAX

	Six months ended 30 June 2019 *RMB'000* (Unaudited)	Six months ended 30 June 2018 *RMB'000* (Audited)
Current tax		
Provision for Corporate Income Tax ("CIT")	**522**	12,800
Provision for Land Appreciation Tax ("LAT")	**7,154**	32,551
	7,676	45,351
Deferred tax		
Origination and reversal of temporary differences	**(113)**	5,855
	7,563	51,206

(i) CIT and Hong Kong Profits Tax

The provision for CIT is calculated based on the estimated taxable income at the rates applicable to each subsidiary in the Group. The income tax rate applicable to the principal subsidiaries in the PRC is 25% during the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

No provision for Hong Kong Profits Tax was recognised for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil) as the subsidiaries in Hong Kong did not have any assessable profits for the period.

(ii) LAT

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds from sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

For the six months ended 30 June 2019, the calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB12,305,000 (six months ended 30 June 2018: profit of RMB16,800,000) and the weighted average number of issued ordinary shares of 750,000,000 (six months ended 30 June 2018: 562,500,000 shares), calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June 2019 ***'000***	Six months ended 30 June 2018 *'000*
Issued ordinary shares at 1 January	**750,000**	—
Effect of capitalisation of shareholders' loans and capitalisation issue *(Note)*	**—**	562,500
Weighted average number of ordinary shares at 30 June	**750,000**	562,500

Note: Pursuant to a written resolution of the Company's sole shareholder passed on 26 November 2018, the shareholders' loans of HKD543,501,000 (equivalent to approximately RMB478,662,000) were capitalised into 9,998 new shares of the Company. Accordingly, the total number of shares of the Company increased from 2 to 10,000 on 20 December 2018.

Pursuant to a written resolution of the Company's sole shareholder passed on 26 November 2018, the Directors authorised to allot and issue a total of 562,490,000 shares, by way of capitalising the share premium of HKD5,624,900 (equivalent to approximately RMB4,954,000). The capitalisation issue was completed upon listing (i.e. 20 December 2018). Accordingly, the total number of shares of the Company further increased to 562,500,000 on 20 December 2018, before the issuance under the initial public offering.

The weighted average number of shares in issue for the six months ended 30 June 2018 was based on the assumption that 562,500,000 shares were issued before listing of the shares of the Company on the Stock Exchange, as if such shares had been outstanding throughout the six months ended 30 June 2018.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 June 2019 and 2018 were the same as the basic (loss)/earnings per share.

At 30 June 2019, 23,700,000 share options were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

At 30 June 2018, there were no potentially dilutive ordinary shares.

9. DIVIDENDS

On 24 August 2019, the Board resolved not to recommend an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

In respect of the deemed distribution to shareholders by the subsidiary of the Group, please refer to note 11(b).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Trade debtors, net of loss allowance	**409**	418
Other debtors	**7,872**	7,449
Financial assets measured at amortised cost	**8,281**	7,867
Deposits	**19,110**	11,562
Prepayments	**190,546**	156,496
	217,937	175,925

As of 30 June 2019, based on the due date of trade debtors, no trade debtors were past due (31 December 2018: Nil). Based on experience, management believes that no impairment allowance is necessary in respect of the trade debtors as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the date of the trade payables recognised, is as follows:

	At 30 June 2019 *RMB'000* (Unaudited)	At 31 December 2018 *RMB'000* (Audited)
Current portion:		
Within 3 months	**95,100**	157,633
3 to 6 months	**—**	148
6 to 12 months	**954**	98
Over 12 months	**12,049**	17,057
Trade creditors	**108,103**	174,936
Interest payables	**1,060**	1,993
Other payables and accruals	**67,248**	136,155
Amounts due to related parties *(Note (a))*		
— minority shareholders	**372,214**	349,084
— other related party	**—**	78
Financial liabilities measured at amortised cost	**548,625**	662,246
Financial guarantee issued	**3,949**	2,682
	552,574	664,928
Non-current portion:		
Amounts due to related parties *(Note (b))*	**68,865**	67,145
Financial guarantee issued	**4,096**	4,108
	72,961	71,253
	625,535	736,181

Notes:

(a) Current portion of the amounts due to related parties are interest-free, unsecured and repayable on demand.

(b) Pursuant to the capital injection agreement between Huizhou Yuefu Real Estate Co., Ltd. ("Huizhou Yuefu"), a subsidiary of the Group, and its shareholders signed on 25 June 2018 (the "Agreement"), an amount of RMB65,443,000, representing the sum of the retained profits as at 31 May 2018 and the estimated unrealised gain arising from the unsold inventories as at 31 May 2018, should be distributed to the original shareholders in accordance with their original equity interest ratio in Huizhou Yuefu before the capital injection. The balance is initially recognised at fair value and subsequently stated at amortised cost. The balance is unsecured and expected to be settled upon disposal of the relevant inventories.

12. BANK LOANS

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
— Secured	**458,654**	460,794
— Unsecured	**10,000**	87,620
	468,654	548,414

The secured bank loans are secured by assets as below:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Inventories	**746,659**	600,220

At 30 June 2019, bank loans were repayable as follows according to the repayment schedules as set out in the loan agreements:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Within 1 year	**290,566**	288,762
After 1 year but within 2 years	**178,088**	154,775
After 2 years but within 5 years	**—**	104,877
	468,654	548,414

Notwithstanding the specified repayment schedules as stated in the facilities letters which allow the loans to be repaid over a period of more than one year, banking facilities granted to the Group include a clause that gives the bank an unconditional rights to call the bank loans at any time ("repayment on demand clause"). The bank loans subject to the repayment on demand clause amounted to RMB468,654,000 as at 30 June 2019 (31 December 2018: RMB460,794,000) were classified as current liabilities in the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The trade tension between China and the United States of America (the "United States") has been escalated once again during the first half of 2019. On 10 May 2019, the United States raised tariff to 25% on US$200 billion of Chinese imports, while China immediately announced its retaliation, forcing the trade negotiation to a halt. Impact of trade war on China's economy started to emerge, being reflected in its GDP growth rate dropping to 6.2% in the second quarter of 2019, the slowest pace in 27 years. While the China government acknowledged the downward pressure and new challenges faced by the country, their response has focused on pushing forward reforms to tap domestic demand, instead of increasing stimulus directly. Furthermore, on 12 July 2019, the National Development and Reform Commission has ordered to limit overseas bond issuance by property development companies, signaling the policy maker's determination to stabilise the housing market in the PRC.

BUSINESS REVIEW

The Group is a property developer primarily focusing on residential property development in the Greater Bay Area and other regions in the PRC with growth potential. During the six months ended 30 June 2019, the Group developed eight projects in Huizhou, Tianjin and Henan province in the PRC. Dragon Terrace Phase 1 launched pre-sale of gross floor area ("GFA") of approximately 52,000 square metres ("sq.m.") during the period and recorded a total pre-sold GFA of approximately 39,000 sq.m. (based on GFA of sales consent) up to 30 June 2019. Together with other ongoing and completed projects, a total GFA of approximately 90,000 sq.m. were sold (based on GFA of sales consent) during the six months ended 30 June 2019. An average of approximately 89.1% GFA of ongoing projects has been pre-sold up to 30 June 2019.

FUTURE STRATEGIES AND PROSPECTS

Although the global economy outlook is less promising than a couple of years ago, the Directors consider under such economy climate, the overheated land market may cool down so it is more likely to acquire quality land bank at a more reasonable price. The Group upholds its prudent principal in land acquisition to ensure the acquisition is of the best interest to the Group and its shareholders. The Directors remain positive about the prospects of the Greater Bay Area, which is going to be developed to the similar economic scale comparable to San Francisco Bay Area, Greater New York and Greater Tokyo Area in the blueprint of the central government of the PRC. Therefore, the Group will keep its focus in Huizhou and other cities in the Greater Bay Area while exploring other potential locations in the PRC.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly represented income from sale of properties and gross rentals from properties earned during the six months ended 30 June 2019, net of sales related taxes and discounts allowed.

Revenue from sale of properties has constituted, and is expected to continue to constitute, a majority of the Group's total revenue.

Property development

(i) Contracted sales

During the six months ended 30 June 2019, the Group continued to sell its four projects launched last year, namely Million Cities Legend Phase 2 (萬城名座二期), Crown Grand Court (皇冠豪苑), Million Cities Tycoon Place Phase 4 (萬城聚豪四期) and Dragon Palace Phase 1 (聚瓏灣一期). In addition, the Group launched partial pre-sale of Dragon Terrace Phase 1 (玖龍台一期) in March 2019. Total contracted sales (based on GFA of sales consent), including sales of properties by an associate and a joint venture of the Group, amounted to approximately RMB657.9 million, representing a GFA of approximately 90,000 sq.m. sold during the six months ended 30 June 2019. The Group will continue to focus on the Greater Bay Area, with diversification to other areas in the PRC with potential growth.

(ii) Land bank

As at 30 June 2019, the total GFA of the Group's land bank was about 2,098,000 sq.m., out of which (i) about 103,000 sq.m. GFA was unsold or undelivered completed properties projects; (ii) about 914,000 sq.m. GFA was under construction, and (iii) about 1,081,000 sq.m. GFA was reserved for future development.

(iii) Revenue

During the six months ended 30 June 2019, the Group recorded revenue from sale of properties amounted to approximately RMB58.2 million, representing a decrease of approximately RMB202.7 million or 77.7% as compared to the same for the six months ended 30 June 2018. The decrease in revenue was mainly due to a decrease in overall GFA recognised from approximately 28,400 sq.m. for the six months ended 30 June 2018 to approximately 5,800 sq.m. for the six months ended 30 June 2019. The construction of Million Cities Legend Phase 2 and Crown Grand Court was substantially completed and they are targeted to be delivered before 31 December 2019.

Rental income

Gross rental income from investment properties and inventories decreased from approximately RMB2.1 million for the six months ended 30 June 2018 to approximately RMB1.2 million for the six months ended 30 June 2019. The decrease in gross rental income was due to disposal of certain investment properties and inventories last year and the six months ended 30 June 2019.

Cost of sales

Cost of sales decreased from approximately RMB139.9 million for the six months ended 30 June 2018 to approximately RMB33.0 million for the six months ended 30 June 2019, representing a decrease of approximately RMB106.9 million or 76.4%. The decrease in cost of sales was mainly due to the decrease in GFA recognised for the six months ended 30 June 2019.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB123.1 million for the six month ended 30 June 2018 to approximately RMB26.4 million for the same period in 2019, representing a decrease of approximately RMB96.7 million or 78.6%. Gross profit margin decreased by approximately 2.4 percentage points from approximately 46.8% to approximately 44.4% comparing the two periods in 2018 and 2019. Decrease in gross profit was in line with the drop in revenue. On the other hand, decrease in gross profit margin was a result of change in geographic combination. The Group's Tianjin project, namely Million Cities Tycoon Place, had contributed nearly 35% of the total revenue this period, while it contributed only less than 8% of the total revenue in last period. The Tianjin project has a lower gross profit margin than projects in Huizhou generally due to its higher development costs and land acquisition costs.

Other net income

Other net income for the six months ended 30 June 2019 was mainly comprised of interest income, which amounted to approximately RMB7.1 million. As a result of a higher bank balance from sales proceeds received during the year 2018 and the six months ended 30 June 2019, the Group recorded significant increase in interest income, which in turn resulted in a significant increase in other net income by approximately RMB7.1 million or 1,149.4%.

Selling expenses

Selling expenses decreased by approximately RMB1.9 million or 47.9% from approximately RMB3.9 million for the six months ended 30 June 2018 to approximately RMB2.0 million for the six months ended 30 June 2019. Since less revenue was recognised during the current period, less sales commission was recognised. Moreover, there were less new projects being launched during the current period, thus marketing expenses decreased as well, when comparing with the same in last period.

Administrative expenses

Administrative expenses only slightly increased by approximately RMB0.5 million or 1.7%. Decrement in legal and professional fee expenses was noticed since the initial public offering (the "IPO") related expenses incurred during the six months ended 30 June 2018 were not recurring in this period. The effect was offset by increase in share based payment expenses and other general administrative expenses as a result of increased activities in Hong Kong after listing of the shares of the Company in the Main Board of the Stock Exchange (the "Listing").

Finance costs

Finance costs increased by approximately RMB5.7 million or more than 143 times from approximately RMB40,000 for the six months ended 30 June 2018 to approximately RMB5.8 million for the six months ended 30 June 2019, since some interest were not qualified for capitalisation during the six months ended 30 June 2019.

Income tax

For the six months ended 30 June 2019, as a result of less revenue was recognised, both LAT and CIT decreased, leading to a decrement of approximately 85.2% in income tax.

OTHER FINANCIAL INFORMATION

Liquidity and financial resources

For the six months ended 30 June 2019, the Group's cash and cash equivalents were used to develop the Group's development projects, to service the Group's indebtedness and to fund the Group's working capital. The Group finance its funding requirements mainly through a combination of cash generated from operating activities, borrowings and proceeds from the Listing. The Group's gearing ratio, calculated at the interest bearing banks loan divided by equity, decreased from approximately 60.5% as at 31 December 2018 to approximately 52.5% as at 30 June 2019, due to repayment of the pre-IPO loan.

As at 30 June 2019, the Group had cash and cash equivalents amounting to approximately RMB831.5 million, which were denominated in Hong Kong dollars ("HK$") (11.9%) and Renminbi ("RMB") (88.1%). As at 30 June 2019, the Group had bank loans balance of approximately RMB468.7 million. The Group had a net cash position of approximately RMB362.8 million.

As at 30 June 2019, the Group's total borrowings were due for repayment as follows:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within one year	**290,566**	288,762
After one year but within two years	**178,088**	154,775
After two years but within five years	**—**	104,877
	468,654	548,414

Notes:

(a) The above amounts due are based on the scheduled repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand clause.

(b) As at 30 June 2019, the Group's borrowings were denominated in RMB. The bank loan is interest-bearing at 110% and 130% of the benchmarked loan interest rate published by the People's Bank of China ("RMB Loan Benchmark Rate") (31 December 2018: 110% and 130% of RMB Loan Benchmark Rate or at Hong Kong Inter Bank Offered Rate plus 4% per annum).

(c) As at 30 June 2019, the Group's certain borrowings were secured by inventories with a total carrying amount of approximately RMB746.7 million (31 December 2018: RMB600.2 million).

Financial risk management objectives and policies

The Group's management has adopted certain policies on financial risk management with the objective of: (i) ensuring that appropriate funding strategies are adopted to meet the Group's short term and long term funding requirements after taking into consideration of the cost of funding, gearing ratios and cash flow projections of the Group; and (ii) ensuring that appropriate strategies are also adopted to minimise the interest rate risk, credit risk and liquidity risk.

Foreign currency risk

The Group mainly operates in Hong Kong and the PRC with majority of the transactions settled in HK$ and RMB. Foreign currency risk arises when future business transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Directors consider the Group's foreign currency risk exposure is minimal since all of the sales, assets and liabilities are denominated in RMB and only a small portion of operating expenses are denominated in HK$.

Interest rate risk

The Group's interest rate risk arises primarily from borrowings and cash at bank. Borrowings and cash at bank issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the six months ended 30 June 2019 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

Credit risk

As of 30 June 2019, no trade debtors of the Group were past due. The Group normally receives full payment from buyers before the delivery of the property. For mortgage sales with sales proceeds not yet fully settled, the Group would not deliver the property to the customers unless it obtains confirmation from the banks providing mortgage that the respective mortgages have been approved. In addition, the Group would not transfer titles of the properties to customers until full amount of sales proceeds are received. Accordingly, the Group is of the view that the expected irrecoverable trade debtors were immaterial. Thus, no bad debt provision for trade debtors was recognised during the six months ended 30 June 2019.

As at 30 June 2019, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong and the PRC which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms. The Group has not experienced and does not expect to experience any difficulties in meeting credit obligations when they fall due.

Capital expenditures

The Group incurred capital expenditures of approximately RMB1.8 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB0.2 million), which mainly related to the replacement of motor vehicle. These capital expenditures were fully financed by internal resources.

Capital commitments

The Group's capital commitments as at 30 June 2019 amounted to approximately RMB597.4 million (31 December 2018: RMB560.1 million) which were mainly related to development costs for the Group's properties under development.

Charge on assets

As at 30 June 2019, the Group's inventories with a total carrying amount of approximately RMB746.7 million (31 December 2018: RMB600.2 million) were pledged to banks to secure certain banking facilities granted to the Group.

Contingent liabilities

During the six months ended 30 June 2019, the Group has issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks, amounted to approximately RMB661.8 million as at 30 June 2019 (as at 31 December 2018: RMB567.0 million), will be terminated upon completion of transferring the legal title of the properties to the property buyers. The Directors consider loss arising from these guarantees as a result of default payment by customers to be immaterial, as the banks have the rights to sell the properties and recover the outstanding loan balance from sale proceeds.

The Group has not recognised any deferred income in respect of these guarantees as their fair values are considered to be insignificant.

During the six months ended 30 June 2019, the Group provided guarantee to secure the loan borrowed by a joint venture of the Group. The total banking facility secured by this guarantee was approximately RMB1.45 billion (31 December 2018: RMB1.45 billion) and the outstanding loan balance was RMB530.0 million as at 30 June 2019 (31 December 2018: RMB360.0 million). The bank loan is also jointly guaranteed by another shareholder of the joint venture and secured by the inventories of the joint venture. The Directors consider loss arising from this guarantee as a result of default payment by the joint venture to be immaterial.

Deferred income of approximately RMB8.0 million was recognised in respect of this financial guarantee as at 30 June 2019 (31 December 2018: RMB6.8 million).

Operating segment information

The Group's revenue and results for the six months ended 30 June 2019 were derived from property development. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment.

Events after balance sheet date

The Group had no significant events after balance sheet date.

USE OF NET PROCEEDS

The net proceeds from the Listing amounted to approximately HK$190.8 million after deducting the underwriting commission and other fees and expenses paid by the Company for the Listing. Up to the date of this announcement, HK$100.0 million, representing approximately 52.4% of the net proceeds from the Listing, were used to repay the pre-IPO loan as disclosed in the prospectus of the Company dated 10 December 2018.

HUMAN RESOURCES

Human resources and emolument policy

As at 30 June 2019, the Group had a total of 139 (31 December 2018: 154) full-time employees in the PRC and Hong Kong. For the six months ended 30 June 2019, the total staff costs, including the directors' emoluments, amounted to approximately RMB19.7 million (six months ended 30 June 2018: RMB16.0 million), of which approximately RMB5.0 million (six months ended 30 June 2018: RMB2.6 million) were capitalised into inventories.

The Group's emolument policies are formulated based on the performance and experience of individual employee and are in line with the salary trends in Hong Kong and the PRC. Other employee benefits include performance-linked bonuses, insurance and medical coverage and share options.

Since human resources management is an important factor in maintaining and enhancing the Group's strong expertise in the property development, the Group will provide appropriate training programs to the employees as the Group sees fit. From time to time, different on-the-job training will be provided to employees in order to ensure continuous staff development and skills upgrading.

Remuneration policy

The Directors and senior management of the Group receive compensation in the form of salaries and discretionary bonuses related to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The remuneration committee will regularly review and determine the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

INTERIM DIVIDEND

The Directors do not recommend any payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

For the six months ended 30 June 2019, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

As the Company believes that good corporate governance can create value for its shareholders, the Board is committed in maintaining a high standard of corporate governance practices by placing strong emphasis on a quality Board, sound internal controls and effective accountability to the shareholders as a whole. The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. In the opinion of the Directors, the Company has complied with all the mandatory code provisions set out in the CG Code for the six months ended 30 June 2019.

The Board will continue to enhance its corporate governance practices to ensure that it complies with the CG Code and aligns with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries made by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the six months ended 30 June 2019.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the six months ended 30 June 2019.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive Directors, namely, Mr. Li Yinquan (chairman of the audit committee who possesses appropriate professional qualification or accounting or related financial management expertise), Mr. Ip Shu Kwan, Stephen, and Dr. Wu Wing Kuen. The written terms of reference of audit committee has been made available on the Company's website at www.millioncities.com.cn and on the website of the Stock Exchange.

The principal duties of the audit committee include review and supervision of the Group's financial reporting process and internal control system. The audit committee has reviewed with the external auditor the condensed consolidated interim financial information of the Group for the six months ended 30 June 2019.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.millioncities.com.cn. The interim report for the six months ended 30 June 2019 will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Million Cities Holdings Limited
Wong Ting Chung
Chairman and non-executive Director

Hong Kong, 24 August 2019

As at the date of this announcement, the chairman and non-executive Director is Mr. Wong Ting Chung; the executive Directors are Mr. Lau Ka Keung, Mr. Wong Ka Lun and Ms. Lau Pui Kwan; and the independent non-executive Directors are Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Dr. Wu Wing Kuen.