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NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

INTERIM RESULTS ANNOUNCEMENT 2022

The Board of Directors (the “**Board**”) of New City Development Group Limited (the “**Company**”) are pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) with comparative figures for the corresponding period in 2021. The results have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	5	78,032	90,464
Cost of goods sold and services provided		<u>(39,774)</u>	<u>(45,409)</u>
Gross profit		38,258	45,055
Other income	6	3,310	3,956
Administrative and other operating expenses		<u>(40,890)</u>	<u>(42,195)</u>
Profit from operations		678	6,816
Finance costs	7	<u>(14,400)</u>	<u>(14,350)</u>
Loss before tax		(13,722)	(7,534)
Income tax expenses	8	<u>—</u>	<u>—</u>
Loss for the Period	9	<u>(13,722)</u>	<u>(7,534)</u>
Attributable to:			
Owners of the Company		(13,267)	(5,010)
Non-controlling interests		<u>(455)</u>	<u>(2,524)</u>
		<u>(13,722)</u>	<u>(7,534)</u>
			(Restated)
Loss per share			
Basic	<i>11(a)</i>	<u>(15.86) cents</u>	<u>(8.71) cents</u>
Diluted	<i>11(b)</i>	<u>(15.86) cents</u>	<u>(8.71) cents</u>

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

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the Period	(13,722)	(7,534)
Other comprehensive income for the Period, net of tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	<u>(4,862)</u>	<u>1,615</u>
Total comprehensive income for the Period	<u>(18,584)</u>	<u>(5,919)</u>
Attributable to:		
Owners of the Company	<u>(17,485)</u>	(3,329)
Non-controlling interests	<u>(1,099)</u>	<u>(2,590)</u>
	<u>(18,584)</u>	<u>(5,919)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	12	101,438	112,894
Investment properties		910,669	925,677
Intangible assets		16,523	16,969
Right-of-use assets		700	974
Financial assets at fair value through other comprehensive income (“FVTOCI”)		30,355	30,355
Prepayments, deposits and other receivables	13	20	119
Deferred tax assets		39,723	39,723
		1,099,428	1,126,711
CURRENT ASSETS			
Financial assets at fair value through profit or loss (“FVTPL”)		31,416	35,987
Inventories		1,303	6,412
Properties under development and held for sale		522,482	478,679
Prepayments, deposits and other receivables	13	587,873	629,875
Due from associates		14	14
Due from a related company		14	14
Due from non-controlling shareholders		1,757	1,923
Cash and bank balances		15,094	6,035
		1,159,953	1,158,939

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<i>Notes</i>		
CURRENT LIABILITIES		
Accruals and other payables	62,045	21,625
Deposits received	15,173	16,432
Borrowings	23,416	15,149
Lease liabilities	517	485
Due to a non-controlling shareholder	3,397	3,364
Due to related parties	14,305	32,922
Due to a director	9,711	3,571
Promissory notes	5,434	5,434
	133,998	98,982
NET CURRENT ASSETS	1,025,955	1,059,957
TOTAL ASSETS LESS CURRENT LIABILITIES	2,125,383	2,186,668
NON-CURRENT LIABILITIES		
Accruals and other payables	394,150	377,855
Borrowings	792,106	843,039
Lease liabilities	262	600
Deferred tax liabilities	223,876	231,601
	1,410,394	1,453,095
NET ASSETS	714,989	733,573
EQUITY		
Equity attributable to owners of the Company		
Share capital	346	17,309
Reserves	688,592	689,114
	688,938	706,423
Non-controlling interests	26,051	27,150
TOTAL EQUITY	714,989	733,573

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Translation reserve	Fair value reserve	Statutory reserve	Retained profits	Total	Non- controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	17,309	585,887	4,755	(22,138)	—	18,604	166,222	770,639	21,398	792,037
Restated balance at 1 January 2021	17,309	585,887	4,755	(22,138)	—	18,604	166,222	770,639	21,398	792,037
Total comprehensive income for the Period	—	—	—	1,681	—	—	(5,010)	(3,329)	(2,590)	(5,919)
At 30 June 2021	<u>17,309</u>	<u>585,887</u>	<u>4,755</u>	<u>(20,457)</u>	<u>—</u>	<u>18,604</u>	<u>161,212</u>	<u>767,310</u>	<u>18,808</u>	<u>786,118</u>
At 1 January 2022 (audited)	17,309	585,887	4,755	(24,037)	2,102	18,604	101,803	706,423	27,150	733,573
Restated balance at 1 January 2022	<u>17,309</u>	<u>585,887</u>	<u>4,755</u>	<u>(24,037)</u>	<u>2,102</u>	<u>18,604</u>	<u>101,803</u>	<u>706,423</u>	<u>27,150</u>	<u>733,573</u>
Capital reorganization (note 14(a))	(16,963)	—	16,963	—	—	—	—	—	—	—
Total comprehensive income for the Period	—	—	—	(4,218)	—	—	(13,267)	(17,485)	(1,099)	(18,584)
	<u>(16,963)</u>	<u>—</u>	<u>16,963</u>	<u>(4,218)</u>	<u>—</u>	<u>—</u>	<u>(13,267)</u>	<u>(17,485)</u>	<u>(1,099)</u>	<u>(18,584)</u>
At 30 June 2022	<u>346</u>	<u>585,887</u>	<u>21,718</u>	<u>(28,255)</u>	<u>2,102</u>	<u>18,604</u>	<u>88,536</u>	<u>688,938</u>	<u>26,051</u>	<u>714,989</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

New City Development Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 10 August 1998. The registered office of the Company is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands and its principal place of business in Hong Kong is situated at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Group are principally engaged in property development and investment in the PRC; and operation of supermarket retail.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (the “**Condensed Consolidated Financial Statements**”) have not been audited or reviewed by the Company’s auditor but reviewed by the Audit Committee and approved for issue by the Board on 30 August 2022.

2. BASIS OF PREPARATION

The Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Condensed Consolidated Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Annual Financial Statements**”) which were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. HKFRSs comprises Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations. Except as described in note 3 below, the accounting policies and methods of computation used in the preparation of the Condensed Consolidated Financial Statements are consistent with those used in the 2021 Annual Financial Statements.

The Condensed Consolidated Financial Statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED HKFRSS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in property development and investment in PRC and operation of supermarket retail. Accordingly, there are two reportable segments of the Group.

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

The accounting policies of the operating segments are the same as those accounting policies of the Group described in 2021 Annual Financial Statements. Segment profits or losses do not include unallocated other income, administrative and other operating expenses, share of loss of an associate, finance costs and income tax expense. Segment assets do not include unallocated property, plant and equipment, right-of-use assets, investments in associates, financial assets at FVTOCI, prepayments, deposits and other receivables, financial assets at FVTPL, amounts due from associates, a related company and non-controlling shareholders and cash and bank balances. Segment liabilities do not include unallocated accruals and other payables, borrowings, lease liabilities, amounts due to a non-controlling shareholder, related parties and a director, convertible notes and deferred tax liabilities.

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

	Property development and investment	Operation of supermarket retail and related	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2022			
Revenue from external customers	27,997	50,035	78,032
Segment profit	35,687	2,571	38,258
As at 30 June 2022			
Segment assets	1,367,774	66,680	1,434,454
Segment liabilities	15,173	—	15,173
Six months ended 30 June 2021			
Revenue from external customers	29,410	61,054	90,464
Segment profit	39,055	6,000	45,055
As at 31 December 2021			
Segment assets	(Audited) 1,338,278	(Audited) 72,490	(Audited) 1,410,768
Segment liabilities	16,432	—	16,432

Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit or loss		
Total profit of reportable segments	38,258	45,055
Other income	3,310	3,956
Administrative and other operating expenses	(40,890)	(42,195)
Finance costs	(14,400)	(14,350)
Consolidated loss before tax	(13,722)	(7,534)

Reconciliations of segment assets or liabilities:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Assets		
Total assets of reportable segments	1,434,454	1,410,768
Property, plant and equipment	101,438	112,894
Intangible assets	16,523	16,969
Right-of-use assets	700	974
Financial assets at FVTOCI	30,355	30,355
Deferred tax assets	39,723	39,723
Financial assets at FVTPL	31,416	35,987
Prepayments, deposits and other receivables	587,893	629,994
Due from associates	14	14
Due from a related company	14	14
Due from non-controlling shareholders	1,757	1,923
Cash and bank balances	15,094	6,035
	<hr/>	<hr/>
Consolidated total assets	2,259,381	2,285,650
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Total liabilities of reportable segments	15,173	16,432
Accruals and other payables	456,195	399,480
Borrowings	815,522	858,188
Lease liabilities	779	1,085
Due to non-controlling shareholders	3,397	3,364
Due to related parties	14,305	32,922
Due to a director	9,711	3,571
Promissory notes	5,434	5,434
Deferred tax liabilities	223,876	231,601
	<hr/>	<hr/>
Consolidated total liabilities	1,544,392	1,552,077
	<hr/> <hr/>	<hr/> <hr/>

Geographical information

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	78,032	90,464
Hong Kong	—	—
Consolidated total revenue	<u>78,032</u>	<u>90,464</u>

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

5. REVENUE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Services transferred over time		
Rental income and related management service income	39,500	43,364
Products transferred at a point in time		
Sales from operation of supermarket retail in Mainland China	<u>38,532</u>	<u>47,100</u>
	<u>78,032</u>	<u>90,464</u>

6. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	2,385	3,938
Others	925	18
	<u>3,310</u>	<u>3,956</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	14,372	14,327
Interest on leases liabilities	28	23
	<u>14,400</u>	<u>14,350</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC	<u>—</u>	<u>—</u>

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2022 and 2021.

Taxes on profits in respect of the Group's companies operating elsewhere have been calculated at the rates of tax prevailing in the respective tax countries/jurisdictions in which they operate based on existing legislation, interpretations and practices in respect thereof.

9. LOSS FOR THE PERIOD

The Group's loss for the Period has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	6,839	3,041
Depreciation of right-of-use assets	611	4,811
Fair value loss on financial assets at FVTPL	2,935	3,926
	<u> </u>	<u> </u>

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend (2021: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to owner of the Company used in the basic loss per share calculation	<u>(13,267)</u>	<u>(5,010)</u>
Number of shares		
Weighted average number of ordinary shares used in basic loss per share calculation	<u>86,543,290</u>	<u>86,543,290</u>

(b) **Diluted loss per share**

No adjustment has been made to the basic loss per share for six months ended 30 June 2022 in respect of a dilution because there were no potentially dilutive events existed (2021: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of approximately HK\$14,000 (2021: approximately HK\$51,796,000).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Prepayments	434,405	460,715
Deposits	21,135	21,027
Other receivables	214,642	230,561
	670,182	712,303
Less: Allowance for doubtful debts	(82,309)	(82,309)
	587,873	629,994
Less: Non-current portion	—	(119)
Current portion	587,873	629,875

14. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.004 each		
At 1 January 2021, 31 December 2021 (audited), 1 January 2022 and 30 June 2022 (unaudited)	10,000,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK\$0.004 each		
At 1 January 2021, 31 December 2021 and 1 January 2022 (audited)	4,327,164,504	17,309
Share consolidation (<i>note (a)</i>)	(4,240,621,214)	(16,963)
At 30 June 2022 (unaudited)	86,543,290	346

Notes:

(a) Capital reorganization

Pursuant to the Extraordinary General Meeting of the Company passed on 6 April 2022 and the approval granted by the Listing Committee of the Hong Kong Stock Exchange, the capital reorganization set out below became effective on 8 April 2022:

Every fifty (50) existing shares of par value of HK\$0.004 each of the Company be consolidated into one (1) share of par value of HK\$0.2 each.

15. COMMITMENTS

The Group had the following commitment as at 30 June 2022.

Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the “**Partner**”), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited (“**NC Fortune Medicare**”) was incorporated, of which, 34% equity interest in NC Fortune Medicare was held by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the “**Shanghai Subsidiary**”) for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000 (equivalent to approximately (HK\$1,170,800)), which shall be financed by all the shareholders of NC Fortune Medicare in proportion to their respective shareholdings therein. The Shanghai Subsidiary has not been established as at the date of approval of the Condensed Consolidated Financial Statements. As of 30 June 2022, none of the RMB340,000 (equivalent to approximately (HK\$398,072)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

16. CONTINGENT LIABILITIES

Investment properties in Luoyang (the “**Luoyang Properties**”) represented a parcel of land under construction which are situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Luoyang New Area, Luoyang, Henan, PRC.

Pursuant to a land use right agreement (國有建設用地使用權出讓合同) (the “**Land Use Right Agreement**”) of the Luoyang Properties, which was entered into between Luoyang Wan Heng Property Company Limited (洛陽萬亨置業有限公司) (“**Luoyang Wan Heng**”), a subsidiary of the Company and 洛陽國土資源局 (“**洛陽國土局**”) on 1 February 2013, Luoyang Wan Heng is required to commence and complete the construction of the Luoyang Properties on or before 1 September 2013 and 1 September 2016 (the “**Construction Period**”), respectively. A penalty (the “**Penalty**”) is calculated at 0.1% per day on the original consideration paid by Luoyang Wan Heng for the land use right, which was approximately RMB31,270,000 (equivalent to approximately HK\$36,610,916), will be imposed by 洛陽國土局 if the construction of the Luoyang Properties was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the “**Forfeiture**”) by 洛陽國土局 if the construction has not been completed beyond 60 days of the Construction Period.

On 17 November 2016, the Group received a notice from 洛陽市城鄉一體化示範區管理委員會國土環保局, pursuant to which, the Group is required to commence the construction of the Luoyang Properties within 15 days after the date of the notice unless the Group has a reasonable excuse. The Group replied and expected to have the construction work commenced in June 2017. On 26 June 2017, the Group received a Notice of Investigation of Idle Land (閒置土地調查通知書) from 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局. On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 (“**洛陽規劃局**”). After reviewed by 洛陽規劃局, the Group was

instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties were minimally adjusted. The Group are negotiating with 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the changed of Luoyang Properties in order to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

Up to the approval date of the Condensed Consolidated Financial Statements, the construction plan of the Luoyang Properties has yet been approved by 洛陽市城鄉一體化示範區商務中心區辦公室.

In preparing the Condensed Consolidated Financial Statements, the Directors had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 洛陽規劃局 on the modification of construction plan of the Luoyang Properties and the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the Directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 30 June 2022.

17. RELATED PARTIES TRANSACTIONS

Save as those disclosed elsewhere in this announcement, the Group had the following material transactions with related/connected companies during the Period:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental expenses paid to related/connected companies	777	777

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a revenue of approximately HK\$78,032,000 and recorded a loss after tax of approximately HK\$13,722,000 for the six months ended 30 June 2022.

CONTINUING CONNECTED TRANSACTIONS

On 31 May 2022, new tenancy agreements (the “**New Tenancy Agreements**”) were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord for leasing of the office premises; and (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises and the car-parking space; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and the car-parking space. The New Tenancy Agreements are for a term of one year commencing from 1 June 2022. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

PROSPECT AND OUTLOOK

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

Since year 2019, the Group has already planned to launch its “New Day, New Life, New City” theme of its future development as part of the integration of property development and property management with daily needs in living. Through the entrance of retail business both online and supermarket chain, YBJ, located in Greater Bay Area together with the acquisition of the Beijing property management intellectual property licensor as well as the Zhuhai property development company. The aforesaid theme of the Group operated very successfully in the year 2021, including the whole theme of “New Life Everyday”, the operation of YBJ and being part of the care of people’s livelihood started successfully as well as generating profit for the Group. In the integration of the development of the mainland Greater Bay Area, the Group expanded and enriched the whole theme of “New Life Everyday” by starting from the real estate sector and developed with people’s livelihood in mind.

Supermarket Business, PRC

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

Property Management in Beijing, PRC

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

Investment properties in Luoyang

With regard to Luoyang Properties, on 5 December 2017, the Group submitted a construction plan to 洛陽市城鄉規劃局 (“洛陽規劃局”). After 洛陽規劃局’s review, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties was minimally adjusted. Due to the outbreak of COVID-19 the Group is still waiting for 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the change of Luoyang Properties in order for the Group to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

Property Development in Zhuhai, PRC

The development of Zhuhai property is part of the Group’s commercial property development projects in the Greater Bay Area that was scheduled in year 2020. The impact of COVID-19 has actually delayed the development of the whole property market. The Group believes that the property market will revive in year 2022 with the significant input in boosting up the recovery of economy after the COVID-19 time. The Group foresees there are lots of opportunities in capturing the strong growing prospect of economic recovery in the next years ahead as one of the National policies of encouraging economic growth by the Government. The Group has determined that most of the development units of the Zhuhai project would be regarded as inventory for future realization with the view of reserving more cash on hand so as to capture different business opportunities in the forthcoming years instead of treating the development project as an investment property.

The Group would continue its effort in implementing its theme of “New Day, New Life, New City” in the year 2022 in line with the economic recovery at the Post COVID-19 time, particularly in the Greater Bay Area.

FINANCIAL REVIEW

During the Period under review, the Group has revenue and net loss for the Period amounted to approximately HK\$78,032,000 and HK\$13,722,000 respectively, whereas the Group had revenue and net loss for the first half of 2021 was approximately HK\$90,464,000 and HK\$7,534,000, respectively. Basic loss per share for six months ended 30 June 2022 was HK15.86 cents (basic loss per share for six months ended 30 June 2021 was HK8.71 cents).

DIVIDENDS

The Board does not recommend the payment of an interim dividend (six months ended 30 June 2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2022, the Group’s total assets were approximately HK\$2,259,381,000 (31 December 2021: HK\$2,285,650,000) and total liabilities were approximately HK\$1,544,392,000 (31 December 2021: HK\$1,552,077,000). As at 30 June 2022, the cash and bank balances was approximately HK\$15,094,000 (31 December 2021: HK\$6,035,000) and the current ratio (current assets/current liabilities) was 8.66 as at 30 June 2022 (31 December 2021: 11.71).

GEARING RATIO

The gearing ratio (debt/equity) was 0.65 as at 30 June 2022 (31 December 2021: 0.65).

EXCHANGE RISKS

The majority of the Group’s operations are located in the PRC and Hong Kong and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assessing exchange risks.

CAPITAL STRUCTURE

There is no change in the capital structure of the Company.

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has complied with all the code provisions (“**Code Provisions**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), save for the deviations listed below:

- The Chairman of the Company is also the chief executive officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. As the current nature of the Group’s business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review its structure from time to time and will make corresponding arrangements to observe the provisions of the Listing Rules whenever necessary.
- According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company’s Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. In respect of Code Provision A.6.7 of the CG Code, four Independent Non-executive Directors did not attend the annual general meeting of the Company held on 28 May 2021. The Company will review its Articles of Association from time to time and will make any amendments to ensure observance of the provisions of the Listing Rules whenever necessary.
- According to Article 87(1) of the Articles of Association, since the Chairman of the Board, whilst holding such office, is not subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year, Code Provision A.4.2 is deviated. The Chairman plays an essential role in the growth and development of the Group. At present, the Chairman’s continuing presence in the Board is important to assure sustainable development of the Group. Given the importance of the Chairman’s role, the Board considers that the relevant article in the Articles of Association has no material impact on the operation of the Group as a whole.

EMPLOYEES

As at 30 June 2022, the Group has employed about 69 employees in Hong Kong and the PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

SIGNIFICANT EVENTS

Capital Reorganization and Change in Board Lot Size.

On 28 February 2022, the Board proposed that every fifty (50) existing shares of par value of HK\$0.004 each in the share capital be consolidated into one (1) consolidated share of par value of HK\$0.20 each.

The Board also proposed that the board lot size for trading on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be changed from 20,000 Existing Shares of par value of HK\$0.004 each to 2,000 Consolidated Shares of par value of HK\$0.20 each.

Details of the capital reorganization and change in board lot size were disclosed in the announcement of the Company dated 28 February 2022, as well as in the supplemental circulars of the Company dated 18 March and 7 April 2022. The capital reorganization became effective on 8 April 2022.

PLEDGE OF ASSETS

As at 30 June 2022, the Group’s investment properties and properties under development for sale in Guangzhou, Luoyang and Zhuhai were pledged to secure for bank borrowings.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company did not have any significant investments or material acquisitions and disposals for the six months ended 30 June 2022.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company’s listed shares during the six months ended 30 June 2022.

CONTINGENT LIABILITIES

Details of the contingent liabilities were set out in note 16 to this announcement.

COMMITMENT

Except for the commitments as detailed in note 15 to this announcement, the Group did not have any commitment as at 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have confirmed that they had complied with the Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Zhang Jing and Mr. Leung Kwai Wah Alex. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the Condensed Consolidated Financial Statements for the six months ended 30 June 2022.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (i) two executive Directors, namely Mr. Han Junran (Chairman) and Mr. Luo Min; and (ii) six independent non-executive Directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Zhang Jing, Dr. Ouyang Qingru, Mr. Leung Kwai Wah Alex, Mr. Wong Pak Wing and Mr. Luo Zhen.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information”. The interim report of the Group for the six months ended 30 June 2022 containing all the information required by Listing Rules will be despatched to shareholders of the Company and published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information” in due course.

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

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises (1) two executive Directors, namely Mr. Han Junran (Chairman) and Mr. Luo Min; and (2) six independent non-executive Directors, namely Mr. Chan Yiu Tung Anthony, Dr. Ouyang Qingru, Mr. Leung Kwai Wah Alex, Mr. Zhang Jing, Mr. Wong Pak Wing and Mr. Luo Zhen.