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NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$180,190,000 (2021: HK\$197,817,000)
- Loss for the year was approximately HK\$127,783,000 (2021: HK\$69,411,000)
- Loss per share (basic) was 88.08 HK cents (2021: Restated 74.44 HK cents)

FINAL RESULTS

The Board of Directors (the “**Board**”) of New City Development Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the “**Group**”) for the year ended 31 December 2022 together with the comparative figures in 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	5	180,190	197,817
Cost of goods sold and services provided		<u>(98,383)</u>	<u>(104,061)</u>
Gross profit		81,807	93,756
Other income	6	9,840	13,261
Other gains and losses	7	(8,061)	(5,798)
Administrative and other operating expenses		(89,358)	(76,558)
Written off of inventories		–	(7,660)
Impairment loss on goodwill		–	(141)
Loss on derecognition of financial assets at fair value through profit or loss (“FVTPL”)		(6,830)	–
Impairment loss on intangible assets		(4,648)	–
Impairment losses on deposits and other receivables		(3,091)	(54,580)
Allowance on properties under development		<u>(70,851)</u>	<u>–</u>
Loss from operations		(91,192)	(37,720)
Finance costs	8	<u>(33,863)</u>	<u>(31,682)</u>
Loss before tax		(125,055)	(69,402)
Income tax expense	9	<u>(2,728)</u>	<u>(9)</u>
Loss for the year	10	<u>(127,783)</u>	<u>(69,411)</u>
Loss for the year attributable to:			
Owners of the Company		(76,228)	(64,419)
Non-controlling interests		<u>(51,555)</u>	<u>(4,992)</u>
		(127,783)	(69,411)
		<u><u>(127,783)</u></u>	<u><u>(69,411)</u></u>
			(Restated)
Loss per share attributable to owners of the Company (HK cents)			
Basic	11	<u>(88.08)</u>	<u>(74.44)</u>
Diluted	11	<u>(88.08)</u>	<u>(74.44)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(127,783)	(69,411)
Other comprehensive income for the year, net of tax:		
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value on financial assets at fair value through other comprehensive income	(11,452)	2,102
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translating foreign operations	(71,126)	9,056
Total comprehensive income for the year	(210,361)	(58,253)
Total comprehensive income for the year attributable to:		
Owners of the Company	(162,235)	(64,216)
Non-controlling interests	(48,126)	5,963
	(210,361)	(58,253)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		89,478	112,894
Investment properties	13	856,025	925,677
Goodwill		–	–
Intangible assets		11,263	16,969
Right-of-use assets		478	974
Investment in an associate		–	–
Financial assets at fair value through other comprehensive income (“FVTOCI”)		18,903	30,355
Prepayments, deposits and other receivables	14	–	119
Deferred tax assets		39,723	39,723
		1,015,870	1,126,711
Current assets			
Financial assets at FVTPL		24,540	35,987
Prepayments, deposits and other receivables	14	452,756	629,875
Inventories	15	5,429	6,412
Properties under development		456,399	478,679
Due from an associate		14	14
Due from a related company		14	14
Due from non-controlling shareholders		1,650	1,923
Cash and bank balances		8,608	6,035
		949,410	1,158,939
Current liabilities			
Accruals and other payables	16	41,594	21,625
Deposits received		15,836	16,432
Borrowings	17	65,768	15,149
Lease liabilities		511	485
Due to non-controlling shareholders		3,091	3,364
Due to related parties		37,638	32,922
Due to a director		16,238	3,571
Promissory notes		5,900	5,434
		186,576	98,982
Net current assets		762,834	1,059,957
Total assets less current liabilities		1,778,704	2,186,668

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Accruals and other payables	16	372,735	377,855
Borrowings	17	664,571	843,039
Lease liabilities		15	600
Deferred tax liabilities		218,171	231,601
		<u>1,255,492</u>	<u>1,453,095</u>
Net assets		<u>523,212</u>	<u>733,573</u>
Equity			
Equity attributable to owners of the Company			
Share capital	18	17,309	17,309
Reserves		526,879	689,114
		<u>544,188</u>	<u>706,423</u>
Non-controlling interests		<u>(20,976)</u>	<u>27,150</u>
Total equity		<u>523,212</u>	<u>733,573</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

New City Development Group Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liabilities on 10 August 1998. The address of its registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The principal place of business in Hong Kong is located at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 24 May 2000.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in property development and investment in the People’s Republic of China (the “**PRC**”) which have not been changed during the year.

In the opinion of the directors of the Company, as at 31 December 2022, Junyi Investments Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) is the immediate and ultimate parent of the Company and Mr. Han Junran (“**Mr. Han**”), a director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those accounting policies of the Group described in the note to the consolidated financial statements. Segment profits or losses do not include unallocated other income, other gains and losses, administrative and other operating expenses, impairment losses on deposits and other receivables, written off inventories, impairment loss on goodwill and finance costs. Segment assets do not include unallocated property, plant and equipment, intangible assets, right-of-use assets, financial assets at FVTOCI, deferred tax assets, financial assets at FVTPL, prepayments,

deposits and other receivables, amounts due from an associate, a related company and non-controlling shareholders, and cash and bank balances. Segment liabilities do not include unallocated accruals and other payables, borrowings, finance lease payables, lease liabilities, amounts due to non-controlling shareholders, related parties and a director, promissory notes and deferred tax liabilities.

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

	Property development and investment <i>HK\$'000</i>	Operation of supermarket retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022			
Revenue from external customers	59,318	120,872	180,190
Segment profit	47,391	34,416	81,807
As at 31 December 2022			
Segment assets	1,216,707	101,145	1,317,852
Segment liabilities	731,636	36,098	767,734

	Property development and investment <i>HK\$'000</i>	Operation of supermarket retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021			
Revenue from external customers	61,368	136,449	197,817
Segment profit	55,022	38,734	93,756
As at 31 December 2021			
Segment assets	1,338,278	72,490	1,410,768
Segment liabilities	586,998	68,291	655,289

Reconciliations of segment revenue and profit or loss:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit or loss		
Total profit of reportable segments	81,807	93,756
Other income	9,840	13,261
Other gains and losses	(8,061)	(5,798)
Administrative and other operating expenses	(89,358)	(76,558)
Impairment losses on deposits and other receivables	(3,091)	(54,580)
Written off of inventories	–	(7,660)
Impairment loss on goodwill	–	(141)
Impairment loss on intangible assets	(4,648)	–
Loss on derecognition of financial assets at FVTPL	(6,830)	–
Finance costs	(33,863)	(31,682)
Allowance on property under development	(70,851)	–
Consolidated loss before tax	<u>(125,055)</u>	<u>(69,402)</u>

Reconciliations of segment assets or liabilities:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	1,317,853	1,410,768
Property, plant and equipment	89,478	112,894
Intangible assets	11,263	16,969
Right-of-use assets	478	974
Financial assets at FVTOCI	18,903	30,355
Deferred tax assets	39,723	39,723
Financial assets at FVTPL	24,540	35,987
Prepayments, deposits and other receivables	452,756	629,994
Due from an associate	14	14
Due from a related company	14	14
Due from non-controlling shareholders	1,650	1,923
Cash and bank balances	8,608	6,035
	<hr/>	<hr/>
Consolidated total assets	1,965,280	2,285,650
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Total liabilities of reportable segments	15,836	16,432
Accruals and other payables	414,329	399,480
Borrowings	730,339	858,188
Lease liabilities	526	1,085
Due to non-controlling shareholders	3,091	3,364
Due to related parties	37,638	32,922
Due to a director	16,238	3,571
Promissory notes	5,900	5,434
Deferred tax liabilities	218,171	231,601
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Consolidated total liabilities	1,442,068	1,552,077
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Geographical information

The Group's revenue from external customers were solely derived from the PRC.

Over 90% of the Group's non-current assets (excluding intangible assets, right-of-use assets, investment in an associate, financial assets at FVTOCI, prepayments, deposits and other receivables and deferred tax assets) are located in the PRC. Accordingly, no further geographical information of non-current assets was disclosed.

Revenue from major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 December 2022 (2021: Nil).

5. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Products transferred at a point in time:		
Sales from operation of supermarket retail in the PRC	120,872	136,449
Revenue from other sources:		
Rental income	32,527	32,508
Related management service income	26,791	28,860
	<u>180,190</u>	<u>197,817</u>

6. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividend income	3,833	4,457
Interest income	4,798	5,872
Other income	980	2,932
Government grants (<i>note</i>)	229	–
	<u>9,840</u>	<u>13,261</u>

Note: Being the grants received from the COVID-19 Anti-epidemic Fund under the Anti-epidemic Fund as launched by the Government of the Hong Kong Special Administrative Region of the PRC and the Government of the PRC for the year ended 31 December 2022.

7. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net foreign exchange (loss)/gain	(5,863)	3,281
Fair value loss on investment properties	–	(12,780)
Fair value (loss)/gain on financial assets at FVTPL	(2,198)	3,701
	<u>(8,061)</u>	<u>(5,798)</u>

8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	67,053	77,667
Interest on lease liabilities	42	91
Interest on promissory notes	466	1,279
	<hr/>	<hr/>
Total borrowing costs	67,561	79,037
Amounts capitalised in the cost of qualifying assets	(33,698)	(47,355)
	<hr/>	<hr/>
	33,863	31,682
	<hr/> <hr/>	<hr/> <hr/>

The weighted average capitalization rate on funds borrowed generally is at a rate of 6.47% per annum (2021: 8.08%).

9. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – PRC Enterprise Income Tax		
Under-provision in prior years	2,728	9
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived from Hong Kong for the years ended 31 December 2022 and 2021.

PRC Enterprise Income Tax has been provided at a rate of 25% (2021: 25%).

10. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	880	804
Cost of goods sold and services provided	98,383	104,061
Depreciation of property, plant and equipment	10,856	8,678
Depreciation of right-of-use assets	433	505
Amortisation of intangible assets	1,058	893
Loss on disposal of property, plant and equipment	–	33
Written off of property, plant and equipment	4,348	–
Short-term lease payments	17,583	8,539
Staff cost (including directors' remuneration)		
– Salaries, bonuses and allowances	22,670	21,973
– Contributions to defined contribution retirement plan	545	384
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	23,215	22,357
	<hr/> <hr/>	<hr/> <hr/>

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic loss per share is based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	<u>(76,228)</u>	<u>(64,419)</u>
	Number of shares	
	2022	2021 (Restated)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>86,543,290</u>	<u>86,543,290</u>

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the consolidation of shares on 8 April 2022.

No diluted loss per share is presented as there were no potentially dilutive ordinary shares in issue as at 31 December 2022 and 2021.

12. DIVIDENDS

The directors did not recommend any dividend for the year ended 31 December 2022 (2021: Nil).

13. INVESTMENT PROPERTIES

	Properties at fair value		Properties at cost		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Completed project						
Investment properties in						
Guangzhou (notes (a) and (b))						
At 1 January	850,056	774,735	–	–	850,056	774,735
Acquisition of a subsidiary	–	66,442	–	–	–	66,442
Fair value losses	–	(12,780)	–	–	–	(12,780)
Exchange differences	(63,962)	21,659	–	–	(63,962)	21,659
At 31 December	786,094	850,056	–	–	786,094	850,056
Incomplete project						
Investment properties in						
Luoyang (note (c))						
At 1 January	–	–	75,621	73,638	75,621	73,638
Exchange differences	–	–	(5,690)	1,983	(5,690)	1,983
At 31 December	–	–	69,931	75,621	69,931	75,621
Total carrying amount at 31 December	786,094	850,056	69,931	75,621	856,025	925,677

Notes:

- (a) Investment properties in Guangzhou (the “Guangzhou Properties 1”) are situated at Nos. 20–22 Chigang West Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC and are held under medium term leases. The Guangzhou Properties 1 were leased to tenants under operating leases for earning rental income and management service income and were stated at fair value at the end of the reporting period.

The fair value of the Guangzhou Properties 1 has been assessed by Ravia Global Appraisal Advisory Limited (“Ravia Global”), an independent valuer, by using the income approach to be RMB640,000,000 (equivalent to approximately HK\$724,416,000) (2021: RMB640,000,000 (equivalent to approximately HK\$783,360,000)) as at 31 December 2022.

At 31 December 2022, the Guangzhou Properties 1 with carrying amount of approximately HK\$724,416,000 (2021: HK\$783,360,000) were pledged to secure bank borrowings.

- (b) Investment properties in Guangzhou (the “Guangzhou Properties 2”) are situated at Nos. 186–256 Niuzhaicheng Road, Xintang Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC and are held under medium term leases. The Guangzhou Properties 2 were leased to tenants under operating leases for earning rental income and management service income and were stated at fair value at the end of the reporting period.

The fair value of the Guangzhou Properties 2 has been assessed by Ravia Global, an independent valuer, by using the direct comparison approach to be RMB54,490,000 (equivalent to approximately HK\$61,678,000) (2021: RMB54,490,000 (equivalent to approximately HK\$66,696,000)) as at 31 December 2022.

At 31 December 2022, the Guangzhou Properties 2 with carrying amount of approximately HK\$61,678,000 (2021: HK\$66,696,000) were pledged to secure bank borrowings.

- (c) Investment properties in Luoyang (the “**Luoyang Properties**”) represented the construction in progress of a parcel of land which are situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Xinqu Luoyang, Henan, PRC. The Luoyang Properties were acquired through the acquisition of the subsidiaries during the year ended 31 December 2015. The Luoyang Properties comprise a parcel of land held under medium term leases with a site area of 69,942.185 square metres which can be developed into a total gross floor area of 173,724.12 square metres. Its carrying amount comprised the land use right and directly attributable costs and was stated at acquisition cost of approximately RMB61,782,000 (equivalent to HK\$69,931,000 (2021: HK\$75,621,000)), and less impairment, if any.

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\$35,395,000 (2021: HK\$38,290,000)), will be imposed by 洛陽國土局 if the construction of the Luoyang Properties was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the “**Forfeiture**”) by 洛陽國土局 if the construction has not been completed beyond 60 days of the Construction Period.

On 17 November 2016, the Group received a notice from 洛陽市城鄉一體化示範區管理委員會國土環保局, pursuant to which, the Group is required to commence the construction of the Luoyang Properties within 15 days after the date of the notice unless the Group has a reasonable excuse. The Group replied and expected to have the construction work commenced in June 2017. On 26 June 2017, the Group received a 閒置土地調查通知書 (the “**Notice of Investigation of Idle Land**”) from 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局.

On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. The Group expected to commence work at the end of 2017.

On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 (“**洛陽規劃局**”). After reviewed by 洛陽規劃局, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018.

In preparing these consolidated financial statements, the directors of the Company 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 continued 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, the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 31 December 2022 and 2021.

At 31 December 2022, the Luoyang Properties with carrying amount of approximately HK\$69,931,000 (2021: HK\$75,621,000) were pledged to secure bank borrowings.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments		
– Prepaid for the Luoyang Properties	7,135	7,709
– Prepaid for the Zhuhai Properties	323,547	443,470
– Others	35,142	9,536
Deposits held by		
– Others	21,107	21,027
Other receivables		
– Due from 北京中証房地產開發有限公司 (“北京中証”)	68,134	68,994
– Others	83,091	161,567
	<u>538,156</u>	<u>712,303</u>
Less: Loss allowance for deposits and other receivables	<u>(85,400)</u>	<u>(82,309)</u>
	452,756	629,994
Less: Non-current portion	<u>–</u>	<u>(119)</u>
Current portion	<u>452,756</u>	<u>629,875</u>

15. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Retail merchandise	<u>5,429</u>	<u>6,412</u>

Due to the continuous adverse effect of COVID-19 pandemic, there is severe uncertainty of the realisability on the value of inventories. As at 31 December 2022 and 2021, all the inventories were stated at cost.

16. ACCRUALS AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accrued expenses	10,284	6,268
Due to a former shareholder of Guangdong Changliu	5,773	6,426
Due to shareholders of Zhuhai Teng Shun	278,174	258,741
Other payables	<u>120,098</u>	<u>128,045</u>
	414,329	399,480
Less: Non-current portion	<u>(372,735)</u>	<u>(377,855)</u>
Current portion	<u><u>41,594</u></u>	<u><u>21,625</u></u>

17. BORROWINGS

	Effective interest rates	Year of maturity	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loan 1	8.085%	2030	–	309,552
Bank loan 2	7.153%	2025	417,595	512,774
Bank loan 3	6.300%	2028	32,033	35,862
Bank loan 4	6.500%	2034	<u>280,711</u>	–
			<u><u>730,339</u></u>	<u><u>858,188</u></u>
Analysed into:				
Repayable:				
– Within one year or on demand			65,768	15,149
– In the second to fifth years, inclusive			471,695	646,835
– Over five years			<u>192,876</u>	<u>196,204</u>
Total			730,339	858,188
Less: Non-current portion			<u>(664,571)</u>	<u>(843,039)</u>
Current portion			<u><u>65,768</u></u>	<u><u>15,149</u></u>

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.004 each		
At 1 January 2021, 31 December 2021, 1 January 2022	10,000,000,000	40,000
Share consolidation (<i>note</i>)	<u>(9,800,000,000)</u>	<u>–</u>
Ordinary shares of HK\$0.20 each		
At 31 December 2022	<u>200,000,000</u>	<u>40,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.004 each		
At 1 January 2021, 31 December 2021 and 1 January 2022	4,327,164,504	17,309
Share consolidation (<i>note</i>)	<u>(4,240,621,214)</u>	<u>–</u>
Ordinary shares of HK\$0.20 each		
At 31 December 2022	<u>86,543,290</u>	<u>17,309</u>

Note:

Share consolidation

Pursuant to the extraordinary general meeting of the Company passed on 6 April 2022 became effective on 8 April 2022, which every fifty (50) issued and unissued shares of par value of HK\$0.004 each of the Company be consolidated into one (1) consolidated share of par value of HK\$0.20 in the capital of the Company.

19. CONTINGENT LIABILITIES

Save as those disclosed in note 13(c) to this announcement, the Group did not have any material contingent liabilities as at 31 December 2022 and 2021.

20. RELATED PARTY TRANSACTIONS

(a) Save as those disclosed elsewhere in these consolidation financial statements, the Group had the following material transactions with related/connecting companies during the year:

	2022 HK\$'000	2021 HK\$'000
Rental expenses paid to related/connecting companies	<u>16</u>	<u>1,115</u>

(b) Compensation of key management personnel of the Group

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fees	<u>1,440</u>	<u>1,440</u>
Other emoluments		
Salaries, wages and other benefits	4,839	4,633
contributions to defined contribution retirement plan	<u>51</u>	<u>81</u>
	<u>4,890</u>	<u>4,714</u>
	<u><u>6,330</u></u>	<u><u>6,154</u></u>

21. OPERATING LEASE COMMITMENTS

(a) As lessor

Operating leases relate to investment property owned by the Group with lease terms of 1 to 10 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within first year	17,929	19,388
In the second year	13,433	14,526
In the third year	9,031	9,766
In the fourth year	3,985	4,310
In the fifth year	2,347	2,538
After five years	<u>3,235</u>	<u>3,499</u>
	<u><u>49,960</u></u>	<u><u>54,027</u></u>

(b) As lessee

The portfolio of short-term leases for certain of its offices which are regularly entered into by the Group during the years ended 31 December 2022 and 2021. As at 31 December 2022, the outstanding lease commitments is approximately HK\$382,000 (2021: HK\$1,285,000).

22. OTHER COMMITMENTS

In addition to the operating lease commitments, the Group had the following commitments at the end of the reporting period:

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 HK\$1,132,000 (2021: HK\$1,224,000)), which shall be financed by all the shareholders of NC Fortune Medicare in proportion to their respective shareholdings therein. Approving these consolidated financial statements, none of the RMB340,000 (equivalent to HK\$385,000 (2021: HK\$416,000)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a revenue of approximately HK\$180,190,000 and recorded a loss after tax of approximately HK\$127,783,000 for the year ended 31 December 2022.

Major business arrangements

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; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises and car parking space; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and car parking space. The New Tenancy Agreements are for a term of 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.

OUTLOOK AND PROSPECT

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

Since year 2019, the Group has already planned to launch its “New Day, New Life, New City” theme of its future development as part of the integration of property development and property management with daily needs in living. Through the entrance of retail business both online and supermarket chain, YBJ, located in Great Bay Area together with the acquisition of the Beijing property management intellectual property licensor as well as the Zhuhai property development company, all these have made a prefect integration and implementation of the aforesaid theme of the Group in the year 2022.

Supermarket Business, PRC

The Group's supermarket business in Mainland China was severely impacted by the city lockdowns in 2022 due to COVID-19. Additionally, there were macroeconomic adjustments in Mainland China, prompting the Group to review its business development in 2022 and redesign our supermarket marketing strategy.

Property Management in Beijing, PRC

Our Group began making arrangements to engage in Mainland China's property management market through the licensing of intellectual property rights with China Goal Inc. in 2019. However, due to the severe negative impact of COVID-19 in 2022, the licensing revenue of property management intellectual property did not meet our expectations. Therefore, our Group is reviewing the commercial risks associated with this investment to restructure our investment and strategy in this area.

Investment Properties in Luoyang

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

Property Development in Zhuhai, PRC

The development of Zhuhai property is part of the Group's commercial property development projects in Great Bay Area that was scheduled in year 2020. In 2022, the COVID-19 pandemic experienced one final wave in Mainland China, and the real estate market in Mainland China underwent structural adjustments. In terms of commercial property arrangements, our Group has already considered holding that for sale. The Group will review the development of the commercial property market in 2023 based on the national re-planning of real estate, and then decide on the next steps and development for this project. Our Group holds an optimistic attitude towards the long-term real estate market in China, but we will also not overlook market dynamics and will pay attention to the same in making the most favorable commercial decisions for our Company.

SCOPE OF WORK OF AUDITORS

The figures in respect of the consolidated statement of financial position as at 31 December 2022 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 of the Group as set out in the announcement have been agreed by the Group’s auditor, McMillan Woods (Hong Kong) CPA Limited (“**McMillan Woods**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods on the announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the year under review, the Group reported a turnover which represented the rental income and related management service income and retail and related income of approximately HK\$59,318,000 and HK\$120,872,000 (2021: HK\$61,368,000 and 136,449,000). The Group's net loss for the year was approximately HK\$127,783,000 (2021: HK\$69,411,000). The basic loss per share for the year was approximately 88.08 HK cents (2021: loss per share (restated) 74.44 HK cents). Administrative expenses was approximately HK\$89,358,000 (2021: HK\$76,558,000). Finance costs was approximately HK\$33,863,000 (2021: HK\$31,682,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2022, the Group's total assets was approximately HK\$1,965,280,000 (2021: HK\$2,285,650,000) and total liabilities were of approximately HK\$1,442,068,000 (2021: HK\$1,552,077,000). As at 31 December 2022, the cash and bank balances was approximately HK\$8,608,000 (2021: HK\$6,035,000) and the current ratio (current assets/current liabilities) was 5.09 as at 31 December 2022 (2021: 11.71).

Pledge of Assets

As at 31 December 2022, the Group's investment properties located in Guangzhou were pledged to secure bank borrowings.

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 69% as at 31 December 2022 (2021: 65%).

Capital Structure

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

Exchange Risks

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

Dividends

The directors did not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

Employees

As at 31 December 2022, the Group has employed about 70 (2021: 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 Investments and Material Acquisitions

The Group did not have any significant investments and material acquisitions during the year ended 31 December 2022.

Contingent Liabilities

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

Commitments

Details of the commitments are set out in note 22 to this announcement.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions (“**Code Provisions**”) as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 of the Listing Rules of the Stock Exchange, save for the deviations listed below:

The Chairman of the Company is also the chief executive officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the current nature of the Group's business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.

According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”). Having made specific enquiry of the Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.newcitygroup.com.hk). The 2022 Annual Report will be despatched to our Shareholders on or before 29 April 2023 and will be available at the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Leung Kwai Wah, Alex and Mr. Zhang Jing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the consolidated financial statements for the year ended 31 December 2022.

REMUNERATION COMMITTEE

Pursuant to the provisions of the Code as set out in Appendix 14 of the Listing Rules, the Board has established the Remuneration Committee. The Remuneration Committee comprises two independent non-executive Director, Mr. Chan Yiu Tung, Anthony as chairman and Mr. Leung Kwai Wah, Alex and the chairman of the Board, Mr. Han Junran who is an executive Director. The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters.

NOMINATION COMMITTEE

The Company has established a nomination committee and was chaired by the chairman of the Board, Mr. Han Junran, an executive Director. Other members of the Nomination Committee include three independent non-executive Directors, Mr. Leung Kwai Wah, Alex, Mr. Chan Yiu Tung, Anthony and Mr. Zhang Jing. The Nomination Committee is responsible for nominating potential candidates for directorship appointment and succession planning of the Board, reviewing the composition and structure of the Board regularly and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board.

BOARD OF DIRECTORS

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

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

Hong Kong, 30 March 2023