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China New City Group Limited

中國新城市集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

| | For the year ended 31 December | | Change |
|---|-----------------------------------|------------------------|--------|
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> | |
| Revenue | 1,297,235 | 591,783 | 119.2% |
| Gross profit | 368,097 | 117,373 | 213.6% |
| Loss for the year | (425,133) | (461,640) | (7.9%) |
| Loss attributable to owners of the parent | (404,136) | (432,523) | (6.6%) |
| Loss per share attributable to ordinary equity holders of the parent | | | |
| – Basic | RMB(20.1) cents | RMB(21.5) cents | |
| – Diluted | RMB(20.1) cents | RMB(21.5) cents | |
| | As at 31 December | | Change |
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> | |
| Total assets | 13,533,007 | 15,179,776 | -10.8% |
| Net assets | 4,840,839 | 5,307,909 | -8.8% |
| Net assets value per share | RMB2.41 | RMB2.64 | -8.8% |

The board of directors (the “**Board**” or the “**Directors**”) of China New City Group Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**FY2023**”), together with the comparative figures for the corresponding year ended 31 December 2022 (the “**FY2022**”), and such annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and agreed with the auditors of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

| | <i>Notes</i> | 2023 RMB’000 | 2022 RMB’000 |
|---|--------------|--------------------------------|-------------------------|
| Revenue | 4 | 1,297,235 | 591,783 |
| Cost of sales | | <u>(929,138)</u> | <u>(474,410)</u> |
| Gross profit | | 368,097 | 117,373 |
| Other income and gains, net | 4 | 12,669 | 117,470 |
| Selling and distribution expenses | | (171,979) | (150,151) |
| Administrative expenses | | (170,607) | (222,601) |
| Other expenses | | (59,897) | (83,522) |
| Finance costs | 5 | (101,976) | (139,909) |
| Share of losses of: | | | |
| A joint venture | | (663) | (1,014) |
| Changes in fair value of investment properties | | <u>(352,311)</u> | <u>(115,160)</u> |
| Loss before tax | 6 | (476,667) | (477,514) |
| Income tax expense | 7 | <u>51,534</u> | 15,874 |
| Loss for the year | | <u>(425,133)</u> | <u>(461,640)</u> |
| Attributable to: | | | |
| Owners of the parent | | (404,136) | (432,523) |
| Non-controlling interests | | <u>(20,997)</u> | <u>(29,117)</u> |
| | | <u>(425,133)</u> | <u>(461,640)</u> |
| Loss per share attributable to ordinary equity holders of the parent | 8 | | |
| Basic | | <u>RMB (20.1 cents)</u> | <u>RMB (21.5 cents)</u> |
| Diluted | | <u>RMB (20.1 cents)</u> | <u>RMB (21.5 cents)</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|-------------------------|-------------------------|
| Loss for the year | <u>(425,133)</u> | <u>(461,640)</u> |
| Other comprehensive income/(loss) | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | <u>(30,295)</u> | <u>20,688</u> |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | <u>(30,295)</u> | <u>20,688</u> |
| Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | (17,524) | – |
| Equity investments designated at fair value through other comprehensive income: | | |
| Changes in fair value | 3,861 | 18,484 |
| Income tax effect | <u>(965)</u> | <u>(4,621)</u> |
| Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods | <u>(14,628)</u> | <u>13,863</u> |
| Total comprehensive loss for the year | <u>(470,056)</u> | <u>(427,089)</u> |
| Attributable to: | | |
| Owners of the parent | (449,059) | (397,972) |
| Non-controlling interests | <u>(20,997)</u> | <u>(29,117)</u> |
| | <u>(470,056)</u> | <u>(427,089)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 RMB'000 |
|---|--------------|-------------------------------|------------------------|
| Non-current assets | | | |
| Property and equipment | | 2,313,326 | 2,375,959 |
| Investment properties | | 4,840,200 | 5,202,000 |
| Properties under development | | 955,096 | 966,859 |
| Right-of-use assets | | 75,440 | 120,277 |
| Other intangible assets | | – | 14,194 |
| Equity investments designated at fair value through other comprehensive income | | 357,395 | 353,534 |
| Long term prepayments | | 297,615 | 278,104 |
| Investment in joint ventures | | 36,389 | 31,427 |
| Deferred tax assets | | 66,899 | 36,630 |
| Restricted cash | | 105,000 | 12,000 |
| | | <u>9,047,360</u> | <u>9,390,984</u> |
| Total non-current assets | | | |
| Current assets | | | |
| Completed properties held for sale | | 1,276,276 | 919,543 |
| Properties under development | | 2,362,183 | 2,911,714 |
| Inventories | | 36,410 | 36,389 |
| Trade receivables | 10 | 70,013 | 47,795 |
| Prepayments, other receivables and other assets | | 442,965 | 610,048 |
| Financial assets at fair value through profit or loss | | 36 | 20,164 |
| Restricted cash | | 98,009 | 220,152 |
| Cash and cash equivalents | | 181,155 | 948,087 |
| Investment properties classified as held for sale | | 18,600 | 74,900 |
| | | <u>4,485,647</u> | <u>5,788,792</u> |
| Total current assets | | | |
| Current liabilities | | | |
| Trade payables | 11 | 575,018 | 598,758 |
| Other payables and accruals | | 321,663 | 248,137 |
| Contract liabilities | | 3,060,168 | 2,802,955 |
| Amounts due to related companies | | 329,924 | 754,901 |
| Interest-bearing bank and other borrowings | | 584,860 | 1,319,438 |
| Lease liabilities | | 49,110 | 45,397 |
| Tax payable | | 411,449 | 458,780 |
| | | <u>5,332,192</u> | <u>6,228,366</u> |
| Total current liabilities | | | |
| Net current liabilities | | <u>(846,545)</u> | <u>(439,574)</u> |
| Total assets less current liabilities | | <u>8,200,815</u> | <u>8,951,410</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Non-current liabilities | | |
| Interest-bearing bank and other borrowings | 2,534,180 | 2,689,041 |
| Deferred tax liabilities | 733,923 | 816,859 |
| Lease liabilities | <u>91,873</u> | <u>137,601</u> |
| Total non-current liabilities | <u>3,359,976</u> | <u>3,643,501</u> |
| Net assets | <u>4,840,839</u> | <u>5,307,909</u> |
| Equity | | |
| Equity attributable to owners of the parent | | |
| Share capital | 160,220 | 160,220 |
| Reserves | <u>4,586,666</u> | <u>4,943,353</u> |
| | 4,746,886 | 5,103,573 |
| Non-controlling interests | <u>93,953</u> | <u>204,336</u> |
| Total equity | <u>4,840,839</u> | <u>5,307,909</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and Group information

China New City Group Limited (the “**Company**”) is a limited liability company incorporated as an exempted company in the Cayman Islands on 2 July 2013 under the Companies Act of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was separately listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with the stock code “1321” on 10 July 2014 and raised capital amounting to HK\$608 million from the market.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) were members of Zhong An Group Limited (“**Zhong An**”) and its subsidiaries (“**Zhong An Group**”). Zhong An, the shares of which have been listed on the Main Board of the Stock Exchange since November 2007, is the holding company of Zhong An Group.

The Group is principally engaged in commercial property development, leasing and hotel operations.

In the opinion of the Company’s directors (the “**Directors**”), the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, investment properties classified as held for sale, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2023, the Group had net current liabilities of approximately RMB 846,545,000. As at 31 December 2023, the Group had available unutilized credit and banking facilities of RMB2,570,960,000, which will be expired after 31 December 2024. In addition, Zhong An Group has provided continuous financial support to the Group to meet the Group’s liabilities as and when they fall due for at least the next 12 months from the end of this reporting period. The Directors believe that the Group has sufficient cash flows in the foreseeable future from the operations. Therefore, the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 17 | <i>Insurance Contracts</i> |
| Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to IAS 12 | <i>International Tax Reform – Pillar Two Model Rules</i> |

The revised standards have had no significant financial effect on these financial statements.

2.3 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

| | |
|----------------------------------|--|
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i> |
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback¹</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)^{1,4}</i> |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants (the “2022 Amendments”)^{1,4}</i> |
| Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements¹</i> |
| Amendments to IAS 21 | <i>Lack of Exchangeability²</i> |

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, International Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Operating segment information

For management purposes, the Group is organised into business units based on income derived from business and has four reportable operating segments as follows:

- (a) the commercial property development segment develops and sells commercial properties in Chinese Mainland and Japan;
- (b) the property rental segment leases investment properties in Chinese Mainland;
- (c) the hotel operations segment owns and operates hotels; and
- (d) the “others” segment comprises, the Group’s project management business and other business that the Group is involved in.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group’s profit/loss before tax from continuing operations except that interest income and finance costs are excluded from the measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

| Year ended 31 December 2023 | Commercial property development RMB'000 | Property rental RMB'000 | Hotel operations RMB'000 | Other services RMB'000 | Total RMB'000 |
|--|--|--|---|---------------------------------------|--------------------------|
| Segment revenue | | | | | |
| Sales to external customers | 825,373 | 110,712 | 257,923 | 103,227 | 1,297,235 |
| Intersegment sales | – | 31,989 | – | – | 31,989 |
| | <u>825,373</u> | <u>142,701</u> | <u>257,923</u> | <u>103,227</u> | <u>1,329,224</u> |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment sales | | | | | <u>(31,989)</u> |
| Revenue from operations | | | | | <u><u>1,297,235</u></u> |
| Segment results | 65,040 | (366,308) | (51,238) | (26,060) | (378,566) |
| <i>Reconciliation:</i> | | | | | |
| Interest income | | | | | 3,875 |
| Finance costs | | | | | <u>(101,976)</u> |
| Loss before tax | | | | | <u><u>(476,667)</u></u> |
| Segment assets | 6,958,645 | 4,877,191 | 1,904,211 | 416,944 | 14,156,991 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment receivables | | | | | (1,270,427) |
| Corporate and other unallocated assets | | | | | <u>646,443</u> |
| Total assets | | | | | <u><u>13,533,007</u></u> |
| Segment liabilities | 4,202,164 | 355,875 | 690,886 | 463,448 | 5,712,373 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment payables | | | | | (1,270,427) |
| Corporate and other unallocated liabilities | | | | | <u>4,250,222</u> |
| Total liabilities | | | | | <u><u>8,692,168</u></u> |
| Other segment information: | | | | | |
| Share of losses of a joint venture | – | – | – | 663 | 663 |
| Impairment losses recognized in the statement of profit or loss | – | – | – | 21,280 | 21,280 |
| Depreciation and amortisation | 8,808 | 215 | 96,287 | 44,216 | 149,526 |
| Investment in joint ventures | – | – | – | 36,389 | 36,389 |
| Capital expenditure | <u>2,206</u> | <u>758</u> | <u>13,926</u> | <u>54,009</u> | <u>70,899</u> |

| Year ended 31 December 2022 | Commercial property development <i>RMB'000</i> | Property rental <i>RMB'000</i> | Hotel operations <i>RMB'000</i> | Other services <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|--------------------------------------|---------------------------------------|-------------------------------------|-------------------------|
| Segment revenue | | | | | |
| Sales to external customers | 137,416 | 101,528 | 221,657 | 131,182 | 591,783 |
| Intersegment sales | – | 30,912 | – | – | 30,912 |
| | 137,416 | 132,440 | 221,657 | 131,182 | 622,695 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment sales | | | | | (30,912) |
| Revenue from operations | | | | | <u>591,783</u> |
| Segment results | (87,482) | (108,955) | (69,651) | (106,053) | (372,141) |
| <i>Reconciliation:</i> | | | | | |
| Interest income | | | | | 34,536 |
| Finance costs | | | | | (139,909) |
| Loss before tax | | | | | <u>(477,514)</u> |
| Segment assets | 7,886,306 | 5,314,376 | 2,005,169 | 785,334 | 15,991,185 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment receivables | | | | | (2,028,277) |
| Corporate and other unallocated assets | | | | | <u>1,216,868</u> |
| Total assets | | | | | <u>15,179,776</u> |
| Segment liabilities | 4,022,847 | 338,359 | 846,809 | 1,421,953 | 6,629,968 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment payables | | | | | (2,028,277) |
| Corporate and other unallocated liabilities | | | | | <u>5,270,176</u> |
| Total liabilities | | | | | <u>9,871,867</u> |
| Other segment information: | | | | | |
| Share of losses of a joint venture | – | – | – | 1,014 | 1,014 |
| Impairment losses recognized in the statement of profit or loss | – | – | – | 47,661 | 47,661 |
| Depreciation and amortisation | 5,102 | 1,481 | 92,403 | 50,528 | 149,514 |
| Investment in a joint venture | – | – | – | 31,427 | 31,427 |
| Capital expenditure | <u>31,827</u> | <u>522</u> | <u>41,450</u> | <u>44,752</u> | <u>118,551</u> |

Geographical information

(a) *Revenue from external customers*

| | 2023 | 2022 |
|------------------|-------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Chinese Mainland | 1,281,033 | 543,767 |
| Others | 16,202 | 48,016 |
| | <u>1,297,235</u> | <u>591,783</u> |

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

| | 2023 | 2022 |
|------------------|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Chinese Mainland | 8,542,737 | 8,898,682 |
| Others | 80,329 | 102,138 |
| | <u>8,623,066</u> | <u>9,000,820</u> |

The non-current asset information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022.

4. Revenue, other income and gains, net, and other expenses

An analysis of revenue is as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|-------------------------|------------------------|
| <i>Revenue from contracts with customers</i> | 1,186,523 | 490,255 |
| <i>Revenue from other sources</i> | | |
| Gross rental income from investment property operating leases | <u>110,712</u> | <u>101,528</u> |
| | <u>1,297,235</u> | <u>591,783</u> |

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2023

| Segments | Commercial property development <i>RMB'000</i> | Hotel operations <i>RMB'000</i> | Other services <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---|---------------------------------------|-------------------------------------|-------------------------|
| Types of goods or services | | | | |
| Sale of properties | 825,373 | – | – | 825,373 |
| Hotel operation services | – | 257,923 | – | 257,923 |
| Other services | – | – | 103,227 | 103,227 |
| Total revenue from contracts with customers | <u>825,373</u> | <u>257,923</u> | <u>103,227</u> | <u>1,186,523</u> |
| Timing of revenue recognition | | | | |
| At a point in time | 825,373 | 257,923 | – | 1,083,296 |
| Over time | – | – | 103,227 | 103,227 |
| Total revenue from contracts with customers | <u>825,373</u> | <u>257,923</u> | <u>103,227</u> | <u>1,186,523</u> |

For the year ended 31 December 2022

| Segments | Commercial property development <i>RMB'000</i> | Hotel operations <i>RMB'000</i> | Other services <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---|---------------------------------------|-------------------------------------|-------------------------|
| Types of goods or services | | | | |
| Sale of properties | 137,416 | – | – | 137,416 |
| Hotel operation services | – | 221,657 | – | 221,657 |
| Other services | – | – | 131,182 | 131,182 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenue from contracts with customers | <u>137,416</u> | <u>221,657</u> | <u>131,182</u> | <u>490,255</u> |
| Timing of revenue recognition | | | | |
| At a point in time | 137,416 | 221,657 | – | 359,073 |
| Over time | – | – | 131,182 | 131,182 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenue from contracts with customers | <u>137,416</u> | <u>221,657</u> | <u>131,182</u> | <u>490,255</u> |

Revenue from the sale of properties recognised that was included in contract liabilities at the beginning of the reporting period is amounted to RMB403,290,000 (2022: RMB64,150,000).

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|-------------------------------|-------------------------------|
| Other income | | |
| Subsidy income* | 871 | 2,951 |
| Interest income | 3,875 | 34,536 |
| Others | 7,404 | 23,450 |
| | <hr/> | <hr/> |
| | 12,150 | 60,937 |
| Gains | | |
| Foreign exchange gain | – | 244 |
| Gain on disposal of right-of-use assets | – | 335 |
| Gain on disposal of items of property and equipment | 519 | 55,954 |
| | <hr/> | <hr/> |
| | 519 | 56,533 |
| | <hr/> | <hr/> |
| | 12,669 | 117,470 |
| | <hr/> | <hr/> |

* There are no unfulfilled conditions or contingencies relating to these grants.

| | 2023 | 2022 |
|---|-----------------|-----------------|
| | RMB'000 | <i>RMB'000</i> |
| Other expenses | | |
| Impairment provision for property and equipment | (1,653) | (12,867) |
| Impairment provision for intangible assets | – | (14,858) |
| Impairment provision for right-of-use assets | (729) | (19,936) |
| Impairment of financial assets | (18,898) | – |
| Loss on disposal of subsidiaries | (8,189) | – |
| Loss on disposal of investment properties | (4,382) | (23,683) |
| Loss on disposal of right-of-use assets | (4,834) | – |
| Foreign exchange loss | (6,844) | – |
| Donations | (21) | (250) |
| Compensation | (7,305) | (10,937) |
| Others | (7,042) | (991) |
| | <u>(59,897)</u> | <u>(83,522)</u> |

5. Finance costs

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

| | 2023 | 2022 |
|---|----------------|----------------|
| | RMB'000 | <i>RMB'000</i> |
| Interest on bank and other borrowings | 221,372 | 289,985 |
| Interest on lease liabilities | 5,074 | 7,923 |
| | <u>226,446</u> | <u>297,908</u> |
| Total interest expense on financial liabilities not at fair value through profit or loss | 226,446 | 297,908 |
| Less: Interest capitalised in properties under development | 124,470 | 157,999 |
| | <u>101,976</u> | <u>139,909</u> |

6. Loss before tax

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Cost of properties sold | 655,548 | 181,349 |
| Depreciation of property and equipment | 122,768 | 115,087 |
| Depreciation of right-of-use assets | 25,913 | 32,692 |
| Amortisation of other intangible assets | 845 | 1,735 |
| Lease payments not included in the measurement of lease liabilities | 10,000 | 14,074 |
| Auditor's remuneration | 2,100 | 2,100 |
| Staff costs including directors' and chief executive's remuneration: | | |
| – Salaries and other staff costs | 106,584 | 127,153 |
| – Pension scheme contributions* | 17,687 | 24,201 |
| Foreign exchange differences, net | 6,844 | (244) |
| Direct operating expenses (including repairs and maintenance arising on investment properties) | 4,910 | 5,736 |
| Equity-settled share option expense | – | 1,403 |
| Loss on disposal of investment properties | 4,382 | 23,683 |
| Loss on disposal of subsidiaries | 8,189 | – |
| Loss/(gain) on disposal of right-of-use assets | 4,834 | (335) |
| Gain on disposal of items of property and equipment | (519) | (55,954) |
| Fair value losses, net: | | |
| Changes in fair value of investment properties | 352,311 | 115,160 |
| Changes in fair value of financial assets at fair value through profit or loss | 16 | 22 |
| Impairment of financial assets ** | 18,898 | – |
| Impairment provision for property and equipment ** | 1,653 | 12,867 |
| Impairment provision for intangible assets** | – | 14,858 |
| Impairment provision for right-of-use assets** | 729 | 19,936 |

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** Included in "Other expenses" in the consolidated statement of profit or loss.

7. Income tax

The Group's subsidiaries incorporated in Hong Kong and United Kingdom were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong and United Kingdom during the year (2022: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2022: 25%) on the assessable profits of the Group's subsidiaries in Chinese Mainland.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current – PRC corporate income tax for the year | 44,797 | 19,161 |
| Current – PRC LAT for the year | 17,839 | 30,742 |
| Deferred | <u>(114,170)</u> | <u>(65,777)</u> |
| Total tax charge for the year | <u><u>(51,534)</u></u> | <u><u>(15,874)</u></u> |

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|-------------------------|-------------------------|
| Loss before tax | <u><u>(476,667)</u></u> | <u><u>(477,514)</u></u> |
| Tax at the statutory tax rate of 25% (2022: 25%) | (119,167) | (119,378) |
| Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries | (1,188) | (6,529) |
| Expenses not deductible for tax | 301 | 4,150 |
| Tax losses utilised from previous periods | – | (23,169) |
| Tax losses and temporary differences not recognised | 55,141 | 105,996 |
| Provision for LAT | 17,839 | 30,742 |
| Tax effect on LAT | <u>(4,460)</u> | <u>(7,686)</u> |
| Tax charge at the Group's effective rate | <u><u>(51,534)</u></u> | <u><u>(15,874)</u></u> |

Tax payable in the consolidated statement of financial position represents:

| | | |
|--------------------------|-----------------------|-----------------------|
| PRC corporate income tax | 193,768 | 162,025 |
| PRC LAT | <u>217,681</u> | <u>296,755</u> |
| | <u><u>411,449</u></u> | <u><u>458,780</u></u> |

8. Loss per share attributable to ordinary equity holders of the parent

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent of RMB404,136,000 (loss for 2022: RMB432,523,000) and the weighted average number of ordinary shares of 2,010,768,000 (2022: 2,010,768,000) in issue of shares during the year, as adjusted to reflect the rights issued during the year.

The calculation of basic loss per share is based on:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|-------------------------|------------------------|
| Loss | | |
| Loss attributable to ordinary equity holders of the parent | <u>(404,136)</u> | <u>(432,523)</u> |
| | Number of shares | |
| | 2023 | 2022 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year | <u>2,010,768,000</u> | <u>2,010,768,000</u> |

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

9. Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

10. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing and unsecured.

An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Within six month | 67,535 | 46,747 |
| Over six month but within one year | <u>2,478</u> | <u>1,048</u> |
| | <u>70,013</u> | <u>47,795</u> |

10. Trade receivables (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the sales of commercial properties, rentals under operating leases and provision of hotel operation businesses and other business of the Group, management has assessed that the expected credit loss rate for trade receivables is minimal as at 31 December 2023 and 2022. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

11. Trade payables

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-------------------------------------|------------------------|------------------------|
| Within six months | 482,634 | 549,069 |
| Over six months but within one year | 75,001 | 33,819 |
| Over one year | 17,383 | 15,870 |
| | <u>575,018</u> | <u>598,758</u> |

The trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

12. Commitments

The Group had the following commitments for property development expenditure at the end of the reporting period:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-----------------------------------|------------------------|------------------------|
| Contracted, but not provided for: | | |
| Properties under development | <u>1,497,185</u> | <u>1,049,590</u> |

13. Contingent liabilities

(a) *Mortgage facilities granted by banks*

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

| | 2023 | 2022 |
|---|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Guarantees given to banks for: | | |
| Mortgage facilities granted to purchasers of the Group's properties | <u>363,960</u> | <u>406,830</u> |

(b) *Claim arising from the litigation*

On 7 January 2019, the Company allotted and issued 178,280,000 shares to Hangzhou Oriental Culture Tourism Group Co., Ltd. ("**the Seller**") for the purpose of acquiring 22.65% of equity interests in Zhejiang Xinnongdu Industrial Co., Ltd. ("**XND**") under the equity transfer agreement announced on 20 July 2018 ("**the Transaction**"). However, the Seller had filed a lawsuit against the Company to cancel the Transaction. The Company had lost the lawsuit in the first trial verdict, and had appealed to higher court. Currently, the lawsuit is still in process. The directors, based on the advice from the Group's legal counsel, believe that they have a valid defence against the allegation in their appeal to higher court, and have not provided for the claim arising from the litigation, other than the related legal and other costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is a large-scale enterprise integrating commercial development and operation, hotel management, film and television, education, cultural tourism and other industries, underpinned by ample commercial property resources with its sector layout spanning across the country. Bolstered by its forward-looking strategic vision and operating concepts that keep abreast of the times, the Group has now developed into a remarkable comprehensive commercial property developer in the Yangtze River Delta Region. It has been recognised as a “2023 China’s Top Ten Commercial Property Developer”, “China Top 100 Commercial Property Enterprises”, “China’s Outstanding Real Estate Urban Renewal Enterprises” and “China’s Top 10 Commercial Property Companies in Brand Value” among others.

Business Review

Focusing on the four major business segments of industrial property development, commercial operations, hotel management, and industrial investment as its core, the Group also diversifies its business layout further in other emerging industries such as industrial services, rural cultural tourism, wholesale of agricultural products with intelligent approach, film and television education, and digital health. As such, a “golden circle” with strong synergy and circulation effects has been formed successfully between different segments.

Over the years, the Group has always adhered to prudent operations and continued to improve operating efficiency leveraging on its diversified industrial layout backed by strong urban development and operation services and industrial resource integration capabilities. For the FY2023, the Group’s consolidated revenue was approximately RMB1,297 million, representing a year-on-year increase of 119.2%; gross profit was approximately RMB368 million, representing a year-on-year increase of 213.6%, which is much higher than the revenue growth rate. The gross profit margin is approximately 28.4%, representing an increase of approximately 8.6% as compared to the FY2022. As at 31 December 2023, the Group’s total equity was approximately RMB4,841 million. The carrying amount of cash was approximately RMB384 million.

Prospects and Outlook

The 2024 PRC government work report delineates three pivotal tenets for China’s real estate sector: risk mitigation, adherence to baselines, and market stabilisation. This policy framework supports the sector’s robust growth trajectory. Central government policies will maintain their efficacy, with local governments anticipated to refine their regulatory tactics. More importantly, the PRC government reiterates its commitment to the reasonable financing demands of real estate firms, heralding a more accommodative financing climate for private and mixed-ownership entities.

As market supply-demand dynamics evolve, the resurgence of buyer confidence and market sentiment is paramount. The real estate market is projected to recover incrementally as economic conditions and household incomes stabilise.

In this context, the Group will adhere to a prudent management ethos, ensuring financial solidity and efficient resource integration. We will vigorously pursue business innovation and steadfastly advance urban renewal projects, invigorating cities. Within the existing property market, we will explore innovative development paradigms to adeptly navigate market fluctuations, maintaining the Group’s leading position in the competitive landscape.

DEVELOPMENT OF MAJOR PROJECTS

Hangzhou, Zhejiang Province

Fashion Color City

It is located in Xinjie Village, Xiaoshan District, Hangzhou, It consists of deluxe loft apartments, large flat floor apartments and shops, with a total floor area of approximately 26,087 sq.m. and a total GFA of approximately 78,261 sq.m., and is for commercial purpose. The construction of project was commenced in the third quarter of 2020 and the pre-sale was started in the fourth quarter of 2020. It has been completed in 2023. The pre-sales volume was within expectation during the year under review.

International Office Centre (IOC)

IOC is a large-scale integrated commercial complex located in Qianjiang Century City (錢江世紀城), Xiaoshan District, Hangzhou, comprising serviced apartments, shopping malls and offices. The total site area of Plot A for the project is 92,610 sq.m. and planned total GFA is 798,795 sq.m. The project is constructed in three phases, consists of Plots A1, A2 and A3. Among which, Plot A3 was completed in 2015, comprising serviced apartments, shops and underground car parking spaces with a total GFA of approximately 327,996 sq.m. Plot A3 had been sold out apart from a few units and car parking spaces. The construction of Plot A2 has been commenced in 2019 with a total GFA of approximately 263,555 sq.m. The pre-sales of the project started in the third quarter of 2020 and it has been completed in 2023. The pre-sales volume of Plot A2 was within expectation during the year under review.

Long Ying Hui Jin Zuo (Bin He Yin)

It is located in Beigan Technology Innovation Park, Xiaoshan District, Hangzhou, and consists of large flat floors and shops, with a total floor area of approximately 12,819 sq.m., and a total GFA of approximately 44,867 sq.m., and is for commercial purpose. The construction of the project was commenced in the fourth quarter of 2021 and the pre-sale was started in the third quarter of 2022, which is expected to be completed in 2024. The pre-sales volume was within expectation during the year under review.

Ningbo, Zhejiang Province

Cixi New City

This is a residential property project in Cixi, Zhejiang Province. The construction of Commercial Phase 1, with a total GFA of about 28,158 sq.m., was commenced in July 2019. The pre-sale was started in the third quarter of 2020, and was completed in 2021. The construction of Commercial Phase II, with a total GFA of about 72,000 sq.m., was commenced in the second quarter of 2021, and has been completed in 2023. The pre-sales volume was within expectation during the year under review.

2023 Recognised Sales

For the FY2023, the recognised sales of properties sold and delivered were approximately RMB825,373,000 (FY2022: approximately RMB137,416,000). A total of the recognised GFA of properties delivered was approximately 58,015 sq.m.

| | 2023 (RMB million) | 2022 (RMB million) |
|---|-----------------------|-----------------------|
| Fashion Color City | 546.96 | – |
| Hidden Dragon Bay | 226.43 | 56.5 |
| Cixi New City | 38.94 | 8.2 |
| Jia Run Mansion | 6.46 | – |
| Xixi Manhattan | 5.58 | 58.0 |
| Yuyao Zhong An Times Square Phase II | 0.60 | 7.4 |
| Xixi New City | 0.43 | – |
| International Office Centre (IOC) A2 & A3 | – | 7.3 |
| | <u>825.37</u> | <u>137.4</u> |

2023 Contracted Sales

The contracted sales area of the Group was approximately 102,716 sq.m. for the FY2023 (FY2022: approximately 92,353 sq.m.) and contracted sales revenue was approximately RMB1,589,300,000 for the FY2023 (FY2022: approximately RMB1,517,400,000). Details of the contracted sales of the major projects are as below:

| Projects | City | Contracted amount RMB million | Contracted GFA sold sq.m. |
|--|----------|-------------------------------------|---------------------------------|
| Cixi New City | Ningbo | 15.7 | 2,533 |
| Fashion Color City | Hangzhou | 373.4 | 23,163 |
| Hidden Dragon Bay | Hangzhou | 398.2 | 30,877 |
| International Office Centre (IOC)A2 & A3 | Hangzhou | 260.3 | 5,390 |
| Long Ying Hui Jin Zou (Bin He Yin) | Hangzhou | 268.9 | 10,740 |
| Xinnongdu | Hangzhou | 267.1 | 29,537 |
| Zhong An Times Square Phase II | Yuyao | 0.6 | – |
| Others (Commercial) | Hangzhou | 5.1 | 467 |
| | | <u>1,589.3</u> | <u>102,717</u> |

Land Reserve

As at 31 December 2023, the total GFA of land reserves held for development and/or sale of the Group was approximately 3,769,075 sq.m.

Hotel Management

As at the date of this announcement, there are four hotels under the management of the Group, namely, Holiday Inn Hangzhou Xiaoshan, Qiandao Lake Bright Resort Hotel, Ningbo Bright Hotel and Huaibei Bright Hotel. For the FY2023, the hotel operation of the Group recorded a revenue of approximately RMB257,923,000 (FY2022: approximately RMB221,657,000), representing an increase of approximately 16.4% during the FY2023 and the hotel occupancy rate was approximately 69% (FY2022: approximately 56%), as benefitted from the increasing occupancy rate due to increased human mobility across the country following the relaxation of control measures during post-pandemic in 2023.

Commercial Operation

The commercial operation income of the Group mainly comes from the leasing income of Highlong Plaza, International Office Centre (IOC), Yiwu Zhong An Square and Yuyao Zhong An Square with types of business including office, shopping malls and community commercial complex. The total revenue from such leasing business for the FY2023 was approximately RMB110,712,000 (FY2022: approximately RMB101,528,000), representing an increase of approximately 9.0%. The average occupancy rate of leasing properties (calculated by dividing total lease area by total area available for lease) was approximately 86% (FY2022: approximately 86%).

FINANCIAL ANALYSIS

REVENUE

The consolidated revenue of the Group amounted to approximately RMB1,297,235,000 for the FY2023, representing an increment of approximately RMB705,452,000 or 119.2% as compared to the FY2022. It was mainly resulted from the substantial increase in the revenue from sales of commercial properties of approximately RMB687,957,000 as compared to the FY2022, which was mainly resulted from the income recognised for the delayed delivery of development projects in the FY2023 due to the pandemic earlier.

GROSS PROFIT

The gross profit of the Group amounted to approximately RMB368,097,000 for the FY2023, representing an increase of approximately RMB250,724,000 or 213.6% as compared to the FY2022. Gross profit margin was approximately 28.4%, enhanced by approximately 8.6% as compared to the FY2022. The outperform in gross profit was mainly due to the increase in gross profit from the increase in property sales.

OTHER INCOME AND GAINS, NET

The other income and gains of the Group amounted to approximately RMB12,669,000 for the FY2023, representing a decrease of approximately RMB104,801,000 or 89.2% as compared to the FY2022. The decrease was mainly due to the one-off compensation for quality deficiencies and delay relating to a project of approximately RMB11,559,633 received by the Group in the FY2022, as well as the decrease in gain from the sale of properties and equipment and interest income of approximately RMB55,435,000 and approximately RMB30,661,000, respectively, for the FY2023.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses of the Group amounted to approximately RMB171,979,000 for the FY2023, representing an increase of approximately RMB21,828,000 or 14.5% as compared to the FY2022. Such increment was due to the increase in revenue.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group amounted to approximately RMB170,607,000 for the FY2023, representing a decrease of approximately RMB51,994,000 or 23.4% as compared to the FY2022. Such decline was attributable to the effective implementation of control measures to reduce costs and increase efficiency by the Group.

OTHER EXPENSES

The other expenses of the Group amounted to approximately RMB59,897,000 for the FY2023, representing a decrease of approximately RMB23,625,000 as compared to the FY2022.

FINANCE COSTS

The finance costs of the Group amounted to approximately RMB101,976,000 for the FY2023, representing a decrease of approximately RMB37,933,000 or 27.1% as compared to the FY2022. Such decrease was mainly due to the reducing bank loan balances and other commercial borrowings of the Group.

LOSS FOR THE YEAR

The Group recorded a net loss of approximately RMB425,133,000 for the FY2023, as compared to a net loss of approximately RMB461,640,000 for the FY2022. Such loss for the FY2023 was mainly due to the fact that the Group has recorded a decrease in fair value of investment properties of approximately RMB352,311,000 for the FY2023 and the decrease in gain from the sale of properties and equipment and interest income of approximately RMB55,435,000 and approximately RMB30,661,000, respectively, compared to the FY2022.

CAPITAL EXPENDITURE

The Group's capital expenditure requirements mainly relate to additions of its property and equipment. The Group spent approximately RMB70,899,000 on property and equipment during the FY2023.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the FY2023.

CAPITAL STRUCTURE

As at 31 December 2023, the Group had aggregate cash and cash equivalents and restricted cash of approximately RMB384,164,000 (as at 31 December 2022: approximately RMB1,180,239,000). The current ratio (as measured by current assets to current liabilities) as at 31 December 2023 was 0.84 (as at 31 December 2022: 0.93).

As at 31 December 2023, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB584,860,000 and approximately RMB2,534,180,000, respectively (as at 31 December 2022: approximately RMB1,319,438,000 and approximately RMB2,689,041,000, respectively). Except for certain bank and other borrowings amounting to approximately RMB557,500,000 (as at 31 December 2022: approximately RMB774,000,000) that bear interests at fixed rates, all bank loans bear interests at floating rates.

As at 31 December 2023, the Group's gearing ratio was 46% (as at 31 December 2022: 44%), which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals, and lease liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

PLEDGE OF ASSETS

As at 31 December 2023, the Group's bank borrowings and other borrowings of approximately RMB3,119,040,000 (as at 31 December 2022: approximately RMB4,008,479,000) were secured by the Group's pledge of assets as follows:

| | As at 31 December 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|------------------------------------|---|---|
| Property and equipment | 1,081,614 | 1,177,639 |
| Investment properties | 2,993,909 | 213,321 |
| Properties under development | 1,551,833 | 2,435,636 |
| Completed properties held for sale | – | 628,696 |
| Restricted cash | – | 1,856 |
| | <u>5,627,356</u> | <u>4,457,148</u> |

TREASURY POLICIES

The Group principally operates in PRC and the revenue, operating cost and borrowings were mainly denominated in RMB. As a result, the Group has minimal exposure to exchange rate fluctuation. The interest rates for the Group's borrowings were both floating and fixed. Upward fluctuations in interest rates will increase the cost of borrowings.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in RMB. The Group did not use any financial instruments for hedging purpose for the FY2023.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group's contingent liabilities was approximately RMB363,960,000 (as at 31 December 2022: approximately RMB406,830,000), which were mainly the guarantees provided by the Group in favour of certain banks for the grant of mortgage loans to purchasers of the Group's properties.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group's capital commitments for property development expenditures amounted to approximately RMB1,497,185,000 (as at 31 December 2022: approximately RMB1,049,590,000). It is expected that the Group will finance such capital commitments from its own funds and bank loans.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 1,256 employees (as at 31 December 2022: 1,332). The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain and enhance their competitiveness.

STRATEGIES

The management has developed sound strategies to overcome the abovementioned challenges and address the uncertainties faced by the Group, including formulating effective marketing strategies and plans and improving our products and services quality to consolidate our brand. The Group will put more efforts in formulating new policies, guidelines, systems and processes to facilitate effective cost management, risk management, internal control and sustainable environmental management to enhance company management standards and corporate governance standards. For growth strategy, the Group will focus on identifying possible acquisitions with future development prospects and profitability to improve the returns on assets. The Group will further emphasise on investor relations management, and continue to convey clearly the operation vision, business updates and future development strategies of the Group and other information to various stakeholders through press conferences, roadshows, media delegation visits and one-on-one analyst or investor interview and otherwise to strive for the recognition and support from various stakeholders and obtain more resources for business development and maximising shareholders' value.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees, customers and suppliers are the key stakeholders who affect the sustainability of our business. Engaging with those stakeholders will not only help us understand the possible risks and opportunities to our business, but also help us to mitigate risk and seize the opportunities in the real market situation.

The Group believes that our people are critical factors to the Group's success and competitiveness in the market. As such, we had adopted a share option scheme on 20 May 2015 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

Customer satisfaction with our services and products has profound effects on our profitability. Our dedicated sales team constantly communicates with our customers and potential customers to uncover and create customer needs and help customers make informed decisions. Grasping the market trend is the key for the Group to timely adjust our operating strategies to meet the market demands.

EVENTS AFTER THE REPORTING YEAR

There have been no significant events occurred after 31 December 2023 and up to the date of this announcement which require disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ASPECTS

The Group has always been committed to maintaining the highest environmental and social standards to ensure sustainable business development. Our environmental, social and governance report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and will be published on the websites of the Company and the Stock Exchange in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the FY2023 (FY2022: Nil).

SCOPE OF WORK OF ERNST & YOUNG

The figures above in respect of this annual results announcement for the FY2023 have been agreed with the Company's auditor, Ernst & Young, certified public accountants ("**Ernst & Young**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the FY2023. The work performed by Ernst & Young 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 Ernst & Young on this announcement.

AUDIT COMMITTEE

The Audit Committee (comprising all the independent non-executive Directors) has reviewed the consolidated annual results of the Group for the FY2023, and reviewed with the management of the Group regarding the accounting standards and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the FY2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any Shares on the Stock Exchange (FY2022: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

The Company has made specific enquiries with all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code during the FY2023 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted, in so far as they are applicable, the principles and the code provisions set out in the Corporate Governance Code in Appendix C1 to the Listing Rules (“CG Code”) as the basis of the Company’s corporate governance practices. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the applicable code provisions set out in the CG Code during the FY2023 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting (the “AGM”) of the Company will be held on 6 June 2024, Thursday. Notice of the AGM will be published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk), and will be dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For determination of the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from 3 June 2024, Monday to 6 June 2024, Thursday (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 31 May 2024, Friday.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the FY2023 containing the relevant information required under the Listing Rules will be published on the above websites and dispatched to the Company’s shareholders in due course.

By order of the Board of
China New City Group Limited
中國新城市集團有限公司
Shi Zhongan
Chairperson

The PRC, 26 March 2024

As at the date of this announcement, the Board comprises Mr. Shi Nanlu and Mr. Jin Jianrong as executive Directors; Mr. Shi Zhongan as non-executive Director; and Mr. Xu Chengfa, Mr. Lam Yau Yiu and Mr. Yuan Yuan as independent non-executive Directors.