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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	
Revenue	2,921,774	818,559	256.9%
Gross profit	1,579,596	229,021	589.7%
Profit/(loss) for the period	347,502	(71,996)	582.7%
Profit/(loss) attributable to owners of the parent	377,789	(66,669)	666.7%
Profit/(loss) per share attributable to ordinary equity holders of the parent – Basic and diluted	RMB18.79 cents	RMB(3.32) cents	
	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)	Change
Total assets	13,421,184	13,533,007	-0.8%
Net assets	5,204,361	4,840,839	7.5%
Net assets value per share	RMB2.59	RMB2.41	7.5%

The board (the “**Board**”) of directors (the “**Directors**”) of China New City Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”), together with the comparative figures for the six months ended 30 June 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	<i>Notes</i>	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	2,921,774	818,559
Cost of sales		<u>(1,342,178)</u>	<u>(589,538)</u>
Gross profit		1,579,596	229,021
Other income and gains	4	25,876	5,782
Selling and distribution costs		(66,588)	(77,630)
Administrative expenses		(67,991)	(92,725)
Other expenses		(5,833)	(4,038)
Finance costs		(47,317)	(47,185)
Share of profits and losses of joint ventures		(4,485)	(427)
Changes in fair value of investment properties		<u>(535,900)</u>	<u>(29,911)</u>
Profit/(loss) before tax	5	877,358	(17,113)
Income tax expense	6	<u>(529,856)</u>	<u>(54,883)</u>
Profit/(loss) for the period		<u>347,502</u>	<u>(71,996)</u>
Attributable to:			
Owners of the parent		377,789	(66,669)
Non-controlling interests		<u>(30,287)</u>	<u>(5,327)</u>
		<u>347,502</u>	<u>(71,996)</u>
Profit/(Loss) per share attributable to equity holders of the parent			
Basic and diluted	7	<u>RMB18.79 cents</u>	<u>RMB (3.32) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Profit/(loss) for the period	<u>347,502</u>	<u>(71,996)</u>
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	<u>10,812</u>	<u>45,784</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>10,812</u>	<u>45,784</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	5,690	–
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(1,982)	7,871
Income tax effect	<u>496</u>	<u>(1,968)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>4,204</u>	<u>5,903</u>
Other comprehensive income/(loss) for the period, net of tax	<u>15,016</u>	<u>51,687</u>
Total comprehensive income/(loss) for the period	<u>362,518</u>	<u>(20,309)</u>
Attributable to:		
Owners of the parent	392,805	(14,982)
Non-controlling interests	<u>(30,287)</u>	<u>(5,327)</u>
	<u>362,518</u>	<u>(20,309)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	30 June 2024	31 December 2023
<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS		
Property and equipment	2,268,677	2,313,326
Investment properties	4,296,100	4,840,200
Properties under development	948,097	955,096
Right-of-use assets	32,267	75,440
Equity investments designated at fair value through other comprehensive income	355,413	357,395
Long term prepayments	329,637	297,615
Investment in joint ventures	27,278	36,389
Deferred tax assets	144,851	66,899
Restricted cash	–	105,000
Total non-current assets	<u>8,402,320</u>	<u>9,047,360</u>
CURRENT ASSETS		
Completed properties held for sale	3,612,599	1,276,276
Properties under development	534,779	2,362,183
Inventories	35,269	36,410
Trade receivables	9 81,425	70,013
Prepayments, other receivables and other assets	504,057	442,965
Financial assets at fair value through profit or loss	36	36
Restricted cash	100,189	98,009
Cash and cash equivalents	123,710	181,155
Investment properties classified as held for sale	26,800	18,600
Total current assets	<u>5,018,864</u>	<u>4,485,647</u>
CURRENT LIABILITIES		
Trade payables	10 2,085,030	575,018
Other payables and accruals	319,896	321,663
Contract liabilities	661,987	3,060,168
Amounts due to related companies	47,624	329,924
Interest-bearing bank and other borrowings	575,860	584,860
Lease liabilities	46,575	49,110
Tax payable	1,128,010	411,449
Total current liabilities	<u>4,864,982</u>	<u>5,332,192</u>
NET CURRENT ASSETS	<u>153,882</u>	<u>(846,545)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>8,556,202</u>	<u>8,200,815</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	30 June 2024	31 December 2023
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,706,610	2,534,180
Deferred tax liabilities	617,639	733,923
Lease liabilities	27,592	91,873
	<hr/>	<hr/>
Total non-current liabilities	3,351,841	3,359,976
	<hr/>	<hr/>
NET ASSETS	5,204,361	4,840,839
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EQUITY		
Equity attributable to owners of the parent		
Share capital	160,220	160,220
Reserves	4,979,471	4,586,666
	<hr/>	<hr/>
	5,139,691	4,746,886
Non-controlling interests	64,670	93,953
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TOTAL EQUITY	5,204,361	4,840,839
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Corporate 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 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 are listing on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), 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.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual financial information for the period ended 31 December 2023, except for the adoption of the following new and revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

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 involve 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, restricted cash, 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.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2024 and 2023, respectively.

Six months ended 30 June 2024 (unaudited)	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	2,723,530	48,646	112,651	36,947	2,921,774
Intersegment sales	5,174	3,728	–	564	9,466
Total segment revenue	2,728,704	52,374	112,651	37,511	2,931,240
<i>Reconciliation:</i>					
Elimination of intersegment sales					(9,466)
Revenue from operations					2,921,774
Segment results	1,403,421	(426,319)	(30,498)	(26,026)	920,578
<i>Reconciliation:</i>					
Interest income					4,097
Finance costs					(47,317)
Loss before tax					877,358
Other segment information					
Share of losses of joint ventures	–	–	–	4,485	4,485
Depreciation and amortisation	5,468	1,204	45,455	10,020	62,147
Capital expenditure	1	11,675	788	12,371	24,835

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2024 and 2023, respectively. (Continued)

Six months ended 30 June 2023 (unaudited)	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	565,273	60,582	124,419	68,285	818,559
Intersegment sales	—	12,156	—	—	12,156
	<u>565,273</u>	<u>72,738</u>	<u>124,419</u>	<u>68,285</u>	<u>830,715</u>
Total segment revenue	565,273	72,738	124,419	68,285	830,715
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(12,156)</u>
Revenue from operations					<u><u>818,559</u></u>
Segment results	69,268	(30,162)	12,267	(24,712)	26,661
<i>Reconciliation:</i>					
Interest income					3,411
Finance costs					<u>(47,185)</u>
Loss before tax					<u><u>(17,113)</u></u>
Other segment information					
Share of losses of a joint venture	—	—	—	427	427
Depreciation and amortisation	2,568	81	33,453	27,241	63,343
Capital expenditure	<u>33</u>	<u>51</u>	<u>2,148</u>	<u>19,639</u>	<u>21,871</u>

The following tables present segment assets and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023, respectively:

As at 30 June 2024 (unaudited)	Commercial property development RMB'000	Property Rental RMB'000	Hotel operations RMB'000	Other services RMB'000	Total RMB'000
Segment assets	6,851,361	4,409,811	1,868,702	743,172	13,873,046
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(820,615)
Corporate and other unallocated assets					<u>368,753</u>
Total assets					<u><u>13,421,184</u></u>
Segment liabilities	2,551,396	374,366	639,933	675,552	4,241,247
<i>Reconciliation:</i>					
Elimination of intersegment payables					(820,615)
Corporate and other unallocated liabilities					<u>4,796,191</u>
Total liabilities					<u><u>8,216,823</u></u>
As at 31 December 2023 (audited)	Commercial property development RMB'000	Property Rental RMB'000	Hotel operations RMB'000	Other services RMB'000	Total RMB'000
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>

Geographical Information

(a) Revenue from external customers

Revenue	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Chinese Mainland	2,921,774	810,235
Others	—	8,324
Total	<u>2,921,774</u>	<u>818,559</u>

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

(b) Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
	Chinese Mainland	7,844,102
Others	<u>57,954</u>	<u>80,329</u>
Total	<u>7,902,056</u>	<u>8,623,066</u>

The non-current assets information above are based on the locations of the assets and exclude 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 six months ended 30 June 2024 and 2023.

4. Revenue, other income and gains

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers	2,873,128	757,977
Revenue from other sources		
Gross rental income from investment property operating leases	<u>48,646</u>	<u>60,582</u>
Total	<u><u>2,921,774</u></u>	<u><u>818,559</u></u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

Segments	Commercial property development RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	Other services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Sale of properties	2,723,530	–	–	2,723,530
Hotel operating income	–	112,651	–	112,651
Other services	–	–	36,947	36,947
Total	<u><u>2,723,530</u></u>	<u><u>112,651</u></u>	<u><u>36,947</u></u>	<u><u>2,873,128</u></u>
Timing of revenue recognition				
At a point in time	2,723,530	112,651	–	2,836,181
Over time	–	–	36,947	36,947
Total	<u><u>2,723,530</u></u>	<u><u>112,651</u></u>	<u><u>36,947</u></u>	<u><u>2,873,128</u></u>

For the six months ended 30 June 2023

Segments	Commercial property development <i>RMB'000</i> (Unaudited)	Hotel operations <i>RMB'000</i> (Unaudited)	Other services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services				
Sale of properties	565,273	–	–	565,273
Hotel operating income	–	124,419	–	124,419
Other services	–	–	68,285	68,285
Total	565,273	124,419	68,285	757,977
Timing of revenue recognition				
At a point in time	565,273	124,419	–	689,692
Over time	–	–	68,285	68,285
Total	565,273	124,419	68,285	757,977

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
Subsidy income*	80	477
Interest income	4,097	3,411
Others	4,137	1,658
Sub-total	8,314	5,546
Gains		
Gain on disposal of items of property and equipment	576	–
Compensation of lease termination	2,876	–
Gain on disposal of subsidiaries	2,863	–
Gain on disposal of items of right-of-use assets	5,918	–
Foreign exchange gains	5,329	236
Sub-total	17,562	236
Total	25,876	5,782

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

5. Profit/Loss before tax

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

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of properties sold	12	1,217,435	429,479
Depreciation of property and equipment		62,147	47,104
Amortisation of other intangible assets		–	373
Depreciation of right-of-use assets		6,182	15,866
Lease payments not included in the measurement of lease liabilities		1,813	2,651
Staff costs including directors' and chief executive's remuneration:			
– Salaries and other staff costs		41,988	60,756
– Pension scheme contributions*		8,007	11,154
Foreign exchange differences, net		(5,329)	(236)
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)		2,197	2,982
Loss on disposal of investment properties		–	2,478
Fair value losses, net:			
Changes in fair value of investment properties	9	535,900	29,911
Changes in fair value of financial assets at fair value through profit or loss		–	17
(Gain)/loss on disposal of items of property and equipment		(576)	197
Compensation of lease termination		(2,876)	–
Gain on disposal of subsidiaries		(2,863)	–
Gain on disposal of items of right-of-use assets		(5,918)	–
Foreign exchange gains		(5,329)	236
Impairment of an investment in a joint venture**		5,626	–

* 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 condensed consolidated statement of profit or loss.

8. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. Trade receivables

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within six months	77,681	67,535
Over six months but within one year	<u>3,744</u>	<u>2,478</u>
Total	<u>81,425</u>	<u>70,013</u>

10. 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:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within six months	1,931,508	482,634
Over six months but within one year	68,027	75,001
Over one year	<u>85,495</u>	<u>17,383</u>
Total	<u>2,085,030</u>	<u>575,018</u>

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

11. Commitments

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contracted, but not provided for: Properties under development	<u>290,457</u>	<u>1,497,185</u>

(b) Payment commitment arising from the settlement agreement

On 7 January 2019, the Company allotted and issued 178,280,000 shares (“**the 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. On 17 May 2024, the Company reached a settlement agreement with the Seller. Pursuant to the agreement, the Company is required to pay RMB210,000,000 by 30 June 2025 to the Seller for the consideration regarding the 22.65% equity interests in XND and the Shares will be returned to the Company for cancellation. Upon completion of the payment, the Company will acquire the ownership and all shareholders’ rights of the aforesaid 22.65% of equity interest. As of 30 June 2024, the Company had paid RMB100,000,000 for the above settlement agreement and had a payment commitment of approximately RMB110,000,000.

12. Contingent liabilities

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.

	30 June 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group’s properties	<u>374,392</u>	<u>363,960</u>

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, among others, a “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”.

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 among 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 Period, the Group’s consolidated revenue was approximately RMB2,922 million, representing a year-on-year increase of 256.9%; gross profit was approximately RMB1,580 million, representing a year-on-year increase of 589.7%, which is much higher than the revenue growth rate. The gross profit margin for the Period is approximately 54.1%, representing an increase of approximately 26.1% as compared to the corresponding period of last year. As at 30 June 2024, the Group’s total equity was approximately RMB5,177 million. The carrying amount of cash was approximately RMB224 million.

POLICY AND OUTLOOK

The 2024 government work report of the People’s Republic of China (the “PRC”) 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 central 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 to invigorate 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 gross floor area (“GFA”) of approximately 78,261 sq.m., and is for commercial purpose. The construction of the 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 sales volume was within expectation during the Period.

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. It has been completed in 2023. The sales volume of Plot A2 was within expectation during the Period.

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 Period.

Sales Review

For the Period, the recognized sales of properties sold and delivered were approximately RMB2,723,530,000 (six months ended 30 June 2023: approximately RMB565,273,000). A total of the recognized GFA of properties delivered was approximately 73,493 sq.m. (six months ended 30 June 2023: approximately 36,584 sq.m.).

Projects	Region	Recognised amount <i>RMB' million</i>	Recognised GFA sold <i>sq.m.</i>
	Zhejiang		
International Office Centre (IOC) A2	Hangzhou	2,505.7	56,862
Fashion Color City	Hangzhou	148.7	10,289
Hidden Dragon Bay	Hangzhou	33.5	2,947
Cixi New City	Ningbo	21.4	3,228
Xixi Manhattan	Hangzhou	10.3	166
Commercial Plot 8	Hangzhou	3.2	–
Yuyao Zhong An Times Square (Phase II)	Yuyao	0.8	–
		2,723.5	73,493
		2,723.5	73,493

2024 Contracted Sales

The contracted sales area of the Group was approximately 29,997 sq.m. for the Period (six months ended 30 June 2023: approximately 55,687 sq.m.) and contracted sales revenue was approximately RMB663,350,000 for the Period (six months ended 30 June 2023: approximately RMB813,700,000). Details of the contracted sales of the major projects are as below:

Projects	Region	Contracted amount <i>RMB' million</i>	Contracted GFA sold <i>sq.m.</i>
	Zhejiang		
International Office Centre (IOC) A2	Hangzhou	341.0	6,693
Xinnongdu	Hangzhou	102.5	8,738
Fashion Color City	Hangzhou	99.4	5,869
Long Ying Hui Jin Zhou (Bin He Yin)	Hangzhou	75.2	3,266
Cixi New City	Ningbo	31.0	4,483
International Office Centre (IOC) A3	Hangzhou	0.9	–
Zhong An Times Square Phase II	Ningbo	0.8	–
Hidden Dragon Bay	Hangzhou	0.4	–
Others (Commercial)	Hangzhou	12.1	949
		663.4	29,997
		663.4	29,997

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. During the Period, the Group recorded a revenue of approximately RMB112,651,000 (six months ended 30 June 2023: approximately RMB124,419,000) from hotel management, representing a decrease of approximately RMB11,768,000 during the Period, which was mainly attributable to the decrease in occupancy rate to approximately 62% (six months ended 30 June 2023: approximately 67%) due to the weak market.

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 offices, shopping malls and community commercial complexes. The total revenue from commercial operation for the Period was approximately RMB48,646,000 (six months ended 30 June 2023: approximately RMB60,582,000), representing a decrease of approximately RMB11,936,000. The average occupancy rate of leasing properties was approximately 84% (six months ended 30 June 2023: approximately 78%). The decrease in revenue was mainly due to the decrease in the average unit rent of the leasing properties as compared with the same period in 2023.

Land Reserve

As at 30 June 2024, the total GFA of land reserves held for development and/or sale of the Group was approximately 3,762,642 sq.m. (as at 31 December 2023: approximately 3,836,135 sq.m.).

REVENUE

The consolidated revenue of the Group amounted to approximately RMB2,921,774,000 for the Period, representing an increment of approximately RMB2,103,215,000 or 256.9% when compared with the same period in 2023, mainly due to an increase of approximately RMB2,158,257,000 in the property sales business when compared with the same period in 2023, of which two projects, International Office Centre (IOC) A2 and Fashion Color City, contributed sales of properties of approximately RMB2,505,700,000 and RMB148,700,000, respectively.

GROSS PROFIT

The consolidated gross profit of the Group for the Period amounted to approximately RMB1,579,596,000, representing an increase of approximately RMB1,350,575,000 or 589.7% when compared with the same period in 2023. The consolidated gross profit margin was approximately 54.1%, enhanced by approximately 26.1% when compared with the same period in 2023. The increase in consolidated gross profit was mainly due to a significant increase in the revenue of the Group resulted from property sales with higher gross profit margin during the Period.

OTHER INCOME AND GAINS

The other income and gains amounted to approximately RMB25,876,000 during the Period, representing an increase of approximately RMB20,094,000 or 347.5% when compared with the same period in 2023. The increase was mainly due to approximately RMB5,918,000 in gain on disposal of items of right-of-use assets, approximately RMB5,329,000 in exchange gains, approximately RMB2,876,000 in compensation of lease termination and approximately RMB2,863,000 in gains on disposal of subsidiaries during the Period.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses amounted to approximately RMB66,588,000 during the Period, representing a decrease of approximately RMB11,042,000 or 14.2% when compared with the same period in 2023, which was attributable to the Group's effective implementation of cost management strategies and the improvement in the Group's costs control efficiency as a result.

ADMINISTRATIVE EXPENSES

The administrative expenses amounted to approximately RMB67,991,000 during the Period, representing a decrease of approximately RMB24,734,000 or 26.7% when compared with the same period in 2023, which was attributable to the Group's effective implementation of cost management strategies and the improvement in the Group's costs control efficiency as a result.

OTHER EXPENSES

The other expenses amounted to approximately RMB5,833,000 during the Period, representing an increase of approximately RMB1,795,000 or 44.5% when compared with the same period in 2023, mainly due to the impairment loss from a joint venture of the Group of approximately RMB5,626,000.

FINANCE COSTS

The finance costs of the Group amounted to approximately RMB47,317,000 for the Period, representing a slight increase of approximately RMB132,000 or 0.3% when compared with the same period in 2023.

PROFIT FOR THE PERIOD

The profit attributable to the Group was approximately RMB347,502,000 for the Period. Such profit for the Period was mainly due to the revenue carried forward from commercial property projects of the Group in 2024, while sales of related properties generated EBIT of approximately RMB1,430,238,000 during the Period.

CAPITAL EXPENDITURE

The Group's capital expenditure requirements mainly relate to additions of its property and equipment. The Group spent approximately RMB24,835,000 on property and equipment during the Period (six months ended 30 June 2023: RMB21,871,000).

SIGNIFICANT INVESTMENTS

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

CAPITAL STRUCTURE

As at 30 June 2024, the Group had aggregate cash and cash equivalents and restricted cash of approximately RMB223,899,000 (as at 31 December 2023: approximately RMB384,164,000). The current ratio (as measured by current assets to current liabilities) as at 30 June 2024 was 1.03 (as at 31 December 2023: 0.84).

As at 30 June 2024, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB575,860,000 and approximately RMB2,706,610,000, respectively (as at 31 December 2023: approximately RMB584,860,000 and approximately RMB2,534,180,000 respectively). As at 30 June 2024, certain short term bank and other borrowings amounting to approximately RMB605,110,000 bear interest at fixed rates (as at 31 December 2023: certain short term bank and other borrowings amounting to approximately RMB557,500,000 bear interest at fixed rates), and all other bank loans bear interest at floating rates.

As at 30 June 2024, the Group's gearing ratio was 52% (as at 31 December 2023: 46%), 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 30 June 2024, the Group's bank borrowings and other borrowings of approximately RMB3,282,470,000 (as at 31 December 2023: approximately RMB3,119,040,000) were secured by the Group's pledge of assets as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Property and equipment	1,057,315	1,081,614
Investment properties	2,586,539	2,993,909
Properties under development	–	1,551,833
Completed properties held for sale	2,012,074	–
	<u>5,655,928</u>	<u>5,627,356</u>

TREASURY POLICIES

The Group principally operates in the 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 does not use any financial instruments for hedging purpose for the Period.

GUARANTEES AND CONTINGENT LIABILITIES

As at 30 June 2024, the Group's contingent liabilities was approximately RMB374,392,000 (as at 31 December 2023: approximately RMB363,960,000), 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

- (a) As at 30 June 2024, the Group's capital commitments for property development expenditures amounted to approximately RMB290,457,000 (as at 31 December 2023: approximately RMB1,497,185,000). It is expected that the Group will finance such capital commitments from its own funds and bank loans.
- (b) As at 30 June 2024, the Group had a payment commitment of approximately RMB110,000,000 which arose from a settlement deed (the "**Settlement Deed**") entered into between Zhejiang Zhongan Shenglong Commercial Co., Ltd* (浙江眾安盛隆商業有限公司) ("**Zhong An Shenglong**"), an indirect non-wholly owned subsidiary of the Company, the Company and Hangzhou Oriental Culture Tourism Group Co., Ltd.* (杭州東方文化園旅業集團有限公司) ("**Hangzhou Oriental**") and which became effective on 17 May 2024, pursuant to which, among other things, Zhong An Shenglong was required to pay RMB210,000,000 to Hangzhou Oriental by 30 June 2025. As at 30 June 2024, a sum of RMB100,000,000 out of the RMB210,000,000 was fully paid by Zhong An Shenglong to Hangzhou Oriental. Further details on the Settlement Deed were disclosed in the Company's announcements dated 28 May 2024 and 5 August 2024, respectively.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2024, the Group had 1,287 employees (as at 31 December 2023: 1,256). 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 above mentioned challenges and address the uncertainties faced by the Group, including formulating effective marketing strategies and plans, and improving the quality of our products and services to consolidate our brand. The Group will put more effort in formulating new policies, guidelines, systems and processes to facilitate effective cost management, risk management, internal control and sustainable environmental management to enhance management standards and corporate governance standards. For growth strategies, the Group will focus on identifying possible acquisitions with future development prospects and profitability to improve the returns on assets. The Group will further emphasize on investor relations management, and continue to convey clearly the operation vision, business updates and future development strategies of the Group and other information to various stakeholders through press conferences, roadshows, media delegation visits and one-on-one analyst or investor interview and otherwise strive for the recognition and support from various stakeholders and obtain more resources for business development and maximizing 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 mitigate risk and seize the opportunities in the real market.

The Group believes that our people are crucial for 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 fulfill their 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 PERIOD

Off-market Share Buy-Back

Zhong An Shenglong, the Company and Hangzhou Oriental entered into the Settlement Deed, by mediation through the High People's Court of Zhejiang Province and which became effective on 27 May 2024, to resolve and settle finally and absolutely all disputes of the parties with respect to the acquisition of 22.65% equity interest in Zhejiang Xinnongdou Holdings Group Limited* (浙江新農都控股集團有限公司) by Zhong An Shenglong from Hangzhou Oriental for a consideration of RMB352,994,400, which was settled by the allotment and issue of 178,280,000 ordinary shares in the Company (the "**Consideration Shares**"), pursuant to an equity transfer agreement dated 20 July 2018 and entered into between Hangzhou Oriental as vendor and Zhong An Shenglong as purchaser. Pursuant to the Settlement Deed, among other things, the Consideration Shares will be returned by their holders to the Company for cancellation.

On 5 August 2024, the Company announced that off-market share buy-backs of the Consideration Shares will be carried out under the Hong Kong Code on Share Buy-Backs (the “**Share Buy-Back**”) for the purpose of cancelling the Consideration Shares, which is considered a procedure required to achieve such cancellation of the Consideration Shares. The completion of the Share Buy-Back is conditional upon the satisfaction by the Company of certain conditions, none of which has been satisfied as at the date of this announcement.

For further details on the Share Buy-Back, please refer to the announcement of the Company dated 5 August 2024.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2024 and up to the date of this announcement.

ENVIRONMENT POLICIES AND PERFORMANCE

As a responsible corporation, the Group is committed to protecting the environment in the areas where we operate and ensuring that environmental standards set by the government are consistently met.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2023: Nil).

AUDIT COMMITTEE

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

Ernst & Young, the external auditor of the Company, had reviewed the unaudited consolidated interim results of the Group for the Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's shares on the Stock Exchange (six months ended 30 June 2023: 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 enquiry of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code during the Period and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board 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 (the "**CG Code**"). The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the Period and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 interim report of the Company for the Period containing the relevant information required under the Listing Rules will be published on the above websites and despatched 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 People's Republic of China, 23 August 2024

As at the date of this announcement, the board of directors of the Company comprises Mr Shi Nanlu and Mr Jin Jianrong, as executive directors of the Company; Mr Shi Zhongan as a non-executive director of the Company; and Mr Xu Chengfa, Mr Lam Yau Yiu and Mr Yuan Yuan, as independent non-executive directors of the Company.

* *For identification purpose only*