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萬城
MILLION CITIES

萬城控股有限公司
MILLION CITIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2892)

ANNOUNCEMENT OF
UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June		Change	
	2024	2023		%
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	
	(Unaudited)	(Unaudited)		
Revenue	46.1	327.7	-281.6	-85.9%
Gross profit	14.8	125.2	-110.4	-88.2%
Gross profit margin	32.0%	38.2%	N/A	-6.2%
(Loss)/Profit attributable to the equity shareholders of the Company	(61.7)	0.7	-62.4	N/A
(Loss)/Earnings per share				
— Basic and diluted				
(<i>RMB cents</i>)	(8.2)	0.1	-8.3	N/A
Interim dividend per share (<i>RMB cents</i>)	—	—	—	N/A

The board (the “**Board**”) of directors (the “**Directors**”) of Million Cities Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2024 together with the comparative figures for 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

(Expressed in Renminbi)

	Note	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Revenue	4	46,119	327,663
Cost of sales		<u>(31,362)</u>	<u>(202,467)</u>
Gross profit		<u>14,757</u>	<u>125,196</u>
Valuation gains on investment properties		1,048	23,724
Other net income	5	7,836	4,187
Impairment loss on other receivables		(1,341)	—
Selling expenses		(3,724)	(32,924)
Administrative expenses		(23,047)	(21,370)
Other expenses		<u>(309)</u>	<u>(842)</u>
(Loss)/Profit from operations		(4,780)	97,971
Finance costs	6(a)	(5)	(4,488)
Share of profits less losses of associates		<u>(38,006)</u>	<u>(15,179)</u>
(Loss)/Profit before taxation	6	(42,791)	78,304
Income tax	7	<u>(22,442)</u>	<u>(66,243)</u>
(Loss)/Profit for the period		<u>(65,233)</u>	<u>12,061</u>
Attributable to:			
Equity shareholders of the Company		(61,722)	730
Non-controlling interests		<u>(3,511)</u>	<u>11,331</u>
(Loss)/Profit for the period		<u>(65,233)</u>	<u>12,061</u>
Basic and diluted (losses)/earnings per share (RMB cents)	8	<u>(8.23)</u>	<u>0.10</u>

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

*For the six months ended 30 June 2024
(Expressed in Renminbi)*

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
(Loss)/Profit for the period	<u>(65,233)</u>	<u>12,061</u>
Other comprehensive income for the period:		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— the associates	(517)	(2,286)
— the Hong Kong and overseas subsidiaries	<u>(1,139)</u>	<u>(4,405)</u>
Other comprehensive income for the period	<u>(1,656)</u>	<u>(6,691)</u>
Total comprehensive income for the period	<u>(66,889)</u>	<u>5,370</u>
Attributable to:		
Equity shareholders of the Company	(59,812)	1,492
Non-controlling interests	<u>(7,077)</u>	<u>3,878</u>
Total comprehensive income for the period	<u>(66,889)</u>	<u>5,370</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

(Expressed in Renminbi)

		At 30 June 2024	At 31 December 2023
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		45,657	46,164
Investment properties	10	57,560	54,850
Interest in associates		196,387	211,602
Deferred tax assets		62,977	59,769
Other non-current assets	11	—	97,733
		<u>362,581</u>	<u>470,118</u>
Current assets			
Inventories and other contract costs		646,083	660,304
Trade and other receivables	12	233,550	150,095
Prepaid tax		2,807	11,948
Pledged and restricted deposits		15,414	16,641
Cash and cash equivalents		314,416	363,294
		<u>1,212,270</u>	<u>1,202,282</u>
Total assets		<u>1,574,851</u>	<u>1,672,400</u>
Current liabilities			
Contract liabilities		68,299	78,161
Trade and other payables	13	499,187	499,599
Lease liabilities		129	28
Tax payable		219,937	223,427
Provision		—	18,108
		<u>787,552</u>	<u>819,323</u>
Net current assets		<u>424,718</u>	<u>382,959</u>
Total assets less current liabilities		<u>787,299</u>	<u>853,077</u>

	At 30 June 2024	At 31 December 2023
<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current liabilities		
Lease liabilities	619	—
Deferred tax liabilities	3,674	3,182
	<u>4,293</u>	<u>3,182</u>
NET ASSETS	<u>783,006</u>	<u>849,895</u>
CAPITAL AND RESERVES		
Share capital	6,605	6,605
Reserves	619,004	678,816
Total equity attributable to equity shareholders of the Company	625,609	685,421
Non-controlling interests	157,397	164,474
TOTAL EQUITY	<u>783,006</u>	<u>849,895</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (“RMB’000”) unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 26 August 2024.

2. BASIS OF PREPARATION

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

This condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

This condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

3. ACCOUNTING POLICIES

(a) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim announcement for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

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

4. REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue

The principal activities of the Group are property development and sale in the People’s Republic of China (the “PRC”).

Disaggregation of revenue

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

	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of properties:		
— Recognised at a point in time	43,498	325,846
Revenue from other sources		
— Gross rentals from properties	2,621	1,817
	<u>46,119</u>	<u>327,663</u>

(b) Operating segment

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

Geographic information

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

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Huizhou	44,449	302,711	158,976	267,210
Tianjin	1,670	24,952	54,198	52,235
Zhumadian	—	—	86,374	90,848
Others	—	—	56	56
	<u>46,119</u>	<u>327,663</u>	<u>299,604</u>	<u>410,349</u>

5. OTHER NET INCOME

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income arises from bank deposits	4,610	1,851
Interest income arises from a loan	1,951	1,904
Net exchange gain/(loss)	279	(90)
Others	996	522
	<u>7,836</u>	<u>4,187</u>

6. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans	—	4,484
Interest on lease liabilities	5	4
	<u>5</u>	<u>4</u>
	<u>5</u>	<u>4,488</u>

(b) Staff costs

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	11,905	17,206
Contributions to defined contribution retirement plan	479	534
Less: Staff costs capitalised into inventories	(752)	(3,132)
	<u>11,632</u>	<u>14,608</u>

(c) Other items

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation		
— Property, plant and equipment	1,332	1,589
— Right-of-use assets	26	59
(Reversal of write-down)/write-down of inventories	(443)	36,222
Impairment of other receivables	1,341	—
Rental income from investment properties	<u>(1,322)</u>	<u>(990)</u>

7. INCOME TAX

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
Provision for Corporate Income Tax (“CIT”)	10,080	17,803
Provision for Land Appreciation Tax (“LAT”)	<u>15,078</u>	<u>40,202</u>
	25,158	58,005
Deferred tax		
Origination and reversal of temporary differences	<u>(2,716)</u>	<u>8,238</u>
	<u><u>22,442</u></u>	<u><u>66,243</u></u>

(i) CIT and Hong Kong Profits Tax

The provision for CIT is based on the estimated taxable income at the rates applicable to each Chinese Mainland subsidiary in the Group. The income tax rate applicable to the principal subsidiaries in the Chinese Mainland is 25% during the six months ended 30 June 2024 (six months ended 30 June 2023: 25%).

No provision for Hong Kong Profits Tax was recognised for the six months ended 30 June 2024 (six months ended 30 June 2023: nil) as the subsidiaries in Hong Kong did not have any assessable profits for the period.

(ii) LAT

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

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

8. LOSSES/EARNINGS PER SHARE

(a) Basic losses/earnings per share

The calculation of basic losses/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB61,722,000 (six months ended 30 June 2023: profit of RMB730,000) and the weighted average number of 750,000,000 ordinary shares (six months ended 30 June 2023: 750,000,000 ordinary shares) in issue during the six months ended 30 June 2024.

(b) Diluted losses/earnings per share

Diluted losses/earnings per share for the six months ended 30 June 2024 and 2023 were the same as the basic losses/earnings per share as the share options granted were anti-dilutive.

9. DIVIDENDS

On 26 August 2024, the Board resolved not to pay an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

10. INVESTMENT PROPERTIES

The Group's investment properties were revalued at fair value as at 30 June 2024 by Vincorn Consulting and Appraisal Limited, an independent valuer who has relevant professional qualification and recent experience in the location and category of properties being valued. The same valuation techniques were used by this valuer when carrying out the valuation as at 31 December 2023. The Group's management has discussion with the valuers on the valuation assumptions and valuation results twice a year for financial reporting.

During the six months ended 30 June 2024, inventories with carrying amount of RMB1,662,000 (six months ended 30 June 2023: RMB:14,076,000), were transferred to investment properties and a fair value gain of RMB1,048,000 (six months ended 30 June 2023: RMB23,724,000) upon the transfer with the total corresponding deferred tax of RMB262,000 (six months ended 30 June 2023: RMB: 5,931,000) had been recognised in profit or loss.

11. OTHER NON-CURRENT ASSETS

On 5 May 2022, the Group, Mr. Wong Ting Chung, the chairman and executive director of the Company and a third party (the "Borrower") entered into a loan agreement, pursuant to which, the Group grants a loan of RMB96,500,000 to the Borrower for a term of 3 years with an interest rate of 4% per annum, and Mr. Wong Ting Chung provides a personal guarantee to the Borrower in favour of the Group. The Borrower shall repay the whole principal amount together with all accrued interest due and payable to the Group on 4 May 2025, or repay part of the principal amount together with all accrued interest due throughout the term of the loan by instalments, or on demand by the Group.

For the six months ended 30 June 2024, the Group has accrued interest income of RMB1,951,000 (six months ended 30 June 2023: RMB1,904,000) in respect of the loan. As at 30 June 2024, the outstanding principal amount with all accrued interest of RMB98,451,000 has been reclassified as a current asset included in "Other debtors" (note 12).

12. TRADE AND OTHER RECEIVABLES

As at 30 June 2024, the ageing analysis of trade debtors (which are included in trade and other receivables), and net of loss allowance, is as follows:

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Audited)
Within 1 month	53	—
1 to 3 months	4	1
3 to 6 months	313	2
Over 6 months	—	311
	<hr/>	<hr/>
Trade debtors, net of loss allowance	370	314
Amounts due from associates (<i>note (i)</i>)	18,000	18,000
Amounts due from non-controlling interests (<i>note (i)</i>)	62,841	64,411
Other debtors, net of loss allowance (<i>note (ii)</i>)	137,293	48,236
	<hr/>	<hr/>
Financial assets measured at amortised cost	218,504	130,961
Deposits	288	869
Prepayments (<i>note (iii)</i>)	14,758	18,265
	<hr/>	<hr/>
	233,550	150,095
	<hr/> <hr/>	<hr/> <hr/>

As of 30 June 2024, no trade debtors were past due (31 December 2023: nil). Based on experience, management believes that no loss allowance is necessary in respect of the trade debtors as there has not been a significant change in credit quality. The Group is of the view that the expected irrecoverable trade debtors were insignificant. The Group does not hold any collateral over these balances.

- (i) The amounts due from associates and non-controlling interests were interest-free, unsecured and are expected to be recovered within one year.
- (ii) As at 30 June 2024, loss allowance on other debtors amounted to RMB1,341,000 (31 December 2023: nil).
- (iii) As at 30 June 2024, the balance mainly included prepayments for VAT and surcharges with an aggregated amount of RMB13,639,000 (2023: RMB17,364,000).

13. TRADE AND OTHER PAYABLES

As at 30 June 2024, the ageing analysis of trade creditors (which are included in trade and other payables), based on the date of the trade payables recognised, is as follows:

	At 30 June 2024 <i>RMB'000</i> (Unaudited)	At 31 December 2023 <i>RMB'000</i> (Audited)
Within 3 months	215	1,737
3 to 6 months	—	1,606
6 to 12 months	1,162	2,724
Over 12 months	<u>65,600</u>	<u>68,356</u>
Trade creditors	66,977	74,423
Other payables and accruals	50,320	59,794
Amounts due to related parties (<i>note (i)</i>)	<u>316,194</u>	<u>312,984</u>
Financial liabilities measured at amortised cost	433,491	447,201
Financial guarantee issued (<i>note (ii)</i>)	17,394	4,096
Amounts due to the controlling shareholder and non-controlling interests (<i>note (iii)</i>)	<u>48,302</u>	<u>48,302</u>
	<u><u>499,187</u></u>	<u><u>499,599</u></u>

- (i) The amounts due to related parties are interest-free, unsecured and repayable on demand.
- (ii) On 17 March 2021, Huizhou Logan Junhong Real Estate Limited (“Logan Junhong”), the associate of the Group, entered into a loan agreement (“Loan Agreement”) with total bank facility amounted to RMB420,000,000 which was 100% guaranteed by Logan Group Company Limited (“Logan Group”). On 10 May 2021, the Group and Logan Group, entered into a counter-guarantee agreement (“Counter-guarantee”) pursuant to which the Group has agreed, subject to the terms and conditions contained therein to provide a counter-guarantee to Logan Group with regard to the Loan Agreement in proportion to the Group’s respective equity interest in Logan Junhong (30%). As at 30 June 2024, the total bank loan secured by the Counter-guarantee attributable to the Group was RMB23,100,000 (31 December 2023: RMB29,100,000). Deferred income in respect of the financial guarantees issued was RMB3,967,000 (31 December 2023: RMB4,096,000).

On 18 May 2024, the Group, Huizhou Well Kong Real Estate Co., Ltd. (“Well Kong PRC”), the associate of the Group, and Shenzhen Logan Holdings Company Limited (“Logan Shenzhen”, the other shareholder of the associate) entered into a guarantee agreement in relation to the existing loan consisting of an outstanding amount together with the accrued interest till 30 June 2025 of approximately RMB13,427,000 owing from Well Kong PRC to Logan Shenzhen (the “Existing Loan”). To secure the repayment of the Existing Loan, the Group undertakes to provide a guarantee to Logan Shenzhen in favour of Well Kong PRC to secure the repayment of the amount due to Logan Shenzhen. As at 30 June 2024, provision of RMB13,427,000 (31 December 2023: nil) has been made for this guarantee.

- (iii) Pursuant to the Capital Injection Agreement between Huizhou Yuefu and its shareholders signed on 25 June 2018 (the “Agreement”), an amount representing the sum of the retained profits as at 31 May 2018, and the estimated unrealised gain arising from the unsold inventories as at 31 May 2018, should be distributed to the original shareholders in accordance with share proportion before the capital injection. The balance is recognised at fair value. The balance is unsecured and expected to be settled upon disposal of the relevant inventories.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The recovery of the global economy in the first half of 2024 remained sluggish due to a number of factors including high interest rates and geopolitics. Although China's economy was confronted with negative factors such as the severe external environment and the lack of investment and consumption momentum, the overall macro-economy still showed a stable and forward-looking trend, with the gross domestic product of the PRC experienced a solid growth rate by approximately 5.0% year-on-year.

China's real estate sector remained in an adjustment cycle in the first half of 2024, with the real estate sector still facing the challenges of insufficient market demand and deleveraging, and the overall downtrend of the market remained unchanged. Buyers' confidence and expectations in the market were low, with cautious purchasing behaviour and a strong wait-and-see sentiment, resulting in a year-on-year decline in contracted sales area and amount. In the first half of 2024, the total sales area of commercial housing amounted to approximately 479 million sq.m., representing a decrease of approximately 19.5% as compared with that of the corresponding period of the previous year. In terms of monetary value, the sales volume of commercial housing decreased by approximately 25.3% year-on-year to approximately RMB4.71 trillion. Besides, the total investment in the real estate sector in the first half of 2024 amounted to approximately RMB5.25 trillion, representing a year-on-year decrease of approximately 10.3%. Statistics show that investment sentiment in the real estate market remains weak amidst falling prices and volume.

The central government has stepped up its stimulus policies in the real estate sector, including reducing the down payment ratio, lowering the interest rate for housing provident fund loans, removing the floor level of commercial mortgage rates and relaxing the restriction on purchases and other aspects to release positive signals. Refinancing facilities for social housing have been set up which will be used for the government's direct purchase of stock of housing to be used as social housing. The policies are to support the rigid demand for basic and improvement housing, and to satisfy the reasonable financing needs of real estate enterprises, local government will continue to implement differential policies to support the real estate sector to gradually restore stable development and build a new model for real estate development. However, market confidence has yet to be restored. With the demand side still being weak, the pace of market recovery is expected to be constrained, and it will take time to consume the excess inventory, and the effect of the policies to promote a new balance in the industry will take a process and time to materialise.

BUSINESS REVIEW

During the in-depth adjustment period of the real estate industry, the Group has focused on maintaining a robust financial position, dedicated to reducing inventory, improving cash flow, and controlling costs. As at the date of this announcement, all subsidiaries of the Company had no bank loans.

In the first half of 2024, the Group recorded a revenue of approximately RMB46.1 million, which was mainly contributed from the sales of inventories including Million Cities Legend Phase 3 and shops in Crown Grand Court in Huizhou, representing a decrease of approximately 85.9% as compared to the corresponding period of the previous year, which was mainly contributed from the sales of Million Cities Legend Phase 3 in Huizhou. After accounting for the losses of associates companies, the Group recorded a loss attributable to equity shareholders of the Company of approximately RMB61.7 million for the first half of 2024, as compared to a profit of approximately RMB0.7 million for the corresponding period of 2023.

In the first half of 2024, the Group recorded an aggregated contracted sales value of approximately RMB106.2 million, with a total GFA of approximately 15,200 sq.m., which was mainly attributable to the Jade Terrace in Huizhou and the Dragon Palace project in Henan.

BUSINESS OUTLOOK

In order to integrate the Group's resources and focus on the development and sale of property projects with high return, the Group will sell projects with negative net asset values or those expected to incur sustained losses, aiming to reduce the future losses of the Company.

Looking ahead to the second half of the year, with inflation expected to ease and major global economies including the United States and Europe entering a rate-cutting cycle, interest rates are anticipated to gradually decline. The central government is expected to further strengthen the support for macroeconomic stability and growth, which will improve market conditions. The government is likely to continue to ease regulatory policies in the real estate sector to accelerate inventory reduction and promote healthy market development, with hopes for the real estate market to be gradually stabilised. The Group will continue to seek progress while maintaining stability in this market environment.

In addition, the Group will continue to identify and explore investment opportunities, including certain sustainable development projects, and will prioritise returns while investing projects, so as to create long-term value to the shareholders and investors of the Company.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly represented income from sale of properties and gross rentals from properties earned during the six months ended 30 June 2024, net of sales related taxes and discounts allowed.

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

Property development

(i) Contracted sales

Total properties contracted sales (based on GFA of sales consent), including sale of properties by the associates of the Group, amounted to approximately RMB106.2 million, representing a GFA of approximately 15,200 sq.m. sold during the six months ended 30 June 2024.

(ii) Land bank

As at 30 June 2024, the total GFA of the Group's land bank was about 1,306,627 sq.m., out of which (i) about 381,755 sq.m. of GFA was unsold completed properties projects; (ii) about 89,503 sq.m. of GFA was unsold and under construction; and (iii) about 835,369 sq.m. of GFA was reserved for future development.

Revenue

Revenue from sale of properties for the six months ended 30 June 2024 amounted to approximately RMB43.5 million, as compared with approximately RMB325.8 million reported for the six months ended 30 June 2023, representing a decrease by approximately 86.6%. Revenue recognised for the six months ended 30 June 2024 was mainly contributed by Million Cities Legend Phase 3 and shops in Crown Grand Court in Huizhou, the inventories being sold by the Group were not properties that were newly completed and delivered properties during the six months ended 30 June 2024. In contrast, sale of properties during the same period 2023 were mainly derived from sale of the then newly completed and delivered properties, such as Million Cities Legend Phase 3 in Huizhou. Consequently, the sales volume experienced a significant decrease, resulting in the significant decrease in revenue for the six months ended 30 June 2024.

Rental income

Gross rental income from investment properties and inventories for the six months ended 30 June 2024 was approximately RMB2.6 million, as compared with approximately RMB1.8 million reported for the six months ended 30 June 2023, representing an increase by 44.4%. The increase in gross rental income was mainly due to the increase in rental income from the car parks and investment properties for the six months ended 30 June 2024.

Cost of sales

Cost of sales for the six months ended 30 June 2024 was approximately RMB31.4 million, as compared with approximately RMB202.5 million reported for the six months ended 30 June 2023, representing a decrease by approximately 84.5%. The decrease in cost of sales was mainly due to (i) the decrease in revenue from sale of properties; and (ii) certain inventories were written down for the six months ended 30 June 2023, whereas no inventories were written down for the six months ended 30 June 2024.

Gross profit and gross profit margin

The gross profit for the six months ended 30 June 2024 was approximately RMB14.8 million, representing a decrease by approximately 88.2%, as compared with the same period last year of approximately RMB125.2 million. The decrease in gross profit was mainly due to decrease of revenue. Accordingly, there was a decrease in the gross profit margin from approximately 38.2% for the six months ended 30 June 2023 to approximately 32.0% for the six months ended 30 June 2024.

Valuation gains on investment properties

The Group recorded valuation gains for the six months ended 30 June 2024 of approximately RMB1.0 million representing a decrease of approximately RMB22.7 million as compared with approximately RMB23.7 million reported for the six months ended 30 June 2023. This was mainly because there was decrease in number of additions to investment properties during the six months ended 30 June 2024.

Other net income

Other net income for the six months ended 30 June 2024 was approximately RMB7.8 million, as compared with approximately RMB4.2 million for the six months ended 30 June 2023, representing an increase by approximately 87.2%, which was mainly due to the increase in interest income during the six months ended 30 June 2024.

Selling expenses

Selling expenses for the six months ended 30 June 2024 were approximately RMB3.7 million, as compared with approximately RMB32.9 million reported for the six months ended 30 June 2023, representing a decrease by approximately 88.7%. The decrease in selling expenses was mainly due to the decrease in revenue.

Administrative expenses

Administrative expenses for the six months ended 30 June 2024 were approximately RMB23.0 million, which was close to that of the same period 2023 of approximately RMB21.4 million.

Share of profits less losses of associates

Share of profits less losses of associates recorded a loss of approximately RMB38.0 million for the six months ended 30 June 2024, and compared with a loss of approximately RMB15.2 million for the six months ended 30 June 2023, representing an increase of approximately RMB22.8 million. This was mainly due to (i) the significant decrease in revenue of associates of the Company than that in the same period 2023; (ii) impairment loss on other receivables of associates of the Company; and (iii) accrued interest expenses owing to Logan Shenzhen (for details, please refer to note 13(ii) in the “notes to the unaudited condensed consolidated interim financial information”).

Finance costs

Finance costs for the six months ended 30 June 2024 were approximately RMB5,000, as compared with approximately RMB4.5 million for the six months ended 30 June 2023, representing a decrease by approximately 99.9% due to repaid all bank loans before 31 December 2023.

Income tax

For the six months ended 30 June 2024, income tax was approximately RMB22.4 million, representing a decrease of approximately RMB43.8 million, as compared with income tax of approximately RMB66.2 million for the six months ended 30 June 2023, as a result of the decrease in profit from operations.

Loss/Profit for the period attributable to equity shareholders of the Company

Loss for the period attributable to equity shareholders of the Company for the six months ended 30 June 2024 was approximately RMB61.7 million, representing a decrease of approximately RMB62.4 million, as compared with the profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 of approximately RMB0.7 million. During the six months ended 30 June 2024, the Company did not make further significant impairment provisions for the properties of its subsidiaries and

associate companies despite having made substantial impairment provisions on inventories as at 31 December 2023. The Group's recorded loss attributable to equity shareholders of the Company during the six months ended 30 June 2024, as opposed to the profit attributable to equity shareholders in the same period 2023, mainly because of (i) a significant decrease in revenue from the Company's subsidiaries and the associates companies during the six months ended 30 June 2024; (ii) the recognition of impairment loss on other receivables of the Company's associates companies during the six months ended 30 June 2024; and (iii) the provision made with respect to accrued interest owing from a associate company to Logan Shenzhen (for details, please refer to note 13(ii) in the "notes to the unaudited condensed consolidated interim financial information").

OTHER FINANCIAL INFORMATION

Liquidity and financial resources

For the six months ended 30 June 2024, the Group's cash and cash equivalents were mainly used in the Group's business operations, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings. As at 30 June 2024 and 31 December 2023, the Company's subsidiaries did not have any bank loans. Therefore, the Group's gearing ratio as at 30 June 2024 and 31 December 2023 was Nil%.

The gearing ratio is calculated as interest bearing bank loans divided by equity.

As at 30 June 2024, the Group's cash and cash equivalents, amounting to approximately RMB314.4 million, were denominated in HK\$(19.4%) and RMB(80.6%).

Financial risk management objectives and policies

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

Foreign currency risk

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

Interest rate risk

The Group repaid all bank loans during the financial year ended 31 December 2023. Thus, the interest rate risk was immaterial. For the six months ended 30 June 2024, the Group's interest rate risk only arose from cash at bank. Cash at bank issued at variable rates expose the Group to cash flow interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the six months ended 30 June 2024, but the Board will continue to closely monitor the Group's cashflow situation in order to manage the Group's interest rate risk exposure.

Credit risk

As of 30 June 2024, no material trade debtors of the Group were past due. The Group normally receives full payment from buyers before the delivery of the property. For mortgage sales without full settlement, the Group would not deliver the property to the customers unless it obtains confirmation from the banks providing mortgage that the respective mortgages have been approved. In addition, the Group would not transfer titles of the properties to customers until full amount of sales proceeds are received. Accordingly, the Group is of the view that the expected irrecoverable trade debtors were immaterial. Thus, no bad debt provision for trade debtors was recognised during the six months ended 30 June 2024.

In addition, the Group also reviews the recoverability of other receivables from time to time and makes bad debts provisions if necessary. For the six months ended 30 June 2024, the Group made a bad debts provision for other receivables of RMB1,341,000 (30 June 2023: NIL).

As at 30 June 2024, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong and the Chinese Mainland which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

Liquidity risk

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

Capital expenditures

During the six months ended 30 June 2024, property, plant and equipment of RMB199,000 were acquired (six months ended 30 June 2023: RMB814,000). During six months ended 30 June 2024, there was no disposal loss incurred from the disposed of plant and machinery (six months ended 30 June 2023: RMB20,000).

Capital commitments

The Group's capital commitments as at 30 June 2024 amounted to approximately RMB3.8 million (31 December 2023: RMB4.5 million) which were mainly related to development costs for the Group's properties under development.

Charge on assets

As at 30 June 2024, certain completed properties with carrying amount of RMB5,765,000 were pledged due to litigation disputes and sales of which are therefore restricted.

Contingent liabilities

As at 30 June 2024, the Group issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks, amounted to approximately RMB110.0 million as at 30 June 2024 (31 December 2023: RMB373.8 million), will be terminated upon completion of transferring the legal title of the properties to the property buyers. The Directors consider loss arising from these guarantees as a result of default payment by customers to be insignificant, as the banks have the rights to sell the properties and recover the outstanding loan balance from sale proceeds.

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

Operating segment information

The Group's revenue and results for the six months ended 30 June 2024 were mainly derived from property development. Performance assessment is based on the results of the Group as a whole. Therefore, management of the Group considers there is only one operating segment.

Events after balance sheet date

On 30 July 2024, the Company issued (i) the circular in relation to, among others, the allotment and issuance (“**Subscription**”) of 99 new shares of Brillant Avenir Investment Company Limited (“**Target Company**”) to Fortune Speed Investments Limited (“**Fortune Speed**”); and (ii) the notice of the extraordinary general meeting to seek for independent shareholders’ approval and ratification of the subscription agreement dated 28 June 2024 and entered into between, the Company (as warrantor), Fortune Speed (as subscriber) and the Target Company with respect to the Subscription.

On 19 August 2024, the resolution regarding the aforementioned subscription agreement and the transactions contemplated thereunder (i.e. the Subscription) was duly passed by the independent shareholders of the Company by way of poll.

HUMAN RESOURCES

Human resources and emolument policy

As at 30 June 2024, the Group had a total of 45 (31 December 2023: 60) full-time employees in the Chinese Mainland and Hong Kong. For the six months ended 30 June 2024, the total staff costs, including the Directors’ emoluments, amounted to approximately RMB12.4 million (six months ended 30 June 2023: RMB17.7 million), of which approximately RMB0.8 million (six months ended 30 June 2023: RMB3.1 million) were capitalised into inventories.

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

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

Remuneration policy of Directors and senior management

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

INTERIM DIVIDEND

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

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

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

As the Company believes that good corporate governance can create value for its shareholders, the Board is committed to maintain a high standard of corporate governance practices by placing strong emphasis on a quality Board, sound internal controls and effective accountability to the shareholders as a whole. The Company has adopted the code provisions in Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. In the opinion of the Directors, the Company has complied with all the mandatory code provisions set out in the CG Code for the six months ended 30 June 2024.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries made by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the six months ended 30 June 2024.

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

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the six months ended 30 June 2024.

AUDIT COMMITTEE

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

The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by the Board. The audit committee has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2024, which has also been reviewed by the Company's external auditor, KPMG, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://www.millioncities.com.cn>. The interim report for the six months ended 30 June 2024 will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 August 2024

As at the date of this announcement, the chairman and executive Director is Mr. Wong Ting Chung; the executive Directors are Mr. Lau Ka Keung and Mr. Li Wa Tat, Benedict; and the independent non-executive Directors are Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Mr. Chan Hiu Fung, Nicholas.