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NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

INTERIM RESULTS ANNOUNCEMENT 2021

The Board of Directors (the “**Board**”) of New City Development Group Limited (the “**Company**”) are pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) with comparative figures for the corresponding period in 2020. The results have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

| | <i>Notes</i> | Six months ended 30 June | |
|---------------------------------------------|--------------|---------------------------------|---------------------|
| | | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| Revenue | 5 | 90,464 | 18,771 |
| Cost of goods sold and services provided | | <u>(45,409)</u> | <u>(1,084)</u> |
| Gross profit | | 45,055 | 17,687 |
| Other income | 6 | 3,956 | 3,523 |
| Administrative and other operating expenses | | <u>(42,195)</u> | <u>(20,098)</u> |
| Profit from operations | | 6,816 | 1,112 |
| Finance costs | 7 | <u>(14,350)</u> | <u>(16,899)</u> |
| Loss before tax | | (7,534) | (15,787) |
| Income tax expenses | 8 | <u>—</u> | <u>—</u> |
| Loss for the Period | 9 | <u>(7,534)</u> | <u>(15,787)</u> |
| Attributable to: | | | |
| Owners of the Company | | (5,010) | (10,796) |
| Non-controlling interests | | <u>(2,524)</u> | <u>(4,991)</u> |
| | | <u>(7,534)</u> | <u>(15,787)</u> |
| Loss per share | | | |
| Basic | 11(a) | <u>(0.17) cents</u> | <u>(0.28) cents</u> |
| Diluted | 11(b) | <u>(0.17) cents</u> | <u>(0.28) cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | Six months ended 30 June | |
|------------------------------------------------------------------------------------------------------------|--------------------------|------------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Loss for the Period | (7,534) | (15,787) |
| Other comprehensive income for the Period, net of tax: Item that may be reclassified to profit or loss: | | |
| Exchange differences on translating foreign operations | <u>1,615</u> | <u>(10,733)</u> |
| Total comprehensive income for the Period | <u>(5,919)</u> | <u>(26,520)</u> |
| Attributable to: | | |
| Owners of the Company | <u>(3,329)</u> | <u>(21,085)</u> |
| Non-controlling interests | <u>(2,590)</u> | <u>(5,435)</u> |
| | <u>(5,919)</u> | <u>(26,520)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

| | | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|---------------------------------------------------------------------------------|--------------|------------------------------------------------|-----------------------------------------------------|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 12 | 107,916 | 56,449 |
| Investment properties | | 853,073 | 848,373 |
| Intangible assets | | 35,802 | 32,410 |
| Right-of-use assets | | 11 | 889 |
| Financial assets at fair value through other comprehensive income (“FVTOCI”) | | 28,253 | 28,253 |
| Prepayments, deposits and other receivables | 13 | — | 36,616 |
| Deferred tax assets | | 39,723 | 39,723 |
| | | 1,064,778 | 1,042,713 |
| CURRENT ASSETS | | | |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 31,657 | 34,577 |
| Inventories | | 15,305 | 7,660 |
| Properties under development and held for sale | | 445,565 | 401,264 |
| Prepayments, deposits and other receivables | 13 | 588,882 | 401,800 |
| Due from associates | | 14 | 14 |
| Due from a related company | | 14 | 14 |
| Due from non-controlling shareholders | | 950 | 1,082 |
| Cash and bank balances | | 42,852 | 43,458 |
| | | 1,125,239 | 889,869 |

| | | 30 June 2021 (Unaudited) <i>Notes</i> <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|----------------------------------------------|----|-------------------------------------------------------------|-----------------------------------------------------|
| CURRENT LIABILITIES | | | |
| Accruals and other payables | | 126,349 | 140,254 |
| Deposits received | | 18,159 | 16,003 |
| Borrowings | | 15,009 | 14,633 |
| Lease liabilities | | 315 | 515 |
| Due to a non-controlling shareholder | | 3,475 | 3,417 |
| Due to related parties | | 11,481 | 5,867 |
| Due to a director | | 1,694 | 1,708 |
| Promissory notes | | 5,446 | 5,446 |
| | | <u>181,928</u> | <u>187,843</u> |
| NET CURRENT ASSETS | | <u>943,311</u> | <u>702,026</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,008,089</u> | <u>1,744,739</u> |
| NON-CURRENT LIABILITIES | | | |
| Accruals and other payables | | 188,006 | 205,628 |
| Borrowings | | 800,507 | 514,703 |
| Lease liabilities | | 688 | 878 |
| Promissory notes | | 4,609 | 4,609 |
| Deferred tax liabilities | | 228,161 | 226,884 |
| | | <u>1,221,971</u> | <u>952,702</u> |
| NET ASSETS | | <u>786,118</u> | <u>792,037</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 14 | 17,309 | 17,309 |
| Reserves | | 750,001 | 753,330 |
| | | <u>767,310</u> | <u>770,639</u> |
| Non-controlling interests | | 18,808 | 21,398 |
| TOTAL EQUITY | | <u>786,118</u> | <u>792,037</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

| | Attributable to owners of the Company | | | | | | | | | | |
|----------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------|----------------------|-----------------------|------------------------------------------------|----------------------------------|-------------------------------------------------------------|-----------------------------------------|
| | Share capital (Unaudited) HK\$'000 | Share premium (Unaudited) HK\$'000 | Contributed surplus (Unaudited) HK\$'000 | Translation reserve (Unaudited) HK\$'000 | Convertible | | | Retained profits (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 | Non- controlling interests (Unaudited) HK\$'000 | Total equity (Unaudited) HK\$'000 |
| | | | | | Notes | Statutory | reserve | | | | |
| | | | | | reserve | reserve | reserve | | | | |
| At 1 January 2021 (audited) | 17,309 | 585,887 | 4,755 | (22,138) | — | 18,604 | 166,222 | 770,639 | 21,398 | 792,037 | |
| Restated balance at 1 January 2021 | <u>17,309</u> | <u>585,887</u> | <u>4,755</u> | <u>(22,138)</u> | <u>—</u> | <u>18,604</u> | <u>166,222</u> | <u>770,639</u> | <u>21,398</u> | <u>792,037</u> | |
| Total comprehensive income for the Period | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,681</u> | <u>—</u> | <u>—</u> | <u>(5,010)</u> | <u>(3,329)</u> | <u>(2,590)</u> | <u>(5,919)</u> | |
| At 30 June 2021 | <u><u>17,309</u></u> | <u><u>585,887</u></u> | <u><u>4,755</u></u> | <u><u>(20,457)</u></u> | <u><u>—</u></u> | <u><u>18,604</u></u> | <u><u>161,212</u></u> | <u><u>767,310</u></u> | <u><u>18,808</u></u> | <u><u>786,118</u></u> | |
| At 1 January 2020 (audited) | 14,459 | 536,737 | 4,755 | (53,960) | — | 18,604 | 194,172 | 714,767 | 26,845 | 741,612 | |
| Restated balance at 1 January 2021 | <u>14,459</u> | <u>536,737</u> | <u>4,755</u> | <u>(53,960)</u> | <u>—</u> | <u>18,604</u> | <u>194,172</u> | <u>714,767</u> | <u>26,845</u> | <u>741,612</u> | |
| Conversion on subscription | 2,850 | 49,150 | — | — | — | — | — | 52,000 | — | 52,000 | |
| Acquisition of a subsidiary | — | — | — | — | — | — | — | — | — | — | |
| Total comprehensive income for the Period | <u>—</u> | <u>—</u> | <u>—</u> | <u>(10,289)</u> | <u>—</u> | <u>—</u> | <u>(10,796)</u> | <u>(21,085)</u> | <u>(5,435)</u> | <u>(26,520)</u> | |
| | <u>2,850</u> | <u>49,150</u> | <u>—</u> | <u>(10,289)</u> | <u>—</u> | <u>—</u> | <u>(10,796)</u> | <u>30,915</u> | <u>(5,435)</u> | <u>25,480</u> | |
| At 30 June 2020 | <u><u>17,309</u></u> | <u><u>585,887</u></u> | <u><u>4,755</u></u> | <u><u>(64,249)</u></u> | <u><u>—</u></u> | <u><u>18,604</u></u> | <u><u>183,376</u></u> | <u><u>745,682</u></u> | <u><u>21,410</u></u> | <u><u>767,092</u></u> | |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporation Information

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

The Company is an investment holding company. The Group are principally engaged in property development and investment in the People’s Republic of China (the “**PRC**”); operation of supermarket retail; and sales of buses.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 (the “**Condensed Consolidated Financial Statements**”) have not been audited or reviewed by the Company’s auditor but reviewed by the Audit Committee and approved for issue by the Board on 30 August 2021.

2. Basis of Preparation

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

The Condensed Consolidated Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Annual Financial Statements**”) which were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. HKFRSs comprises Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations. Except as described in note 3 below, the accounting policies and methods of computation used in the preparation of the Condensed Consolidated Financial Statements are consistent with those used in the 2020 Annual Financial Statements.

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

3. Adoption of New and Revised HKFRSs

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. Operating Segment Information

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

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

The accounting policies of the operating segments are the same as those accounting policies of the Group described in 2020 Annual Financial Statements. Segment profits or losses do not include unallocated other income, administrative and other operating expenses, share of loss of an associate, finance costs and income tax expense. Segment assets do not include unallocated property, plant and equipment, right-of-use assets, investments in associates, financial assets at FVTOCI, prepayments, deposits and other receivables, financial assets at FVTPL, amounts due from associates, a related company and non-controlling shareholders and cash and bank balances. Segment liabilities do not include unallocated accruals and other payables, borrowings, lease liabilities, amounts due to a non-controlling shareholder, related parties and a director, convertible notes and deferred tax liabilities.

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

| | Property development and investment (Unaudited) <i>HK\$'000</i> | Retail and related (Unaudited) <i>HK\$'000</i> | Sales of buses (Unaudited) <i>HK\$'000</i> | Total (Unaudited) <i>HK\$'000</i> |
|--------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------|
| Six months ended 30 June 2021 | | | | |
| Revenue from external customers | 29,410 | 61,054 | — | 90,464 |
| Segment profit | 39,055 | 6,000 | — | 45,055 |
| As at 30 June 2021 | | | | |
| Segment assets | 1,298,638 | 59,145 | 7,660 | 1,365,443 |
| Segment liabilities | 18,136 | 19,047 | 23 | 37,206 |
| Six months ended 30 June 2020 | | | | |
| Revenue from external customers | 18,771 | — | — | 18,771 |
| Segment profit | 17,687 | — | — | 17,687 |
| As at 31 December 2020 | | | | |
| Segment assets | (Audited) 1,249,637 | (Audited) — | (Audited) 7,660 | (Audited) 1,257,297 |
| Segment liabilities | <u>16,003</u> | <u>—</u> | <u>—</u> | <u>16,003</u> |

Reconciliations of segment profit or loss:

| | Six months ended 30 June | |
|---------------------------------------------|---------------------------------|------------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit or loss | | |
| Total profit of reportable segments | 45,055 | 17,687 |
| Other income | 3,956 | 3,523 |
| Administrative and other operating expenses | (42,195) | (20,098) |
| Finance costs | (14,350) | (16,899) |
| Consolidated loss before tax | <u>(7,534)</u> | <u>(15,787)</u> |

Reconciliations of segment assets or liabilities:

| | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|---------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Assets | | |
| Total assets of reportable segments | 1,365,443 | 1,257,297 |
| Property, plant and equipment | 56,416 | 56,449 |
| Intangible assets | 35,802 | 32,410 |
| Right-of-use assets | 11 | 889 |
| Financial assets at FVTOCI | 28,253 | 28,253 |
| Deferred tax assets | 39,723 | 39,723 |
| Financial assets at FVTPL | 31,657 | 34,577 |
| Prepayments, deposits and other receivables | 588,882 | 438,416 |
| Due from associates | 14 | 14 |
| Due from a related company | 14 | 14 |
| Due from non-controlling shareholders | 950 | 1,082 |
| Cash and bank balances | 42,852 | 43,458 |
| | <hr/> | <hr/> |
| Consolidated total assets | <u>2,190,017</u> | <u>1,932,582</u> |
| Liabilities | | |
| Total liabilities of reportable segments | 37,206 | 16,003 |
| Accruals and other payables | 295,308 | 345,882 |
| Borrowings | 815,516 | 529,336 |
| Lease liabilities | 1,003 | 1,393 |
| Due to non-controlling shareholders | 3,475 | 3,417 |
| Due to related parties | 11,481 | 5,867 |
| Due to a director | 1,694 | 1,708 |
| Promissory notes | 10,055 | 10,055 |
| Deferred tax liabilities | 228,161 | 226,884 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | <u>1,403,899</u> | <u>1,140,545</u> |

Geographical information

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

| | Six months ended 30 June | |
|----------------------------|---------------------------------|---------------------------------|
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| PRC | 90,464 | 18,771 |
| Hong Kong | — | — |
| Consolidated total revenue | <u>90,464</u> | <u>18,771</u> |

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

5. Revenue

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

| | Six months ended 30 June | |
|-----------------------------------------------------|---------------------------------|---------------------------------|
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Services transferred over time | | |
| Rental income and related management service income | 43,364 | 18,771 |
| Products transferred at a point in time | | |
| Income from sales of goods | <u>47,100</u> | — |
| | <u>90,464</u> | <u>18,771</u> |

6. Other Income

| | Six months ended 30 June | |
|-----------------|--------------------------|--------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest income | 3,938 | 3,517 |
| Others | 18 | 6 |
| | <u>3,956</u> | <u>3,523</u> |

7. Finance Costs

| | Six months ended 30 June | |
|--------------------------------------|--------------------------|---------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on bank borrowings | 14,327 | 14,208 |
| Interest on leases liabilities | 23 | 12 |
| Imputed interest on promissory notes | — | 2,679 |
| | <u>14,350</u> | <u>16,899</u> |

8. Income Tax Expense

| | Six months ended 30 June | |
|--------------|--------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| PRC | <u>—</u> | <u>—</u> |

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2021 and 2020.

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

(b) Diluted loss per share

No adjustment has been made to the basic loss per share for six months ended 30 June 2021 in respect of a dilution because there were no potentially dilutive events existed (2020: Nil).

12. Property, Plant and Equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment (equivalent to approximately HK\$51,796,000) (2020: Nil).

13. Prepayments, Deposits and Other Receivables

| | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|------------------------------------|------------------------------------------------------|----------------------------------------------|
| Prepayments | 492,634 | 213,517 |
| Deposits | 992 | 56,492 |
| Other receivables | 122,985 | 196,136 |
| | 616,611 | 466,145 |
| Less: Allowance for doubtful debts | (27,729) | (27,729) |
| | 588,882 | 438,416 |
| Less: Non-current portion | — | (36,616) |
| Current portion | 588,882 | 401,800 |

14. Share Capital

| | Number of shares | Amount <i>HK\$'000</i> |
|-----------------------------------------------------------------------------------------------|------------------------------|---------------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.004 each | | |
| At 1 January 2020, 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited) | <u>10,000,000,000</u> | <u>40,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.004 each | | |
| At 1 January 2020 (audited) | 3,614,835,737 | 14,459 |
| Completion of the subscription of new shares (note (a)) | <u>712,328,767</u> | <u>2,850</u> |
| At 31 December 2020, 1 January 2021 and 30 June 2021 (unaudited) | <u>4,327,164,504</u> | <u>17,309</u> |

Notes:

- (a) All the Conditions Precedent to completion of the Subscription have been fulfilled and the completion of the Subscription took place on 5 May 2020.

The Subscription Shares, being 712,328,767 new Shares, have been subscribed by the Subscriber at the Subscription Price of HK\$0.073 per Subscription Share pursuant to the terms and conditions of the Subscription Agreement.

15. Commitments

The Group had the following commitment as at 30 June 2021.

(a) Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the “**Partner**”), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited (“**NC Fortune Medicare**”) was incorporated, of which, 34% equity interest in NC Fortune Medicare was held by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the “**Shanghai Subsidiary**”) for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000 (equivalent to approximately (HK\$1,200,700)), which shall be financed by all the shareholders of NC Fortune Medicare in proportion to their respective shareholdings therein. The Shanghai Subsidiary has not been established as at the date of approval of the Condensed Consolidated Financial Statements. As of 30 June 2021, none of the RMB340,000 (equivalent to approximately (HK\$408,238)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

(b) Capital commitments

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|-------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|
| Construction design contracts for the Luoyang Properties | <u><u>5,747</u></u> | <u><u>5,747</u></u> |

16. Contingent Liabilities

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

Pursuant to a land use right agreement (國有建設用地使用權出讓合同) (the “**Land Use Right Agreement**”) of the Luoyang Properties, which was entered into between Luoyang Wan Heng Property Company Limited (洛陽萬亨置業有限公司) (“**Luoyang Wan Heng**”), a subsidiary of the Company and 洛陽國土資源局 (“**洛陽國土局**”) on 1 February 2013, Luoyang Wan Heng is required to commence and complete the construction of the Luoyang Properties on or before 1 September 2013 and 1 September 2016 (the “**Construction Period**”), respectively. A penalty (the “**Penalty**”) is calculated at 0.1% per day on the original consideration paid by Luoyang Wan Heng for the land use right, which was approximately RMB31,270,000 (equivalent to approximately HK\$37,545,889), will be imposed by 洛陽國土局 if the construction of the Luoyang Properties was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the “**Forfeiture**”) by 洛陽國土局 if the construction has not been completed beyond 60 days of the Construction Period.

On 17 November 2016, the Group received a notice from 洛陽市城鄉一體化示範區管理委員會國土環保局, pursuant to which, the Group is required to commence the construction of the Luoyang Properties within 15 days after the date of the notice unless the Group has a reasonable excuse. The Group replied and expected to have the construction work commenced in June 2017. On 26 June 2017, the Group received a Notice of Investigation of Idle Land (閒置土地調查通知書) from 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局. On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 (“**洛陽規劃局**”). After reviewed by 洛陽規劃局, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties were minimal adjusted. The Group are negotiating with 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the changed of Luoyang Properties in order to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

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

In preparing the Condensed Consolidated Financial Statements, the Directors had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 洛陽規劃局 on the modification of construction plan of the Luoyang Properties and the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the Directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 30 June 2021.

17. Related Parties Transactions

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

| | Six months ended 30 June | |
|------------------------------------------------------|---------------------------------|--------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Rental expenses paid to related/connecting companies | <u>777</u> | <u>777</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a revenue of approximately HK\$90,464,000 and recorded a loss after tax of approximately HK\$7,534,000 for the six months ended 30 June 2021.

PROSPECT AND OUTLOOK

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

Since year 2019, the Group has already planned to launch its “New Day, New Life, New City” theme of its future development as part of the integration of property development and property management with daily needs in living. Through the entrance of retail business both online and supermarket chain, YBJ, located in Great Bay Area together with the acquisition of the Beijing property management intellectual property licensor as well as the Zhuhai property development company, all these have made a prefect integration and implementation of the aforesaid theme of the Group in the year 2020.

Supermarket Business, PRC

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

Property Management in Beijing, PRC

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

Investment properties in Luoyang

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

Property Development in Zhuhai, PRC

The development of Zhuhai property is part of the Group’s commercial property development projects in Great Bay Area that was scheduled in year 2020. The impact of COVID-19 has actually delayed the development of the whole property market. The Group believes that the property market will revive in year 2021 with the significant input in boosting up the recovery of economy after the COVID-19 time. The Group foresees there are lots of opportunities in capturing the strong growing prospect of economic recovery in the next years ahead as one of the National policies of encouraging economic growth by the Government. The Group has determined that most of the development units of the Zhuhai project would be regarded as inventory for future realization with the view of reserving more cash on hand so as to capture different business opportunities in the forthcoming years instead of treating the development project as an investment property.

The Group would continue its effort in implementing its theme of “New Day, New Life, New City” in the year 2021 in line with the economic recovery at the Post COVID-19 time, particularly in the Great Bay Area.

FINANCIAL REVIEW

During the Period under review, the Group has revenue and net loss for the Period amounted to approximately HK\$90,464,000 and HK\$7,534,000 respectively, whereas the Group had revenue and net loss for the first half of 2020 was approximately HK\$18,771,000 and HK\$15,787,000, respectively. Basic loss per share for six months ended 30 June 2021 was HK\$0.17 cents (basic loss per share for six months ended 30 June 2020 was HK\$0.28 cents).

DIVIDENDS

The Board does not recommend the payment of an interim dividend (six months ended 30 June 2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2021, the Group's total assets were approximately HK\$2,190,017,000 (31 December 2020: HK\$1,932,582,000) and total liabilities were approximately HK\$1,403,899,000 (31 December 2020: HK\$1,140,545,000). As at 30 June 2021, the cash and bank balances was approximately HK\$42,852,000 (31 December 2020: HK\$43,458,000) and the current ratio (current assets/current liabilities) was 6.19 as at 30 June 2021 (31 December 2020: 4.73).

GEARING RATIO

The gearing ratio (debt/equity) was 0.60 as at 30 June 2021 (31 December 2020: 0.53).

EXCHANGE RISKS

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

CAPITAL STRUCTURE

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

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, the Company has complied with all the code provisions (“**Code Provisions**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), save for the deviations listed below:

- The Chairman of the Company is also the chief executive officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. As the current nature of the Group’s business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review its structure from time to time and will make corresponding arrangements to observe the provisions of the Listing Rules whenever necessary.
- According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company’s Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. In respect of Code Provision A.6.7 of the CG Code, one Executive Director and four Independent Non-executive Directors did not attend the annual general meeting of the Company held on 11 June 2019. The Company will review its Articles of Association from time to time and will make any amendments to ensure observance of the provisions of the Listing Rules whenever necessary.
- According to Article 87(1) of the Articles of Association, since the Chairman of the Board, whilst holding such office, is not subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year, Code Provision A.4.2 is deviated. The Chairman plays an essential role in the growth and development of the Group. At present, the Chairman’s continuing presence in the Board is important to assure sustainable development of the Group. Given the importance of the Chairman’s role, the Board considers that the relevant article in the Articles of Association has no material impact on the operation of the Group as a whole.

EMPLOYEES

As at 30 June 2021, the Group has employed about 74 employees in Hong Kong and the PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

PLEDGE OF ASSETS

As at 30 June 2021, the Group's certain investment properties were pledged to secure for bank borrowings.

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

The Company did not have any significant investments or material acquisitions and disposals for the six months ended 30 June 2021.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2021.

CONTINGENT LIABILITIES

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

COMMITMENT

Except for the commitments as detailed in note 15 to this announcement, the Group did not have any commitment as at 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have confirmed that they had complied with the Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Zhang Jing and Mr. Leung Kwai Wah Alex. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the Condensed Consolidated Financial Statements for the six months ended 30 June 2021.

BOARD OF DIRECTORS

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information”. The interim report of the Group for the six months ended 30 June 2021 containing all the information required by Listing Rules will be despatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information” in due course.

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

Hong Kong, 30 August 2021