



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
Report
2022

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INTERIM RESULTS

The Board of Directors (the “Board”) of New City Development Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 (the “Period”) with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	5	78,032	90,464
Cost of goods sold and services provided		<u>(39,774)</u>	<u>(45,409)</u>
Gross profit		38,258	45,055
Other income	6	3,310	3,956
Administrative and other operating expenses		<u>(40,890)</u>	<u>(42,195)</u>
Profit from operations		678	6,816
Finance costs	7	<u>(14,400)</u>	<u>(14,350)</u>
Loss before tax		(13,722)	(7,534)
Income tax expenses	8	<u>–</u>	<u>–</u>
Loss for the Period	9	<u>(13,722)</u>	<u>(7,534)</u>
Attributable to:			
Owners of the Company		(13,267)	(5,010)
Non-controlling interests		<u>(455)</u>	<u>(2,524)</u>
		<u>(13,722)</u>	<u>(7,534)</u>
Loss per share			(Restated)
Basic	11(a)	<u>(15.33) cents</u>	<u>(5.79) cents</u>
Diluted	11(b)	<u>(15.33) cents</u>	<u>(5.79) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the Period	(13,722)	(7,534)
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>(4,862)</u>	<u>1,615</u>
Total comprehensive income for the Period	<u>(18,584)</u>	<u>(5,919)</u>
Attributable to:		
Owners of the Company	(17,485)	(3,329)
Non-controlling interests	<u>(1,099)</u>	<u>(2,590)</u>
	<u>(18,584)</u>	<u>(5,919)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	101,438	112,894
Investment properties	13	910,669	925,677
Intangible assets		16,523	16,969
Right-of-use assets		700	974
Financial assets at fair value through other comprehensive income ("FVTOCI")		30,355	30,355
Prepayments, deposits and other receivables	14	20	119
Deferred tax assets		39,723	39,723
		1,099,428	1,126,711
CURRENT ASSETS			
Financial assets at fair value through profit or loss ("FVTPL")	15	31,416	35,987
Inventories		1,303	6,412
Properties under development and held for sale		522,482	478,679
Prepayments, deposits and other receivables	14	587,873	629,875
Due from associates		14	14
Due from a related company		14	14
Due from non-controlling shareholders		1,757	1,923
Cash and bank balances		15,094	6,035
		1,159,953	1,158,939
CURRENT LIABILITIES			
Accruals and other payables		62,045	21,625
Deposits received		15,173	16,432
Borrowings	16	23,416	15,149
Lease liabilities		517	485
Due to a non-controlling shareholder		3,397	3,364
Due to related parties		14,305	32,922
Due to a director		9,711	3,571
Promissory notes		5,434	5,434
		133,998	98,982

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NET CURRENT ASSETS		1,025,955	1,059,957
TOTAL ASSETS LESS CURRENT LIABILITIES		2,125,383	2,186,668
NON-CURRENT LIABILITIES			
Accruals and other payables		394,150	377,855
Borrowings	16	792,106	843,039
Lease liabilities		262	600
Deferred tax liabilities		223,876	231,601
		1,410,394	1,453,095
NET ASSETS		714,989	733,573
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	17,309	17,309
Reserves		671,629	689,114
		688,938	706,423
Non-controlling interests		26,051	27,150
TOTAL EQUITY		714,989	733,573

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company									Total equity (Unaudited) HK\$'000		
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000			
	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	17,309	585,887	4,755	(22,138)	-	18,604	166,222	770,639		21,398	792,037
Total comprehensive income for the Period	-	-	-	1,681	-	-	(5,010)	(3,329)	(2,590)	(5,919)		
At 30 June 2021	<u>17,309</u>	<u>585,887</u>	<u>4,755</u>	<u>(20,457)</u>	<u>-</u>	<u>18,604</u>	<u>161,212</u>	<u>767,310</u>	<u>18,808</u>	<u>786,118</u>		
At 1 January 2022 (audited)	17,309	585,887	4,755	(24,037)	2,102	18,604	101,803	706,423	27,150	733,573		
Restated balance at 1 January 2022	17,309	585,887	4,755	(24,037)	2,102	18,604	101,803	706,423	27,150	733,573		
Total comprehensive income for the Period	-	-	-	(4,218)	-	-	(13,267)	(17,485)	(1,099)	(18,584)		
At 30 June 2022	<u>17,309</u>	<u>585,887</u>	<u>4,755</u>	<u>(28,255)</u>	<u>2,102</u>	<u>18,604</u>	<u>88,536</u>	<u>688,938</u>	<u>26,051</u>	<u>714,989</u>		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	31,417	(214,561)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(14)	(54,931)
Interest received	10	13
NET CASH USED IN INVESTING ACTIVITIES	(4)	(54,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(5,366)	(590)
Principal elements of lease payment	(303)	(390)
Loans from bank	–	286,770
Interest paid	(14,372)	(14,327)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(20,041)	271,463
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,372	1,984
CASH AND CASH EQUIVALENTS AT 1 JANUARY	6,035	43,458
Effect of foreign exchange rate changes	(2,313)	(2,590)
CASH AND CASH EQUIVALENTS AT 30 JUNE	15,094	42,852
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,094	42,852

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 PRC; and operation of supermarket retail.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (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 2022.

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 2021 (the “2021 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 2021 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 2022. 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 and operation of supermarket retail. Accordingly, there are two 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 2021 Annual Financial Statements. Segment profits or losses do not include unallocated other income, other gains and losses – Net, administrative and other operating expenses, impairment losses for deposits and other receivables, written off of inventories, impairment losses for goodwill and finance costs. Segment assets do not include unallocated property, plant and equipment, intangible assets, right-of-use assets, financial assets at FVTOCI, deferred tax assets, financial assets at FVTPL, prepayments, deposits and other receivables, amounts due from associates, a related company and non-controlling shareholders, and cash and bank balances. Segment liabilities do not include unallocated accruals and other payables, borrowings, finance lease payables, lease liabilities, amounts due to non-controlling shareholders, related parties and a director, promissory notes and deferred tax liabilities.

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

	Property development and investment (Unaudited) <i>HK\$'000</i>	Operation of supermarket retail and related (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2022			
Revenue from external customers	27,997	50,035	78,032
Segment profit	35,687	2,571	38,258
As at 30 June 2022			
Segment assets	1,367,774	66,680	1,434,454
Segment liabilities	15,173	–	15,173
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 31 December 2021			
Segment assets	(Audited) 1,338,278	(Audited) 72,490	(Audited) 1,410,768
Segment liabilities	16,432	–	16,432

Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit or loss		
Total profit of reportable segments	38,258	45,055
Other income	3,310	3,956
Administrative and other operating expenses	(40,890)	(42,195)
Finance costs	(14,400)	(14,350)
	<u> </u>	<u> </u>
Consolidated loss before tax	<u>(13,722)</u>	<u>(7,534)</u>

Reconciliations of segment assets or liabilities:

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Total assets of reportable segments	1,434,454	1,410,768
Property, plant and equipment	101,438	112,894
Intangible assets	16,523	16,969
Right-of-use assets	700	974
Financial assets at FVTOCI	30,355	30,355
Deferred tax assets	39,723	39,723
Financial assets at FVTPL	31,416	35,987
Prepayments, deposits and other receivables	587,893	629,994
Due from associates	14	14
Due from a related company	14	14
Due from non-controlling shareholders	1,757	1,923
Cash and bank balances	15,094	6,035
	<u> </u>	<u> </u>
Consolidated total assets	<u>2,259,381</u>	<u>2,285,650</u>

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Liabilities		
Total liabilities of reportable segments	15,173	16,432
Accruals and other payables	456,195	399,480
Borrowings	815,522	858,188
Lease liabilities	779	1,085
Due to non-controlling shareholders	3,397	3,364
Due to related parties	14,305	32,922
Due to a director	9,711	3,571
Promissory notes	5,434	5,434
Deferred tax liabilities	223,876	231,601
	<hr/>	<hr/>
Consolidated total liabilities	<u>1,544,392</u>	<u>1,552,077</u>

Geographical information

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
PRC	78,032	90,464
Hong Kong	–	–
	<hr/>	<hr/>
Consolidated total revenue	<u>78,032</u>	<u>90,464</u>

Over 90% of the Group's non-current assets (excluding intangible assets, right-of-use assets, investments in associates, financial assets at FVTOCI, prepayments, deposits and other receivables and deferred tax assets) are located in the PRC. Accordingly, no further geographical information of non-current assets 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Services transferred over time		
Rental income and related management service income	39,500	43,364
Products transferred at a point in time		
Sales from operation of supermarket retail in Mainland China	38,532	47,100
	<u>78,032</u>	<u>90,464</u>

6. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	2,385	3,938
Others	925	18
	<u>3,310</u>	<u>3,956</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	14,372	14,327
Interest on leases liabilities	28	23
	<u>14,400</u>	<u>14,350</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(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 2022 and 2021.

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.

9. LOSS FOR THE PERIOD

The Group's loss for the Period has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	6,839	3,041
Depreciation of right-of-use assets	611	4,811
Fair value loss on financial assets at FVTPL	<u>2,935</u>	<u>3,926</u>

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2021: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to owner of the Company used in the basic loss per share calculation	<u>(13,267)</u>	<u>(5,010)</u>
	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares used in the basic loss per share calculation	<u>86,543,290</u>	<u>86,543,290</u>

(b) Diluted loss per share

No adjustment has been made to the basic loss per share for six months ended 30 June 2022 in respect of a dilution because there were no potentially dilutive events existed (2021: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of approximately HK\$14,000 (2021: approximately HK\$51,796,000).

13. INVESTMENT PROPERTIES

	Properties at fair value (Unaudited) HK\$'000	Properties at cost (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Completed project			
Carrying amount at 1 January 2022	850,056	–	850,056
Exchange realignment	(11,721)	–	(11,721)
Carrying amount at 30 June 2022	838,335	–	838,335
Incomplete project			
Carrying amount at 1 January 2022	–	75,621	75,621
Exchange realignment	–	(3,287)	(3,287)
Carrying amount at 30 June 2022	–	72,334	72,334
Aggregate carrying amount			
Investment properties in Guangzhou (note (a)) and (note (b))	838,335	–	838,335
Investment properties in Luoyang (note (c))	–	72,334	72,334
At 30 June 2022	838,335	72,334	910,669
Investment properties in Guangzhou (note (a)) and (note (b))	850,056	–	850,056
Investment properties in Luoyang (note (c))	–	75,621	75,621
At 31 December 2021 (audited)	850,056	75,621	925,677

Notes:

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

At 30 June 2022, the Guangzhou Properties 1 with carrying amount of approximately HK\$774,538,000 (31 December 2021: HK\$783,360,000) were pledged to secure bank borrowings, details of which are set out in note 16 to the Unaudited Condensed Consolidated Financial Statements.

Fair value hierarchy

As at 30 June 2022 and 31 December 2021, the fair value measurement of the Guangzhou Properties 1 was using Level 3 – significant unobservable input.

There were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3.

Fair value measurement

The Guangzhou Properties 1 are held for the purpose of generating rental income and/or for capital appreciation. The directors considered that the adoption of the income approach is appropriate in accessing the fair value of the Guangzhou Properties 1. Accordingly, the fair value of the Guangzhou Properties 1 was determined based on the income approach.

Information about the Level 3 fair value measurement is as follows:

Description	Fair value		Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000			
Investment properties	774,538	783,360	Income approach	Estimated rental income (per square metre and per month) with a range from RMB55 to RMB80 Discount rate at 4.5%	The higher the rental income, the higher the fair value The higher the discount rate, the lower the fair value

There was no change in the valuation techniques used.

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

At 30 June 2022, the Guangzhou Properties 2 with carrying amount of approximately HK\$63,797,000 (31 December 2021: HK\$66,696,000) were pledged to secure bank borrowings, details of which are set out in note 16 to the Unaudited Condensed Consolidated Financial Statements.

Fair value hierarchy

As at 30 June 2022 and 31 December 2021, the fair value measurement of the Guangzhou Properties 2 was using Level 3 – significant unobservable input.

There were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3.

Fair value measurement

The Guangzhou Properties 2 are held for the purpose of generating rental income and/or for capital appreciation. The directors considered that the adoption of the direct comparison approach is appropriate in accessing the fair value of the Guangzhou Properties 2. Accordingly, the fair value of the Guangzhou Properties 2 was determined based on the direct comparison approach.

Information about the Level 3 fair value measurement is as follows:

Description	Fair value		Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000			
Investment properties	63,797	66,696	Direct comparison approach	Adjusted market value (RMB7,583 – 12,000 per square metre)	The higher the market unit rate, the higher the fair value

There was no change in the valuation techniques used.

- (c) 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. The Luoyang Properties were acquired through the acquisition of the subsidiaries during the year ended 31 December 2015. The Luoyang Properties comprise a parcel of land held under medium term leases with a site area of 69,942.185 square metres which can be developed into a total gross floor area of 173,724.12 square metres. Its carrying amount comprised the land use right and directly attributable costs and was stated at acquisition cost of approximately RMB61,782,000 (equivalent to HK\$72,334,000 (31 December 2021: HK\$75,621,000)), and less impairment, if any.

Pursuant to a land use right agreement (國有建設用地使用權出讓合同) 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 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\$36,611,000) (the “Penalty”), will be imposed by 洛陽國土局 if the construction of the Luoyang Properties was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the “Forfeiture”) by 洛陽國土局 if the construction has not been completed beyond 60 days of the Construction Period.

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

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

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

In preparing these consolidated financial statements, the directors had sought legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the continued changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 洛陽規劃局 on the modification of construction plan of the Luoyang Properties, the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 30 June 2022.

At 30 June 2022, the Luoyang Properties with carrying amount of approximately HK\$72,334,000 were pledged to secure bank borrowings, details of which are set out in note 16 to the Unaudited Condensed Consolidated Financial Statements.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Prepayments		
– Prepaid for the Luoyang Properties (<i>note (a)</i>)	7,374	7,709
– Prepaid for the Zhuhai Properties (<i>note (b)</i>)	377,162	443,470
– Others	49,868	9,536
Deposits held by		
– Others (<i>note (c)</i>)	21,135	21,027
Other receivables		
– Due from 北京中証房地產開發有限公司 (<i>note (d)</i>)	68,354	68,994
– Others	146,309	161,567
	670,202	712,303
Less: Allowance for doubtful debts	(82,309)	(82,309)
	587,893	629,994
Less: Non-current portion	(20)	(119)
Current portion	587,873	629,875

Notes:

- (a) As at 30 June 2022, an aggregate amount of approximately RMB6,298,000 (equivalent to approximately HK\$7,374,000) (31 December 2021: RMB6,298,000 (equivalent to approximately HK\$7,709,000)) has been prepaid by the Group to the construction of Luoyang Properties.
- (b) As at 30 June 2022, an aggregate amount of approximately RMB322,141,000 (equivalent to approximately HK\$377,162,000) (31 December 2021: RMB362,312,000 (equivalent to approximately HK\$443,470,000)) has been prepaid by the Group to the construction of Zhuhai Properties.
- (c) Additional deposits of HK\$20,000,000 has been paid to 新澳中世紀國際貿易(北京)有限公司 as escrow monies for the due diligence exercise on the exploration of project investment opportunity in the near future.
- (d) The amount represented outstanding receivables from 北京中証, a former subsidiary of the Company which was disposed of in 2010, as a result of the following sequence of events.

The Company received a civil summons dated 15 May 2014 from the Higher People's Court of Beijing City (the "Higher Court"), pursuant to which, an application for retrial of a civil court case (the "Litigation") had been filed by 上海復旦光華信息科技股份有限公司 ("上海復旦"). The Litigation was stemmed from a series of civil court proceedings commenced by 上海復旦 in Beijing No. 1 Intermediate People's Court and the other courts in the PRC since 2003 which alleged that 北京中証 had failed to perform its obligation under a sale contract dated 27 June 2002 entered into between 北京中証 and 上海復旦 for selling certain real properties (the "Properties Transactions") in the PRC to 上海復旦 at a consideration of approximately US\$1,755,000 (equivalent to approximately HK\$13,749,000) (the "Allegation"). The Company became one of defendants as 上海復旦 claimed that Mr. Leung Kwo (梁戈) ("Mr. Leung"), a former director and chairman of the Company, entered into a guarantee agreement (the "Guarantee Agreement") with 上海復旦 on 28 June 2002 for and on behalf of the Company, pursuant to which, the Company acted as a guarantor to guarantee 上海復旦 that 北京中証 should perform its obligation under the Properties Transactions.

In view of the Litigation, the directors of the Company have conducted extensive investigations, in which the directors have (i) inspected all the minutes of the meetings of its board of directors from the date of its incorporation to the end of year 2013 to identify if the Allegation has ever been brought to the attention of the directors; (ii) contacted the key management personnel of 北京中証 for ascertaining the merits of the Allegation; (iii) discussed in their meeting to determine the financial impact of the Litigation and the Allegation; and (iv) sought for legal advices from the lawyers in the Cayman Islands and the PRC (collectively, the "Lawyers") in respect of the Litigation. From such investigations, the Company found that (i) there was no record showing that the Allegation has ever been brought to the attention of the directors and they did not approve and sign the Guarantee Agreement; and (ii) 北京中証 was aware of the Allegation and Litigation, but it has no records in respect of the sales of the Properties Transactions or the receipt of the sales proceeds as alleged in the Litigation.

On 29 July 2015, the Company received, through the Lawyer, the judgment dated 14 May 2015 (the “Judgment”) granted by the Higher Court in respect of the Litigation, pursuant to which, the Higher Court overruled its own judgment dated 26 July 2013 and upheld the judgment dated 10 November 2010 granted by Beijing No.1 Intermediate People’s Court. The Higher Court ruled that both the Properties Transactions and the Guarantee Agreement were legally effective. The Higher Court also ordered that both the Company and 北京中証 shall be jointly liable to repay to 上海復旦 the sum of RMB14,530,000 (equivalent to approximately HK\$17,012,000 (31 December 2021: HK\$17,785,000)) together with interest accrued thereon from 1 July 2002 up to the date of payment (collectively, the “Judgment Debt”) which was preliminarily estimated by the directors to be approximately RMB27,660,000 (equivalent to approximately HK\$32,384,000 (31 December 2021: HK\$33,856,000)).

On 30 November 2015, the Company entered into a subscription agreement (the “Subscription Agreement”) with Mr. Zhu Ya Yong (朱亞勇) (the “Subscriber”), pursuant to which, the Subscriber agreed to negotiate with 上海復旦 for the entering into a debt settlement agreement between the Company, 上海復旦 and the Subscriber. It was intended that upon the completion of the debt settlement agreement, (i) the Company’s obligation to repay the Judgment Debt will be assumed or satisfied by the Subscriber; and (ii) the Company will be indebted to the Subscriber for a sum of HK\$33,606,830 which will be satisfied by way of the issuing of 136,060,042 shares of the Company at a subscription price of HK\$0.247 per share.

Subsequently, 北京億隆悅泰投資有限公司 (“北京億隆”), a related company of the Subscriber) was nominated by the Subscriber for the negotiation with 上海復旦 and reached a settlement of the Judgment Debt at an aggregate amount of RMB27,000,000 (equivalent to approximately HK\$31,612,000 (31 December 2021: HK\$33,048,000)). Accordingly, the Company entered into a debt settlement agreement (執行和解協議) (the “Debt Settlement Agreement”) with 上海復旦 and 北京億隆 on 9 December 2015, pursuant to which, the amount of the Judgment Debt was agreed at RMB27,000,000 (equivalent to approximately HK\$31,612,000 (31 December 2021: HK\$33,048,000)) which is interest-free, guaranteed and secured by a property of 北京億隆 (the “Yi Long Property”) and (i) as to RMB3,000,000 (equivalent to approximately HK\$3,512,400 (31 December 2021: HK\$3,672,000)) payable at the date of signing of the Debt Settlement Agreement; and (ii) the remaining balance of RMB24,000,000 (equivalent to approximately HK\$28,099,000 (31 December 2021: HK\$29,376,000)) repayable by 4 quarterly installments on 31 March, 30 June, 30 September and 31 December 2016, respectively.

On 30 December 2015, the Company further entered into an agreement (關於執行和解協議之四方協議) (the “Four Parties Agreement”) with the Subscriber, 北京億隆 and 北京創意金典投資諮詢服務有限公司 (“北京創意”), a company controlled by the Subscriber, pursuant to which, (i) the Subscriber undertakes the settlement of the Judgement Debt for the Company; (ii) 北京億隆 pledges the Yi Long Property to 上海復旦 as security against the Judgement Debt; and (iii) 北京創意 pays on behalf of the Subscriber RMB3,000,000 (equivalent to approximately HK\$3,512,400 (31 December 2021: HK\$3,672,000)) of the Judgement Debt. The directors are of the opinion that upon the entering of the Four Parties Agreement, the Company’s obligation to repay the Judgement Debt has been assumed or satisfied by the Subscriber and therefore, the Company was indebted to the Subscriber in the sum of HK\$33,606,830 which was satisfied by the issuing of 136,060,042 shares of the Company at a subscription price of HK\$0.247 per share under the Subscription Agreement on 30 December 2015.

In view of the Litigation, the directors have taken appropriate actions to negotiate with 北京中証 for recovery of the Judgement Debt.

On 7 March 2016, the Company entered into an agreement (關於支付承諾款項之三方協議) (the “Debt Recovery Agreement”) with 北京中証, pursuant to which, 北京中証 agreed to fully repay the Judgement Debt to the Company together with (i) an interest at 15% per annum; and (ii) a fixed fee of RMB5,000,000 (equivalent to approximately HK\$5,854,000 (31 December 2021: HK\$6,120,000)) as compensation (collectively, the “Recoverable Debt”). The Recoverable Debt shall be settled on or before 7 March 2018 and is guaranteed by 北京桑普新源技術有限公司 (“北京桑普”), an independent third party.

On 5 February 2021, the Company entered in to a supplementary agreement (債務重組框架協議) (the “Debt Recovery Framework Agreement”) with 北京中証 to further extend the settlement date of Recoverable Debt on or before 4 February 2023 by 北京中証.

15. FINANCIAL ASSETS AT FVTPL

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Listed equity investment, at market value in Taiwan	<u>31,416</u>	<u>35,987</u>

The fair value of the equity investment as of 30 June 2022 was determined based on the quoted market bid price (level 1 fair value measurement) available on The Taiwan Stock Exchange.

16. BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Bank loan 1 (note (a))	8.085	2030	291,785	309,552
Bank loan 2 (note (b))	7.153	2025	490,486	512,774
Bank loan 3 (note (c))	6.000	2028	33,251	35,862
			815,522	858,188
Analysed into:				
Repayable:				
Within one year or on demand			23,416	15,149
In the second to fifth years, inclusive			645,923	646,835
Over five years			146,183	196,204
Total			815,522	858,188
Less: Non-current portion			(792,106)	(843,039)
Current portion			23,416	15,149

Notes:

- (a) On 20 June 2018, Guangdong Changliu entered into a loan agreement with China Zheshang Bank Co., Ltd. (“CZBANK”), pursuant to which, CZBANK agreed to grant a loan (the “CZBANK Loan”) in the amount of RMB280,000,000 (equivalent to approximately HK\$327,824,000) to Guangdong Changliu for a term of 12 years, which is secured by legal charges over the Guangzhou Properties and personal guarantee provided by Mr. Han. The CZBANK Loan bears interest at 8.085%, 165% of the benchmark annual lending and deposit rate of the People’s Bank of China, which is repayable on a quarterly basis. The principal amount of the CZBANK Loan is repayable by 48 instalments starting from 20 September 2019 and will mature on 7 May 2030.
- (b) On 9 October 2020, Zhuhai Teng Shun entered into a loan agreement with Bank of Guangzhou Co., Ltd. (“GZBANK”), pursuant to which, GZBANK agreed to grant a loan (the “GZBANK Loan”) in the amount of RMB98,932,000 (equivalent to approximately HK\$115,830,000) and RMB80,000,000 (equivalent to approximately HK\$93,664,000) on 12 November 2020 and 8 December 2020 respectively to Zhuhai Teng Shun for a term of 5 years, which is secured by legal charges over the Luoyang Properties, Zhuhai Properties and entire issued share capital of Zhuhai Teng Shun and Luoyang Wan Heng, corporate guarantee provided by Guangdong Changliu, Guangzhou Chang Yang Investment Company Limited (廣州暢揚投資股份有限公司) (“Guangdong Changyang”) and non-controlling shareholders, personal guarantee provided by Mr. Han and a legal representative of a subsidiary and a key management personnel of a related company. The GZBANK Loan bears interest rate from 7.0332% to 7.153%, 365% of the benchmark annual lending and deposit rate of the People’s Bank of China, which is repayable on a monthly basis. The principal amount of the GZBANK Loan is repayable by instalments starting from 24th month from the first withdrawal date or the 6th month after the project obtains the first time presale certificate, which is earlier, and will mature on 12 November 2025.

On 20 February 2021, subject to the terms of the above mentioned loan agreement with GZBANK, GZBANK granted a further loan in the amount of RMB80,000,000 (equivalent to HK\$93,664,000) to Zhuhai Teng Shun for a term of 49 months. The principal amount of the GZBANK Loan is repayable once on the maturity date and will mature on 20 March 2025.

On 20 May 2021, subject to the terms of the above mentioned loan agreement with GZBANK, GZBANK granted a further loan in the amount of RMB160,000,000 (equivalent to approximately HK\$187,328,000) to Zhuhai Teng Shun for a term of 48 months. The principal amount of the GZBANK Loan is repayable once on the maturity date and will mature on 19 May 2025.

- (c) On 19 June 2021, Guangdong Chang Yang entered into a loan agreement with Guangzhou Rural Commercial Bank (“GZRCBANK”), pursuant to which, GZRCBANK agreed to grant a loan (the “GZRCBANK Loan”) in the amount of RMB36,000,000 (equivalent to HK\$42,149,000) to Guangdong Changyan for a term of 84 months, which is secured by legal charges over the Guangzhou Properties 2, legal charges over the 100% equity interests in 廣州優暢, a 80%-owned subsidiary of Guangdong Changyang, and guarantee provided by Guangdong Changliu, 廣州優暢, 廣州市聯璋物業管理有限公司 (“廣州聯璋”), a 80%-owned subsidiary of Guangdong Changyang, and personal guarantee provided by Mr. Han. The GZRCBANK Loan bears interest at 6.000%, 135% of the benchmark annual lending and deposit rate of the People’s Bank of China, which is repayable on a monthly basis. The principal amount of the GZRCBANK Loan is repayable by 84 instalments starting from 19 June 2021 and will mature on 18 June 2028.

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.004 each		
At 1 January 2021, 31 December 2021 and 1 January 2022 (audited)	10,000,000,000	40,000
Share consolidation (<i>note (a)</i>)	(9,800,000,000)	–
	<hr/>	<hr/>
Ordinary shares of HK\$0.20 each		
At 30 June 2022 (unaudited)	200,000,000	40,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
Ordinary shares of HK\$0.004 each		
At 1 January 2021, 31 December 2021 and 1 January 2022 (audited)	4,327,164,504	17,309
Share consolidation (<i>note (a)</i>)	(4,240,621,214)	–
	<hr/>	<hr/>
Ordinary shares of HK\$0.20 each		
At 30 June 2022 (unaudited)	86,543,290	17,309
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) Capital reorganization

Pursuant to the Extraordinary General Meeting of the Company passed on 6 April 2022 and the approval granted by the Listing Committee of the Hong Kong Stock Exchange, the capital reorganization set out below became effective on 8 April 2022:

Every fifty (50) issued and unissued shares of par value of HK\$0.004 each of the Company be consolidated into one (1) consolidated share of par value of HK\$0.20 in the capital of the Company.

18. OTHER COMMITMENTS

The Group had the following commitment as at 30 June 2022.

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\$1,170,800)), 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 2022, none of the RMB340,000 (equivalent to approximately (HK\$398,072)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

19. 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\$36,610,916), 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 minimally 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 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 2022.

20. RELATED PARTIES TRANSACTIONS

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental expenses paid to related/connected companies	<u>777</u>	<u>777</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a revenue of approximately HK\$78,032,000 and recorded a loss after tax of approximately HK\$13,722,000 for the six months ended 30 June 2022.

CONTINUING CONNECTED TRANSACTIONS

On 31 May 2022, new tenancy agreements (the “New Tenancy Agreements”) were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord for leasing of the office premises; and (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises and the car-parking space; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and the car-parking space. The New Tenancy Agreements are for a term of one year commencing from 1 June 2022. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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 Greater Bay Area together with the acquisition of the Beijing property management intellectual property licensor as well as the Zhuhai property development company. The aforesaid theme of the Group operated very successfully in the year 2021, including the whole theme of “New Life Everyday”, the operation of YBJ and being part of the care of people’s livelihood started successfully as well as generating profit for the Group. In the integration of the development of the mainland Greater Bay Area, the Group expanded and enriched the whole theme of “New Life Everyday” by starting from the real estate sector and developed with people’s livelihood in mind.

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 minimally 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 the Greater 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 2022 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 2022 in line with the economic recovery at the Post COVID-19 time, particularly in the Greater Bay Area.

FINANCIAL REVIEW

During the Period under review, the Group has revenue and net loss for the Period amounted to approximately HK\$78,032,000 and HK\$13,722,000 respectively, whereas the Group had revenue and net loss for the first half of 2021 were approximately HK\$90,464,000 and HK\$7,534,000, respectively. Basic loss per share for six months ended 30 June 2022 was HK15.33 cents (basic loss per share for six months ended 30 June 2021 was HK5.79 cents).

DIVIDENDS

The Board does not recommend the payment of an interim dividend (six months ended 30 June 2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2022, the Group’s total assets were approximately HK\$2,259,381,000 (31 December 2021: HK\$2,285,650,000) and total liabilities were approximately HK\$1,544,392,000 (31 December 2021: HK\$1,552,077,000). As at 30 June 2022, the cash and bank balances was approximately HK\$15,094,000 (31 December 2021: HK\$6,035,000) and the current ratio (current assets/current liabilities) was 8.66 as at 30 June 2022 (31 December 2021: 11.71).

GEARING RATIO

The gearing ratio (debt/equity) was 0.65 as at 30 June 2022 (31 December 2021: 0.65).

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.

PLEDGE OF ASSETS

As at 30 June 2022, the Group's investment properties and properties under development for sale in Guangzhou, Luoyang and Zhuhai 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 2022.

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 2022.

CONTINGENT LIABILITIES

Details of the contingent liabilities were set out in note 19 to this report.

COMMITMENT

Except for the commitments as detailed in note 18 to this report, the Group did not have any commitment as at 30 June 2022.

OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, 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, four Independent Non-executive Directors did not attend the annual general meeting of the Company held on 28 May 2021. 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 2022, the Group has employed about 69 employees in Hong Kong and the PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

SIGNIFICANT EVENTS

Capital Reorganization and Change in Board Lot Size.

On 28 February 2022, the Board proposed that every fifty (50) issued and unissued shares of par value of HK\$0.004 each in the share capital be consolidated into one (1) consolidated share of par value of HK\$0.20 in the capital of the Company.

The Board also proposed that the board lot size for trading on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) be changed from 20,000 Existing Shares of par value of HK\$0.004 each to 2,000 Consolidated Shares of par value of HK\$0.20 each.

Details of the capital reorganization and change in board lot size were disclosed in the announcements of the Company dated 28 February 2022 and 7 April 2022, as well as in the circular of the Company dated 18 March 2022. The capital reorganization became effective on 8 April 2022.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the Chief Executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Capacity/nature of interests	Number of shares and underlying shares held	Approximate % of shareholding
Mr. Han Junran	Interest of controlled corporation	37,733,255 ⁽¹⁾	43.60
	Beneficial owner	7,820,000	9.04

Note:

- (1) Junyi Investments Limited (a company wholly-owned by Mr. Han Junran) held 37,733,255 Shares, representing 43.60% of the issued share capital. For the purposes of the SFO, Mr. Han Junran was deemed to be interested in the 37,733,255 Shares held by Junyi Investments Limited.

Save as disclosed above, as at 30 June 2022, none of the Directors or Chief Executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or Chief Executive of the Company, as at 30 June 2022, other than the interests and short positions of the Directors or Chief Executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the shares of the Company

Name	Capacity	Number of shares and underlying shares held	Approximate % of shareholding
Junyi Investments Limited	Beneficial owner	37,733,255 ⁽¹⁾	43.60
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP)	Person having a security interest	45,553,255 ⁽²⁾	52.64
Zhongtai International Asset Management Limited	Investment manager	45,553,255 ⁽²⁾	52.64
Zhang Xiaomu	Beneficial owner	14,246,575	16.46

Notes:

- (1) Junyi Investments Limited, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is an Executive Director of the Company.
- (2) The security interest of the 45,553,255 shares of the Company is held by Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP), an investment fund managed by Zhongtai International Asset Management Limited.

Save as disclosed above, as at 30 June 2022, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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, all Directors have confirmed that they had complied with the Code throughout the six months ended 30 June 2022.

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 2022.

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

Hong Kong, 30 August 2022