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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$172,926,000 (2022: HK\$180,190,000)
- Loss for the year was approximately HK\$141,766,000 (2022: HK\$127,783,000)
- Loss per share (basic) was 138.53 HK cents (2022: 88.08 HK cents)

FINAL RESULTS

The Board of Directors (the “**Board**”) of New City Development Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the “**Group**”) for the year ended 31 December 2023 together with the comparative figures in 2022 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2023*

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	5	172,926	180,190
Cost of goods sold and services provided		<u>(93,055)</u>	<u>(98,383)</u>
Gross profit		79,871	81,807
Other income	6	14,311	9,840
Other gains and losses	7	(168,739)	(8,061)
Administrative and other operating expenses		(83,726)	(89,358)
Loss on derecognition of financial assets at fair value through profit or loss (“FVTPL”)		–	(6,830)
Impairment loss on intangible assets		(6,931)	(4,648)
Impairment losses on deposits and other receivables		(12,059)	(3,091)
Impairment on properties under development		<u>–</u>	<u>(70,851)</u>
Loss from operations		(177,273)	(91,192)
Finance costs	8	<u>(23,512)</u>	<u>(33,863)</u>
Loss before tax		(200,785)	(125,055)
Income tax credit/(expense)	9	<u>59,019</u>	<u>(2,728)</u>
Loss for the year	10	<u>(141,766)</u>	<u>(127,783)</u>
Loss for the year attributable to:			
Owners of the Company		(125,946)	(76,228)
Non-controlling interests		<u>(15,820)</u>	<u>(51,555)</u>
		<u>(141,766)</u>	<u>(127,783)</u>
Loss per share attributable to owners of the Company (<i>HK cents</i>)			
Basic	11	<u>(138.53)</u>	<u>(88.08)</u>
Diluted	11	<u>(138.53)</u>	<u>(88.08)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	HK\$'000	HK\$'000
Loss for the year	(141,766)	(127,783)
Other comprehensive income for the year, net of tax:		
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value on financial assets at fair value through other comprehensive income	(18,903)	(11,452)
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translating foreign operations	<u>(11,081)</u>	<u>(71,126)</u>
Total comprehensive income for the year	<u>(171,750)</u>	<u>(210,361)</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	(158,392)	(162,235)
Non-controlling interests	<u>(13,358)</u>	<u>(48,126)</u>
	<u>(171,750)</u>	<u>(210,361)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		79,890	89,478
Investment properties	13	661,819	856,025
Intangible assets		3,274	11,263
Right-of-use assets		13	478
Investment in an associate		–	–
Financial assets at fair value through other comprehensive income (“FVTOCI”)		–	18,903
Deferred tax assets		39,723	39,723
		784,719	1,015,870
Current assets			
Financial assets at FVTPL		27,281	24,540
Prepayments, deposits and other receivables	14	426,080	452,756
Inventories	15	2,250	5,429
Properties under development		478,088	456,399
Due from an associate		14	14
Due from a related company		14	14
Due from non-controlling shareholders		166	1,650
Cash and bank balances		9,541	8,608
		943,434	949,410
Current liabilities			
Accruals and other payables	16	56,840	41,594
Deposits received		19,309	15,836
Borrowings	17	255,953	65,768
Lease liabilities		57	511
Due to non-controlling shareholders		3,086	3,091
Due to related parties		53,872	37,638
Due to a director		6,624	16,238
Promissory notes		–	5,900
		395,741	186,576
Net current assets		547,693	762,834
Total assets less current liabilities		1,332,412	1,778,704

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Accruals and other payables	16	363,957	372,735
Borrowings	17	444,461	664,571
Lease liabilities		55	15
Deferred tax liabilities		152,213	218,171
		<u>960,686</u>	<u>1,255,492</u>
Net assets		<u>371,726</u>	<u>523,212</u>
Equity			
Equity attributable to owners of the Company			
Share capital	18	23,449	17,309
Reserves		382,611	526,879
		<u>406,060</u>	<u>544,188</u>
Non-controlling interests		<u>(34,334)</u>	<u>(20,976)</u>
Total equity		<u>371,726</u>	<u>523,212</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. CORPORATE INFORMATION

New City Development Group Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liabilities on 10 August 1998. The address of its registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The principal place of business in Hong Kong is located at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 24 May 2000.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in property development and investment in the People’s Republic of China (the “**PRC**”) which have not been changed during the year.

In the opinion of the directors of the Company, as at 31 December 2023, Junyi Investments Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) is the immediate and ultimate parent of the Company and Mr. Han Junran (“**Mr. Han**”), a director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2023. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	To be determined by HKICPA
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Convenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in property development and investment in the PRC, operation of supermarket retail and trading of buses. Accordingly, there are two reportable segments to be presented for the directors, the chief operating decision maker, to allocate resource.

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 to the consolidated financial statements. Segment profits or losses do not include unallocated other income, other gains and losses, administrative and other operating expenses, impairment losses on deposits and other receivables, loss on derecognition of financial assets at FVTPL, impairment loss on intangible assets 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 an associate, a related company and non-controlling shareholders, and cash and bank balances. Segment liabilities do not include unallocated accruals and other 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 <i>HK\$'000</i>	Operation of supermarket retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2023			
Revenue from external customers	56,051	116,875	172,926
Segment profit	43,437	36,434	79,871
As at 31 December 2023			
Segment assets	1,136,633	5,524	1,142,157
Segment liabilities	820,836	23,045	843,881
	Property development and investment <i>HK\$'000</i>	Operation of supermarket retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022			
Revenue from external customers	59,318	120,872	180,190
Segment (loss)/profit	(23,460)	34,416	10,956
As at 31 December 2022			
Segment assets	1,216,707	101,145	1,317,852
Segment liabilities	731,636	36,098	767,734

Reconciliations of segment profit or loss:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit or loss		
Total profit of reportable segments	79,871	10,956
Other income	14,311	9,840
Other gains and losses	(168,739)	(8,061)
Administrative and other operating expenses	(83,726)	(89,358)
Impairment losses on deposits and other receivables	(12,059)	(3,091)
Impairment loss on intangible assets	(6,931)	(4,648)
Loss on derecognition of financial assets at FVTPL	–	(6,830)
Finance costs	(23,512)	(33,863)
Impairment on property under development	–	(70,851)
Consolidated loss before tax	<u>(200,785)</u>	<u>(125,055)</u>

Reconciliations of segment assets or liabilities:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	1,142,157	1,317,853
Property, plant and equipment	79,890	89,478
Intangible assets	3,274	11,263
Right-of-use assets	13	478
Financial assets at FVTOCI	–	18,903
Deferred tax assets	39,723	39,723
Financial assets at FVTPL	27,281	24,540
Prepayments, deposits and other receivables	426,080	452,756
Due from an associate	14	14
Due from a related company	14	14
Due from non-controlling shareholders	166	1,650
Cash and bank balances	<u>9,541</u>	<u>8,608</u>
Consolidated total assets	<u><u>1,728,153</u></u>	<u><u>1,965,280</u></u>
Liabilities		
Total liabilities of reportable segments	843,881	767,734
Accruals and other payables	296,639	392,770
Lease liabilities	112	526
Due to non-controlling shareholders	3,086	3,091
Due to related parties	53,872	37,638
Due to a director	6,624	16,238
Promissory notes	–	5,900
Deferred tax liabilities	<u>152,213</u>	<u>218,171</u>
Consolidated total liabilities	<u><u>1,356,427</u></u>	<u><u>1,442,068</u></u>

Geographical information

The Group's revenue from external customers were solely derived from the PRC.

Over 90% of the Group's non-current assets (excluding intangible assets, right-of-use assets, investment in an associate, 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 was disclosed.

Revenue from major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 December 2023 (2022: Nil).

5. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Products transferred at a point in time:		
Sales from operation of supermarket retail in the PRC	116,875	120,872
Service transferred over time:		
Related management service income	24,728	26,791
Revenue from other sources:		
Rental income	<u>31,323</u>	<u>32,527</u>
	<u><u>172,926</u></u>	<u><u>180,190</u></u>

6. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividend income	8,661	3,833
Interest income	4,817	4,798
Other income	833	980
Government grants	<u>–</u>	<u>229</u>
	<u><u>14,311</u></u>	<u><u>9,840</u></u>

7. OTHER GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net foreign exchange loss	(1,600)	(5,863)
Fair value loss on investment properties	(166,751)	–
Fair value loss on share subscription (<i>note 18(b)</i>)	(2,764)	–
Fair value gain/(loss) on financial assets at FVTPL	<u>2,376</u>	<u>(2,198)</u>
	<u><u>(168,739)</u></u>	<u><u>(8,061)</u></u>

8. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	45,305	67,053
Interest on lease liabilities	10	42
Interest on promissory notes	–	466
	<hr/>	<hr/>
Total borrowing costs	45,315	67,561
Less: Amounts capitalised in the cost of qualifying assets	<u>(21,803)</u>	<u>(33,698)</u>
	<hr/> <u>23,512</u>	<hr/> <u>33,863</u>

The weighted average capitalization rate on funds borrowed generally is at a rate of 6.62% per annum (2022: 6.47%).

9. INCOME TAX CREDIT/(EXPENSE)

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – PRC Enterprise Income Tax		
Under-provision in prior years	–	(2,728)
Deferred tax	<u>59,019</u>	<u>–</u>
	<hr/> <u>59,019</u>	<hr/> <u>(2,728)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived from Hong Kong for the years ended 31 December 2023 and 2022. Hong Kong Profit Tax is calculated at 16.5% on the two-tiered estimated assessable profit for both years.

PRC Enterprise Income Tax has been provided at a rate of 25% (2022: 25%).

10. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration	924	880
Cost of goods sold and services provided	93,055	98,383
Depreciation of property, plant and equipment	12,184	10,856
Depreciation of right-of-use assets	460	433
Amortisation of intangible assets	1,057	1,058
Written off of property, plant and equipment	–	4,348
Short-term lease payments	17,332	17,583
Staff cost (including directors' remuneration)		
– Salaries, bonuses and allowances	<u>19,878</u>	<u>22,670</u>
– Contributions to defined contribution retirement plan	<u>856</u>	<u>545</u>
	<hr/> <u>20,734</u>	<hr/> <u>23,215</u>

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic loss per share is based on:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	<u>(125,946)</u>	<u>(76,228)</u>
	Number of shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>90,917,239</u>	<u>86,543,290</u>

No diluted loss per share is presented as there were no potentially dilutive ordinary shares in issue as at 31 December 2023 and 2022.

12. DIVIDENDS

The directors did not recommend any dividend for the year ended 31 December 2023 (2022: Nil).

13. INVESTMENT PROPERTIES

	Properties at fair value		Properties at cost		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Completed project						
Investment properties in						
Guangzhou (notes (a) and (b))						
At 1 January	786,094	850,056	–	–	786,094	850,056
Fair value losses	(166,751)	–	–	–	(166,751)	–
Exchange differences	(25,114)	(63,962)	–	–	(25,114)	(63,962)
At 31 December	<u>594,229</u>	<u>786,094</u>	<u>–</u>	<u>–</u>	<u>594,229</u>	<u>786,094</u>
Incomplete project						
Investment properties in						
Luoyang (note (c))						
At 1 January	–	–	69,931	75,621	69,931	75,621
Exchange differences	–	–	(2,341)	(5,690)	(2,341)	(5,690)
At 31 December	<u>–</u>	<u>–</u>	<u>67,590</u>	<u>69,931</u>	<u>67,590</u>	<u>69,931</u>
Total carrying amount at 31 December	<u>594,229</u>	<u>786,094</u>	<u>67,590</u>	<u>69,931</u>	<u>661,819</u>	<u>856,025</u>

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.

The fair value of the Guangzhou Properties 1 has been assessed by Ravia Global Appraisal Advisory Limited (“**Ravia Global**”), an independent valuer, by using the income approach to be RMB490,000,000 (equivalent to approximately HK\$536,061,000) (2022: RMB640,000,000 (equivalent to approximately HK\$724,416,000)) as at 31 December 2023.

At 31 December 2023, the Guangzhou Properties 1 with carrying amount of approximately HK\$536,061,000 (2022: HK\$724,416,000) were pledged to secure bank borrowings.

- (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.

The fair value of the Guangzhou Properties 2 has been assessed by Ravia Global, an independent valuer, by using the direct comparison approach to be RMB53,170,000 (equivalent to approximately HK\$58,168,000) (2022: RMB54,490,000 (equivalent to approximately HK\$61,678,000)) as at 31 December 2023.

At 31 December 2023, the Guangzhou Properties 2 with carrying amount of approximately HK\$58,168,000 (2022: HK\$61,678,000) were pledged to secure bank borrowings.

- (c) Investment properties in Luoyang (the “**Luoyang Properties**”) represented the construction in progress of a parcel of land which are situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Xinqu 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\$67,590,000 (2022: HK\$69,931,000)), 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) (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\$34,209,000 (2022: HK\$35,395,000)), 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 (the “**Notice of Investigation of Idle Land**”) 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.

On 27 September 2023, 洛陽市自然資源和規劃局 issued an approval document (建設用地許可證) on the revised construction plan submitted by the Group in early period. The Group expected the commence the work within 12 months after the date of the approval documents.

At 31 December 2023, the Luoyang Properties with carrying amount of approximately HK\$67,590,000 (2022: HK\$69,931,000) were pledged to secure bank borrowings.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments		
– Prepaid for the Luoyang Properties	6,889	7,135
– Prepaid for the Zhuhai Properties	315,618	323,547
– Others	26,566	35,142
Deposits held by		
– 新澳中世紀國際貿易(北京)有限公司	20,000	20,000
– Others	1,072	1,072
Other receivables		
– Due from 北京中証房地產開發有限公司 (“北京中証”)	–	68,134
– Others	85,513	83,091
	<u>455,658</u>	<u>538,156</u>
Less: Loss allowance for deposits and other receivables	<u>(29,578)</u>	<u>(85,400)</u>
	<u><u>426,080</u></u>	<u><u>452,756</u></u>

15. INVENTORIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Retail merchandise	<u>2,250</u>	<u>5,429</u>

As at 31 December 2023 and 2022, all the inventories were stated at cost.

16. ACCRUALS AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accrued expenses	19,185	10,284
Due to a former shareholder of Guangdong Changliu	5,580	5,773
Due to shareholders of Zhuhai Teng Shun	268,860	278,174
Other payables	<u>127,172</u>	<u>120,098</u>
	420,797	414,329
Less: Non-current portion	<u>(363,957)</u>	<u>(372,735)</u>
Current portion	<u><u>56,840</u></u>	<u><u>41,594</u></u>

17. BORROWINGS

	Effective interest rates	Year of maturity	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank loan 1	7.153%	2025	402,518	417,595
Bank loan 2	6.300%	2028	28,772	32,033
Bank loan 3	6.500%	2034	<u>269,124</u>	<u>280,711</u>
			<u><u>700,414</u></u>	<u><u>730,339</u></u>
Analysed into:				
Repayable:				
– Within one year or on demand			255,953	65,768
– In the second to fifth years, inclusive			295,677	471,695
– Over five years			<u>148,784</u>	<u>192,876</u>
Total			700,414	730,339
Less: Non-current portion			<u>(444,461)</u>	<u>(664,571)</u>
Current portion			<u><u>255,953</u></u>	<u><u>65,768</u></u>

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.004 each		
At 1 January 2022	10,000,000,000	40,000
Share consolidation (<i>note a</i>)	<u>(9,800,000,000)</u>	<u>–</u>
Ordinary shares of HK\$0.20 each		
At 31 December 2022, 1 January 2023 and 31 December 2023	<u>200,000,000</u>	<u>40,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.004 each		
At 1 January 2022	4,327,164,504	17,309
Share consolidation (<i>note</i>)	<u>(4,240,621,214)</u>	<u>–</u>
Ordinary shares of HK\$0.20 each		
At 31 December 2022 and 1 January 2023	86,543,290	17,309
Issuance of new shares (<i>note b</i>)	<u>30,701,754</u>	<u>6,140</u>
At 31 December 2023	<u>117,245,044</u>	<u>23,449</u>

Note:

(a) Share consolidation

Pursuant to the extraordinary general meeting of the Company passed on 6 April 2022 became effective on 8 April 2022, which 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.

(b) Pursuant to the extraordinary general meeting of the Company passed on 3 November 2023, addition 30,701,754 new shares had been issued on the same date with a consideration of HK\$0.66 per share (approximately total HK\$20,264,000) to settled the amount due to director approximately amounted to HK\$17,500,000. The related loss approximately HK\$2,764,000 was recognised in the profit or loss during the year ended 31 December 2023.

19. CONTINGENT LIABILITIES

The subsidiaries of the Group, Guangdong Changyang and Guangdong Changliu, were the defendants in a legal action involved in claim on breach of contract in relation to the acquisition of the entire equity interest for Guangzhou Lianwei Property Limited and Guangzhou Youchang Business Management Limited. The first decision has been made by 廣州市增城區人民法院 (Guangzhou Zengcheng People's Court*) that the Group has been adjudicated to pay the plaintiffs a total sum of RMB5.79 million plus interest and related costs. Guangzhou Lianwei Property Limited and Guangzhou Youchang Business Management Limited owned the commercial properties located in Zengcheng District. The Group refuse to settle the entire equity interest mainly due to a series of the illegal alteration works were discovered in the relevant properties. After received the first decision from Guangzhou Zengcheng People's Court, the Group filed an appeal to the 廣州市中級人民法院 (Guangzhou Secondary People's Court*). Up to the date of announcement, no final adjudication was issued by the Guangzhou Secondary People's Court. The Group engaged the external lawyer and seeking for the legal opinion. Based on the independent legal advice, the management of the Company believe the probability on the claiming the total sum of approximately RMB5.79 million plus interest and related costs was remote.

20. RELATED PARTY TRANSACTIONS

- (a) Save as those disclosed elsewhere in these consolidation financial statements, the Group had the following material transactions with related/connected companies during the year:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Rental expenses paid to related/connected companies	—	16

- (b) **Compensation of key management personnel of the Group**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fees	1,303	1,440
Other emoluments		
Salaries, wages and other benefits	4,224	4,839
contributions to defined contribution retirement plan	32	51
	4,256	4,890
	5,559	6,330

* English for identification purpose

21. OPERATING LEASE COMMITMENTS

(a) As lessor

Operating leases relate to investment property owned by the Group with lease terms of 1 to 10 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within first year	24,927	17,929
In the second year	13,327	13,433
In the third year	8,573	9,031
In the fourth year	7,749	3,985
In the fifth year	6,987	2,347
After five years	20,329	3,235
	81,892	49,960

(b) As lessee

The portfolio of short-term leases for certain of its offices which are regularly entered into by the Group during the years ended 31 December 2023 and 2022. As at 31 December 2023, the outstanding lease commitments is approximately HK\$378,000 (2022: HK\$382,000).

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a revenue of approximately HK\$172,926,000 and recorded a loss after tax of approximately HK\$141,766,000 for the year ended 31 December 2023.

Major business arrangements

Continuing connected transactions

On 31 May 2023, 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; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises and 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 car parking space. The New Tenancy Agreements are for a term of one year commencing from 1 June 2023. 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.

OUTLOOK AND PROSPECT

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 perfect integration and implementation of the aforesaid theme of the Group in the year 2023.

Supermarket Business, PRC

Looking back to 2023, after the economic recovery of the supermarket business in Mainland China, the Group's supermarket business in Mainland China can only maintain a stable operation without much room for growth due to the adjustment of the macroeconomic conditions. In order to ensure a stable return rate of the supermarket business in Mainland China, the Group reduced its participation in the future development of the supermarket business in Mainland China to optimize the supermarket business channel in Mainland China.

Property Management in Beijing, PRC

In view of the weak property management market in Mainland China in 2023, and considering the downturn in the property management market in Mainland China, the Group will temporarily stop investing resources in the business arrangement for the licensing of intellectual property rights with China Goal Inc. and is now exploring opportunities with a view to maximizing the efficiency of the property management business.

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.

On 27 September 2023, 洛陽市自然資源和規劃局 issued an approval document (建設用地許可證) on the revised construction plan submitted by the Group in early period. The Group expected the commence the work within 12 months after the date of the approval documents.

Property Development in Zhuhai, PRC

The development of the Zhuhai Property is part of the Group's commercial property development projects in the Great Bay Area that were scheduled in year 2020. In 2023, taking into account the adjustment of the property market environment in the PRC, the Group is monitoring the pace of development of the property market and will then decide on the next steps and development for that project. The Group holds an optimistic attitude towards the long-term real estate market in China, but will also not overlook the market dynamics and will pay attention to the same in making the most favorable commercial decisions for the Company.

SCOPE OF WORK OF AUDITORS

The figures in respect of the consolidated statement of financial position as at 31 December 2023 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 of the Group as set out in the announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited (“**McMillan Woods**”), to the amounts set out in the Group's latest draft consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods on the announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the year under review, the Group reported a turnover which represented the rental income and related management service income and retail and related income of approximately HK\$56,051,000 and HK\$116,875,000 (2022: HK\$59,318,000 and HK\$120,872,000). The Group's net loss for the year was approximately HK\$141,766,000 (2022: HK\$127,783,000). The basic loss per share for the year was approximately 138.53 HK cents (2022: loss per share 88.08 HK cents). Administrative expenses was approximately HK\$83,726,000 (2022: HK\$89,358,000). Finance costs was approximately HK\$23,512,000 (2022: HK\$33,863,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2023, the Group's total assets was approximately HK\$1,728,153,000 (2022: HK\$1,965,280,000) and total liabilities were of approximately HK\$1,356,427,000 (2022: HK\$1,442,068,000). As at 31 December 2023, the cash and bank balances was approximately HK\$9,541,000 (2022: HK\$8,608,000) and the current ratio (current assets/current liabilities) was 2.38 as at 31 December 2023 (2022: 5.09).

Pledge of Assets

As at 31 December 2023, the Group's investment properties located in Guangzhou were pledged to secure bank borrowings.

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 74% as at 31 December 2023 (2022: 69%).

Capital Structure

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

Exchange Risks

The majority of the Group's operations are located in the PRC 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.

Dividends

The directors did not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

Employees

As at 31 December 2023, the Group has employed about 53 (2022: 63) 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 Investments and Material Acquisitions

The Group did not have any significant investments and material acquisitions during the year ended 31 December 2023.

Contingent Liabilities

Details of the contingent liabilities are set out in note 19 to this announcement.

Commitments

Details of the commitments are set out in note 21 to this announcement.

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 year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions (“**Code Provisions**”) as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 of the Listing Rules of 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 separate 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 the structure from time to time and will make necessary 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. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

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 (the “**Model Code**”). Having made specific enquiry of the Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.newcitygroup.com.hk). The 2023 Annual Report will be despatched to our Shareholders on or before 29 April 2024 and will be available at the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Leung Kwai Wah, Alex and Mr. Zhang Jing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the consolidated financial statements for the year ended 31 December 2023.

REMUNERATION COMMITTEE

Pursuant to the provisions of the Code as set out in Appendix 14 of the Listing Rules, the Board has established the Remuneration Committee. The Remuneration Committee comprises two independent non-executive Director, including Mr. Chan Yiu Tung, Anthony as chairman and Mr. Leung Kwai Wah, Alex, Mr. Han Junran who is an executive Director and Chairman of the Board. The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters.

NOMINATION COMMITTEE

The Company has established a nomination committee and was chaired by Mr. Han Junran, an executive Director and Chairman of the Board. The Nomination Committee also include three independent non-executive Directors, namely Mr. Leung Kwai Wah, Alex, Mr. Chan Yiu Tung, Anthony and Mr. Zhang Jing. The Nomination Committee is responsible for, inter alia, nominating potential candidates for directorship appointment and succession planning of the Board, reviewing the composition and structure of the Board regularly and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board.

BOARD OF DIRECTORS

As at the date of this announcement, the Company has (i) two executive directors, namely Mr. Han Junran (Chairman) and Mr. Luo Min; and (ii) five independent non-executive directors, namely Mr. Chan Yiu Tung, Anthony, Dr. Ouyang Qingru, Mr. Leung Kwai Wah, Alex, Mr. Zhang Jing and Mr. Luo Zhen.

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

Hong Kong, 28 March 2024