NEW CITY DEVELOPMENT GROUP LIMITED
新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

INTERIM RESULTS ANNOUNCEMENT 2018

The Board of Directors (the "Board") of New City Development Group Limited (the "Company") are pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 (the "Period") with comparative figures for the corresponding period in 2017. The results have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**36,284**	18,801
Cost of sales and services		**(17,467)**	(1,255)
Gross profit		**18,817**	17,546
Other income	*6*	**3,615**	4,471
Administrative and other operating expenses		**(30,002)**	(14,994)
Finance costs	*7*	**(8,563)**	(6,074)
(Loss)/profit before tax		**(16,133)**	949
Income tax expense	*8*	**(245)**	(238)
(Loss)/profit for the Period	*9*	**(16,378)**	711
Attributable to:			
Owners of the Company		**(14,750)**	744
Non-controlling interests		**(1,628)**	(33)
		(16,378)	711
(Loss)/earning per share			
Basic	*11(a)*	**(0.44) cents**	0.02 cents
Diluted	*11(b)*	**(0.44) cents**	0.02 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the Period	**(16,378)**	711
Other comprehensive income for the Period, net of tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(6,031)**	17,547
Total comprehensive income for the Period	**(22,409)**	18,258
Attributable to:		
Owners of the Company	**(21,012)**	18,274
Non-controlling interests	**(1,397)**	(16)
	(22,409)	18,258

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,215**	3,968
Investment properties		**783,981**	793,411
Investment in an associate		**–**	–
Equity investment at fair value through other comprehensive income		**–**	–
Available-for-sale investment		**–**	–
Prepayments, deposits and other receivables	*12*	**216,052**	206,027
		1,004,248	1,003,406
CURRENT ASSETS			
Equity investment at fair value through profit or loss	*13*	**44,431**	57,906
Inventories		**3,880**	–
Trade receivables	*14*	**3,250**	–
Prepayments, deposits and other receivables	*12*	**33,419**	5,549
Due from an associate		**11**	11
Due from a related company		**11**	11
Due from a non-controlling shareholder		**663**	1,580
Cash and bank balances		**31,849**	35,684
		117,514	100,741
CURRENT LIABILITIES			
Trade payables	*15*	**3,215**	–
Accruals and other payables		**23,640**	21,307
Deposits received		**17,349**	9,156
Interest-bearing bank borrowings, secured		**6,516**	3,597
Due to a non-controlling shareholder		**6,092**	5,820
Due to related parties		**605**	612
Due to a director		**1,620**	1,560
Tax payable		**361**	3,064
		59,398	45,116
NET CURRENT ASSETS		**58,116**	55,625
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,062,364**	1,059,031
NON-CURRENT LIABILITIES			
Liabilities component of convertible notes	*16*	**12,921**	–
Interest-bearing bank borrowings, secured		**228,637**	236,183
Deferred tax liabilities		**157,220**	159,111
		398,778	395,294
Net assets		**663,586**	663,737
EQUITY			
Equity attributable to owners of the Company			
Share capital	*17*	**13,668**	13,268
Reserves		**650,877**	650,031
		664,545	663,299
Non-controlling interests		**(959)**	438
Total equity		**663,586**	663,737

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Translation reserve	Convertible notes reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*
At 1 January 2018 (audited)	**13,268**	**457,758**	**4,755**	**(12,641)**	**–**	**18,604**	**181,555**	**663,299**	**438**	**663,737**
Issue of convertible notes	**–**	**–**	**–**	**–**	**1,694**	**–**	**–**	**1,694**	**–**	**1,694**
Conversion on convertible notes	**400**	**21,205**	**–**	**–**	**(1,041)**	**–**	**–**	**20,564**	**–**	**20,564**
Loss for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**(14,750)**	**(14,750)**	**(1,628)**	**(16,378)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(6,262)**	**–**	**–**	**–**	**(6,262)**	**231**	**(6,031)**
Appropriations	**–**	**–**	**–**	**–**	**–**	**549**	**(549)**	**–**	**–**	**–**
	400	**21,205**	**–**	**(6,262)**	**653**	**549**	**(15,299)**	**1,246**	**(1,397)**	**(151)**
At 30 June 2018	**13,668**	**478,963**	**4,755**	**(18,903)**	**653**	**19,153**	**166,256**	**664,545**	**(959)**	**663,586**
At 1 January 2017 (audited)	13,268	457,758	4,755	(49,408)	–	16,752	160,133	603,258	435	603,693
Profit for the Period	–	–	–	–	–	–	744	744	(33)	711
Exchange differences on translation of foreign operations	–	–	–	17,530	–	–	–	17,530	17	17,547
Appropriations	–	–	–	–	–	746	(746)	–	–	–
	–	–	–	17,530	–	746	(2)	18,274	(16)	18,258
At 30 June 2017	13,268	457,758	4,755	(31,878)	–	17,498	160,131	621,532	419	621,951

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporation Information

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

The Company is an investment holding company. The Group are principally engaged in property development and investment in the People's Republic of China (the "PRC"); and trading and leasing of buses.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 (the "Unaudited 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 29 August 2018.

2. Basis of Preparation

The Unaudited 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 Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 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 Unaudited Condensed Consolidated Financial Statements are consistent with those used in the 2017 Annual Financial Statements.

The Unaudited 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

(a) Application of new and revised HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018.

The Group has initially adopted HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classified its financial assets in the following measurement categories:

– those to be measured subsequently at fair value through other comprehensive income or fair value through profit or loss; and

– those to be measured at amortised costs.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income or administrative and other operating expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and lease receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

With respect to the financial assets classified as "available-for-sale investment" under HKAS 39, the Group elected to designate these investments as fair value through other comprehensive income on 1 January 2018. The carrying amounts of these financial assets as at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

With respect to the financial assets classified as "loans and receivables" (which were measured at amortised cost) and "financial assets measured at fair value through profit or loss" under HKAS 39, the Group have assessed the business model under which the financial assets are managed and its contractual cash flow characteristics, and these financial assets will continue with their respective classification and measurements upon the adoption of HKFRS 9, and the carrying amounts of these financial assets as at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The measurement categories for all financial liabilities of the Group remain the same and the carrying amounts for all financial liabilities of the Group as at 1 January 2018 have not been significantly impacted by the initial application of HKFRS 9.

The following table summaries the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 of the Group's financial assets as at 1 January 2018.

Financial assets	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 *HK$'000*	Carrying amount under HKFRS 9 *HK$'000*
Equity investment	Available-for-sale	Fair value through other comprehensive income	–	–

The above equity investment represented 8% equity interest in New City (China) Vocational Education Investments Group Limited ("New City (China)"), with investment cost of HK$8. The carrying amount has been presented as "-" as a result of rounding.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 does not have a significant impact on its consolidated financial statements and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

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

A number of new standards and amendments to standards are issued but not yet effective for annual periods beginning on 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

As discussed in the 2017 Annual Financial Statements, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 18 to the Unaudited Condensed Consolidated Financial Statements, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to approximately HK$4,645,000 as at 30 June 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

4. Operating Segment Information

For the six months ended 30 June 2018, the Group is engaged in property development and investment in PRC; and trading and leasing of buses. Accordingly, there are two reportable segments of the Group.

For the year ended 31 December 2017, the Group is engaged in a single operating segment, being property development and investment in PRC. As a result, no segment information is presented.

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 2017 Annual Financial Statements. Segment profits or losses do not include unallocated other income, administrative and other operating expenses, finance costs and income tax expense. Segment assets do not include unallocated property, plant and equipment, investment in an associate, equity investment at fair value through other comprehensive income, prepayments, deposits and other receivables, equity investment at fair value through profit or loss, amounts due from an associate, a related company and a non-controlling shareholder and cash and bank balances. Segment liabilities do not include unallocated accruals and other payables, secured interest-bearing bank borrowings, amounts due to a non-controlling shareholder, related parties and a director, convertible notes, tax payable and deferred tax liabilities.

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

	Property development and investment (Unaudited) *HK$'000*	**Trading and leasing of buses** (Unaudited) *HK$'000*	**Total** (Unaudited) *HK$'000*
Six months ended 30 June 2018			
Revenue from external customers	**19,746**	**16,538**	**36,284**
Segment profit	**18,574**	**243**	**18,817**
As at 30 June 2018			
Segment assets	**783,981**	**7,130**	**791,111**
Segment liabilities	**10,930**	**9,634**	**20,564**

Reconciliations of segment profit or loss:

	Six months ended 30 June 2018 (Unaudited) ***HK$'000***
Profit or loss	
Total profit of reportable segments	**18,817**
Other income	**3,615**
Administrative and other operating expenses	**(30,002)**
Finance costs	**(8,563)**
Consolidated loss before tax	**(16,133)**

Reconciliations of segment assets or liabilities:

	30 June 2018 (Unaudited) *HK$'000*
Assets	
Total assets of reportable segments	**791,111**
Property, plant and equipment	**4,215**
Prepayments, deposits and other receivables	**249,471**
Equity investment at fair value through profit or loss	**44,431**
Due from an associate	**11**
Due from a related company	**11**
Due from a non-controlling shareholder	**663**
Cash and bank balances	**31,849**
Consolidated total assets	**1,121,762**
Liabilities	
Total liabilities of reportable segments	**20,564**
Accruals and other payables	**23,640**
Interest-bearing bank borrowings, secured	**235,153**
Due to a non-controlling shareholder	**6,092**
Due to related parties	**605**
Due to a director	**1,620**
Liabilities component of convertible notes	**12,921**
Tax payable	**361**
Deferred tax liabilities	**157,220**
Consolidated total liabilities	**458,176**

Geographical information

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

	Six months ended 30 June 2018 (Unaudited) *HK$'000*
PRC	**19,746**
Hong Kong	**16,538**
Consolidated total revenue	**36,284**

For the six months ended 30 June 2018, over 90% of the Group's non-current assets (excluding investment in an associate, equity investment at fair value through other comprehensive income, prepayments, deposits and other receivables) are located in the PRC. Accordingly, no further geographical information of non-current assets to be disclosed.

For the year ended 31 December 2017, over 90% of the Group's non-current assets (excluding investment in an associate, available-for-sale investment, prepayments, deposits and other receivables) are located in the PRC and over 90% of the revenue are generated in the PRC. Accordingly, no further geographical information of non-current assets and revenue to be disclosed.

5. Revenue

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Rental income and related management service income	**19,746**	18,801
Sales of buses	**16,538**	–
	36,284	18,801

6. Other Income

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**3,601**	3,742
Others	**14**	729
	3,615	4,471

7. Finance Costs

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loan	**8,246**	6,072
Interest on finance leases	**–**	2
Imputed interest on convertible notes	**179**	–
Other interest expenses	**138**	–
	8,563	6,074

8. Income Tax Expense

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 2018 and 2017.

Taxes on profits in respect of the Group 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.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	–
PRC	**245**	238
	245	238
Deferred tax	**–**	–
Total tax charge for the Period	**245**	238

9. (Loss)/Profit for the Period

The Group's (loss)/profit for the Period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
– Owned assets	**483**	174
– Leased assets	**–**	92
Fair value loss on equity investment at fair value through profit or loss	**12,325**	5,418

10. Dividends

The Board does not recommend the payment of an interim dividend for the Period (2017: Nil).

11. (Loss)/Earning Per Share

(a) Basic (loss)/earning per share

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earning		
(Loss)/profit attributable to owner of the Company, used in the basic (loss)/earning per share calculation	**(14,750)**	744

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Issued ordinary shares at the beginning of Period	**3,317,045,040**	3,317,045,040
Effect of conversion of convertible notes	**3,314,917**	–
Weighted average number of ordinary shares used in basic (loss)/earning per share calculation	**3,320,359,957**	3,317,045,040

(b) Diluted (loss)/earning per share

As the conversion of the Group's outstanding convertible notes for six months ended 30 June 2018 would be anti-dilutive, no diluted (loss)/earning per share to be presented.

No adjustment has been made to the basic (loss)/earning per share for six months ended 30 June 2017 in respect of a dilution because there were no potentially dilutive events existed.

12. Prepayments, Deposits and Other Receivables

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Prepayments		
– Prepaid professional fee for the Luoyang Properties	**1,840**	1,806
– Prepaid renovation and improvement costs of the Guangzhou Properties	**55,479**	47,154
– Others	**790**	780
Deposits held by		
– Vision Products Limited	**5,980**	5,980
– An independent contractor	**49,520**	49,520
– 珠海市潤珠商貿有限公司	**41,463**	41,962
– 珠海市騰順實業有限公司	**11,847**	11,989
– Others	**10,937**	289
Other receivables		
– Due from 北京中証房地產開發有限公司	**49,923**	47,616
– Others	**21,692**	4,480
	249,471	211,576
Less: Non-current portion	**(216,052)**	(206,027)
Current portion	**33,419**	5,549

Note:

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. Equity Investment at Fair Value through Profit or Loss

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Listed equity investment, at market value in Taiwan	**44,431**	57,906

The fair value of the equity investment as at 30 June 2018 was determined based on the quoted market bid price (level 1 fair value measurement) available on The Taiwan Stock Exchange resulting with a loss on equity investment at fair value through profit or loss and an exchange loss of approximately HK$12,325,000 and HK$1,150,000 respectively. The above equity as at 30 June 2018 was classified as held for trading and was, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

14. Trade receivables

The aging analysis of trade receivables, based on the invoice date, is as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
0-30 days	**3,250**	–

15. Trade payables

The aging analysis of the trade payables, based on the invoice date, is as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
0-30 days	**3,215**	–

16. Convertible Notes

On 16 May 2018, the Company issued convertible notes ("CN1") with face value of HK$35,000,000 to an independent third party. The holder of CN1 are entitled to convert the CN1 into ordinary shares of the Company at the conversion price of HK$0.215 per ordinary share at any time between the date of issue of the CN1 and 15 May 2020 ("Maturity Date"). The CN1 bear interest of 2% which will be paid on the Maturity Date or, if earlier, upon conversion or redemption of the CN1.

Details of CN1 are disclosed in the Company's announcements dated 16 May 2018 and 25 May 2018.

The net proceeds of HK$35,000,000 received from the issue of the CN1 have been split between the liability element and an equity component, as follows:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Face value of CN1 issued	**35,000**	–
Equity component	**(1,694)**	–
Liability component at date of issue	**33,306**	–
Imputed interest charged	**179**	–
Conversion of CN1	**(20,564)**	–
Liability component at end of Period	**12,921**	–

The interest charged for the year is calculated by applying an effective interest rate of 4.56% to the liability component of the CN1.

During the six months ended 30 June 2018, HK$21,500,000 of face value of CN1 had been converted into 100,000,000 ordinary shares of the Company.

The directors estimate the fair value of the liability component of the CN1 at 30 June 2018 approximately to be its fair value which has been calculated by discounting the future cash flows at the market rate (level 2 fair value measurements).

17. Share Capital

	Number of share *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.004 each		
At 31 December 2017 (audited), 1 January 2018 (audited) and 30 June 2018 (unaudited)	**10,000,000**	**40,000**
Issued and fully paid:		
Ordinary shares of HK$0.004 each		
At 31 December 2017 (audited) and 1 January 2018 (audited)	3,317,045	13,268
Conversion of convertible notes *(note)*	**100,000**	**400**
At 30 June 2018 (unaudited)	**3,417,045**	**13,668**

Note:

During the six months ended 30 June 2018, HK$21,500,000 of face value of CN1 had been converted into 100,000,000 ordinary shares of the Company.

18. Operating Lease Commitments

As lessor

The Group leases its investment properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 6 years.

At 30 June 2018 and 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within one year	**20,143**	24,771
In the second to fifth years, inclusive	**27,546**	21,221
After five years	**1,507**	–
	49,196	45,992

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 4 years.

At 30 June 2018 and 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within one year	**2,369**	808
In the second to fifth years, inclusive	**2,276**	371
	4,645	1,179

19. Other Commitments

In addition to the operating lease commitments detailed in note 18 above, the Group had the following commitment as at 30 June 2018.

(a) Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the "Partner"), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited ("NC Fortune Medicare") was incorporated, of which, 34% equity interest in NC Fortune Medicare was held by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the "Shanghai Subsidiary") for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000 (equivalent to approximately HK$1,185,000), 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 Unaudited Condensed Consolidated Financial Statements. As at 30 June 2018, none of the RMB340,000 (equivalent to approximately HK$403,000), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

(b) Capital commitments

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Construction design contracts for the Luoyang Properties	**11,332**	11,525
Renovation and improvement costs for the Guangzhou Properties	**17,760**	3,000
	29,092	14,525

20. Contingent Liabilities

Investment properties in Luoyang (the "Luoyang Properties") represented the construction in progress of a parcel of land which are situated at 洛陽新區伊濱區環湖路以東, 白塔路以南, 開拓大道以西, 用地界以北, Luoyang, the 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 洛陽萬亨置業有限公司 ("洛陽萬亨"), a subsidiary of the Company and 洛陽國土資源局 ("國土局") on 1 February 2013, 洛陽萬亨 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 洛陽萬亨 for the land use right, which was approximately RMB31,270,000 (equivalent to approximately HK$37,490,000), will be imposed by 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 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 國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 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 ("規劃局"). After reviewed by 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.

Up to the approval date of the Unaudited Condensed Consolidated Financial Statements, the construction plan of the Luoyang Properties has yet been approved by 規劃局.

In preparing the Unaudited Condensed Consolidated Financial Statements, the directors had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 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 2018 and 31 December 2017.

21. Related Parties Transactions

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Rental expenses paid to related/connected companies	**777**	777

22. Events after Reporting Period

(a) Issue of convertible notes

On 25 June 2018, the Company and a subscriber entered into a subscription agreement ("Subscription Agreement") pursuant to which the subscriber has agreed to subscribe for the convertible notes ("CN2") in the aggregate principal amount of HK$43,200,000 ("Subscription") to be issued by the Company. The holder of CN2 is entitled to exercise the CN2 in full at a conversion price of HK$0.32 per share of the Company.

As all the conditions precedent to completion for the issue of the CN2 under the Subscription Agreement have been fulfilled, the completion of the issue of the CN2 in the aggregate principal amount of HK$43,200,000.00 is on 19 July 2018.

Details are disclosed in the Company's announcements dated 25 June 2018 and 19 July 2018.

(b) Memorandum of Cooperation

On 17 August 2018, the Company and Zhongfang United Investment Group Health Industry Investment Co., Ltd. ("Zhongfang United") entered into a non-legally binding memorandum of cooperation (the "Memorandum of Cooperation") to establish a strategic partnership ("Strategic Partnership").

The Company and Zhongfang United will jointly establish Guangzhou Zhongfang New City Project Management Co., Ltd. ("Guangzhou Zhongfang") with a registered capital of RMB30,000,000 (equivalent to approximately HK$35,540,000) and an initial paid-in capital of RMB10,000,000 (equivalent to approximately HK$11,847,000), of which 51% will be held by the Company and 49% will be held by Zhongfang United. The Company and Zhongfang United have agreed that Guangzhou Zhongfang, once established, will establish Guangdong-Hong Kong-Macau New City (Guangzhou) Investment Partnership, a limited partnership, with a total size of investment of RMB1,000,000,000 (equivalent to approximately HK$1,184,650,000) and an initial size of investment of RMB200,000,000 (equivalent to approximately HK$236,930,000), which will be utilised towards the investment in projects meeting the intentions of both parties, including, among others, the Changliu Industrial Park of the Company at Kecun, Guangzhou.

As of the approval date on the Unaudited Condensed Consolidated Financial Statements, no formal agreement in relation to the Strategic Partnership has been entered. Details are disclosed in the Company's announcement dated 17 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a revenue of approximately HK$36,284,000 and recorded a loss after tax of approximately HK$16,378,000 for the six months ended 30 June 2018.

PROSPECT AND OUTLOOK

The Group's wholly-owned subsidiary, Guangdong Changliu Investment Company Limited ("Changliu"), currently is the Group's main operating unit. The rental and related management service income from Changliu slightly increased as compared to last corresponding period. Leasing will continue to be the main commercial activity of Changliu.

The Group's newly incorporated subsidiary, New City Bus Investment Limited ("Bus Investment"), is mainly operating trading and leasing of buses, provide a brand new business development for the Group, which contributed approximately HK$16,538,000 in sales of buses during the Period under review.

With regard to Luoyang Properties, 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. Currently, the Luoyang Properties are still in the planning and design stage. The Group expects to obtain the approval from 洛陽市城鄉一體化示範區商務中心區辦公室 by December 2018. The Properties development time is estimated to be three and a half years.

Given that the Group's existing resources and property project under progress in different regions, the Group will continue to participate in the property development and investment market, such as Zhuhai and Beijing, and on the other hand, will integrate cultural features in our property projects so as to enhance the Group's financial performance.

FINANCIAL REVIEW

During the Period under review, the Group has revenue and net loss for the Period amounted to approximately HK$36,284,000 and HK$16,378,000 respectively, whereas the Group had revenue and net profit for the first half of 2017 was approximately HK$18,801,000 and HK$711,000, respectively. Basic loss per share for six months ended 30 June 2018 was HK$0.44 cents (basic earning per share for six months ended 30 June 2017 was HK$0.02 cents).

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2018, the Group's total assets were approximately HK$1,121,762,000 (31 December 2017: HK$1,104,147,000) and total liabilities were approximately HK$458,176,000 (31 December 2017: HK$440,410,000). As at 30 June 2018, the cash and bank balances was approximately HK$31,849,000 (31 December 2017: HK$35,684,000) and the current ratio (current assets/current liabilities) was 1.98 as at 30 June 2018 (31 December 2017: 2.23).

GEARING RATIO

The gearing ratio (debt/equity) was 0.45 as at 30 June 2018 (31 December 2017: 0.42).

EXCHANGE RISKS

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

CAPITAL STRUCTURE

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

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, 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 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. In respect of Code Provision A.6.7 of the CG Code, one Executive Director and four Independent Non-executive Directors did not attend the annual general meeting of the Company held on 26 June 2018. 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.

- 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 2018, the Group has employed about 52 employees in Hong Kong and the PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

PLEDGE OF ASSETS

As at 30 June 2018, the Group's investment properties located in Guangzhou 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 2018.

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 2018.

CONTINGENT LIABILITIES

Details of the contingent liabilities was set out in note 20 to this announcement.

OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 6 years.

At 30 June 2018 and 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
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The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 4 years.

At 30 June 2018 and 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within one year	**2,369**	808
In the second to fifth years, inclusive	**2,276**	371
	4,645	1,179

OTHER COMMITMENT

Except for the other commitments as detailed in note 19 to this announcement, the Group did not have any commitment as at 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have complied with the Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Zheng Qing 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 Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

BOARD OF DIRECTORS

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Latest Listed Company Information". The interim report of the Group for the six months ended 30 June 2018 containing all the information required by Listing Rules will be despatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Latest Listed Company Information" in due course.

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

Hong Kong, 29 August 2018