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NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0456)

INTERIM RESULTS ANNOUNCEMENT 2020

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 2020 (the “Period”) with comparative figures for the corresponding period in 2019. The results have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	5	18,771	24,935
Cost of goods sold and services provided		(1,084)	(5,029)
Gross profit		17,687	19,906
Other income	6	3,523	7,276
Administrative and other operating expenses		(20,098)	(22,275)
Profit/(loss) from operations		1,112	4,907
Share of loss of an associate		—	(21)
Finance costs	7	(16,899)	(13,822)
Loss before tax		(15,787)	(8,936)
Income tax expense	8	—	—
Loss for the Period	9	(15,787)	(8,936)
Attributable to:			
Owners of the Company		(10,796)	(11,977)
Non-controlling interests		(4,991)	3,041
		(15,787)	(8,936)
Loss per share			
Basic	11(a)	(0.28) cents	(0.34) cents
Diluted	11(b)	(0.28) cents	(0.34) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the Period	(15,787)	(8,936)
Other comprehensive income for the Period, net of tax: <i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(10,733)</u>	<u>(1,839)</u>
Total comprehensive income for the Period	<u>(26,520)</u>	<u>(10,775)</u>
Attributable to:		
Owners of the Company	<u>(21,085)</u>	(13,683)
Non-controlling interests	<u>(5,435)</u>	<u>2,908</u>
	<u>(26,520)</u>	<u>(10,775)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	12	55,750	57,750
Investment properties		1,126,464	1,130,667
Intangible assets		34,643	34,643
Right-of-use assets		120	786
Financial assets at fair value through other comprehensive income ("FVTOCI")		28,253	28,253
Prepayments, deposits and other receivables	13	93,867	90,899
Deferred tax assets		39,723	39,723
		<u>1,378,820</u>	<u>1,382,721</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss ("FVTPL")		32,779	34,557
Inventories		7,660	7,660
Prepayments, deposits and other receivables	13	121,406	122,651
Due from associates		14	14
Due from a related company		13	13
Due from non-controlling shareholders		821	557
Cash and bank balances		31,827	11,175
		<u>194,520</u>	<u>176,627</u>

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
<i>Notes</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES		
Accruals and other payables	23,561	36,957
Deposits received	13,818	12,817
Borrowings	10,962	8,232
Lease liabilities	331	1,020
Due to a non-controlling shareholder	—	6,999
Due to related parties	4,792	7,765
Due to a director	1,899	1,649
Promissory notes	5,018	10,500
	<u>60,381</u>	<u>85,939</u>
NET CURRENT ASSETS	<u>134,139</u>	<u>90,688</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,512,959</u>	<u>1,473,409</u>
NON-CURRENT LIABILITIES		
Accruals and other payables	167,558	145,151
Borrowings	360,674	361,970
Lease liabilities	388	496
Promissory notes	4,261	8,100
Deferred tax liabilities	212,986	216,080
	<u>745,867</u>	<u>731,797</u>
NET ASSETS	<u><u>767,092</u></u>	<u><u>741,612</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	14	17,308
Reserves		728,374
		<u>745,682</u>
Non-controlling interests		21,410
		<u>26,845</u>
TOTAL EQUITY		<u><u>767,092</u></u>
		<u><u>741,612</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company									
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Convertible	Statutory reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
					notes reserve (Unaudited) HK\$'000					
At 1 January 2020 (audited)	14,459	536,737	4,755	(53,960)	—	18,604	194,172	714,767	26,845	741,612
Adjustments on initial application of HKFRS 16	—	—	—	—	—	—	—	—	—	—
Restated balance at 1 January 2020	14,459	536,737	4,755	(53,960)	—	18,604	194,172	714,767	26,845	741,612
Conversion on subscription	2,849	49,151	—	—	—	—	—	52,000	—	52,000
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—
Total comprehensive income for the Period	—	—	—	(10,289)	—	—	(10,796)	(21,085)	(5,435)	(26,520)
	2,849	49,151	—	(10,289)	—	—	(10,796)	30,915	(5,435)	25,480
At 30 June 2020	<u>17,308</u>	<u>585,888</u>	<u>4,755</u>	<u>(64,249)</u>	<u>—</u>	<u>18,604</u>	<u>183,376</u>	<u>745,682</u>	<u>21,410</u>	<u>767,092</u>
At 1 January 2019 (audited)	13,919	492,472	4,755	(38,010)	2,355	18,604	195,308	689,403	(197)	689,206
Adjustments on initial application of HKFRS 16	—	—	—	—	—	—	(91)	(91)	—	(91)
Restated balance at 1 January 2019	13,919	492,472	4,755	(38,010)	2,355	18,604	195,217	689,312	(197)	689,115
Conversion on convertible notes	540	44,265	—	—	(2,355)	—	—	42,450	—	42,450
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	13,387	13,387
Total comprehensive income for the Period	—	—	—	(1,706)	—	—	(11,977)	(13,683)	2,908	(10,775)
	540	44,265	—	(1,706)	(2,355)	—	(11,977)	28,767	16,295	45,062
At 30 June 2019	<u>14,459</u>	<u>536,737</u>	<u>4,755</u>	<u>(39,716)</u>	<u>—</u>	<u>18,604</u>	<u>183,240</u>	<u>718,079</u>	<u>16,098</u>	<u>734,177</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporation Information

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

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 (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 28 August 2020.

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 2019 (the “2019 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 2019 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 2020. 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 sales of buses. 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 2019 Annual Financial Statements. Segment profits or losses do not include unallocated other income, administrative and other operating expenses, share of loss of an associate, finance costs and income tax expense. Segment assets do not include unallocated property, plant and equipment, right-of-use assets, investments in associates, financial assets at FVTOCI, prepayments, deposits and other receivables, financial assets at FVTPL, amounts due from associates, a related company and non-controlling shareholders and cash and bank balances. Segment liabilities do not include unallocated accruals and other payables, borrowings, lease liabilities, amounts due to a non-controlling shareholder, related parties and a director, convertible notes and deferred tax liabilities.

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

	Property development and investment (Unaudited) <i>HK\$'000</i>	Sales of buses (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2020			
Revenue from external customers	18,771	—	18,771
Segment profit	17,687	—	17,687
As at 30 June 2020			
Segment assets	1,126,464	7,660	1,134,124
Segment liabilities	13,795	23	13,818
Six months ended 30 June 2019			
Revenue from external customers	20,901	4,034	24,935
Segment profit	19,672	234	19,906
As at 31 December 2019			
Segment assets	(Audited) 1,130,667	(Audited) 7,660	(Audited) 1,138,227
Segment liabilities	(Audited) 12,794	(Audited) 23	(Audited) 12,817

Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit or loss		
Total profit of reportable segments	17,687	19,906
Other income	3,523	7,276
Administrative and other operating expenses	(20,098)	(22,275)
Share of loss of an associate	—	(21)
Finance costs	(16,899)	(13,822)
	<u>(15,787)</u>	<u>(8,936)</u>

Reconciliations of segment assets or liabilities:

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Assets		
Total assets of reportable segments	1,134,124	1,138,327
Property, plant and equipment	55,750	57,750
Intangible assets	34,643	34,643
Right-of-use assets	120	786
Prepayments, deposits and other receivables	215,273	213,550
Financial assets at FVTOCI	28,253	28,253
Financial assets at FVTPL	32,779	34,557
Due from associates	14	14
Due from a related company	13	13
Due from non-controlling shareholders	821	557
Cash and bank balances	31,827	11,175
Deferred tax assets	39,723	39,723
	<u>1,573,340</u>	<u>1,559,348</u>

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Liabilities		
Total liabilities of reportable segments	13,818	12,817
Accruals and other payables	191,119	182,108
Borrowings	371,636	370,202
Lease liabilities	719	1,516
Due to a non-controlling shareholder	—	6,999
Due to related parties	4,792	7,765
Due to a director	1,899	1,649
Promissory notes	9,279	18,600
Current tax liabilities	—	—
Deferred tax liabilities	212,986	216,080
	<hr/>	<hr/>
Consolidated total liabilities	<u>806,248</u>	<u>817,736</u>

Geographical information

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PRC	18,771	20,901
Hong Kong	—	4,034
	<hr/>	<hr/>
Consolidated total revenue	<u>18,771</u>	<u>24,935</u>

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

5. Revenue

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Services transferred over time		
Rental income and related management service income	18,771	20,901
Products transferred at a point in time		
Sales of buses	<u>—</u>	<u>4,034</u>
	<u>18,771</u>	<u>24,935</u>

6. Other Income

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	3,517	2,894
Gain on fair value measurement of an associate	—	159
Gain on bargain purchases on acquisition of a subsidiary	—	4,223
Others	6	—
	<u>3,523</u>	<u>7,276</u>

7. Finance Costs

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	14,208	13,027
Interest on lease liabilities	12	114
Imputed interest on convertible notes	—	681
Imputed interest on promissory notes	2,679	—
	<u>16,899</u>	<u>13,822</u>

8. Income Tax Expense

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
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 2020 and 2019.

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.

9. Loss for the Period

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	2,890	2,836
Depreciation of right-of-use assets	704	872
Fair value loss on financial assets at FVTPL	2,233	1,013

10. Dividends

The Board does not recommend the payment of an interim dividend for the Period (2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to owner of the Company used in the basic loss per share calculation	<u>(10,796)</u>	<u>(11,977)</u>
	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares used in basic loss per share calculation	<u>3,837,927,713</u>	<u>3,546,216,952</u>

(b) Diluted loss per share

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

As the conversion of the Group's outstanding convertible notes for six months ended 30 June 2019 would be anti-dilutive, no diluted loss per share to be presented.

12. Property, Plant and Equipment

During the six months ended 30 June 2020, the Group did not acquire any property, plant and equipment (2019: HK\$15,000).

13. Prepayments, Deposits and Other Receivables

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Prepayments		
— Prepaid professional fee for the Luoyang Properties	6,768	2,018
— Others	4,248	9,178
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	38,367	39,113
— Others	992	992
Other receivables		
— Due from 北京中証房地產開發有限公司	55,087	53,901
— Others	60,411	58,948
	221,373	219,650
Less: Allowance for doubtful debts	(6,100)	(6,100)
	215,273	213,550
Less: Non-current portion	(93,867)	(90,899)
Current portion	121,406	122,651

14. Share Capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.004 each		
At 1 January 2018, 31 December 2019 (audited), 1 January 2019 and 30 June 2020 (unaudited)	10,000,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK\$0.004 each		
At 1 January 2019 (audited)	3,479,835,737	13,919
Conversion of convertible notes	<u>135,000,000</u>	<u>540</u>
At 31 December 2019 and 1 January 2020 (audited)	3,614,835,737	14,459
Completion of the subscription of new shares (note (a))	<u>712,328,767</u>	<u>2,849</u>
At 30 June 2020 (unaudited)	<u>4,327,164,504</u>	<u>17,308</u>

Notes:

- (a) The Board is pleased to announce that all the Conditions Precedents to completion of the Subscription have been fulfilled and the completion of the Subscription took place on 5 May 2020.

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

15. Commitments

The Group had the following commitment as at 30 June 2020.

(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 Condensed Consolidated Financial Statements. As at 30 June 2020, 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Construction design contracts for the Luoyang Properties	<u><u>5,421</u></u>	<u><u>10,407</u></u>

16. Contingent Liabilities

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.

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, 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 Luoyang Wan Heng for the land use right, which was approximately RMB31,270,000 (equivalent to approximately HK\$37,490,000), 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 Notice of Investigation of Idle Land (閒置土地調查通知書) from 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局. On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 (“洛陽規劃局”). After reviewed by 洛陽規劃局, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties were minimal adjusted. The Group are negotiating with 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the changed of Luoyang Properties in order to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

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

In preparing the Condensed Consolidated Financial Statements, the directors had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 洛陽規劃局 on the modification of construction plan of the Luoyang Properties and the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 30 June 2020.

17. 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	
	2020	2019
	(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\$18,771,000 and recorded a loss after tax of approximately HK\$15,787,000 for the six months ended 30 June 2020.

PROSPECT AND OUTLOOK

The Group's wholly-owned subsidiary, Guangdong Changliu Investment Company Limited ("Changliu"), currently is the Group's main operating unit, due to the outbreak of COVID-19, the rental and related management service income from Changliu decreased as compared to last corresponding period. Leasing will continue to be the main commercial activity of Changliu.

Due to the decrease in demand of local tourism buses, the sales of buses of the Group dropped significantly during the period under review.

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. Up to the date of this announcement, 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.

The Group acquired several new business activities last year which provide new sources of income and reduce the Group's reliance on the rental income from Changliu.

On 22 May 2019, the Agreement was entered among Guangdong Chang Yang Investment Co Ltd (a subsidiary of the Group, the equity interest of which is owned as to 70% by the New City Development Group Ltd indirectly) ("Guangdong Chang Yang"), Zhuhai Qi Tian Industrial Co Ltd ("Zhuhai Qi Tian") and Zhuhai Teng Shun Industrial Co Ltd (the "Target Company") in relation to acquisition of a total of 55% of the equity interest, upon completion of the acquisition, in the Target Company (details of which were disclosed in the announcements of the Company of 6 January 2019 and 29 May 2019 respectively).

Through the Target Company, Zhuhai Qi Tian and the Group will jointly redevelop a parcel of land situated at the south side of Jindao Road, the west side of Hongyang Road, Sanzao, Jinwan District, Zhuhai City, Guangdong Province, with a total site area of approximately 11,956.46 sq.m. and a plot ratio of 5.09 for commercial, retail and hotel uses.

Considering that the Land is located at a prime location in Zhuhai, one of the cities in Guangdong, Hong Kong and Macau Bay Area, which is of strategic position in the PRC and is seen to be a place with good development potential. The Directors believe that the acquisition is an opportunity to the Group to consolidate and strengthen the Group's land bank in Guangdong, Hong Kong and Macau Area at a prime location. It is also expected that the re-development of the Land will bring synergies to the Group's property development business, and thereby expanding the Group's operating income, which is in the interest of the Company and its shareholders as a whole.

The Group has materialized its property development projects in PRC with a prosperous view in long-run and therefore it is now being the appropriate time to extend to synergistic development of property management services.

On 21 August 2019, the Group as purchaser entered into a share purchase agreement with Best Sunning Limited ("Best Sunning") as Vendor under which the Group shall purchase and that Best Sunning shall sell the 70% of the issued share capital of China Goal Inc. ("China Goal") at a consideration of HK\$23,800,000. The total consideration is being satisfied by the Group with the issuance promissory notes. The first tranche of promissory note of HK\$12 million has been settled, while the second and the third tranches of payment are subject to the satisfaction of profit guarantee of the vendor payable in direct proportion of the amount of guaranteed profit achieved in years 2020 and 2021 and payable in years 2021 and 2022 respectively.

Before the acquisition, China Goal is wholly owned by Best Sunning, which Best Sunning is the proprietary owner of certain Property Management Intellectual Properties, know-how and methodologies and systems. It has licensed at a nominal value to its then wholly-owned subsidiary, China Goal, Inc. for its use for 20-year term, allowing its further licensing of other parties.

On 20 December 2019, the Group as purchaser entered into a share purchase agreement with Ocean Capital Corporation ("Ocean Capital") as Vendor, under which the Group shall purchase and that Ocean Capital shall sell 41 shares, representing 41% of the issued share capital (the "Sales Shares") of Peaceful Kingdom Inc. ("Peaceful Kingdom"). Upon the completion of this Acquisition, the Group shall have the right to nominate three out of five directors to the board of directors of Peaceful Kingdom and shall control Peaceful Kingdom.

Peaceful Kingdom possesses the exclusive license of certain intellectual properties rights and the operation of a chain supermarket in the PRC under the brand name of 益百家 (in English, for identification purpose only, YBJ) (the "Rights") for an initial term of 10 years in the territory of the PRC. YBJ has been operating successfully as a well-established supermarket chain of six stores, all are located at Zhuhai city, Guangdong Province, with vision in developing the Great Bay area business in line with the strategic development of our Group there.

The Group believes that the above new businesses, together with the Changliu's business, will gear towards the core value of the Group's business, in different aspects from property development, property management and supermarket in the PRC, which enable the Group to reduce the reliance on the rental income from Changliu.

From the perspective of macro-economic, it shows sign of downward and uncertainties remain in the years ahead mainly due to the outbreak of COVID-19.

While facing with challenges, the economies of PRC still offer ample opportunities. Urbanization will be the next emphasis for the economic growth in China. To this end, the Group will also continue to utilize its strengths in developing urban complex and focus on identifying opportunities. Meanwhile, the Group will identify opportunities in the arena of sustainable city development. Strategic business alliance will be made with other business partners in order to expand our scope of business, as well as to widen our sources of income. Through this, New City's mission, which the Group has been emphasizing can be achieved.

FINANCIAL REVIEW

During the Period under review, the Group has revenue and net loss for the Period amounted to approximately HK\$18,771,000 and HK\$15,787,000 respectively, whereas the Group had revenue and net loss for the first half of 2019 was approximately HK\$24,935,000 and HK\$8,936,000, respectively. Basic loss per share for six months ended 30 June 2020 was HK\$0.28 cents (basic loss per share for six months ended 30 June 2019 was HK\$0.34 cents).

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2020, the Group's total assets were approximately HK\$1,588,756,000 (31 December 2019: HK\$1,559,348,000) and total liabilities were approximately HK\$821,664,000 (31 December 2019: HK\$817,736,000). As at 30 June 2020, the cash and bank balances was approximately HK\$42,728,000 (31 December 2019: HK\$11,175,000) and the current ratio (current assets/current liabilities) was 2.97 as at 30 June 2020 (31 December 2019: 2.06).

GEARING RATIO

The gearing ratio (debt/equity) was 0.43 as at 30 June 2020 (31 December 2019: 0.45).

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 2020, 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 11 June 2019. 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 2020, the Group has employed about 73 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 2020, the certain Group's investment properties were pledged to secure for bank borrowings.

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

The Company did not have any significant investments or material acquisitions and disposals for the six months ended 30 June 2020.

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 2020.

CONTINGENT LIABILITIES

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

COMMITMENT

Except for the commitments as detailed in note 15 to this announcement, the Group did not have any commitment as at 30 June 2020.

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 2020.

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 2020.

BOARD OF DIRECTORS

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information”. The interim report of the Group for the six months ended 30 June 2020 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, 28 August 2020