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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 2014

The Directors 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 2014 (the “Period”) with comparative figures for the previous corresponding period in 2013. The results have not been audited.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	21,266	25,672
Cost of services provided		<u>(1,607)</u>	<u>(1,570)</u>
Gross profit		19,659	24,102
Other income and gains	4	367	539
General and administrative expenses		<u>(10,775)</u>	<u>(9,266)</u>
Finance costs	6	<u>(6,590)</u>	<u>(7,974)</u>
Profit before tax	5	2,661	7,401
Income tax expense	7	<u>(206)</u>	<u>(390)</u>
Profit for the Period		<u><u>2,455</u></u>	<u><u>7,011</u></u>
Attributable to:			
Owners of the Company		<u>2,455</u>	<u>7,011</u>
		<u><u>2,455</u></u>	<u><u>7,011</u></u>
Earning per share			
Basic	9	<u><u>0.1 cents</u></u>	<u><u>0.28 cents</u></u>
Diluted	9	<u><u>0.1 cents</u></u>	<u><u>0.28 cents</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the Period	<u>2,455</u>	<u>7,011</u>
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(9,664)	3,578
Less: Income tax effect	<u>–</u>	<u>–</u>
Other comprehensive income for the Period, net of tax	<u>(9,664)</u>	<u>3,578</u>
Total comprehensive income for the Period	<u><b>(7,209)</b></u>	<u><b>10,589</b></u>
Attributable to:		
Owners of the Company	<u>(7,209)</u>	<u>10,589</u>
	<u><b>(7,209)</b></u>	<u><b>10,589</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At <b>30 June 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	At 31 December 2013 <b>(Audited)</b> <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties		696,384	714,240
Property, plant and equipment		2,906	3,516
		699,290	717,756
<b>CURRENT ASSETS</b>			
Trade receivable	10	–	2,000
Prepayments, deposits and other receivables		9,502	10,750
Cash and bank balances		28,966	33,352
		38,468	46,102
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		18,413	17,792
Deposits received		7,449	7,165
Finance lease payable		150	143
Interest-bearing bank borrowings, secured		19,619	20,122
Due to directors		1,140	1,080
Tax payable		256	2,803
		47,027	49,105
<b>NET CURRENT LIABILITIES</b>		<b>(8,559)</b>	<b>(3,003)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>690,731</b>	<b>714,753</b>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease payable		344	420
Interest-bearing bank borrowings, secured		124,999	137,805
Deferred tax liabilities		153,346	157,277
		278,689	295,502
Net assets		<b>412,042</b>	<b>419,251</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	11	10,179	10,179
Reserves		401,863	409,072
		412,042	419,251
<b>Total equity</b>		<b>412,042</b>	<b>419,251</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2014*

	Share capital	Share premium	Contributed surplus	Translation reserve	Warrants reserve	Equity component of convertible bonds	Retained profits	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2014	10,179	253,344	4,755	12,061	–	–	138,912	419,251
Profit for the period	–	–	–	–	–	–	2,455	2,455
Exchange differences on translation of foreign operations	–	–	–	(9,664)	–	–	–	(9,664)
<b>At 30 June 2014</b>	<b><u>10,179</u></b>	<b><u>253,344</u></b>	<b><u>4,755</u></b>	<b><u>2,397</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>141,367</u></b>	<b><u>412,042</u></b>
At 1 January 2013	10,179	253,344	4,755	3,631	–	–	16,206	288,115
Profit for the period	–	–	–	–	–	–	7,011	7,011
Exchange differences on translation of foreign operations	–	–	–	3,578	–	–	–	3,578
<b>At 30 June 2013</b>	<b><u>10,179</u></b>	<b><u>253,344</u></b>	<b><u>4,755</u></b>	<b><u>7,209</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>23,217</u></b>	<b><u>298,704</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	4,888	843
NET CASH FLOWS FROM INVESTING ACTIVITIES	269	325
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(9,429)	(3,857)
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(4,272)	(2,689)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	33,352	46,740
Effect of foreign exchange rate changes, net	(114)	(2,060)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>28,966</u>	<u>41,991</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>28,966</u>	<u>41,991</u>

## 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 Cayman Islands on 10 August 1998. The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, 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’s principal activity has not changed during the Period and is engaged in property development and investment business in the PRC.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 (the “Unaudited Condensed Consolidated Interim Financial Statements”) have been approved for issue by the Board of Directors on 29 August 2014.

#### 2.1 Basis of Preparation and Significant Accounting Policies

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

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2013 (the “2013 Annual Financial Statements”) which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by HKICPA.

These interim results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 Changes in Accounting Policies and Disclosures

Other than the adoption of new and revised HKFRSs and Interpretations as noted below, the accounting policies adopted in the preparation of the Unaudited Condensed Consolidated Interim Financial Statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2013.

### *New and revised HKFRSs*

The Group has adopted the following new and revised HKFRSs for first time for the current period's interim report. The adoption of these new and revised HKFRSs did not have any significant effect on the financial position or performance of the Group.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> <sup>1</sup>
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>

## 2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs that have been issued but not yet effective.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 9, HKFRS 7 and HKAS 39 Amendment	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39 <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Annual Improvements 2010- 2012 Cycle	Amendments to a number of HKFRSs issued in January 2014 <sup>1</sup>
Annual Improvements 2011- 2013 Cycle	Amendments to a number of HKFRSs issued in January 2014 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

For the application of these standards or interpretations, management is either assessing the impact of or considers that there will have no material impact on the results and the financial position of the Group.

### **3. Operating Segment Information**

For management purposes, the Group's primary operating segment is property development and investment in the PRC. Since this is the only operating segment of the Group, no further analysis thereof is presented.

#### **Geographical information**

The Group operates principally in the PRC. Over 90% of the Group's assets are located in the PRC and over 90% of the revenue are generated in the PRC. Accordingly, no further geographical information of total asset and revenue was disclosed.

#### **Information about a major customer**

##### ***Property management fee income***

The sole customer during the Period ended 30 June 2013 was Tong Sun Limited ("Tong Sun"), a subsidiary disposed by the Group during the year ended 31 December 2010. The Group managed and operated a property for Tong Sun in the PRC at an annual management fee (the "Property Management Fee Income") of HK\$8,000,000 payable on a quarterly basis for a term of 3 years commencing from January 2011. The management agreement was expired on 31 December 2013 and accordingly, no property management fee income was received during the Period.

##### ***Rental income and related management service income***

There are no significant concentrations of credit risk within the Group because there is a large number of diversified tenants.



#### 4. Revenue, Other Income And Gains

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue		
Property Management Fee Income	–	4,000
Rental income and related management service income	<b>21,266</b>	21,672
	<b>21,266</b>	25,672
Other income and gains		
Interest income	<b>365</b>	430
Others	<b>2</b>	109
	<b>367</b>	539
Total revenue, other income and gains	<b>21,633</b>	<b>26,211</b>

#### 5. Profit Before Tax

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The Group's profit before tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– Owned assets	<b>502</b>	614
– Leased assets	<b>92</b>	92
Write-off of property, plant and equipment	–	17
Interest income	<b>(365)</b>	(430)

## 6. Finance Costs

	Six months ended 30 June	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Interest on finance leases	18	23
Interest on bank loan	6,572	7,951
	<u>6,590</u>	<u>7,974</u>

## 7. 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 2014 and 2013.

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	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Current tax:		
Hong Kong	–	–
Elsewhere	206	390
	<u>206</u>	<u>390</u>
Deferred tax	–	–
Total tax charge for the Period	<u>206</u>	<u>390</u>

## 8. Dividends

The directors do not recommend the payment of an interim dividend for the Period (2013: Nil).

## 9. Earnings Per Share

### (i) Basic earning per share

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the Period attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation (HK\$'000)	<u><u>2,455</u></u>	<u><u>7,011</u></u>
Weighted average number of ordinary shares in issue during the Period used in basic earnings per share calculation (in thousand)	<u><u>2,544,787</u></u>	<u><u>2,544,787</u></u>

### (ii) Diluted earning per share

No adjustment has been made to the basic earnings per share amounts for the period ended 30 June 2014 and 2013 in respect of a dilution because there were no potentially dilutive events existed during the Period.

## 10. Trade Receivable

	<b>30 June 2014 (Unaudited) <i>HK\$'000</i></b>	31 December 2013 (Audited) <i>HK\$'000</i>
Trade receivable	–	2,000
Impairment	–	–
	<u>–</u>	<u>2,000</u>
	<u>–</u>	<u>2,000</u>

The trade receivable represented the Property Management Fee Income receivable from Tong Sun. The Group's services terms with Tong Sun are mainly on credit of 14 days. The management agreement expired on 31 December 2013 and no trade receivable was recorded as at 30 June 2014.

An aged analysis of the trade receivable as at the end of the reporting period, based on the date of invoice, is as follows:

	<b>30 June 2014 (Unaudited) <i>HK\$'000</i></b>	31 December 2013 (Audited) <i>HK\$'000</i>
Within 1 month	–	2,000
	<u>–</u>	<u>2,000</u>

The aged analysis of the trade receivable that are not considered to be impaired is as follows:

	<b>30 June 2014 (Unaudited) <i>HK\$'000</i></b>	31 December 2013 (Audited) <i>HK\$'000</i>
Neither past due nor impaired	–	2,000
	<u>–</u>	<u>2,000</u>

Trade receivable represented an amount due from a single customer and the Group has a high concentration of credit risk accordingly. The trade receivable is non-interest bearing.

## 11. Share Capital

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000		
Authorised:				
10,000,000,000 ordinary shares of HK\$0.004 each	<b>40,000</b>	40,000		
Issued and fully paid:				
2,544,787,999 ordinary shares of HK\$0.004 each	<b>10,179</b>	10,179		
<b>Authorised share capital</b>				
	<b>Number of shares '000</b>	<b>HK\$'000</b>		
At 1 January 2014 and 30 June 2014	<b>10,000,000</b>	40,000		
<b>Issued and fully paid</b>				
	<b>Number of shares '000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>	
At 1 January 2014 and 30 June 2014	<b>2,544,788</b>	<b>10,179</b>	<b>253,344</b>	<b>263,523</b>

## 12. Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2014.

## 13. 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 2 years.

At 30 June 2014 and 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	<b>22,000</b>	22,462
In the second to fifth years, inclusive	—	2,584
	<b>22,000</b>	25,046

### As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At 30 June 2014 and 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	<b>1,542</b>	564
In the second to fifth years, inclusive	<b>1,413</b>	—
	<b>2,955</b>	564

## 14. Other Commitments

In addition to the operating lease commitments detailed in note 13 above, the Group had the following commitment as at 30 June 2014.

### Proposed acquisition

On 8 November 2013, the Group entered into a co-operation agreement (the “Agreement”) with an independent third party (the “Vendor”) and Qingdao Chengtai Real Estate Development Company Limited 青島成泰房地產開發有限公司 (“Qingdao Chengtai”). Pursuant to which, the Group will acquire (the “Qingdao Acquisition”) the entire equity interest in Qingdao Chengtai in 2 phases at a consideration (the “Consideration”) of RMB200,000,000 (equivalent to approximately HK\$249,600,000), subject to an upward adjustment.

The principal asset of Qingdao Chengtai is a leasehold land (the “Land”) located in Qingdao City, Shangdong Province, the PRC which is intended for the development of real estate (the “Project”).

For the first phase (the “1st Phase”) of the Qingdao Acquisition, the Group will acquire 65% equity interest in Qingdao Chengtai when, among other things, the planning approval of the Project is obtained from the relevant government authorities. For the second phase (the “2nd Phase”) of the Qingdao Acquisition, the Group will acquire the remaining 35% equity interest in Qingdao Chengtai when the Project has been completed.

The Consideration will be satisfied by (i) as to RMB80,000,000 (equivalent to approximately HK\$99,840,000) by cash and payable upon the completion of the 1st Phase; and (ii) as to RMB120,000,000 (equivalent to approximately HK\$149,760,000), subject to an upward adjustment, by transferring the corresponding parts of the real estate of the Project which worth RMB120,000,000 and payable upon the completion of the 2nd Phase.

As at the date of approval of the consolidated financial statements both of the 1st Phase and 2nd Phase of the Qingdao Acquisition have not been completed.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CONTINUING CONNECTED TRANSACTIONS**

The old tenancy agreements of the Group's office premises in Hong Kong and the staff quarter and car parking space which ended on 24 May 2014, were extended on the same terms of the respective agreements for the period from 25 May 2014 to 31 May 2014. On 30 May 2014, the 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; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the Residential Properties. The New Tenancy Agreements are for a term of two years commencing from 1 June 2014. 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. Details of which, please refer to the Company's announcement dated 30 May 2014.

### **PROSPECT**

Guangzhou Changliu project is the Group's main operating unit. While the sluggish world economy have adversely affected the Chinese economics development, the rental income of Guangzhou Changliu project has remained fairly stable. The Group's management target is besides stabilizing the rental income, every opportunity which could improve the rental income would be exploited through improving services quality of the site. At the same time to correspond with the government's pace on the Three Oldies Reform, the Group will coordinate the progress in the redevelopment of the Guangzhou Changliu project.

The Group's project company owned a piece of land located in the Qingdao City for the purpose of scientific research use. The Group is in the course of applying for planning approval for an increase in the plot ratio without any change in the current use of the land. By so doing, it is believed that in addition to the increase of economic value in the project, a better economic benefits could be achieved through more efficient use of land.

Moreover, the Group is now identifying suitable investment projects which strengthen its operation, enhance the Group's revenue in order to provide better economic benefits.

### **OUTLOOK**

The Company remains its focus on the city development and identifies business opportunities along with its long-established development strategy.



Going forward, urbanization believes to be the main focus of economic growth in China and will offer tremendous business opportunities for the Company. Aligned with the direction of China's economy growth and also to adhere with the Group's strategic development, we shall actively explore profitable projects including real estate developments, medicare and education projects. The Group will continue to build strategic business alliance with various professional enterprises, so that all parties can contribute their proficiencies and efforts for conducting business in the arena of city development. In this way, the Company's financial performance can be strengthened.

## **FINANCIAL REVIEW**

During the Period under review, the Group has turnover and net profit for the Period amounted to approximately HK\$21,266,000 and HK\$2,455,000 respectively, whereas the Group had turnover and net profit for the first half of 2013 was approximately HK\$25,672,000 and HK\$7,011,000, respectively. Basic earning per share for the period was HK\$0.10 cents (Basic earning per share for six months ended 30 June 2013 was HK\$0.28 cents ).

## **DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2013: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS**

As at 30 June 2014, the Group had obligations under hire purchase contract of approximately HK\$494,000 (2013: HK\$631,000).

As at 30 June 2014, the Group's total assets was approximately HK\$737,758,000 (2013: approximately HK\$617,641,000) and total liabilities were of approximately HK\$325,716,000 (2013: approximately HK\$318,937,000). As at 30 June 2014, the cash and bank balances was approximately HK\$28,966,000 (2013: approximately HK\$41,991,000) and the current ratio (current assets/current liabilities) was 0.81 as at 30 June 2014 (2013: 1.04).

## **GEARING RATIO**

The gearing ratio (net debt/capital and net debt) was 0.26 as at 30 June 2014 (2013: 0.35).

## **LITIGATION**

Details of an outstanding litigation are disclosed under a separate Announcement of the Company dated 29 August 2014.

## **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 assess exchange risks.

## CAPITAL STRUCTURE

The movement of the capital structure of the Company during the Period is detailed in note 11 to the condensed consolidated interim financial statements.

## CORPORATE GOVERNANCE

During the six months ended 30 June 2014, 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 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. In respect of Code Provision A.6.7 of the CG Code, one Executive Director and two Independent Non-executive Directors did not attend the annual general meeting of the Company held on 26 June 2014. 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 2014, the Group has employed about 50 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 2014, the investment properties were secured for bank borrowings. And the finance lease payable was secured by the leased motor vehicle with a carrying amount of HK\$550,884.

## 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 2014.

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

The Company had not redeemed any of its shares during the six months ended 30 June 2014. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2014.

## CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2014.

## 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 2 years.

At 30 June 2014 and 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	<b>22,000</b>	22,462
In the second to fifth years, inclusive	–	2,584
	<b>22,000</b>	25,046

## As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At 30 June 2014 and 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	1,542	564
In the second to fifth years, inclusive	1,413	–
	<u>2,955</u>	<u>564</u>

## OTHER COMMITMENT

Except for the other commitments as detailed in note 14 above, the Group did not have any commitment as at 30 June 2014.

## 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 period ended 30 June 2014.

## AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing. 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 interim financial statements for the six months ended 30 June 2014.

## BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Han Junran (Chairman), Mr. Fu Yiu Kwong and Mr. Luo Min; and (ii) three independent non-executive Directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing.

## **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](http://www.hkexnews.hk) under “Latest Listed Company Information”. The interim report of the Group for the six months ended 30 June 2014 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](http://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 2014