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China New City Commercial Development Limited

中國新城市商業發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
Revenue	818,559	257,104	218.4%
Gross profit	229,021	48,865	368.7%
Loss for the period	(71,996)	(238,516)	(69.8%)
Loss attributable to owners of the parent	(66,669)	(223,724)	(70.2%)
Loss per share attributable to ordinary equity holders of the parent – Basic and diluted	RMB(3.32) cents	RMB(11.13) cents	
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)	Change
Total assets	14,584,183	15,179,776	-3.9%
Net assets	5,287,600	5,307,909	-0.4%
Net assets value per share	RMB2.63	RMB2.64	-0.4%

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	818,559	257,104
Cost of sales		<u>(589,538)</u>	<u>(208,239)</u>
Gross profit		229,021	48,865
Other income and gains	4	5,782	51,405
Selling and distribution costs		(77,630)	(66,884)
Administrative expenses		(92,725)	(94,480)
Other expenses		(4,038)	(6,311)
Finance costs		(47,185)	(87,679)
Share of profits and losses of a joint venture		(427)	(485)
Changes in fair value of investment properties		<u>(29,911)</u>	<u>(95,590)</u>
Loss before tax	5	(17,113)	(251,159)
Income tax expense	6	<u>(54,883)</u>	12,643
Loss for the period		<u>(71,996)</u>	<u>(238,516)</u>
Attributable to:			
Owners of the parent		(66,669)	(223,724)
Non-controlling interests		<u>(5,327)</u>	<u>(14,792)</u>
		<u>(71,996)</u>	<u>(238,516)</u>
Loss per share attributable to equity holders of the parent			
Basic and diluted	7	<u>RMB (3.32) cents</u>	<u>RMB (11.13) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Loss for the period	<u>(71,996)</u>	<u>(238,516)</u>
Other comprehensive loss		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	<u>45,784</u>	<u>3,658</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>45,784</u>	<u>3,658</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	7,871	(20,063)
Income tax effect	<u>(1,968)</u>	<u>5,016</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>5,903</u>	<u>(15,047)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>51,687</u>	<u>(11,389)</u>
Total comprehensive loss for the period	<u>(20,309)</u>	<u>(249,905)</u>
Attributable to:		
Owners of the parent	(14,982)	(235,113)
Non-controlling interests	<u>(5,327)</u>	<u>(14,792)</u>
	<u>(20,309)</u>	<u>(249,905)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	30 June	31 December
	2023	2022
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property and equipment	2,350,180	2,375,959
Investment properties	5,162,600	5,202,000
Properties under development	970,810	966,859
Right-of-use assets	123,616	120,277
Other intangible assets	13,822	14,194
Equity investments designated at fair value through other comprehensive income	361,404	353,534
Long term prepayments	291,010	278,104
Investment in a joint venture	31,000	31,427
Deferred tax assets	43,520	36,630
Restricted cash	–	12,000
Total non-current assets	<u>9,347,962</u>	<u>9,390,984</u>
CURRENT ASSETS		
Completed properties held for sale	1,188,897	919,543
Properties under development	2,605,132	2,911,714
Inventories	38,408	36,389
Trade receivables	9 45,902	47,795
Prepayments, other receivables and other assets	867,339	610,048
Financial assets at fair value through profit or loss	51	20,164
Restricted cash	112,485	220,152
Cash and cash equivalents	319,407	948,087
Investment properties classified as held for sale	58,600	74,900
Total current assets	<u>5,236,221</u>	<u>5,788,792</u>
CURRENT LIABILITIES		
Trade payables	10 534,868	598,758
Other payables and accruals	248,810	248,137
Contract liabilities	2,743,531	2,802,955
Amounts due to related companies	1,247,211	754,901
Interest-bearing bank and other borrowings	324,720	1,319,438
Lease liabilities	42,694	45,397
Tax payable	426,869	458,780
Total current liabilities	<u>5,568,703</u>	<u>6,228,366</u>
NET CURRENT LIABILITIES	<u>(332,482)</u>	<u>(439,574)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>9,015,480</u>	<u>8,951,410</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,765,360	2,689,041
Deferred tax liabilities	817,858	816,859
Lease liabilities	144,662	137,601
	<hr/>	<hr/>
Total non-current liabilities	3,727,880	3,643,501
	<hr/>	<hr/>
NET ASSETS	5,287,600	5,307,909
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	160,220	160,220
Reserves	4,928,371	4,943,353
	<hr/>	<hr/>
	5,088,591	5,103,573
	<hr/>	<hr/>
Non-controlling interests	199,009	204,336
	<hr/>	<hr/>
TOTAL EQUITY	5,287,600	5,307,909
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Corporate information

China New City Commercial Development Limited (the “**Company**”) is a limited liability company incorporated as an exempted company in the Cayman Islands on 2 July 2013 under the Companies Law (revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) were members of Zhong An Group Limited (“**Zhong An**”) and its subsidiaries (“**Zhong An Group**”). Zhong An, the shares of which have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) since November 2007, is the holding company of Zhong An Group.

The Group is principally engaged in commercial property development, leasing and hotel operations.

In the opinion of the Company’s directors (the “**Directors**”), the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

As at 30 June 2023, the Group had net current liabilities of approximately RMB332,482,000. In addition to the credit and banking facilities currently available to the Group, Zhong An Group has provided continuous financial support to the Group to meet the Group’s liabilities as and when they fall due for at least the next 12 months from the end of this reporting period, the Directors believe that the Group has sufficient cash flows in the foreseeable future from the operations. Therefore, the financial statements have been prepared on a going concern basis.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual financial information for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The new and revised standards have had no significant financial effect on these financial statements.

3. Operating segment information

For management purposes, the Group is organised into business units based on income derived from business and has four reportable operating segments as follows:

- (a) the commercial property development segment develops and sells commercial properties in Mainland China and Japan;
- (b) the property rental segment leases investment properties in Mainland China;
- (c) the hotel operations segment owns and operates hotels; and
- (d) the “others” segment comprises, the Group’s project management business and other business that the Group involve in.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group’s profit/loss before tax from continuing operations except that interest income and finance costs are excluded from the measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2023 and 2022, respectively.

Six months ended 30 June 2023 (unaudited)	Commercial property development <i>RMB'000</i>	Property rental <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Other services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
Sales to external customers	565,273	60,582	124,419	68,285	818,559
Intersegment sales	–	12,156	–	–	12,156
	<u>565,273</u>	<u>72,738</u>	<u>124,419</u>	<u>68,285</u>	<u>830,715</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>12,156</u>
Revenue from operations					<u><u>818,559</u></u>
Segment results	69,268	(30,162)	12,267	(24,712)	26,661
<i>Reconciliation:</i>					
Interest income					3,411
Finance costs					<u>(47,185)</u>
Loss before tax					<u><u>(17,113)</u></u>
Other segment information					
Share of losses of a joint venture	–	–	–	427	427
Depreciation and amortisation	2,568	81	33,453	27,241	63,343
Capital expenditure	<u>33</u>	<u>51</u>	<u>2,148</u>	<u>19,639</u>	<u>21,871</u>

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2023 and 2022, respectively. (Continued)

Six months ended 30 June 2022 (unaudited)	Commercial property development <i>RMB'000</i>	Property rental <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Other services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
Sales to external customers	72,312	30,292	99,847	54,653	257,104
Intersegment sales	–	12,186	–	–	12,186
	<u>72,312</u>	<u>42,478</u>	<u>99,847</u>	<u>54,653</u>	<u>269,290</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(12,186)</u>
Revenue from operations					<u><u>257,104</u></u>
Segment results	(101,960)	(58,440)	(18,918)	(11,934)	(191,252)
<i>Reconciliation:</i>					
Interest income					27,772
Finance costs					<u>(87,679)</u>
Loss before tax					<u><u>(251,159)</u></u>
Other segment information					
Share of losses of a joint venture	–	–	–	485	485
Depreciation and amortisation	2,316	965	29,514	34,948	67,743
Capital expenditure	<u>27,746</u>	<u>42</u>	<u>2,333</u>	<u>34,814</u>	<u>64,935</u>

The following tables present segment assets and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively:

As at 30 June 2023 (unaudited)	Commercial property development RMB'000	Property Rental RMB'000	Hotel operations RMB'000	Other services RMB'000	Total RMB'000
Segment assets	7,361,862	5,299,852	2,005,854	924,689	15,592,257
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,636,770)
Corporate and other unallocated assets					<u>628,696</u>
Total assets					<u><u>14,584,183</u></u>
Segment liabilities	4,354,697	398,299	913,889	945,604	6,612,489
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,636,770)
Corporate and other unallocated liabilities					<u>4,320,864</u>
Total liabilities					<u><u>9,296,583</u></u>
As at 31 December 2022 (audited)	Commercial property development RMB'000	Property Rental RMB'000	Hotel operations RMB'000	Other services RMB'000	Total RMB'000
Segment assets	7,886,306	5,314,376	2,005,169	785,334	15,991,185
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,028,277)
Corporate and other unallocated assets					<u>1,216,868</u>
Total assets					<u><u>15,179,776</u></u>
Segment liabilities	4,022,847	338,359	846,809	1,421,953	6,629,968
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,028,277)
Corporate and other unallocated liabilities					<u>5,270,176</u>
Total liabilities					<u><u>9,871,867</u></u>

Geographical Information

(a) Revenue from external customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	810,235	238,918
Others	8,324	18,186
	818,559	257,104

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	8,840,787	8,898,682
Others	102,251	102,138
	8,943,038	9,000,820

The non-current assets information above are based on the locations of the assets and exclude equity investments designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the six months ended 30 June 2023 and 2022.

4. Revenue, other income and gains

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	757,977	226,812
Revenue from other sources		
Gross rental income from investment property operating leases	<u>60,582</u>	<u>30,292</u>
	<u>818,559</u>	<u>257,104</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Commercial property development RMB'000 (Unaudited)	Other services RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Sale of properties	565,273	–	–	565,273
Hotel operating income	–	–	124,419	124,419
Other services	–	68,285	–	68,285
	<u>565,273</u>	<u>68,285</u>	<u>124,419</u>	<u>757,977</u>
Timing of revenue recognition				
At a point in time	565,273	–	124,419	689,692
Over time	–	68,285	–	68,285
	<u>565,273</u>	<u>68,285</u>	<u>124,419</u>	<u>757,977</u>

For the six months ended 30 June 2022

Segments	Commercial property development <i>RMB'000</i> (Unaudited)	Other services <i>RMB'000</i> (Unaudited)	Hotel operations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services				
Sale of properties	72,312	–	–	72,312
Hotel operating income	–	–	99,847	99,847
Other services	–	54,653	–	54,653
	<u>72,312</u>	<u>54,653</u>	<u>99,847</u>	<u>226,812</u>
Total revenue from contracts with customers	<u>72,312</u>	<u>54,653</u>	<u>99,847</u>	<u>226,812</u>
Timing of revenue recognition				
At a point in time	72,312	–	99,847	172,159
Over time	–	54,653	–	54,653
	<u>72,312</u>	<u>54,653</u>	<u>99,847</u>	<u>226,812</u>
Total revenue from contracts with customers	<u>72,312</u>	<u>54,653</u>	<u>99,847</u>	<u>226,812</u>
For the six months ended 30 June				
2023				
<i>RMB'000</i>				
(Unaudited)				
2022				
<i>RMB'000</i>				
(Unaudited)				
Other income				
Subsidy income*			477	1,778
Interest income			3,411	27,772
Others			1,658	17,059
			<u>5,546</u>	<u>46,609</u>
Gains				
Gain on disposal of items of property and equipment			–	4,385
Foreign exchange gains			236	411
			<u>236</u>	<u>4,796</u>
			<u>5,782</u>	<u>51,405</u>

* There are no unfulfilled conditions or contingencies relating to these grants.

5. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of properties sold	12	429,479	82,078
Depreciation of property and equipment		47,104	50,764
Amortisation of other intangible assets		373	868
Depreciation of right-of-use assets		15,866	16,111
Lease payments not included in the measurement of lease liabilities		2,651	3,854
Staff costs including directors' and chief executive's remuneration:			
– Salaries and other staff costs		60,756	76,231
– Pension scheme contributions*		11,154	5,504
Foreign exchange differences, net		(236)	(411)
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)		2,982	2,940
Equity-settled share option expense		–	1,403
Loss on disposal of investment properties		2,478	–
Fair value losses, net:			
Changes in fair value of investment properties	9	29,911	95,590
Changes in fair value of financial assets at fair value through profit or loss		17	9
Gain on disposal of items of property and equipment**		197	(4,385)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** Included in "Other expenses" in the condensed consolidated statement of profit or loss.

6. Income tax expense

The Group's subsidiaries incorporated in Hong Kong and United Kingdom were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong and United Kingdom during the period (six months ended 30 June 2022: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (six months ended 30 June 2022: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax:		
PRC income tax for the period	607	14,581
PRC LAT for the period	62,134	10,690
Deferred tax	(7,858)	(37,914)
Total tax charge for the period	54,883	(12,643)

7. Loss per share attributable to ordinary equity holders of the parent

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent of RMB66,669,000 (six months ended 30 June 2022: RMB223,724,000) and the weighted average number of ordinary shares of 2,010,768,000 (30 June 2022: 2,010,768,000) in issue of shares during the period, as adjusted to reflect the rights issued during the period.

The calculation of the basic earnings per share is based on:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent	(66,669)	(223,724)
Shares		
Weighted average number of ordinary shares in issue during the period	2,010,768,000	2,010,768,000

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (2022: Nil).

9. Trade receivables

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within six months	43,868	46,747
Over six months but within one year	<u>2,034</u>	<u>1,048</u>
	<u>45,902</u>	<u>47,795</u>

10. Trade payables

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the payment due dates, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within six months	485,574	549,069
Over six months but within one year	16,155	33,819
Over one year	<u>33,139</u>	<u>15,870</u>
	<u>534,868</u>	<u>598,758</u>

The above balances are unsecured and interest-free and are normally settled based on the progress of construction.

11. Commitments

The Group had the following commitments for property development expenditure at the end of the reporting period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for: Properties under development	<u>704,452</u>	<u>1,049,590</u>

12. Contingent liabilities

(a) *Mortgage facilities granted by banks*

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	<u>440,950</u>	<u>406,830</u>

(b) *Claim arising from the litigation*

On 7 January 2019, the Company allotted and issued 178,280,000 shares to Hangzhou Oriental Culture Tourism Group Co., Ltd. ("**the Seller**") for the purpose of acquiring 22.65% of equity interests in Zhejiang Xinnongdu Industrial Co., Ltd. ("**XND**") under the equity transfer agreement announced on 20 July 2018 ("**the Transaction**"). However, the Seller had filed a lawsuit against the Company to cancel the Transaction and claim penalties from the Company. The Company had lost the lawsuit in the first trial verdict, and then appealed to higher court. Currently, the appeal is still in process. The directors, based on the advice from the Group's legal counsel, believe that they have a valid merit on the Company's appeal to higher court, and have not provided for the claim arising from litigation, other than the related legal and other costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Market

Reviewing the first half of 2023, the overall performance of China's real estate market started with an upturn and was followed by a downturn. In the first quarter, driven by factors such as the release of pent-up demand and the effects of previous policies, market activity increased. However, with the release of the backlog of demand in the previous period basically completed, the sentiment of home buyers in the second quarter declined rapidly and the market failed to recover. Under the background of real estate sales pressure, the developers' ability and willingness to launch projects were weak and the land market continued to be sluggish, with the exception of land auctions in core cities, which maintained a certain degree of enthusiasm, land auctions in most cities showed no signs of rebound.

In terms of policy, in the first half of 2023, the overall real estate policy continued the relaxation trend since the end of last year, with a clear policy direction of supporting but not stimulating (托而不舉). Under the general principle of "housing, not speculating", the Central Government has proactively taken a position on the real estate sector in order to guide the market to restore its expectations, support and improved housing demand through city-specific policies, ensuring the deliveries, people's livelihood and stabilities. Various ministries and commissions have actively responded to the requirements of the Central Government and various measures such as "stabilizing pillars," "promoting demand," and "preventing risks" have been gradually put into place. In January, the Central Bank and the China Banking and Insurance Regulatory Commission announced a dynamic adjustment mechanism for the interest rate of the first set of housing loans. In February, the Ministry of Natural Resources optimized and improved the centralized land supply policy. In May, the Ministry of Housing and Urban-Rural Development and the State Administration for Market Regulation jointly standardized real estate brokerage services. Although policy loosening was maintained at a relatively high frequency in the first half of the year, it was mainly a fine-tuning based on previous efforts. The degree of policy loosening was modest and the central policy tone was maintained at a relaxed level without substantive policy support.

Confidence in the real estate market was still hovering at a low level and the real estate market was in dire need of strong and favorable policies to boost market confidence. Against the backdrop that the market has yet to show significant improvement, the Group will continue to adhere to a prudent business attitude and take into account the market situation, its own resources and financial position to continuously enhance its operating efficiency and achieve high-quality development.

Prospects

As the real estate market continued to weaken in the second quarter, policy reinforcement is expected to intensify in the second half of the year in order to support residents' reasonable demand for self-occupation and housing improvement, to maintain a virtuous cycle and healthy development of the real estate market. Looking ahead to the second half of 2023, the bottoming out of the real estate market will continue for a period of time and the differentiation of the market in various cities is expected to continue. In the short term, the core first- and second-tier cities with a higher degree of popularity will continue to be the key areas for real estate enterprises to launch their projects, while the supply of new housing in the weak second- and third-tier cities will further decline, mainly to focus on de-stocking. The Group will adhere to its prudent investment strategy, focus on advantageous regions and sectors, and continuously improve its product and cost capabilities to promote the continuous improvement of the Group's competitiveness.

DEVELOPMENT OF MAJOR PROJECTS

Hangzhou, Zhejiang Province

Fashion Color City

It is located in Xinjie Village, Xiaoshan District, Hangzhou, It consists of deluxe loft apartments, large flat floor apartments and shops, with a total floor area of approximately 26,087 sq.m. and a total GFA of approximately 78,261 sq.m., and is for commercial purpose. The construction of project was commenced in the third quarter of 2020 and the pre-sale was started in the fourth quarter of 2020. It has been completed in the first half of 2023. The pre-sales volume was within expectation during the period.

International Office Centre (IOC)

IOC is a large-scale integrated commercial complex located in Qianjiang Century City (錢江世紀城), Xiaoshan District, Hangzhou, comprising serviced apartments, shopping malls and offices. The total site area of Plot A for the project is 92,610 sq.m. and planned total GFA is 798,795 sq.m. The project is constructed in three phases, consists of Plots A1, A2 and A3. Among which, Plot A3 was completed in 2015, comprising serviced apartments, shops and underground car parking spaces with a total GFA of approximately 327,996 sq.m. Plot A3 had been sold out apart from a few units and car parking spaces. The construction of Plot A2 has been commenced in 2019 with a total GFA of approximately 263,555 sq.m. The pre-sales of the project started in the third quarter of 2020 and is expected to be completed in 2023. The pre-sales volume of Plot A2 was within expectation during the period.

Long Ying Hui Jin Zuo (Bin He Yin)

It is located in Beigan Technology Innovation Park, Xiaoshan District, Hangzhou, and consists of large flat floors and shops, with a total floor area of approximately 12,819 sq.m., and a total GFA of approximately 44,867 sq.m., and is for commercial purpose. The construction of the project was commenced in the fourth quarter of 2021 and the pre-sale was started in the third quarter of 2022, which is expected to be completed in 2024. The pre-sales volume was within expectation during the period.

Ningbo, Zhejiang Province

Cixi New City

This is a residential property project in Cixi, Zhejiang Province. The construction of Commercial Phase I, with a total GFA of about 28,158 sq.m., was commenced in July 2019. The pre-sale was started in the third quarter of 2020, and it was completed in 2021. The construction of Commercial Phase II, with a total GFA of about 72,000 sq.m., was commenced in the second quarter of 2021, and it is expected to be completed in 2023. The pre-sales volume was within expectation during the period.

Sales Review

For the six months ended 30 June 2023 (the “**Period**”), the recognized sales of properties sold and delivered were approximately RMB565,273,000 (six months ended 30 June 2022: approximately RMB72,312,000). A total of the recognized GFA of properties delivered was approximately 36,911 sq.m..

Projects	City	Recognised amount <i>RMB' million</i>	Recognised GFA sold <i>sq.m.</i>
	Zhejiang		
Cixi New City	Ningbo	0.6	94
Fashion Color City	Hangzhou	378.0	21,119
Hidden Dragon Bay	Hangzhou	185.6	15,272
Xixi Manhattan	Hangzhou	1.1	99
		<u>565.3</u>	<u>36,584</u>

2023 Contracted Sales

The contracted sales area of the Group was approximately 55,687 sq.m. for the Period (six months ended 30 June 2022: approximately 37,749 sq.m.) and contracted sales revenue was approximately RMB813,700,000 for the Period (six months ended 30 June 2022: approximately RMB616,100,000). Details of the contracted sales of the major projects are as below:

Projects	City	Contracted amount <i>RMB' million</i>	Contracted GFA sold <i>sq.m.</i>
	Zhejiang		
Cixi New City	Ningbo	4.2	672
Fashion Color City	Hangzhou	76.0	4,667
Hidden Dragon Bay	Hangzhou	352.3	27,625
International Office Centre (IOC)A2	Hangzhou	126.9	2,485
Long Ying Hui Jin Zhou (Bin He Yin)	Hangzhou	136.9	5,511
Xinnongdu	Hangzhou	117.4	14,727
		<u>813.7</u>	<u>55,687</u>

Hotel Operation

There are four hotels of the Group namely Holiday Inn Hangzhou Xiaoshan, Qiandao Lake Bright Resort Hotel, Ningbo Bright Hotel and Huaibei Bright Hotel. The hotel operation of the Group recorded a revenue of approximately RMB124,419,000 (six months ended 30 June 2022: approximately RMB99,847,000), representing an increase of approximately RMB24,572,000 during the Period and the hotel occupancy rate was approximately 67% (six months ended 30 June 2022: approximately 45%).

Leasing Business

The leasing income of the Group mainly comes from Highlong Plaza, International Office Centre and Zhong An Times Square, including offices and shopping malls. The total revenue from leasing business for the Period was approximately RMB60,582,000, representing an increase of approximately RMB30,290,000 (six months ended 30 June 2022: approximately RMB30,292,000). The average occupancy rate of leasing properties (calculated by dividing total lease area by total area available for lease) was approximately 78% (six months ended 30 June 2022: approximately 75%).

Land Reserve

As of 30 June 2023, the total GFA of land reserves held for development and/or sale of the Group was approximately 3,910,382 sq.m. (31 December 2022: approximately 3,947,292 sq.m.).

REVENUE

The consolidated revenue of the Group amounted to approximately RMB818,559,000 for the Period, representing an increment of approximately RMB561,455,000 or 218.4% when compared with the same period in 2022, as resulted from strengthening operation management control, focusing on monitoring profit indicators, critical nodes and timely warning to spur the achievement of business goals.

The revenue from the sales of properties increase to approximately RMB565,273,000 during the Period, representing an increment of approximately RMB492,961,000 or 681.7% when compared with the same period in 2022. The Group has steadily developed the themed businesses, created benchmark projects and consolidated different lifestyle sectors. Sales of properties in the amount of approximately RMB378,000,000 and RMB185,600,000 have been contributed from two projects, Fashion Color City and Hidden Dragon Bay during the Period, respectively.

The revenue from property rental and other services amounted to approximately RMB128,867,000 during the Period, representing an increase of approximately RMB43,922,000 or 51.7% when compared with the same period in 2022. The improvement was driven by the continuous advertisements, fully utilisation from artists and brand managers resources, project formats enrichment and leasing efficiency.

The revenue from hotel operations amounted to approximately RMB124,419,000 during the Period, representing an increase of approximately RMB24,572,000 or 24.6% when compared with the same period in 2022. The Group has created four major brand matrices online, namely Bright Resorts, Bright Hotels, Bright Apartments and Bright Select (伯瑞特臻選), focusing on the development of mid-to-high-end Bright resort hotels. Meanwhile, it is supplemented by Select (臻選) hotels, which provide quality services, with the operational capabilities improvement and scale of brands catering. The value of the Bright brand is comprehensively enhanced through the creation of brands catering.

GROSS PROFIT

The gross profit of the Group for the Period amounted to approximately RMB229,021,000, representing an increase of approximately RMB180,156,000 or 368.7% when compared with the same period in 2022. Gross profit margin was 28.0%, enhanced by 9.0 percentage points when compared with the same period in 2022. The outperform in gross profit was mainly due to the Company had taken timely countermeasures, the operating efficiency and gross profit have been improved significantly.

OTHER INCOME AND GAINS

The other income and gains amounted to approximately RMB5,782,000 during the Period, representing a decrease of approximately RMB45,623,000 or 88.8% when compared with the same period in 2022. The decrease was mainly due to the fact that the Group has recorded a significant drop in interest income of approximately RMB24,361,000 for the Period.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses amounted to approximately RMB77,630,000 during the Period, representing an increase of approximately RMB10,746,000 or 16.1% when compared with the same period in 2022. Such increase was due to the raise in staff costs for projects' sales execution and the scale up of the business.

ADMINISTRATIVE EXPENSES

The administrative expenses amounted to approximately RMB92,725,000 during the Period, representing a slight decrease of approximately RMB1,755,000 or 1.9% when compared with the same period in 2022. Such mild drop was resulted from less administrative staff costs and lease payments incurred for the Period.

OTHER EXPENSES

The other expenses amounted to approximately RMB4,038,000 during the Period, representing a decrease of approximately RMB2,273,000 or 36.0% when compared with the same period in 2022. The balance mainly represented the loss on disposal of investment properties of approximately RMB2,478,000 for the Period.

FINANCE COSTS

The finance costs of the Group amounted to approximately RMB47,185,000 for the Period, representing a decrease of approximately RMB40,494,000 or 46.2% when compared with the same period in 2022. Such decrease was mainly due to the reducing bank loan balances and other commercial borrowings for the city complex commercial project.

LOSS FOR THE PERIOD

The loss attributable to the Group was approximately RMB71,996,000 for the Period. Such loss for the Period was mainly due to the fact that the Group has recorded the changes in fair value of investment properties of approximately RMB29,911,000 and the land appreciation tax of approximately RMB62,134,000 for the 2023 Period.

CAPITAL EXPENDITURE

The Group's capital expenditure requirements mainly relate to additions of its property and equipment. The Group spent approximately RMB21,871,000 on property and equipment during the Period (six months ended 30 June 2022: RMB64,935,000).

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the Period.

CAPITAL STRUCTURE

As at 30 June 2023, the Group had aggregate cash and cash equivalents and restricted cash of approximately RMB431,892,000 (as at 31 December 2022: approximately RMB1,180,239,000). The current ratio (as measured by current assets to current liabilities) as at 30 June 2023 was 0.94 (as at 31 December 2022: 0.93).

As at 30 June 2023, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB324,720,000 and approximately RMB2,765,360,000 respectively (as at 31 December 2022: approximately RMB1,319,438,000 and approximately RMB2,689,041,000 respectively). As at 30 June 2023, all bank loans bear interest at floating rates. As at 31 December 2022, certain short term bank and other borrowings amounting to RMB774,000,000 that bear interest at fixed rates.

As at 30 June 2023, the Group's gearing ratio was 42% (as at 31 December 2022: 44%), which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals, and lease liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

PLEDGE OF ASSETS

As at 30 June 2023, the Group's bank borrowings and other borrowings of approximately RMB3,090,080,000 (as at 31 December 2022: approximately RMB4,008,479,000) were secured by the Group's pledge of assets as follows:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Property and equipment	510,780	1,177,639
Investment properties	713,572	213,321
Properties under development	2,036,651	2,435,636
Completed properties held for sale	–	628,696
Restricted cash	–	1,856
	<u>3,261,003</u>	<u>4,457,148</u>

TREASURY POLICIES

The Group principally operates in PRC and the revenue, operating cost and borrowings were mainly denominated in RMB. As a result, the Group has minimal exposure to exchange rate fluctuation. The interest rates for the Group's borrowings were both floating and fixed. Upward fluctuations in interest rates will increase the cost of borrowings.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in RMB. The Group does not use any financial instruments for hedging purpose for the Period.

GUARANTEES AND CONTINGENT LIABILITIES

As at 30 June 2023, the Group's contingent liabilities was approximately RMB440,950,000 (as at 31 December 2022: approximately RMB406,830,000), which were mainly the guarantees provided by the Group in favour of certain banks for the grant of mortgage loans to purchasers of the Group's properties.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group's capital commitments for property development expenditures amounted to approximately RMB704,452,000 (as at 31 December 2022: approximately RMB1,049,590,000). It is expected that the Group will finance such capital commitments from its own funds and bank loans.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 1,433 employees (as at 31 December 2022: 1,332). The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain and enhance their competitiveness.

STRATEGIES

The management has developed sound strategies to overcome the above mentioned challenges and address the uncertainties faced by the Group, including formulating effective marketing strategies and plans, and improving the quality of our products and services to consolidate our brand. The Group will put more effort in formulating new policies, guidelines, systems and processes to facilitate effective cost management, risk management, internal control and sustainable environmental management to enhance management standards and corporate governance standards. For growth strategies, the Group will focus on identifying possible acquisitions with future development prospects and profitability to improve the returns on assets. The Group will further emphasize on investor relations management, and continue to convey clearly the operation vision, business updates and future development strategies of the Group and other information to various stakeholders through press conferences, roadshows, media delegation visits and one-on-one analyst or investor interview and otherwise strive for the recognition and support from various stakeholders and obtain more resources for business development and maximizing shareholders' value.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees, customers and suppliers are the key stakeholders who affect the sustainability of our business. Engaging with those stakeholders will not only help us understand the possible risks and opportunities to our business, but also mitigate risk and seize the opportunities in the real market.

The Group believes that our people are crucial for the Group's success and competitiveness in the market. As such, we had adopted a share option scheme on 20 May 2015 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

Customer satisfaction with our services and products has profound effects on our profitability. Our dedicated sales team constantly communicates with our customers and potential customers to uncover and fulfill their needs and help customers make informed decisions. Grasping the market trend is the key for the Group to timely adjust our operating strategies to meet the market demands.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2023 and up to the date of this announcement.

ENVIRONMENT POLICIES AND PERFORMANCE

As a responsible corporation, the Group is committed to protecting the environment in the areas where we operate and ensuring that environmental standards set by the government are consistently met.

We have closely monitored our projects at different stages to ensure that the construction process is in compliance with laws and regulations related to environment protection and safety. The Group endeavors to manage its project operations by working with suppliers and contractors to ensure that they understand the importance of environmental protection, pollution prevention and waste reduction. We also encourage all our employees to be more environmentally conscious.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2022: Nil).

AUDIT COMMITTEE

The Audit Committee of the Company (comprising all the independent non-executive Directors) had reviewed the unaudited consolidated interim results of the Group for the Period, and reviewed and discussed with the management of the Group regarding the accounting standards and practices adopted by the Group, and the internal controls and financial reporting matters.

Ernst & Young, the external auditor of the Company, had reviewed the unaudited consolidated interim results of the Group for the Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company and its subsidiaries did not purchase, sell or redeem any of the Company’s shares on the Stock Exchange (six months ended 30 June 2022: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code for the Period and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (“**CG Code**”). The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the Period and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the Period containing the relevant information required under the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By order of the Board of
China New City Commercial Development Limited
中國新城市商業發展有限公司
Shi Zhongan
Chairperson

The PRC, 25 August 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Shi Nanlu and Mr. Jin Jianrong, as executive directors of the Company; Mr. Shi Zhongan as a non-executive director of the Company; and Mr. Xu Chengfa, Mr. Lam Yau Yiu and Mr. Yuan Yuan, as independent non-executive directors of the Company.