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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 2021

#### FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	
Revenue	<b>547,108</b>	305,533	+79.1%
Gross profit	<b>118,829</b>	55,528	+114.0%
(Loss)/profit for the period	<b>(67,741)</b>	54,789	N/A
(Loss)/profit attributable to owners of the parent	<b>(72,239)</b>	69,289	N/A
(Loss)/earnings per share attributable to ordinary equity holders of the parent – Basic and diluted	<b>RMB(3.59) cents</b>	RMB3.44 cents	
	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)	Change
Total assets	<b>15,611,203</b>	15,175,856	+2.9%
Net assets	<b>5,985,303</b>	6,077,418	-1.5%
Net assets value per share	<b>RMB2.98</b>	RMB3.02	-1.5%

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>
<b>Revenue</b>	4	<b>547,108</b>	305,533
Cost of sales		<u>(428,279)</u>	<u>(250,005)</u>
<b>Gross profit</b>		<b>118,829</b>	55,528
Other income and gains	4	<b>235,962</b>	65,947
Selling and distribution expenses		<b>(68,146)</b>	(62,818)
Administrative expenses		<b>(110,305)</b>	(92,132)
Other expenses		<b>(65,946)</b>	(27,041)
Finance costs		<b>(111,246)</b>	(110,454)
Fair value gain upon transfer to investment properties		–	356,806
Changes in fair value of investment properties		<u>(13,786)</u>	<u>(74,659)</u>
<b>(Loss)/profit before tax</b>	5	<b>(14,638)</b>	111,177
Income tax expenses	6	<u>(53,103)</u>	<u>(56,388)</u>
<b>(Loss)/profit for the period</b>		<u><b>(67,741)</b></u>	<u>54,789</u>
<b>Attributable to:</b>			
Owners of the parent		<b>(72,239)</b>	69,289
Non-controlling interests		<u><b>4,498</b></u>	<u>(14,500)</u>
		<u><b>(67,741)</b></u>	<u>54,789</u>
<b>(Loss)/earnings per share attributable to ordinary equity holders of the parent</b>	7		
Basic and diluted		<u><b>RMB(3.59) cents</b></u>	<u>RMB3.44 cents</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<b>(Loss)/profit for the period</b>	<b><u>(67,741)</u></b>	<b><u>54,789</u></b>
<b>Other comprehensive (loss)/income</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(9,066)</u>	<u>10,200</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(9,066)</u>	<u>10,200</u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	(26,064)	–
Income tax effect	<u>6,516</u>	<u>–</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(19,548)</u>	<u>–</u>
<b>Other comprehensive (loss)/income for the period</b>	<b>(28,614)</b>	<b>10,200</b>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(96,355)</u></b>	<b><u>64,989</u></b>
<b>Attributable to:</b>		
Owners of the parent	(100,853)	79,489
Non-controlling interests	<u>4,498</u>	<u>(14,500)</u>
	<b><u>(96,355)</u></b>	<b><u>64,989</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<b>30 June 2021</b>	31 December 2020
<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>Non-current assets</b>		
Property and equipment	2,422,462	2,483,582
Investment properties	5,328,291	5,359,845
Properties under development	957,860	955,398
Right-of-use assets	123,421	318,126
Goodwill	98,995	98,995
Other intangible assets	31,655	32,522
Equity investments designated at fair value through other comprehensive income	366,526	392,590
Long term prepayments	281,293	338,761
Deferred tax assets	15,592	11,889
Total non-current assets	<u>9,626,095</u>	<u>9,991,708</u>
<b>Current assets</b>		
Completed properties held for sale	1,142,964	1,255,130
Properties under development	1,331,059	1,153,750
Inventories	29,819	24,631
Trade receivables	9 41,197	37,636
Prepayments, other receivables and other assets	488,026	539,276
Amounts due from related companies	1,594,958	1,009,969
Financial assets at fair value through profit or loss	96	113
Restricted cash	396,518	114,776
Cash and cash equivalents	927,414	994,112
Investment properties classified as held for sale	33,057	54,755
Total current assets	<u>5,985,108</u>	<u>5,184,148</u>
<b>Current liabilities</b>		
Trade payables	10 427,621	532,399
Other payables and accruals	276,881	289,684
Contract liabilities	998,995	393,694
Amounts due to related companies	748,150	605,910
Interest-bearing bank and other borrowings	560,592	665,555
Lease liabilities	24,121	35,061
Tax payable	530,881	549,082
Total current liabilities	<u>3,567,241</u>	<u>3,071,385</u>
<b>Net current assets</b>	<u>2,417,867</u>	<u>2,112,763</u>
<b>Total assets less current liabilities</b>	<u>12,043,962</u>	<u>12,104,471</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
<b>Non-current liabilities</b>		
Interest-bearing bank and other borrowings	<b>5,056,030</b>	4,803,094
Deferred tax liabilities	<b>884,372</b>	907,819
Lease liabilities	<b>118,257</b>	316,140
	<hr/>	<hr/>
Total non-current liabilities	<b>6,058,659</b>	6,027,053
	<hr/>	<hr/>
<b>Net assets</b>	<b>5,985,303</b>	6,077,418
	<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>		
Equity attributable to owners of the parent		
Share capital	<b>160,220</b>	160,220
Reserves	<b>5,579,453</b>	5,674,558
	<hr/>	<hr/>
	<b>5,739,673</b>	5,834,778
	<hr/>	<hr/>
<b>Non-controlling interests</b>	<b>245,630</b>	242,640
	<hr/>	<hr/>
<b>Total equity</b>	<b>5,985,303</b>	6,077,418
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# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate and Group 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 was separately listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**SEHK**”) with the stock code “1321” on 10 July 2014 and raised capital amounting to HK\$608 million from the market.

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 on 3 May 2007.

## 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 2021 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 2020.

### 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 2020, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39,

IFRS 7, IFRS 4 and IFRS 16

Amendments to IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021*

The 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 property management services business, the Group’s project management business and other business that the Group is involved 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 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/loss information regarding the Group's operating segments for the six months ended 30 June 2021 and 2020, respectively:

<b>Six months ended 30 June 2021</b> (Unaudited)	<b>Commercial property development</b> <i>RMB'000</i>	<b>Property rental</b> <i>RMB'000</i>	<b>Hotel operations</b> <i>RMB'000</i>	<b>Property management and other services</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Segment revenue</b>					
Sales to external customers	311,024	59,471	97,606	79,007	547,108
Intersegment sales	–	11,445	–	5,180	16,625
	<u>311,024</u>	<u>70,916</u>	<u>97,606</u>	<u>84,187</u>	<u>563,733</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(16,625)</u>
Revenue from operations					<u><u>547,108</u></u>
<b>Segment results</b>	<b>80,882</b>	<b>48,786</b>	<b>(24,252)</b>	<b>(79,864)</b>	<b>25,552</b>
<i>Reconciliation:</i>					
Interest income					71,056
Finance costs					<u>(111,246)</u>
Loss before tax					<u><u>(14,638)</u></u>
<b>Six months ended 30 June 2020</b> (Unaudited)					
<b>Segment revenue</b>					
Sales to external customers	122,443	80,591	63,869	38,630	305,533
Intersegment sales	–	10,121	–	821	10,942
	<u>122,443</u>	<u>90,712</u>	<u>63,869</u>	<u>39,451</u>	<u>316,475</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(10,942)</u>
Revenue from operations					<u><u>305,533</u></u>
<b>Segment results</b>	<b>31,312</b>	<b>279,888</b>	<b>(38,314)</b>	<b>(112,475)</b>	<b>160,411</b>
<i>Reconciliation:</i>					
Interest income					61,220
Finance costs					<u>(110,454)</u>
Profit before tax					<u><u>111,177</u></u>



The following tables present segment assets and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively:

**As at 30 June 2021 (Unaudited)**

	<b>Commercial property development</b>	<b>Property rental</b>	<b>Hotel operations</b>	<b>Property management and other services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment assets</b>	<b>6,464,660</b>	<b>5,392,687</b>	<b>2,036,974</b>	<b>1,230,179</b>	<b>15,124,500</b>
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(925,825)
Corporate and other unallocated assets					<u>1,412,528</u>
<b>Total assets</b>					<u><b>15,611,203</b></u>
<b>Segment liabilities</b>	<b>1,794,970</b>	<b>88,664</b>	<b>799,881</b>	<b>1,500,278</b>	<b>4,183,793</b>
<i>Reconciliation:</i>					
Elimination of intersegment payables					(925,825)
Corporate and other unallocated liabilities					<u>6,367,932</u>
<b>Total liabilities</b>					<u><b>9,625,900</b></u>
<b>Other segment information:</b>					
Impairment loss recognised in the statement of profit or loss	–	–	–	<b>61,393</b>	<b>61,393</b>
Depreciation and amortisation	<b>3,120</b>	<b>569</b>	<b>25,746</b>	<b>41,474</b>	<b>70,909</b>
Capital expenditure	<u><b>6,688</b></u>	<u><b>36</b></u>	<u><b>8,404</b></u>	<u><b>24,887</b></u>	<u><b>40,015</b></u>

**As at 31 December 2020 (Audited)**

<b>Segment assets</b>	5,554,621	5,437,862	2,301,507	1,533,252	14,827,242
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(845,167)
Corporate and other unallocated assets					<u>1,193,781</u>
<b>Total assets</b>					<u><b>15,175,856</b></u>
<b>Segment liabilities</b>	929,762	59,443	774,721	1,548,601	3,312,327
<i>Reconciliation:</i>					
Elimination of intersegment payables					(845,167)
Corporate and other unallocated liabilities					<u>6,631,078</u>
<b>Total liabilities</b>					<u><b>9,098,438</b></u>
<b>Other segment information:</b>					
Depreciation and amortisation	6,112	2,884	70,488	62,653	142,137
Capital expenditure	<u>3,096</u>	<u>948</u>	<u>10,402</u>	<u>47,860</u>	<u>62,306</u>

## **Geographical information**

### *(a) Revenue from external customers*

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Mainland China	530,640	290,656
Others	16,468	14,877
	<u>547,108</u>	<u>305,533</u>

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

### *(b) Non-current assets*

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	Mainland China	8,982,714
Japan	90,554	91,780
Others	170,709	173,549
	<u>9,243,977</u>	<u>9,587,229</u>

The non-current assets information above is based on the locations of the assets and excludes 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 six months ended 30 June 2021 and 2020.

#### 4. Revenue, other income and gains

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contracts with customers	487,637	224,942
Revenue from other sources		
Gross rental income from investment property operating leases	<u>59,471</u>	<u>80,591</u>
	<u><b>547,108</b></u>	<u><b>305,533</b></u>

#### Disaggregated revenue information for revenue from contracts with customers

##### Six months ended 30 June 2021

Segments	Commercial property development RMB'000 (Unaudited)	Property management and other services RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
	<b>Types of goods or services</b>			
Sale of properties	311,024	–	–	311,024
Hotel operation services	–	–	97,606	97,606
Property management and other services	<u>–</u>	<u>79,007</u>	<u>–</u>	<u>79,007</u>
Total revenue from contracts with customers	<u><b>311,024</b></u>	<u><b>79,007</b></u>	<u><b>97,606</b></u>	<u><b>487,637</b></u>
<b>Timing of revenue recognition</b>				
At a point in time	311,024	–	97,606	408,630
Over time	<u>–</u>	<u>79,007</u>	<u>–</u>	<u>79,007</u>
Total revenue from contracts with customers	<u><b>311,024</b></u>	<u><b>79,007</b></u>	<u><b>97,606</b></u>	<u><b>487,637</b></u>

Six months ended 30 June 2020

<b>Segments</b>	Commercial property development <i>RMB '000</i> (Unaudited)	Property management and other services <i>RMB '000</i> (Unaudited)	Hotel operations <i>RMB '000</i> (Unaudited)	Total <i>RMB '000</i> (Unaudited)
<b>Types of goods or services</b>				
Sale of properties	122,443	–	–	122,443
Hotel operation services	–	–	63,869	63,869
Property management and other services	–	38,630	–	38,630
Total revenue from contracts with customers	<u>122,443</u>	<u>38,630</u>	<u>63,869</u>	<u>224,942</u>
<b>Timing of revenue recognition</b>				
At a point in time	122,443	–	63,869	186,312
Over time	–	38,630	–	38,630
Total revenue from contracts with customers	<u>122,443</u>	<u>38,630</u>	<u>63,869</u>	<u>224,942</u>
<b>For the six months ended 30 June</b>				
<b>2021</b>				
<b>2020</b>				
<b><i>RMB '000</i></b>				
<b>(Unaudited)</b>				
<b>Other income</b>				
Subsidy income*			14,964	1,285
Interest income			71,056	61,220
Others			69,542	3,306
			<u>155,562</u>	<u>65,811</u>
<b>Gains</b>				
Changes in fair value of financial assets at fair value through profit or loss			–	136
Gains on disposal of subsidiaries			80,369	–
Foreign exchange gains			31	–
			<u>80,400</u>	<u>136</u>
			<u>235,962</u>	<u>65,947</u>

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

**5. (Loss)/profit before tax**

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

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of properties sold	<b>254,268</b>	111,790
Depreciation of property and equipment	<b>38,647</b>	55,427
Depreciation of right-of-use assets	<b>31,394</b>	22,900
Amortisation of other intangible assets	<b>868</b>	868
Lease payments not included in the measurement of lease liabilities	<b>12,143</b>	8,475
Staff costs including directors' and chief executive's remuneration:		
– Salaries and other staff costs	<b>79,097</b>	71,726
– Pension scheme contributions	<b>5,211</b>	4,143
Foreign exchange differences, net	<b>(31)</b>	1,450
Direct operating expenses (including repairs and maintenance arising on investment properties)	<b>2,067</b>	1,114
Loss on disposal of investment properties	<b>1,523</b>	25,513
Fair value losses/(gains), net:		
Changes upon transfer to investment properties	–	(356,806)
Changes in fair value of investment properties	<b>13,786</b>	74,569
Changes in fair value of financial assets at fair value through profit or loss	<b>17</b>	(136)
Gains on disposal of subsidiaries	<b>(80,369)</b>	–
Impairment on property and equipment*	<b>61,393</b>	–
Gains on disposal of right-of-use assets**	<b>(25,823)</b>	–
	<b><u><u>                    </u></u></b>	<b><u><u>                    </u></u></b>

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

\*\* Included in "other income and gains" in the condensed consolidated statement of profit or loss.

## 6. Income tax expenses

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 2020: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (six months ended 30 June 2020: 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 the 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current – PRC corporate income tax for the period	46,331	55,612
Current – PRC LAT for the period	27,406	13,029
Deferred tax	(20,634)	(12,253)
<b>Total tax charge for the period</b>	<b>53,103</b>	<b>56,388</b>

## 7. (Loss)/earnings per share attributable to ordinary equity holders of the parent

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent of RMB72,239,000 (profit for the six months ended 30 June 2020: RMB69,289,000) and the weighted average number of ordinary shares of 2,010,768,000 (six months ended 30 June 2020: 2,011,439,381) in issue of shares during the period, as adjusted to reflect the shares repurchased during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

## 8. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: Nil).

## 9. Trade receivables

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

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within one month	22,562	17,718
Over one month but within three months	18,404	19,504
Over three months but within one year	<u>231</u>	<u>414</u>
	<b><u>41,197</u></b>	<b><u>37,636</u></b>

## 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:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within six months	378,417	453,256
Over six months but within one year	26,827	57,488
Over one year	<u>22,377</u>	<u>21,655</u>
	<b><u>427,621</u></b>	<b><u>532,399</u></b>

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:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for: Properties under development	<b><u>1,170,952</u></b>	<b><u>1,001,730</u></b>

## 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.

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	<b><u>137,670</u></b>	<u>46,656</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. ("Seller") for the purpose of acquiring 22.65% of equity interests in Zhejiang Xinnongdu Industrial Co., Ltd. under the equity transfer agreement announced on 20 July 2018. However, the Seller had filed a lawsuit against the Company to cancel the transaction. The Company had lost the lawsuit in the first trial verdict, and had appealed to higher court. Currently, the lawsuit is still in process. The Directors, based on the advice from the Group's legal counsel, believe that they have a valid defence against the allegation in their appeal to higher court, and have not provided for the claim arising from the litigation, other than the related legal and other costs.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Market and Business Review

Looking back at the first half of 2021, as the negative impact of the COVID-19 epidemic gradually faded away, and coupled with a series of proactive fiscal policies and prudent monetary policies adopted by the states and governments at all levels, the post-pandemic real estate market continued to recover. In the first half of 2021, the policy keynote of “stabilizing housing price, land premium and expectation” in the real estate market remained unchanged and the principle of “houses are for living instead of speculation” were always adhered to, which emphasized the continuity and stability of real estate regulatory policies. Compared with 2020, the Central Government of China (“**Central Government**”) further focused its regulation logic on the supply side and the real estate finance regulation continued to be more stringent. At the same time, it strengthened the regulation efforts on the second-hand housing market to ensure the stable and healthy development of the real estate market.

In the post-pandemic era, along with the continuous adjustment of real estate industry by the Central Government and local governments, the property market in the PRC, especially in the Yangtze River Delta Region, which is the focus of the Group, showed a steady trend after a fast recovery. The sales volume in these cities remained at a higher growth rate, which reflects relatively a sustained and strong market demand in the major cities. In terms of land market, the policy of “centralized supply of residential land in 22 major cities” introduced by the Ministry of Housing and Urban-Rural Development enhanced the transparency and predictability of the supply side of land, which is beneficial to the healthy and steady development of the industry. In the future, in addition to participating in land bidding, auctions and listings in the public market, the Group will vigorously explore the non-public market resources and acquire quality land resources reserve through mergers and acquisitions, urban renewal and industrial city and other approaches. Under the policies of continuous adjustment by the Central Government and local governments, a new round of restructuring of the real estate market will be accelerated, and higher requirements are imposed for real estate enterprises to strengthen their internal control and operation.

## **DEVELOPMENT OF MAJOR PROJECTS**

### **Hangzhou, Zhejiang Province**

#### ***Highlong Plaza***

It is a large-scale integrated commercial complex located in Shanyin Road, Xiaoshan District, Hangzhou, comprising hotels, shopping malls and offices, and is the flagship project of the Company. The total site area of the project is 30,933 sq.m.. The Groups holds a total GFA of 63,888 sq.m. for leasing.

#### ***International Office Centre***

It is a large-scale integrated commercial complex located in Qianjiang Century City, Xiaoshan District, Hangzhou, comprising serviced apartments, shopping malls, hotels and offices. The total site area of Plot A 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.. The construction of Plot A2 has commenced in 2018 with a total GFA of approximately 263,555 sq.m.. The project started the pre-sales in the third quarter of 2020.

#### ***Xixi New City***

It is located in Jiangcun Unit, Xihu District, Hangzhou and is in proximity to Xixi Wetland. It is integrated with “Urban Prosperity” and “Ecological Tranquility”. The total site area of the project is 39,703 sq.m. and total GFA is 83,391 sq.m.. The project is an integrated commercial complex comprising offices, serviced apartments and shops. The Groups holds a total GFA of 17,279 sq.m. for leasing.

#### ***Fashion Color City***

It is located in Xinjie Village, Xiaoshan District, Hangzhou, It consists of hardcover loft apartments, large flat floor apartments and shops, with a total floor area of approximately 26,087 sq.m. and an estimated total GFA of approximately 78,261 sq.m., and is for commercial use. The project has commenced construction in the third quarter of 2020 and started the pre-sales in the fourth quarter of 2020. The volume of pre-sales of the project during the Period under review was within expectation.

## Yuyao, Zhejiang Province

### *Zhong An Times Square*

It is a large-scale integrated commercial project located in Yuyao, Zhejiang Province with a total GFA of 628,385 sq.m. in two phases. Phase I includes a shopping mall named Zhong An Square, a boutique hotel and two serviced apartments (SOHO) and underground office buildings car parking spaces, while Phase II includes a hotel, a Grade A office tower and six high-rise serviced apartment buildings, underground car parking spaces and shops. The Group holds a total GFA of 101,923 sq.m. for leasing.

### Sales Review

For the six months ended 30 June 2021 (“**Period**”), the recognized sales of properties sold and delivered was approximately RMB311,024,000 (2020: approximately RMB122,443,000). In addition, the sales of investment properties of approximately RMB37,943,000 (2020: approximately RMB446,381,000) was not recognized in the sales of properties in accordance with the International Accounting Standards. A total of the recognized GFA delivered of properties was approximately 17,407 sq.m..

	<b>Sales of properties</b> <i>(RMB million)</i>	<b>Proceeds from disposal of investment properties</b> <i>(RMB million)</i>
Binhai Commercial Plaza	111.2	–
International Office Centre	114.8	–
Yuyao Zhong An Times Square Phase I	37.3	–
Yuyao Zhong An Times Square Phase II	2.6	–
Xixi New City	29.0	–
Other projects	16.1	39.5
	<u>311.0</u>	<u>39.5</u>

## 2021 Contracted Sales

The contracted sales area of the Group was approximately 39,538 sq.m. for the Period (2020: approximately 19,311 sq.m.) and contracted sales revenue was approximately RMB1,158,900,000 for the Period (2020: approximately RMB404,835,000). Details of the contracted sales of the major projects are as below:

	<b>Contracted sales area</b> <i>(sq.m.)</i>	<b>Contracted sales revenue</b> <i>(RMB million)</i>
Fashion Color City	2,318	58.1
Binhai Commercial Plaza	656	7.6
Xinnongdu	15,876	155.1
International Office Centre 2	3,377	116.3
International Office Centre 3	17,166	820.4
Others	145	1.4
	<hr/>	<hr/>
Total	<u>39,538</u>	<u>1,158.9</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 RMB97,606,000 (2020: approximately RMB63,869,000), representing an increase of approximately RMB33,737,000, during the Period and the hotel occupancy rate was approximately 53% (2020: approximately 34%).

## 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 RMB59,741,000, representing a decrease of approximately RMB21,120,000 (2020: approximately RMB80,591,000). The average occupancy rate of leasing properties (calculated by dividing total lease area by total area available for lease) was approximately 85% (2020: approximately 90%).

## Land Reserve

As of 30 June 2021, the total GFA of land reserves held for development and/or sale of the Group was approximately 4,083,657 sq.m..

## **REVENUE**

The Group recorded the consolidated revenue of approximately RMB547,108,000 for the Period, representing a growth of approximately RMB241,575,000 or 79.1% when compared with the same period in 2020. The growth was mainly due to a surge in the revenue generated from the completed commercial real estate development projects of the Group's core business and a tangible improvement on revenue of the hotel segment of the Group during the Period.

The revenue from the property sales soared to approximately RMB311,024,000 during the Period, representing a surge of approximately RMB188,581,000 or 154.0% when compared with the same period in 2020. The significant increase was mainly due to more completed properties delivered during the Period. In addition, the Group disposed of investment properties at the consideration of approximately RMB37,943,000, which was not recognized in the revenue of property sales in accordance with the International Accounting Standards.

The revenue from the property rental and property management and other services amounted to approximately RMB138,478,000 during the Period, representing an increase of approximately RMB19,257,000 or 16.2% when compared with the same period in 2020. The increase was mainly due to the revenue generated from reopening of the self-operated cinemas, which were suspended in the same period in 2020.

The revenue from the hotel operation amounted to approximately RMB97,606,000 during the Period, representing an increase of approximately RMB33,737,000 or 52.8% when compared with the same period in 2020. The moderate increase was mainly due to gradual and stable recovery of tourism in China from the post-COVID19 during the Period.

## **GROSS PROFIT**

The gross profit of the Group for the Period amounted to approximately RMB118,829,000 for the Period, representing a surge of approximately RMB63,301,000 or 114.0% when compared with the same period in 2020. Gross profit margin was 21.7%, increased by 3.5% when compared with the same period in 2020. The increase in gross profit was mainly due to a surge in the revenue generated from the completed commercial real estate development projects of the Group's core business during the Period.

## **OTHER INCOME AND GAINS**

The other income and gains amounted to approximately RMB235,962,000 during the Period, representing a surge of approximately RMB170,015,000 or 257.8% when compared with the same period in 2020. The increase was mainly due to gains on disposal of subsidiaries.

## **SELLING AND DISTRIBUTION EXPENSES**

The selling and distribution expenses amounted to approximately RMB68,146,000 during the Period, representing an increase of approximately RMB5,328,000 or 8.5% when compared with the same period in 2020. Such increase was principally due to an increase in advertising and promotional activities for the properties pre-sold during the Period when compared with the same period in 2020.

## **ADMINISTRATIVE EXPENSES**

The administrative expenses amounted to approximately RMB110,305,000 during the Period, representing an increase of approximately RMB18,173,000 or 19.7% when compared with the same period in 2020. Such increase was principally due to an increase in headcounts for new projects deployed.

## **OTHER EXPENSES**

The other expenses amounted to approximately RMB65,946,000 during the Period, representing a significant increase of approximately RMB38,905,000 or 143.9% when compared with the same period in 2020. The significant increase was mainly due to more professional fees incurred for corporate exercises.

## **FINANCE COSTS**

The finance costs of the Group amounted to approximately RMB111,246,000 for the Period, representing a slight increase of approximately RMB792,000 or 0.7% when compared with the same period in 2020. Such increase was mainly due to the interest on bank loans and other commercial borrowings for completed properties, which could not be capitalized.

## **LOSS FOR THE PERIOD**

The loss attributable to the Group was approximately RMB67,741,000 for the Period. Such loss for the Period was mainly due to the fact that the Group recorded an unaudited fair value gain upon transfer to investment properties in the amount of approximately RMB356,806,000 for the the same period in 2020 which was not available in the Period.

## **CAPITAL EXPENDITURE**

The Group's capital expenditure requirements mainly relate to additions of its property and equipment. The Group spent approximately RMB40,015,000 on property and equipment during the Period.

## **SIGNIFICANT INVESTMENTS**

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

## **DISPOSAL OF SUBSIDIARIES**

On 3 February 2021, the Group had entered into sale and purchase agreements with Zhong An Group to agree conditionally to sell the entire operation in commercial property management business at an aggregate of consideration of RMB104.65 million (equivalent to approximately HK\$125.58 million) (“**Proposed Transfers**”).

As Zhong An Group is the controlling shareholder of the Group, Zhong An Group is a connected person of the Group. As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Proposed Transfers exceed 5%, the Proposed Transfers constitute non-exempt connected transactions for the Group under the Listing Rules and are subject to the reporting, announcement and approval by the independent shareholders under Chapter 14A of the Listing Rules. An extraordinary general meeting had been held on 24 March 2021 to approve the Proposed Transfers. The completion of the Proposed Transfers took place on 13 April 2021.

## CAPITAL STRUCTURE

As at 30 June 2021, the Group had aggregate cash and cash equivalents and restricted cash of approximately RMB1,323,932,000 (as at 31 December 2020: approximately RMB1,108,888,000). The current ratio (as measured by current assets to current liabilities) as at 30 June 2021 was 1.68 (as at 31 December 2020: 1.69).

As at 30 June 2021, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB560,592,000 and approximately RMB5,056,030,000 respectively (as at 31 December 2020: approximately RMB665,555,000 and approximately RMB4,803,094,000 respectively). Except for certain short-term bank and other borrowings amounting to approximately RMB855,800,000 (as at 31 December 2020: approximately RMB854,120,000) that bear interest at fixed rates, all bank loans bear interest at floating rates.

As at 30 June 2021, the Group's gearing ratio (as measured by net debt to total equity) was 72% (as at 31 December 2020: 72%). Net debt is calculated as total borrowings less cash, cash equivalents and restricted cash.

## PLEDGE OF ASSETS

As at 30 June 2021, the Group's bank borrowings and other borrowings of approximately RMB5,616,622,000 (as at 31 December 2020: approximately RMB5,468,649,000) were secured by the Group's pledge of assets as follows:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Property and equipment	<b>1,157,038</b>	1,236,965
Investment properties	<b>2,297,805</b>	3,185,130
Properties under development	<b>459,122</b>	485,411
Completed properties held for sale	<b>660,161</b>	913,191
Restricted cash	<b>31,233</b>	40,572
	<b><u>4,605,359</u></b>	<u>5,861,269</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 2021, the Group's contingent liabilities was approximately RMB137,670,000 (as at 31 December 2020: approximately RMB46,656,000), 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 2021, the Group's capital commitments for property development expenditures amounted to approximately RMB1,170,952,000 (as at 31 December 2020: approximately RMB1,001,730,000). 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 2021, the Group had 1,735 employees (as at 31 December 2020: 1,729). 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 strategy plan and improving our products and services quality to consolidate our brand. The Group will put more effort in formulating new policies, guidelines, systems and processes to facilitate effectively cost management, risk management, internal control and sustainable environmental management to enhance company management standards and corporate governance standards. For growth strategy, 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 help us mitigate risk and seize the opportunities in the real market situation.

The Group believes that our people are critical factors to 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 create customer needs and help customers make informed decisions. To grasp the market trend is critical for the Group to timely adjust our operating strategies to fit the market requirement.

## **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2021 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 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 (2020: 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 with the management of the Group regarding the accounting standards and practices adopted by the Group, and discussed with them 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 did not repurchase any Shares on the Stock Exchange (corresponding period in 2020: 2,480,000 Shares).

## **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 under review 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](http://www.chinanewcity.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://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 will be 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 2021

*As at the date of this announcement, the Board comprises Mr. Shi Nanlu, Mr. Liu Bo and Ms. Tang Yiyan as executive Directors; Mr. Shi Zhongan and Mr. Tang Min as non-executive Directors; and Mr. Ng Sze Yuen Terry, Mr. Xu Chengfa and Mr. Yim Chun Leung as independent non-executive Directors.*