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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Change
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	871,066	700,370	+24.4%
Gross profit	216,497	170,155	+27.2%
(Loss)/profit for the year	(302,815)	25,081	N/A
(Loss)/profit attributable to owners of the parent	(295,136)	44,429	N/A
(Loss)/earnings per share attributable to ordinary equity holders of the parent			
– Basic	RMB(14.7) cents	RMB2.2 cents	
– Diluted	RMB(14.7) cents	RMB2.2 cents	
	As at 31 December		Change
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
Total assets	15,504,840	15,175,856	+2.2%
Net assets	5,733,595	6,077,418	-5.7%
Net assets value per share	RMB2.85	RMB3.02	-5.6%

The board of directors (the “**Board**” or the “**Directors**”) of China New City Commercial Development Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the corresponding year ended 31 December 2020, and such annual results have been reviewed by the audit committee of the Company and agreed with the auditors of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Revenue	4	871,066	700,370
Cost of sales		<u>(654,569)</u>	<u>(530,215)</u>
Gross profit		216,497	170,155
Other income and gains, net	4	374,689	186,665
Selling and distribution expenses		(182,698)	(164,303)
Administrative expenses		(249,476)	(201,024)
Other expenses		(151,826)	(43,288)
Finance costs	5	(223,094)	(219,197)
Share of losses of a joint venture		(805)	–
Fair value gain upon transfer to investment properties		–	356,806
Changes in fair value of investment properties		<u>(60,311)</u>	<u>23,030</u>
(Loss)/profit before tax	6	(277,024)	108,844
Income tax expense	7	<u>(25,791)</u>	<u>(83,763)</u>
(Loss)/profit for the year		<u>(302,815)</u>	<u>25,081</u>
Attributable to:			
Owners of the parent		(295,136)	44,429
Non-controlling interests		<u>(7,679)</u>	<u>(19,348)</u>
		<u>(302,815)</u>	<u>25,081</u>
(Loss)/earnings per share attributable to ordinary equity holders of the parent	8		
Basic		<u>RMB(14.7 cents)</u>	<u>RMB2.2 cents</u>
Diluted		<u>RMB(14.7 cents)</u>	<u>RMB2.2 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss)/profit for the year	<u>(302,815)</u>	<u>25,081</u>
Other comprehensive (loss)/income		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(1,778)</u>	<u>(14,755)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(1,778)</u>	<u>(14,755)</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	<u>(65,480)</u>	17,200
Income tax effect	<u>16,370</u>	<u>(4,300)</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(49,110)</u>	<u>12,900</u>
Total comprehensive (loss)/income for the year	<u>(353,703)</u>	<u>23,226</u>
Attributable to:		
Owners of the parent	<u>(346,024)</u>	42,574
Non-controlling interests	<u>(7,679)</u>	<u>(19,348)</u>
	<u>(353,703)</u>	<u>23,226</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Non-current assets			
Property and equipment		2,402,079	2,483,582
Investment properties		5,245,954	5,359,845
Properties under development		1,065,488	955,398
Right-of-use assets		140,850	318,126
Goodwill		–	98,995
Other intangible assets		30,787	32,522
Equity investments designated at fair value through other comprehensive income		335,050	392,590
Long term prepayments		283,138	338,761
Investment in a joint venture		32,441	–
Deferred tax assets		23,826	11,889
Restricted cash		12,000	–
		<hr/>	<hr/>
Total non-current assets		9,571,613	9,991,708
Current assets			
Completed properties held for sale		1,087,065	1,255,130
Properties under development		1,821,537	1,153,750
Inventories		35,333	24,631
Trade receivables	10	41,246	37,636
Prepayments, other receivables and other assets		382,358	539,276
Amounts due from related companies		585,040	1,009,969
Financial assets at fair value through profit or loss		68	113
Restricted cash		332,965	114,776
Cash and cash equivalents		1,603,069	994,112
Investment properties classified as held for sale		44,546	54,755
		<hr/>	<hr/>
Total current assets		5,933,227	5,184,148
Current liabilities			
Trade payables	11	480,901	532,399
Other payables and accruals		309,808	289,684
Contract liabilities		2,063,292	393,694
Amounts due to related companies		818,234	605,910
Interest-bearing bank and other borrowings		1,527,310	665,555
Lease liabilities		29,100	35,061
Tax payable		430,804	549,082
		<hr/>	<hr/>
Total current liabilities		5,659,449	3,071,385
Net current assets		<hr/>	<hr/>
		273,778	2,112,763
Total assets less current liabilities		<hr/>	<hr/>
		9,845,391	12,104,471

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities		
Interest-bearing bank and other borrowings	3,107,940	4,803,094
Deferred tax liabilities	865,211	907,819
Lease liabilities	<u>138,645</u>	<u>316,140</u>
Total non-current liabilities	<u>4,111,796</u>	<u>6,027,053</u>
Net assets	<u>5,733,595</u>	<u>6,077,418</u>
Equity		
Equity attributable to owners of the parent		
Share capital	160,220	160,220
Reserves	<u>5,339,922</u>	<u>5,674,558</u>
	5,500,142	5,834,778
Non-controlling interests	<u>233,453</u>	<u>242,640</u>
Total equity	<u>5,733,595</u>	<u>6,077,418</u>

NOTES TO 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, investment properties classified as held for sale, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021

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

2.3 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2, 4}</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41¹</i>

¹ *Effective for annual periods beginning on or after 1 January 2022*

² *Effective for annual periods beginning on or after 1 January 2023*

³ *No mandatory effective date yet determined but available for adoption*

⁴ *As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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. On 3 February 2021, the Group had entered into an equity transfer agreement with Zhong An Group, acquiring the entire equity interest in Zhejiang Runzhou Property Services Co., Ltd., Yuyao Zhongli Property Management Co., Ltd. and Hangzhou Zhonghong Property Service Co., Ltd., all of which are engaged in commercial property management business at an aggregate of consideration of RMB104.65 million (equivalent to approximately HK\$125.58 million) (“**Transfers**”). The Transfers was fully completed on 13 April 2021. Ever since the completion of the Transfers, the Group is no longer engaged in commercial property management business.

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.

Year ended 31 December 2021	Commercial property development RMB'000	Property rental RMB'000	Hotel operations RMB'000	Other services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	410,180	122,282	173,177	165,427	871,066
Intersegment sales	–	23,855	–	5,180	29,035
	<u>410,180</u>	<u>146,137</u>	<u>173,177</u>	<u>170,607</u>	<u>900,101</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(29,035)</u>
Revenue from operations					<u><u>871,066</u></u>
Segment results	141,222	3,398	(71,084)	(240,971)	(167,435)
<i>Reconciliation:</i>					
Interest income					113,505
Finance costs					<u>(223,094)</u>
Loss before tax					<u><u>(277,024)</u></u>
Segment assets	6,498,012	5,305,729	2,006,166	818,383	14,628,290
<i>Reconciliation:</i>					
Elimination of intersegment receivables					<u>(1,168,314)</u>
Corporate and other unallocated assets					<u>2,044,864</u>
Total assets					<u><u>15,504,840</u></u>
Segment liabilities	2,765,220	106,448	1,134,504	1,374,375	5,380,547
<i>Reconciliation:</i>					
Elimination of intersegment payables					<u>(1,168,313)</u>
Corporate and other unallocated liabilities					<u>5,559,011</u>
Total liabilities					<u><u>9,771,245</u></u>
Other segment information:					
Share of losses of a joint venture	–	–	–	805	805
Impairment loss recognized in the statement of profit or loss	–	–	–	110,431	110,431
Depreciation and amortisation	3,820	1,344	69,667	87,444	162,275
Investment in a joint venture	–	–	–	32,441	32,441
Capital expenditure	<u>45,872</u>	<u>112</u>	<u>20,985</u>	<u>51,972</u>	<u>118,941</u>

Year ended 31 December 2020	Commercial property development RMB'000	Property rental RMB'000	Hotel operations RMB'000	Other services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	248,942	144,845	182,516	124,067	700,370
Intersegment sales	–	24,378	–	1,561	25,939
	248,942	169,223	182,516	125,628	726,309
<i>Reconciliation:</i>					
Elimination of intersegment sales					(25,939)
Revenue from operations					<u>700,370</u>
Segment results	48,538	370,912	(70,030)	(118,182)	231,238
<i>Reconciliation:</i>					
Interest income					96,803
Finance costs					(219,197)
Profit before tax					<u>108,844</u>
Segment assets	5,554,621	5,437,682	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>
Total assets					<u>15,175,856</u>
Segment liabilities	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>
Total liabilities					<u>9,098,438</u>
Other segment information:					
Depreciation and amortisation	6,112	2,884	70,488	62,653	142,137
Capital expenditure	3,096	948	10,402	47,860	62,306

Geographical information

(a) Revenue from external customers

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	836,569	666,418
Others	34,497	33,952
	<u>871,066</u>	<u>700,370</u>

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

(b) Non-current assets

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	9,048,833	9,321,900
Japan	86,249	91,780
Others	77,655	173,549
	<u>9,212,737</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 the years ended 31 December 2021 and 2020.

4. Revenue, other income and gains, net

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>	748,784	555,525
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases	<u>122,282</u>	<u>144,845</u>
	<u>871,066</u>	<u>700,370</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2021

Segments	Commercial property development <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Other services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Sale of properties	410,180	–	–	410,180
Hotel operation services	–	173,177	–	173,177
Other services	–	–	165,427	165,427
Total revenue from contracts with customers	<u>410,180</u>	<u>173,177</u>	<u>165,427</u>	<u>748,784</u>
Timing of revenue recognition				
At a point in time	410,180	173,177	–	583,357
Over time	–	–	165,427	165,427
Total revenue from contracts with customers	<u>410,180</u>	<u>173,177</u>	<u>165,427</u>	<u>748,784</u>

Year ended 31 December 2020

Segments	Commercial property development <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Other services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Sale of properties	248,942	–	–	248,942
Hotel operation services	–	182,516	–	182,516
Other services	–	–	124,067	124,067
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>248,942</u>	<u>182,516</u>	<u>124,067</u>	<u>555,525</u>
Timing of revenue recognition				
At a point in time	248,942	182,516	–	431,458
Over time	–	–	124,067	124,067
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>248,942</u>	<u>182,516</u>	<u>124,067</u>	<u>555,525</u>

Revenue from the sale of properties recognised that was included in contract liabilities at the beginning of the reporting period is amounted to RMB205,232,000 (2020: RMB351,821,000).

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income		
Subsidy income*	16,217	3,232
Interest income	113,505	96,803
Others	93,887	1,530
	<u> </u>	<u> </u>
	223,609	101,565
Gains		
Gains on disposal of subsidiaries	56,515	84,937
Changes in fair value of financial assets at fair value through profit or loss	–	163
Gain on disposal of right-of-use assets	25,823	–
Gain on disposal of items of property and equipment	14,427	–
Dividend income from equity investments at fair value through other comprehensive income	54,315	–
	<u> </u>	<u> </u>
	374,689	186,665
	<u> </u>	<u> </u>

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

5. Finance costs

An analysis of the Group's finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings	340,718	386,653
Interest on lease liabilities	9,266	14,735
Total interest expense on financial liabilities		
not at fair value through profit or loss	349,984	401,388
Less: Interest capitalised in properties under development	(126,890)	(182,191)
	<u>223,094</u>	<u>219,197</u>

6. (Loss)/profit before tax

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of properties sold	335,844	231,513
Depreciation of property and equipment	110,719	98,695
Depreciation of right-of-use assets	49,821	41,707
Amortisation of other intangible assets	1,735	1,735
Lease payments not included in the measurement of lease liabilities	20,585	24,065
Auditor's remuneration	2,100	2,000
Staff costs including directors' and chief executive's remuneration:		
– Salaries and other staff costs	150,822	150,129
– Pension scheme contributions	21,839	9,973
Foreign exchange differences, net	557	1,465
Direct operating expenses (including repairs and maintenance arising on investment properties)	4,681	4,337
Equity-settled share option expense	11,388	10,373
Loss on disposal of investment properties	3,977	36,153
Gain on disposal of subsidiaries	(56,515)	(84,937)
Gain on disposal of right-of-use assets	(25,823)	–
Gain on disposal of items of property and equipment	(14,427)	–
Dividend income from equity investments at fair value through other comprehensive income	(54,315)	–
Fair value losses/(gains), net:		
Changes upon transfer to investment properties	–	(356,806)
Changes in fair value of investment properties	60,311	(23,030)
Changes in fair value of financial assets at fair value through profit or loss	42	(163)
Impairment of goodwill*	98,995	–
Impairment provision for property and equipment*	11,436	–

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

7. 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 year (2020: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2020: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current – PRC corporate income tax for the year	52,771	99,454
Current – PRC LAT for the year	11,195	24,150
Deferred	(38,175)	(39,841)
Total tax charge for the year	25,791	83,763

8. (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 year attributable to ordinary equity holders of the parent of RMB295,136,000 (profit for 2020: RMB44,429,000) and the weighted average number of ordinary shares of 2,010,768,000 (2020: 2,011,100,932) in issue of shares during the year, as adjusted to reflect the rights issued during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

9. Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

10. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing and unsecured.

An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within six months	40,902	37,253
Over six months but within one year	344	383
	41,246	37,636

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the sale of commercial properties, rentals under operating leases and provision of property management services, hotel operation businesses and other business of the Group, management has assessed that the expected credit loss rate for trade receivables is minimal as at 31 December 2021 and 2020. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

11. 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within six months	435,333	453,256
Over six months but within one year	31,977	57,488
Over one year	13,591	21,655
	480,901	532,399

The trade payables are unsecured, interest-free and are normally settled based on the progress of construction.

12. Commitments

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contracted, but not provided for:		
Properties under development	1,330,123	1,001,730

13. 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.

	2021 RMB'000	2020 RMB'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	<u>316,410</u>	<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. ("**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. 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

Review of 2021

In 2021, China's real estate market experienced the structural transition from extremely heated sentiments during the first six months to fundamental corrections in the latter half of the year; nevertheless, a relatively large market size was retained for the year as a whole. The effect of ongoing modifications and upgrades in the regulation policy introduced in the real estate market during the first three quarters has been evident.

A “two-way” mode for property market regulation was implemented throughout the year. In some cities where property price levels were more resilient, regulatory policies swiftly responded to sharp rise in prices with the introduction of effective tools such as the establishment of a mechanism for the publication of referential prices for second-hand housing transactions and credit tightening etc. For other cities where the real estate market was under greater pressure in price correction, moderate policy adjustments were made to stabilize market expectations.

In 2021, the Group's revenue recorded an increase and the capital structure was optimized. During the year, the Group's revenue was approximately RMB871,066,000, representing a year-on-year increase of approximately 24.3%; gross profit was approximately RMB216,497,000, representing a year-on-year increase of approximately 27.2%; net loss attributable to owners of the Company was approximately RMB295,136,000. As of the end of 2021, the total equity of the Group reached approximately RMB5,733,595,000, representing a slight decrease of approximately 5.7% from the end of 2020; the carrying amount of cash reached approximately RMB1,948,034,000. During the year, the Group's cash position and gearing ratio had both improved. The ‘Three Red Line’ ratios had all been satisfactorily met.

Outlook for 2022

In terms of macroeconomics, a trend of steady recovery will continue in the Chinese economy in 2022, although there will also be new challenges and obstacles due to the increasing instability and uncertainties in both the domestic and international environments. It is expected that the principle of “safeguarding the healthy development of the real estate market as well as the legitimate rights of home buyers” will be implemented in a more effective manner. There should be further improvements to the delivery assurance policies of local governments and it is more likely that pre-sale proceeds will be subject to stringent supervision with some latitude for slight adjustments, such that a new balance between ensuring property delivery and improvement of corporate capital utilisation efficiency could be attained.

In general, it is expected that the overall direction for the regulation of the real estate industry will remain unchanged, and the rigour of financial supervision will not be relaxed. Policies such as the “Three Red Lines” for enterprises, the “Two Red Lines” for banks, and the “Two Concentrations” for land supply will continue to be implemented. Currently, the real estate market has entered a phase of correction, and there will be increasing mergers and acquisitions in the industry. Against this backdrop, real estate companies should more than ever control their scale of development and adjust their pace in tandem with the market trend in 2022: they should accelerate the collection of sales proceeds and closely monitor financing windows to ensure cash flow security; they should plan their expenditure in a manner commensurate with their income and optimize their business presence to focus on mainstream cities; they should improve their product and service capabilities to improve brand competitiveness. Furthermore, new development opportunities may arise during the stage of industry correction. Private enterprises should look to cooperate with state-owned enterprises to broaden their scope of development.

DEVELOPMENT OF MAJOR PROJECTS

Hangzhou, Zhejiang Province

Fashion Color City

It is located in Xinjie Village, Xiaoshan District, Hangzhou. It consists of hardcover loft apartments, large 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 use. The project commenced construction in the third quarter of 2020 and started the pre-sale in the fourth quarter of 2020. It is expected to be completed in 2022. The volume of pre-sales of the project during the year under review was within expectation.

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 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 parking spaces with a total GFA of approximately 327,996 sq.m. The construction of Plot A2 has commenced in 2019 with a total GFA of approximately 263,555 sq.m. The project started the pre-sales in the third quarter of 2020, and is expected to be completed in 2022. The volume of pre-sales of the project during the year under review was within expectation.

Beigan Project

It is located in Beigan Technology Innovation Park, Xiaoshan District, Hangzhou, and consists of large flats 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 use. The project commenced construction in the fourth quarter of 2021 and is expected to start the pre-sale in the second quarter of 2022 and is expected to be completed in 2024.

Cixi New City

This is a residential property project in Cixi, Zhejiang Province. Commercial Phase 1, with a total GFA of about 28,158 sq.m., commenced construction in July 2019, started the pre-sale in the third quarter of 2020, and completed in 2021. Commercial Phase II, with a total GFA of about 72,000 sq.m., commenced construction in the second quarter of 2021, and is expected to be completed in 2023.

Sales Review

For the year ended 31 December 2021 (the “Year”), the recognized sales of properties sold and delivered was approximately RMB410,180,000 (2020: approximately RMB248,942,000). A total of the recognized GFA delivered of properties was approximately 26,994 sq.m.

	2021 (RMB million)	2020 (RMB million)
Chaoyang Yinzuo	0.8	19.8
Cixi New City	112.1	–
International Office Centre Phase A3	190.4	43.9
Xixi Manhattan	13.7	–
Xixi New City	23.7	48.0
Yuyao Zhong An Times Square Phase I	4.4	37.8
Yuyao Zhong An Times Square Phase II	61.4	86.6
Other projects	3.7	12.8
	<u>410.2</u>	<u>248.9</u>

2021 Contracted Sales

The contracted sales area of the Group was approximately 105,453 sq.m. for the Year (2020: approximately 60,936 sq.m.) and contracted sales revenue was approximately RMB2,650,800,000 for the Year (2020: approximately RMB1,242,900,000). Details of the contracted sales of the major projects are as below:

Projects	City	Contracted sales area (sq.m)	Contracted sales revenue (RMB million)
Cixi New City	Cixi	2,432	26.1
Fashion Color City	Hangzhou	4,417	127.7
International Office Centre (IOC)A2	Hangzhou	35,161	1,740.1
International Office Centre (IOC)A3	Hangzhou	5,963	194.2
Xixi New City	Hangzhou	927	30.1
Xinnongdu	Hangzhou	43,931	440.8
Zhong An Times Square Phase I	Yuyao	206	1.4
Zhong An Times Square Phase II	Yuyao	11,190	72.9
Others (Commercial)	Hangzhou	1,226	17.5
		<u>105,453</u>	<u>2,650.8</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 RMB173,177,000 (2020: approximately RMB182,516,000), representing a decrease of approximately 5.1%, during the Year and the hotel occupancy rate was approximately 40% (2020: approximately 43%).

Leasing Business

The leasing income of the Group mainly comes from Highlong Plaza, International Office Centre and Zhong An Times Square, including office and shopping malls. The total revenue from leasing business for the Year was approximately RMB122,282,000, representing a decrease of approximately RMB22,563,000 (2020: approximately RMB144,845,000). The decline was due to the renovation of the Highlong Plaza and the average occupancy rate of leasing properties (calculated by dividing total lease area by total area available for lease) was approximately 87% (2020: approximately 94%).

Land Reserve

As of 31 December 2021, the total GFA of land reserves held for development and/or sale of the Group was approximately 4,069,165 sq.m.

REVENUE

The Group recorded the consolidated revenue of approximately RMB871,066,000 for the Year, representing an increase of approximately RMB170,696,000 or 24.4% when compared with the same year in 2020. The increase was mainly due to the increase in the revenue from the property sales.

The revenue from the property sales increased to approximately RMB410,180,000 during the Year, representing an increase of approximately RMB161,238,000 or 64.8% when compared with the same year in 2020. The increase is mainly due to the fact that the impact of the Covid-19 epidemic had subsided in the Mainland China during 2021 which led to an increase in the property sales.

The revenue from the property rental amounted to approximately RMB122,282,000 during the Year, representing a decrease of approximately RMB22,563,000 or 15.6% when compared with the same year in 2020. The decline was due to the renovation of the Highlong Plaza, which involved merchants' exemptions, relocation and store closure etc., which led to the lower average occupancy rate of leasing properties in the Year.

The revenue from the hotel operation amounted to approximately RMB173,177,000 during the Year, representing an decrease of approximately RMB9,339,000 or 5.1% when compared with the same year in 2020. The moderate decrease was mainly due to the mild drop of the hotel occupancy rate.

The other revenue included property management services business, commercial project management business and other services of RMB165,427,000, representing an increase of approximately RMB41,360,000 or 33.3% when compared with the same year in 2020.

GROSS PROFIT

The gross profit of the Group for the Year amounted to approximately RMB216,497,000 for the Year, representing an increase of approximately RMB46,342,000 or 27.2% when compared with the same year in 2020. The gross profit margin was 24.9%, no significant movement when compared with the gross profit margin of 24.3% in 2020.

OTHER INCOME AND GAINS, NET

The other income and gains, net amounted to approximately RMB374,689,000 during the Year, representing a tangible increase of approximately RMB188,024,000 or 100.7% when compared with the same year in 2020. The increase was mainly due to the receipt of compensation income from a legal case, an increase in interest income, gain on disposal of subsidiaries, gain on disposal of right-of-use-assets and dividend income from equity investments.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses amounted to approximately RMB182,698,000 during the Year, representing an increase of approximately RMB18,395,000 or 11.2% when compared with the same year in 2020. Such increase was principally due to an increase in advertising and promotional activities for the properties pre-sold during the Year when compared with the same year in 2020.

ADMINISTRATIVE EXPENSES

The administrative expenses amounted to approximately RMB249,476,000 during the Year, representing an increase of approximately RMB48,452,000 or 24.1% when compared with the same year in 2020. Such increase was principally due to an increase in administrative staff for new projects deployed.

OTHER EXPENSES

The other expenses amounted to approximately RMB151,826,000 during the Year, mainly representing the impairment of goodwill of RMB98,995,000 and impairment provision for property and equipment of RMB11,436,000 as resulted from a business revaluation of the parent-child family club, Maggie & Rose.

FINANCE COSTS

The finance costs of the Group amounted to approximately RMB223,094,000 for the Year, representing an increase of approximately RMB3,897,000 or 1.8% when compared with the same year in 2020. Such increase was mainly due to less interests on bank loans and other commercial borrowings for completed properties were capitalized during the Year.

LOSS FOR THE YEAR

The loss attributable to the Group was approximately RMB302,815,000 for the Year, comparing with a net profit of approximately RMB25,081,000 in 2020, such loss for the Year was mainly due to the fact the Group recorded a fair value gain upon transfer to investment properties in the amount of approximately RMB356,806,000 during 2020 which was not available in the Year 2021.

CAPITAL EXPENDITURE

The Group's capital expenditure requirements mainly relate to additions of its property and equipment. The Group spent approximately RMB118,941,000 on property and equipment during the Year.

SIGNIFICANT INVESTMENTS

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

DISPOSALS 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) (“**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 Transfers took place on 13 April, 2021.

CAPITAL STRUCTURE

As at 31 December 2021, the Group had aggregate cash and cash equivalents and restricted cash of approximately RMB1,948,034,000 (as at 31 December 2020: approximately RMB1,108,888,000). The current ratio (as measured by current assets to current liabilities) as at 31 December 2021 was 1.05 (as at 31 December 2020: 1.69).

As at 31 December 2021, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB1,527,310,000 and approximately RMB3,107,940,000 respectively (as at 31 December 2020: approximately RMB665,555,000 and approximately RMB4,803,094,000 respectively). Except for certain bank and other borrowings amounting to approximately RMB2,384,950,000 (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 31 December 2021, the Group's gearing ratio was 42% (as at 31 December 2020: 49%), 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 31 December 2021, the Group's bank borrowings and other borrowings of approximately RMB4,635,250,000 (as at 31 December 2020: approximately RMB5,468,649,000) were secured by the Group's pledge of assets as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Property and equipment	1,185,489	1,236,965
Investment properties	2,681,570	3,185,130
Properties under development	485,411	485,411
Completed properties held for sale	678,740	913,191
Restricted cash	64,109	40,572
	<u>5,095,319</u>	<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 Year.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group's contingent liabilities was approximately RMB316,410,000 (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 31 December 2021, the Group's capital commitments for property development expenditures amounted to approximately RMB1,330,123,000 (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 31 December 2021, the Group had 1,630 employees (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 abovementioned challenges and address the uncertainties faced by the Group, including formulating effective marketing strategies and plans and improving our products and services quality to consolidate our brand. The Group will put more efforts in formulating new policies, guidelines, systems and processes to facilitate effective 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 to 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 to 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. 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 YEAR

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 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.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) of the Company will be held on 9 June 2022, Thursday. Notice of the AGM will be published on the websites of the Company (www.chinanewcity.com.cn) and the Stock Exchange (www.hkexnews.hk), and will be dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

SCOPE OF WORK OF ERNST & YOUNG

The figures above in respect of this annual results announcement for the year ended 31 December 2021 have been agreed with the Company’s auditor, Ernst & Young, certified public accountants (“**Ernst & Young**”), to be consistent with the amounts set out in the Group’s consolidated financial statements for the year ended 31 December 2021. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company (comprising all the independent non-executive Directors) have reviewed the consolidated annual results of the Group for the Year, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company did not repurchase any Shares on the Stock Exchange (corresponding year 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 year 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 Year and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report of the Company for the Year 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.

CLOSURE OF REGISTER OF MEMBERS

For determination of the entitlement to attend and vote at the AGM, the transfer books and register of members will be closed from 6 June 2022, Monday to 9 June 2022, Thursday (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2 June 2022, Thursday.

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, 24 March 2022

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.