



**NEW CITY DEVELOPMENT GROUP LIMITED**

**新城市建設發展集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0456)**

**Interim Report 2013**

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## INTERIM RESULTS

The Board of Directors (the “Board”) of New City Development Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013 (the “Period”) together with the comparative figures for the previous corresponding period in 2012 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Revenue	4	25,672	18,640
Cost of sales		(1,570)	(944)
Gross profit		24,102	17,696
Other income and gains	4	539	2,357
General and administrative expenses		(10,006)	(7,909)
Finance costs	6	(7,234)	(8,970)
Profit before tax	5	7,401	3,174
Income tax expense	7	(390)	(48)
Profit for the Period		<u>7,011</u>	<u>3,126</u>
Attributable to:			
Owners of the Company		<u>7,011</u>	<u>3,126</u>
		<u>7,011</u>	<u>3,126</u>
Earning per share			
Basic	9	<u>0.28 cents</u>	<u>0.17 cents</u>
Diluted	9	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Profit for the Period	<u>7,011</u>	<u>3,126</u>
Other comprehensive income		
Exchange differences on translation of foreign operations	3,578	–
Less: Income tax effect	<u>–</u>	<u>–</u>
Other comprehensive income for the Period, net of tax	<u>–</u>	<u>–</u>
Total comprehensive income for the Period	<u><b>10,589</b></u>	<u><b>3,126</b></u>
Attributable to:		
Owners of the Company	<u>10,589</u>	<u>3,126</u>
	<u><b>10,589</b></u>	<u><b>3,126</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties	<i>10</i>	558,467	550,732
Property, plant and equipment	<i>11</i>	<u>4,140</u>	<u>4,780</u>
Total non-current assets		<u>562,607</u>	<u>555,512</u>
<b>CURRENT ASSETS</b>			
Trade receivable	<i>12</i>	2,000	2,000
Prepayments, deposits and other receivables	<i>13</i>	11,043	10,668
Cash and bank balances		<u>41,991</u>	<u>46,740</u>
Total current assets		<u>55,034</u>	<u>59,408</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		28,287	27,357
Deposits received		5,477	4,519
Finance lease payable		134	134
Interest-bearing bank and other borrowings, secured	<i>14</i>	18,131	12,273
Due to directors		1,021	1,234
Tax payable		–	1,359
Total current liabilities		<u>53,050</u>	<u>46,876</u>
<b>NET CURRENT ASSETS</b>		<u>1,984</u>	<u>12,532</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>564,591</b>	<b>568,044</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payable		–	8,307
Finance lease payable		497	563
Interest-bearing bank and other borrowings, secured	<i>14</i>	146,415	153,732
Deferred tax liabilities		<u>118,975</u>	<u>117,327</u>
Total non-current liabilities		<u>265,887</u>	<u>279,929</u>
Net assets		<u><u>298,704</u></u>	<u><u>288,115</u></u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	<i>15</i>	10,179	10,179
Reserves		<u>288,525</u>	<u>277,936</u>
Total equity		<u><u>298,704</u></u>	<u><u>288,115</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital <i>HK\$'000</i> (Unaudited)	Share premium <i>HK\$'000</i> (Unaudited)	Contributed surplus <i>HK\$'000</i> (Unaudited)	Translation reserve <i>HK\$'000</i> (Unaudited)	Warrants reserve <i>HK\$'000</i> (Unaudited)	Equity component of convertible bonds <i>HK\$'000</i> (Unaudited)	Retained profits/ (accumulated losses) <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1 January 2013	10,179	253,344	4,755	3,631	-	-	16,206	288,115
Total comprehensive income for the Period	-	-	-	3,578	-	-	7,011	10,589
At 30 June 2013	<u>10,179</u>	<u>253,344</u>	<u>4,755</u>	<u>7,209</u>	<u>-</u>	<u>-</u>	<u>23,217</u>	<u>298,704</u>
At 1 January 2012	272	20,773	4,755	-	-	25,027	(167,542)	(116,715)
Bonus issue	544	(544)	-	-	-	-	-	-
Issue of shares	6,567	190,437	-	-	-	-	-	197,004
Shares issue expenses	-	(1,403)	-	-	-	-	-	(1,403)
Issue of warrants	-	-	-	-	500	-	-	500
Exercise of warrants	16	984	-	-	(500)	-	-	500
Acquisition of subsidiaries	2,780	80,632	-	-	-	-	-	83,412
Redemption of convertible bonds	-	-	-	-	-	(25,027)	19,385	(5,642)
Total comprehensive income for the Period	-	-	-	-	-	-	3,126	3,126
At 30 June 2012	<u>10,179</u>	<u>290,879</u>	<u>4,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,031)</u>	<u>160,782</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	843	12,543
NET CASH FLOWS FROM/(USED IN)		
INVESTING ACTIVITIES	325	(24,871)
NET CASH FLOWS (USED IN)/FROM		
FINANCING ACTIVITIES	(3,857)	68,642
	<hr/>	<hr/>
(DECREASE)/INCREASE IN CASH AND		
CASH EQUIVALENTS	(2,689)	56,314
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF PERIOD	46,740	393
Effect of foreign exchange rate changes, net	(2,060)	–
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS		
AT THE END OF PERIOD	41,991	56,707
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND		
CASH EQUIVALENTS		
Cash and bank balances	41,991	56,707
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## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2013*

### **1. CORPORATION INFORMATION**

New City Development Group Limited (the “Company”) is a limited liability company incorporated in Cayman Islands on 10 August 1998. The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and its principal place of business in Hong Kong is situated at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Group’s principal activity has not changed during the Period and is engaged in property development and investment business in the PRC.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 (the “Unaudited Condensed Consolidated Interim Financial Statements”) have been approved for issue by the Board on 23 August 2013.

### **2.1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012 (the “2012 Annual Financial Statements”) which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by HKICPA.

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



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Other than the adoption of new and revised HKFRSs and Interpretations as noted below, the accounting policies adopted in the preparation of the Unaudited Condensed Consolidated Interim Financial Statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2012.

### New and revised HKFRSs

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

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities <sup>1</sup>
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HK(IFRIC)-Int 21	Levies <sup>1</sup>

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

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

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

### 3. OPERATING SEGMENT INFORMATION

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

#### **Geographical information**

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

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

##### *Property management fee income*

The sole customer during the period ended 30 June 2013 was Tong Sun Limited ("Tong Sun"), a subsidiary disposed by the Group during the year ended 31 December 2010. The Group managed and operated a property for Tong Sun in the PRC at an annual management fee (the "Property Management Fee Income") of HK\$8,000,000 payable on a quarterly basis for a term of 3 years commencing from January 2011.

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

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

#### 4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Property Management Fee Income	4,000	4,000
Rental income and related management service income	21,672	14,640
	<u>25,672</u>	<u>18,640</u>
Other income and gains		
Gain on redemption of convertible bonds	–	2,259
Interest income	430	93
Others	109	5
	<u>539</u>	<u>2,357</u>
Total revenue, other income and gains	<u>26,211</u>	<u>20,997</u>

#### 5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's profit before tax is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– Owned assets	614	159
– Leased assets	92	–
Write-off of property, plant and equipment	17	32
Gain on redemption of convertible bonds	–	(2,259)
Interest income	(430)	(93)
	<u>(430)</u>	<u>(93)</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on convertible bonds	–	2,353
Interest on finance leases	23	5
Interest on bank and other borrowings	7,211	6,529
Other	–	83
	<u>7,234</u>	<u>8,970</u>

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2013 and 2012.

Taxes on profits in respect of the Group companies operating elsewhere have been calculated at the rates of tax prevailing in the respective tax countries/jurisdictions in which they operate based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	–	–
Elsewhere	390	173
	<u>390</u>	<u>173</u>
Deferred tax	–	(125)
	<u>–</u>	<u>(125)</u>
Total tax charge for the Period	<u>390</u>	<u>48</u>

## 8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the Period (2012: Nil).

## 9. EARNING PER SHARE

### (i) Basic earning per share

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Earning for the purpose of calculating basic earning per share:		
Net profit for the Period (HK'000)	<u>7,011</u>	<u>3,126</u>
Weighted average number of shares for the purpose of calculating basic earning per share (in thousands)	<u>2,544,787</u>	<u>1,850,048</u>

### (ii) Diluted earning per share

Diluted earning per share for the six months ended 30 June 2013 and 2012 have not been disclosed, as the Group had no potentially dilutive events existed during the Period.

## 10. INVESTMENT PROPERTIES

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
At 1 January	<b>550,732</b>	–
Acquisition of subsidiaries	–	338,494
Addition during the period/year	–	438
Change in fair value of investment properties	–	202,716
Exchange realignment	<b>7,735</b>	9,084
	<hr/>	<hr/>
Carrying amount	<b><u>558,467</u></b>	<b><u>550,732</u></b>

During the six months ended 30 June 2013, investment properties were leased to tenants for rental income and related management service income (note 4).

Investment properties are all situated in PRC and are held under medium term leases.

Investment properties were secured for bank and other borrowings, details of which are set out in note 14 to the condensed consolidated interim financial statements.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
At 31 December 2012 and					
1 January 2013	1,106	1,265	1,730	1,855	5,956
Additions	–	–	52	–	52
Write-off	–	–	(16)	(6)	(22)
Disposal	–	(10)	–	–	(10)
Exchange difference	15	(63)	78	–	30
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2013	1,121	1,192	1,844	1,849	6,006
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Aggregate depreciation</b>					
At 31 December 2012 and					
1 January 2013	(141)	(380)	(412)	(243)	(1,176)
Depreciation provided during the period	(11)	(299)	(197)	(199)	(706)
Write-off	–	–	3	2	5
Disposal	–	4	–	–	4
Exchange difference	(2)	19	(10)	–	7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2013	(154)	(656)	(616)	(440)	(1,866)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>					
At 30 June 2013	<u>967</u>	<u>536</u>	<u>1,228</u>	<u>1,409</u>	<u>4,140</u>
At 31 December 2012	<u>965</u>	<u>885</u>	<u>1,318</u>	<u>1,612</u>	<u>4,780</u>

The carrying amount of the Group's motor vehicles held under finance leases included in the total amount of motor vehicles as at 30 June 2013 amounted to HK\$734,707.



## 12. TRADE RECEIVABLE

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Trade receivable	2,000	2,000
Impairment	—	—
	<u>2,000</u>	<u>2,000</u>

The trade receivable represented the Property Management Fee Income receivable from Tong Sun. The Group's services terms with Tong Sun are mainly on credit of 14 days. Subsequent to 30 June 2013, the trade receivable has been fully settled within the credit term.

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

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within 1 month	<u>2,000</u>	<u>2,000</u>

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

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Neither past due nor impaired	<u>2,000</u>	<u>2,000</u>

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

### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Prepaid administrative fee (note 14)	6,577	7,220
Prepayments	686	544
Deposits	148	148
Other receivables	3,632	2,756
	<u>11,043</u>	<u>10,668</u>

None of the above assets is either past due or impaired. The financial assets included in the above balance relate to receivables of which no recent history of default was noted.

### 14. INTEREST-BEARING BANK AND OTHER BORROWINGS, SECURED

	Effective interest rate (%)	Maturity	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Bank loan – ICBC Loan (note a)	8.8%-9.2%	2021	23,072	23,275
Other loan – Sichuan Loan (note b)	8.8%-9.2%	2021	141,474	142,730
			<u>164,546</u>	<u>166,005</u>
Analysed into:				
Repayable:				
Within one year or on demand			18,131	12,273
In the second to fifth years, inclusive			82,835	80,915
Beyond five years			63,580	72,817
Total			164,546	166,005
Current portion			<u>(18,131)</u>	<u>(12,273)</u>
Non-current portion			<u>146,415</u>	<u>153,732</u>

*Note:*

All the bank and other borrowings of the Group were assumed from the acquisition of Changliu Group which are denominated in RMB and are secured by legal charges on the investment properties (note 10). Details of the secured interest-bearing bank and other borrowings are as follows:

- (a) On 15 June 2011, Changliu entered into a loan agreement (“ICBC Loan Agreement”) with Industrial and Commercial Bank of China (“ICBC”), pursuant to which, ICBC agreed to grant a loan (“ICBC Loan”) in the amount of RMB140 million to Changliu with a term of 10 years. As at 30 June 2013, RMB19.7 million (equivalent to HK\$24,546,200) of ICBC Loan has been drawn down by Changliu. The ICBC Loan bears interest at the benchmark annual lending and deposit rate of the People’s Bank of China and is payable by 120 monthly installments from July 2011 onwards.
- (b) As for the undrawn balance of RMB120.3 million, ICBC has procured Sichuan Trust Co., Limited (“Sichuan Trust”) to enter into a loan agreement (the “Sichuan Trust Loan Agreement”) with Changliu on 2 August 2011, pursuant to which, Sichuan Trust agreed to provide a loan in the amount of RMB\$120.3 million (the “Sichuan Trust Loan”) to Changliu with a term of 10 years. As at 30 June 2013, Sichuan Trust Loan has been fully drawn down by Changliu. The Sichuan Trust Loan bears interest at 120% of the benchmark annual lending and deposit rate of the People’s Bank of China with the principal amount payable by 40 quarterly installments and interest payable on a monthly basis since August 2011.

In addition, ICBC charged (i) 30% of the interest on ICBC Loan; and (ii) 10% of the interest on Sichuan Trust Loan, as administrative fee for the arrangement of ICBC Loan and Sichuan Trust Loan, which in aggregate amounting to RMB7,543,640 (equivalent to HK\$9,399,375). As at 30 June 2013, the Group has fully prepaid the administrative fee to ICBC, which would be amortised to the consolidated income statement at the effective interest rate over a 10-year period since 2011. During the Period, an amount of RMB589,275 was charged to the consolidated income statement and the remaining balance of the prepaid administrative fee of RMB5,205,665 (equivalent to HK\$6,577,538) was recorded in the consolidated statement of financial position as “prepayments” (note 13).

## 15. SHARE CAPITAL

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
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Authorised:

10,000,000,000 ordinary shares of HK\$0.004 each	<b>40,000</b>	40,000
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Issued and fully paid:

2,544,787,999 ordinary shares of HK\$0.004 each	<b>10,179</b>	10,179
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### Authorised share capital

	<b>Number of shares '000</b>	<i>HK\$'000</i>
At 1 January 2013 and 30 June 2013	<b>10,000,000</b>	40,000

### Issued and fully paid

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2013 and 30 June 2013	<b>2,544,788</b>	<b>10,179</b>	<b>253,344</b>	<b>263,523</b>

## 16. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the condensed consolidated statement of changes in equity of the condensed consolidated interim financial statements. Nature and purpose of the share premium, contributed surplus, convertible bond equity reserve and translation reserve are explained in notes (a) to (e) below.

### a. Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

### b. Contributed surplus

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the reorganisation.

### c. Convertible bond equity reserve

With effect from 1 January 2005 and in accordance with HKAS 32, convertible bonds issued are required to split into their respective liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component, which is arisen from the difference between the proceeds from convertible bonds at its issue date and the fair value of the liability component. The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond. When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion are transferred to the share capital account and the share premium account as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to the accumulated losses account.

### d. Translation reserve

For the purpose of presenting condensed consolidated interim financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**e. Warrants reserve**

During the year ended 31 December 2012, a portion of the professional fee for the resumption of trading was HK\$1,500,000, of which HK\$500,000 was satisfied by the issue of warrants (the “Warrants”) of the Company. The warrants were issued by the Company on 21 February 2012.

The fair value of the Warrants of HK\$500,000 was included in warrant reserve in the condensed consolidated statement of financial position at the issue date. The holders of the Warrants are entitled to subscribe for the Consolidated Shares at a subscription price of HK\$0.12 per Consolidated Share. During the Period, the Warrants have been fully exercised into 4,166,666 Consolidated Shares and the Group has further received cash with aggregate proceeds of HK\$500,000.

**17. LITIGATIONS**

The Group did not have any litigation as at 30 June 2013.

**18. CONTINGENT LIABILITIES**

The Group did not have any contingent liabilities as at 30 June 2013.

**19. OPERATING LEASE COMMITMENTS**

**As lessor**

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

At 30 June 2013 and 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within one year	<b>20,664</b>	27,330
In the second to fifth years, inclusive	<b>5,580</b>	13,297
	<hr/> <b>26,244</b> <hr/>	<hr/> 40,627 <hr/>

## As lessee

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

At 30 June 2013 and 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within one year	<b>713</b>	794
In the second to fifth years, inclusive	–	316
	<b>713</b>	1,110

## 20. EVENT AFTER THE REPORTING PERIOD

On 1 August 2013, New Rank Services Limited (“New Rank”) (a wholly-owned subsidiary of the Company), as a tenant, entered into a residential tenancy agreement (the “Residential Tenancy Agreement”) with a landlord, Jiacheng Jiaxin International Property Management (Hong Kong) Limited (“Jiacheng Jiaxin”), pursuant to which, Jiancheng Jiaxin leased its residential property and a car-parking space to New Rank at a monthly rental of HK\$5,000 for a term of nine months and twenty four days commencing from the date of the Residential Tenancy Agreement. Jiacheng Jiaxin is a company which is indirectly wholly-owned by an associate of a connected person of the Company. Therefore the transaction contemplated under the Residential Tenancy Agreement constitutes continuing connected transaction for the Group under Chapter 14A of the Listing Rules. Details of which, please refer to the Company’s announcement dated 1 August 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Following the completion of acquisition of Guangzhou project in early 2012, the rental income and related income were recorded in Group's consolidated financial statements. The rental income from the Group's properties has been stable and the occupancy rate remains at a high level of over 90% coupled with satisfactory rental renewal. Besides, the Group has carried out some renovation work on the properties in order to raise the rental value.

While deriving stable rents and related income from the existing properties, the Group has started preparation work on the redevelopment phase and closely monitored it so as to select and formulate the most suitable redevelopment plan, thereby maximize the economic values of the project.

### **OUTLOOK**

In the first half of 2013, amid the slow recovery of global economy, the PRC economic development has encountered certain challenges. Under this environment, the Group has consolidated the operation of the Guangzhou project. It has also closely monitored the redevelopment of the project at the preliminary stage in order to select and formulate the most suitable plan. Meanwhile, the Group will continue to identify opportunities in the arena of sustainable city development. Strategic business alliance will be made with other specialized business partners in order to expand the scope of business as well as broaden sources of income. In compliance with the business and development strategies as a whole, the Group is actively seeking appropriate acquisition opportunities for diversifying its development in various stages.



## **FINANCIAL REVIEW**

During the Period under review, the Group has turnover and net profit for the Period amounted to approximately HK\$25,672,000 and HK\$7,011,000 respectively, whereas the Group had turnover and net profit for the first half of 2012 was approximately HK\$18,640,000 and HK\$3,126,000, respectively. Basic earning per share for the period was HK\$0.28 cents (Basic earning per share for six months ended 30 June 2012 was HK\$0.17 cents).

## **DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2012: Nil).

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

As at 30 June 2013, the Group had obligations under hire purchase contract of approximately HK\$631,000 (2012: Nil).

As at 30 June 2013, the Group's total assets was approximately HK\$617,641,000 (2012: approximately HK\$443,758,000) and total liabilities were of approximately HK\$318,937,000 (2012: approximately HK\$282,976,000). As at 30 June 2013, the cash and bank balances was approximately HK\$41,991,000 (2012: approximately HK\$56,707,000) and the current ratio (current assets/current liabilities) was 1.04 as at 30 June 2013 (2012: 1.33).

## **GEARING RATIO**

The gearing ratio (net debt/capital and net debt) was 0.35 as at 30 June 2013 (2012: 0.36).

## **LITIGATION**

The Group did not have any litigation as at 30 June 2013.

## **EXCHANGE RISKS**

The majority of the Group's operations are located in the PRC and Hong Kong and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assess exchange risks.

## **CAPITAL STRUCTURE**

The movement of the capital structure of the Company during the Period is detailed in note 15 to the condensed consolidated interim financial statements.

## **PLEDGE OF ASSETS**

As at 30 June 2013, the investment properties (note 10) were secured for bank borrowings. And the finance lease payable was secured by the leased motor vehicle with a carrying amount of HK\$734,707.

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

The Company did not have any significant investments or material acquisitions and disposals for the six months ended 30 June 2013.

## **CONTINGENT LIABILITIES AND COMMITMENTS**

Except for the operating lease commitments as below, the Group did not have any contingent liabilities and commitments as at 30 June 2013.

## OPERATING LEASE COMMITMENTS

### As lessor

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

At 30 June 2013 and 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within one year	<b>20,664</b>	27,330
In the second to fifth years, inclusive	<b>5,580</b>	13,297
	<b>26,244</b>	40,627

### As lessee

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

At 30 June 2013 and 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within one year	<b>713</b>	794
In the second to fifth years, inclusive	–	316
	<b>713</b>	1,110

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

During the six months ended 30 June 2013, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules, save for the deviation from the code provisions listed below:

- The Chairman of the Company is also the chief executive officer of the Company, which deviates from the Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the current nature of the Group’s business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.
- According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company’s Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. In respect of Code Provision A.6.7 of the Revised CG Code, two Independent Non-executive Directors did not attend the annual general meeting of the Company held on 28 May 2013. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

- According to Article 87(1) of the Articles of Association, since the Chairman of the Board, whilst holding such office, is not subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year, Code Provision A.4.2 is deviated. The Chairman plays an essential role in the growth and development of the Group. At present, the Chairman's continuing presence in the Board is important to assure sustainable development of the Group. Given the importance of the Chairman's role, the Board considers that the relevant article in the Articles of Association has no material impact on the operation of the Group as a whole.

## **EMPLOYEES**

As at 30 June 2013, the Group has employed about 50 employees in Hong Kong and the PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### Long positions in the underlying shares of the Company

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of underlying shares held</b>	<b>Approximate % of shareholding</b>
Han Junran	Interests of controlled corporation	–	1,036,200,000 <sup>(1)</sup>	40.72

*Note:*

- (1) Junyi Investments Limited (a company wholly-owned by Mr. Han Junran) held 1,036,200,000 Shares, representing 40.72% of the issued share capital, For the purposes of the SFO, both Junyi Investments Limited and Mr. Han Junran were deemed to be interested in 1,036,200,000 Shares.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executive of the Company, as at 30 June 2013, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

### Long position in the shares of the Company

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held</u>	<u>Approximate % of shareholding</u>
Junyi Investments Limited	Beneficial owner	1,036,200,000 <sup>(1)</sup>	40.72
Trinty Grace Limited	Beneficial owner	496,500,000 <sup>(2)</sup>	19.51
Zhou Xi Quan	Interest of controlled corporation	496,500,000 <sup>(2)</sup>	19.51
Grandfield Holdings Limited	Beneficial owner	198,600,000 <sup>(3)</sup>	7.80
Beijing Chengda Shunyi Shangmao Company Limited	Interest of controlled corporation	198,600,000 <sup>(3)</sup>	7.80
Xu Tao	Interest of controlled corporation	198,600,000 <sup>(3)</sup>	7.80
Zhong Hui Yin	Interest of controlled corporation	198,600,000 <sup>(3)</sup>	7.80

*Notes:*

- (1) Junyi Investments Limited, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is an executive Director.

- (2) Trinity Grace Limited held 496,500,000 Shares, representing 19.51% of the issued share capital of the Company. Mr. Zhou Xi Quan held 100% of the issued share capital of Trinity Grace Limited. For the purposes of the SFO, both Trinity Grace Limited and Mr. Zhou Xi Quan were deemed to be interested in 496,500,000 Shares.
- (3) Grandfield Holdings Limited (Grandfield) held 198,600,000 Shares, representing 7.8% of the issued share capital of the Company. Grandfield Holdings Limited was a company wholly-owned by Beijing Chengda Shunyi Shangmao Company Limited (Beijing Chengda) and Ms. Zhong Hui Yin and Mr. Xu Tao held 30% and 70% of the issued share capital of Beijing Chengda respectively. For the purposes of SFO, Grandfield, Beijing Chengda, Ms. Zhong Hui Yin and Mr. Xu Tao were deemed to be interested in 198,600,000 Shares.

Save as disclosed above, as at 30 June 2013, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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

The Company had not redeemed any of its shares during the six months ended 30 June 2013. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2013.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have complied with the Code throughout the six months period ended 30 June 2013.



## **AUDIT COMMITTEE**

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the unaudited interim financial statements for the six months ended 30 June 2013.

By Order of the Board

**Han Junran**

*Chairman*

Hong Kong, 23 August 2013