



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

2014

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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 2014 (the “Period”) together with the comparative figures for the previous corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Revenue	4	21,266	25,672
Cost of services provided		<u>(1,607)</u>	<u>(1,570)</u>
Gross profit		19,659	24,102
Other income and gains	4	367	539
General and administrative expenses		(10,775)	(9,266)
Finance costs	6	<u>(6,590)</u>	<u>(7,974)</u>
Profit before tax	5	2,661	7,401
Income tax expense	7	<u>(206)</u>	<u>(390)</u>
Profit for the Period		<u>2,455</u>	<u>7,011</u>
Attributable to:			
Owners of the Company		<u>2,455</u>	<u>7,011</u>
		<u>2,455</u>	<u>7,011</u>
Earning per share			
Basic	9	<u>0.10 cents</u>	<u>0.28 cents</u>
Diluted	9	<u>0.10 cents</u>	<u>0.28 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	10	696,384	714,240
Property, plant and equipment	11	<u>2,906</u>	<u>3,516</u>
Total non-current assets		<u>699,290</u>	<u>717,756</u>
CURRENT ASSETS			
Trade receivable	12	–	2,000
Prepayments, deposits and other receivables	13	9,502	10,750
Cash and bank balances		<u>28,966</u>	<u>33,352</u>
Total current assets		<u>38,468</u>	<u>46,102</u>
CURRENT LIABILITIES			
Other payables and accruals		18,413	17,792
Deposits received		7,449	7,165
Finance lease payable		150	143
Interest-bearing bank and other borrowings, secured	14	19,619	20,122
Due to directors		1,140	1,080
Tax payable		<u>256</u>	<u>2,803</u>
Total current liabilities		<u>47,027</u>	<u>49,105</u>
NET CURRENT LIABILITIES		<u>(8,559)</u>	<u>(3,003)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		690,731	714,753
NON-CURRENT LIABILITIES			
Finance lease payable		344	420
Interest-bearing bank and other borrowings, secured	14	124,999	137,805
Deferred tax liabilities		<u>153,346</u>	<u>157,277</u>
Total non-current liabilities		<u>278,689</u>	<u>295,502</u>
Net assets		<u>412,042</u>	<u>419,251</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	10,179	10,179
Reserves		<u>401,863</u>	<u>409,072</u>
Total equity		<u>412,042</u>	<u>419,251</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. CORPORATION INFORMATION

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

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

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

2.1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

New and revised HKFRSs

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

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

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

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2016.

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

The Group operates principally in the PRC. Over 90% of the Group's assets are located in the PRC and over 90% of the revenue are generated in the PRC. Accordingly, no further geographical information of 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. The management agreement was expired on 31 December 2013 and accordingly, no property management fee income was received during the Period.

Rental income and related management service income

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

4. REVENUE, OTHER INCOME AND GAINS

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

5. PROFIT BEFORE TAX

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2014 and 2013.

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

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current tax:		
Hong Kong	–	–
Elsewhere	206	390
	<u>206</u>	<u>390</u>
Deferred tax	–	–
	<u>–</u>	<u>–</u>
Total tax charge for the Period	<u>206</u>	<u>390</u>

8. DIVIDENDS

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

9. 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	
	2014	2013
	(Unaudited)	(Unaudited)
Profit for the Period attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation (HK\$'000)	<u>2,455</u>	<u>7,011</u>
Weighted average number of ordinary shares in issue during the Period used in basic earnings per share calculation (in thousand)	<u>2,544,787</u>	<u>2,544,787</u>

(ii) Diluted earning per share

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

10. INVESTMENT PROPERTIES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
At 1 January	714,240	550,732
Change in fair value of investment properties	–	146,644
Exchange realignment	(17,856)	16,864
	<hr/>	<hr/>
Carrying amount at 30 June	<u>696,384</u>	<u>714,240</u>

During the six months ended 30 June 2014, investment properties were leased to tenants for rental income and related management service income (note 4).

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.

Investment properties are situated at No. 20-22 Chigang West Road, Haizhu District, Guangzhou City, Guangdong Province, PRC are held under medium term lease.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building improvement HK\$'000	Leasehold improvement HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 31 December 2013 and 1 January 2014	1,136	1,207	1,811	1,849	6,003
Additions	–	–	29	–	29
Exchange difference	(28)	–	(29)	–	(57)
At 30 June 2014	<u>1,108</u>	<u>1,207</u>	<u>1,811</u>	<u>1,849</u>	<u>5,975</u>
Aggregate depreciation					
At 31 December 2013 and 1 January 2014	(167)	(964)	(717)	(639)	(2,487)
Depreciation provided during the Period	(11)	(243)	(142)	(198)	(594)
Exchange difference	4	–	8	–	12
At 30 June 2014	<u>(174)</u>	<u>(1,207)</u>	<u>(851)</u>	<u>(837)</u>	<u>(3,069)</u>
Carrying amount					
At 30 June 2014	<u>934</u>	<u>–</u>	<u>960</u>	<u>1,012</u>	<u>2,906</u>
At 31 December 2013	<u>969</u>	<u>243</u>	<u>1,094</u>	<u>1,210</u>	<u>3,516</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 2014 amounted to HK\$550,884.

12. TRADE RECEIVABLE

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

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

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

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

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

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

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Prepaid administrative fee (note 14)	5,115	5,932
Prepayments	389	397
Deposits	274	254
Other receivables	3,724	4,167
	<u>9,502</u>	<u>10,750</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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Bank loan – ICBC Loan (note a)	8.8%-9.2%	2021	20,242	22,067
Other loan – Sichuan Loan (note b)	8.8%-9.2%	2021	124,376	135,860
			<u>144,618</u>	<u>157,927</u>
Analysed into:				
Repayable:				
Within one year or on demand			19,619	20,122
In the second to fifth years, inclusive			82,717	84,173
Beyond five years			42,282	53,632
Total			144,618	157,927
Current portion			<u>(19,619)</u>	<u>(20,122)</u>
Non-current portion			<u>124,999</u>	<u>137,805</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 2014, 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 2014, 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 2014, the Group has fully prepaid the administrative fee to ICBC, which would be amortised to the consolidated statement of profit or loss at the effective interest rate over a 10-year period since 2011. During the period ended 30 June 2014, an amount of RMB536,574 (equivalent to approximately HK\$673,000) (period ended 30 June 2013: RMB589,275, equivalent to approximately HK\$740,000) was charged to the consolidated statement of profit or loss and the remaining balance of the prepaid administrative fee of RMB4,098,496 (equivalent to approximately HK\$5,115,000) (31 December 2013: RMB4,635,070, equivalent to approximately HK\$5,932,000) was recorded in the consolidated statement of financial position as “prepayments” (note 13).

15. SHARE CAPITAL

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.004 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
2,544,787,999 ordinary shares of HK\$0.004 each	<u>10,179</u>	<u>10,179</u>

Authorised share capital

	Number of shares '000	HK\$'000
At 1 January 2014 and 30 June 2014	<u>10,000,000</u>	<u>40,000</u>

Issued and fully paid

	Number of shares '000	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2014 and 30 June 2014	<u>2,544,788</u>	<u>10,179</u>	<u>253,344</u>	<u>263,523</u>

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. 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.

d. 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

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

18. CONTINGENT LIABILITIES

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

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

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

As lessee

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

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

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

20. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following commitment as at 30 June 2014.

Proposed acquisition

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Continuing Connected Transactions

The old tenancy agreements of the Group's office premises in Hong Kong and the staff quarter and car parking space, which ended on 24 May 2014, were extended on the same terms of the respective agreement for the period from 25 May 2014 to 31 May 2014. On 30 May 2014, the new tenancy agreements (the "New Tenancy Agreements") were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the Residential Properties. The New Tenancy Agreements are for a term of two years commencing from 1 June 2014. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Details of which, please refer to the Company's announcement dated 30 May 2014.

Prospect

Guangzhou Changliu project is the Group's main operation unit. While the sluggish world economy have adversely affected China's economic development, the rental income of Guangzhou Changliu project has remained fairly stable. The Group's management target is, other than maintaining a stabilized rental income level, every possible means, including the improvement in the service quality of the site, will be exploited for increasing the rental income level. Remaining in phase with the local government's pace on the Three Oldies Reform, the Group will coordinate with the progress in the redevelopment of the Guangzhou Changliu project.

The Group has a project company which owned a piece of land located in the Qingdao City for the purpose of scientific research usage. Without altering the purpose in the usage of the land, the Group is in the course of applying for the planning approval of an increase in its plot ratio and if such application is successful, more economic benefits could be achieved through better use of the land.

The Group has been constantly identifying suitable investment projects which could strengthen its operations and enhancing the Group's revenue for providing better economic benefits.

OUTLOOK

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

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

FINANCIAL REVIEW

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

DIVIDENDS

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

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

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

GEARING RATIO

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

LITIGATION

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

EXCHANGE RISKS

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

CAPITAL STRUCTURE

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

PLEDGE OF ASSETS

As at 30 June 2014, 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\$550,884.

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

The Company did not have any significant investments or material acquisitions and disposals for the six months ended 30 June 2014.

CONTINGENT LIABILITIES

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

OPERATING LEASE COMMITMENTS

As lessor

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

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	22,000	22,462
In the second to fifth years, inclusive	–	2,584
	<hr/> 22,000 <hr/>	<hr/> 25,046 <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 2014 and 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

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

OTHER COMMITMENT

Except for the other commitments as detailed in note 20 above, the Group did not have any commitment as at 30 June 2014.

OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2014, the Company has complied with all the code provisions (“Code Provisions”) as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), save for the deviations listed below:

- The Chairman of the Company is also the chief executive officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the current nature of the Group’s business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.
- According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company’s Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. In respect of Code Provision A.6.7 of the CG Code, one Executive Director and two Independent Non-executive Directors did not attend the annual general meeting of the Company held on 26 June 2014. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

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

EMPLOYEES

As at 30 June 2014, the Group has employed about 50 employees in Hong Kong and the PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

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

As at 30 June 2014, 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

Name of Director	Capacity	Nature of interests	Number of underlying shares held	Approximate % of shareholding
Han Junran	Interests of controlled corporation	–	1,036,200,000 ⁽¹⁾	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 2014, 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 2014, 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

Name	Capacity	Number of Shares held	Approximate % of shareholding
Junyi Investments Limited	Beneficial owner	1,036,200,000 ⁽¹⁾	40.72
Trinty Grace Limited	Beneficial owner	496,500,000 ⁽²⁾	19.51
Zhou Xi Quan	Interest of controlled corporation	496,500,000 ⁽²⁾	19.51

Name	Capacity	Number of Shares held	Approximate % of shareholding
Grandfield Holdings Limited	Beneficial owner	198,600,000 ⁽³⁾	7.80
Beijing Chengda Shunyi Shangmao Company Limited	Interest of controlled corporation	198,600,000 ⁽³⁾	7.80
Xu Tao	Interest of controlled corporation	198,600,000 ⁽³⁾	7.80
Zhong Hui Yin	Interest of controlled corporation	198,600,000 ⁽³⁾	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 the 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 2014, 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 2014. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have complied with the Code throughout the six months period ended 30 June 2014.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the unaudited interim financial statements for the six months ended 30 June 2014.

By Order of the Board
Han Junran
Chairman

Hong Kong, 29 August 2014