



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

2015

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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 2015 (the “Period”) together with the comparative figures for the previous corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	4	21,033	21,266
Cost of services provided		(1,478)	(1,607)
Gross profit		19,555	19,659
Other income and gains	4	198	367
Administrative and other operating expenses		(9,243)	(10,775)
Finance costs	6	(5,615)	(6,590)
Profit before tax	5	4,895	2,661
Income tax expense	7	(18)	(206)
Profit for the Period		4,877	2,455
Attributable to:			
Owners of the Company		4,877	2,455
Earning per share			
Basic	9	0.19 cents	0.10 cents
Diluted	9	0.19 cents	0.10 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit for the Period	<u>4,877</u>	<u>2,455</u>
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	483	(9,664)
Less: Income tax effect	<u>–</u>	<u>–</u>
Other comprehensive income for the Period, net of tax	<u>483</u>	<u>(9,664)</u>
Total comprehensive income for the Period	<u><u>5,360</u></u>	<u><u>(7,209)</u></u>
Attributable to:		
Owners of the Company	<u><u>5,360</u></u>	<u><u>(7,209)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,322	2,534
Investment properties	10	738,307	737,508
Investment in an associate		–	–
Available for sales investment		–	–
Total non-current assets		<u>740,629</u>	<u>740,042</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables	12	8,213	9,413
Due from an associate		6	6
Due from a related company		5	5
Cash and bank balances		17,185	25,199
Total current assets		<u>25,409</u>	<u>34,623</u>
CURRENT LIABILITIES			
Other payables and accruals		1,844	2,002
Deposits received		8,623	8,007
Finance lease payable		159	154
Interest bearing bank and other borrowings, secured	13	20,538	20,515
Due to directors		1,260	1,205
Tax payable		194	3,069
Total current liabilities		<u>32,618</u>	<u>34,952</u>
NET CURRENT LIABILITIES		<u>(7,209)</u>	<u>(329)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		733,420	739,713
NON-CURRENT LIABILITIES			
Other payables		18,145	19,748
Finance lease payable		185	266
Interest bearing bank and other borrowings, secured	13	103,813	113,959
Deferred tax liabilities		163,470	163,293
Total non-current liabilities		<u>285,613</u>	<u>297,266</u>
Net assets		<u>447,807</u>	<u>442,447</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	10,179	10,179
Reserves		437,628	432,268
Total equity		<u>447,807</u>	<u>442,447</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital	Share premium	Contributed surplus	Translation reserve	Warrants reserve	Equity component of convertible bonds	Retained profits	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2015	10,179	253,344	4,755	2,293	-	-	171,876	442,447
Profit for the period	-	-	-	-	-	-	4,877	4,877
Exchange differences on translation of foreign operations	-	-	-	483	-	-	-	483
At 30 June 2015	10,179	253,344	4,755	2,776	-	-	176,753	447,807
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	6,665	11,459
NET CASH FLOWS FROM INVESTING ACTIVITIES	4,196	269
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(17,904)	(16,000)
DECREASE IN CASH AND CASH EQUIVALENTS	(7,043)	(4,272)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	25,199	33,352
Effect of foreign exchange rate changes, net	(971)	(114)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	17,185	28,966
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	17,185	28,966

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2015 (the “Unaudited Condensed Consolidated Interim Financial Statements”) have been approved for issue by the Board on 31 July 2015.

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 2014 (the “2014 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 consolidated financial statements of the Group for the year ended 31 December 2014.

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.

Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

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 ³
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ²
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs ¹

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

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

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 total assets and revenue was disclosed.

Information about a major customer

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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue		
Rental income and related management service income	<u>21,033</u>	<u>21,266</u>
	21,033	21,266
Other income and gains		
Interest income	198	365
Others	<u>—</u>	<u>2</u>
	198	367
Total revenue, other income and gains	<u>21,231</u>	<u>21,633</u>

5. PROFIT BEFORE TAX

Six months ended 30 June	
2015	2014
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

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

Depreciation of property, plant and equipment

– Owned assets

187

502

– Leased assets

92

92

Interest income

(198)

(365)

6. FINANCE COSTS

Six months ended 30 June	
2015	2014
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Interest on finance leases

12

18

Interest on bank loan

5,603

6,572

5,615

6,590

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 2015 and 2014.

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	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Current tax:		
Hong Kong	–	–
Elsewhere	<u>18</u>	<u>206</u>
	18	206
Deferred tax	<u>–</u>	<u>–</u>
Total tax charge for the Period	<u><u>18</u></u>	<u><u>206</u></u>

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the Period (2014: 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	
	2015	2014
	(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>4,877</u>	<u>2,455</u>
Weighted average number of ordinary shares in issue during the Period used in basic earnings per share calculation (in thousand)	<u>2,544,788</u>	<u>2,544,788</u>

(ii) Diluted earning per share

No adjustment has been made to the basic earning per share amounts for the periods ended 30 June 2015 and 2014 in respect of a dilution because there were no potentially dilutive events existed during the Period.

10. INVESTMENT PROPERTIES

	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
At 1 January	737,508	714,240
Change in fair value of investment properties	–	41,180
Exchange realignment	799	(17,912)
Carrying amount at 30 June	<u>738,307</u>	<u>737,508</u>

During the six months ended 30 June 2015, 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 13 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 <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>
Cost					
At 31 December 2014 and 1 January 2015	1,107	1,435	1,603	1,770	5,915
Additions	–	–	65	–	65
Exchange realignment	1	–	1	–	2
At 30 June 2015	1,108	1,435	1,669	1,770	5,982
Aggregate depreciation					
At 31 December 2014 and 1 January 2015	(185)	(1,435)	(805)	(956)	(3,381)
Depreciation provided during the Period	(11)	–	(70)	(198)	(279)
Exchange realignment	–	–	–	–	–
At 30 June 2015	(196)	(1,435)	(875)	(1,154)	(3,660)
Carrying amount					
At 30 June 2015	912	–	794	616	2,322
At 31 December 2014	922	–	798	814	2,534

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 2015 amounted to HK\$367,256.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Prepaid administrative fee (note 13)	3,864	4,445
Prepayments	3,791	818
Deposits	274	274
Other receivables	284	3,876
	<u>8,213</u>	<u>9,413</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.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS, SECURED

	Effective interest rate (%)	Maturity	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Bank loan – ICBC Loan (note a)	8.0%-9.5%	2021	17,415	18,818
Other loan – Sichuan Loan (note b)	8.0%-9.4%	2021	106,936	115,656
			<u>124,351</u>	<u>134,474</u>
Analysed into:				
Repayable:				
Within one year or on demand			20,538	20,515
In the second to fifth years, inclusive			82,151	82,062
Beyond five years			21,662	31,897
			<u>124,351</u>	<u>134,474</u>
Total			124,351	134,474
Current portion			<u>(20,538)</u>	<u>(20,515)</u>
Non-current portion			<u>103,813</u>	<u>113,959</u>

Note:

All the bank and other borrowings 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, Guangdong Changliu Investment Company Limited (“Changliu”), an indirect subsidiary of the Company, 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 31 December 2012, 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 2015, 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\$9,399,000). As at 31 December 2012, 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 2015, an amount of RMB468,742 (equivalent to approximately HK\$586,000) (period ended 30 June 2014: RMB536,574, equivalent to approximately HK\$673,000) was charged to the consolidated statement of profit or loss and the remaining balance of the prepaid administrative fee of RMB3,093,178 (equivalent to approximately HK\$3,864,000) (31 December 2014: RMB3,561,920, equivalent to approximately HK\$4,445,000) was recorded in the consolidated statement of financial position as “prepayments” (note 12).

14. SHARE CAPITAL

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000		
Authorised:				
10,000,000,000 ordinary shares of HK\$0.004 each	40,000	40,000		
Issued and fully paid:				
2,544,787,999 ordinary shares of HK\$0.004 each	10,179	10,179		
Authorised share capital				
	Number of shares '000	HK\$'000		
At 1 January 2015 and 30 June 2015	10,000,000	40,000		
Issued and fully paid				
	Number of shares '000	Share premium account HK\$'000	Total HK\$'000	
At 1 January 2015 and 30 June 2015	2,544,788	10,179	253,344	263,523

15. LITIGATIONS

The Company and 北京中証房地產開發有限公司 (literally translated as Beijing Zhong Zheng Real Estate Development Company Limited) (“Beijing Zhongzheng”), a company which was previously a subsidiary of the Company and was disposed of by the Company in 2010, received a civil summons dated 15 May 2014 from the Higher People’s Court of Beijing City, pursuant to which, an application for retrial of a civil court case (the “Litigation”) had been filed by 上海復旦光華信息科技股份有限公司 (literally translated as Shanghai Fudan Guanghua Information Technology Company Limited) (the “Plaintiff”). The Litigation stems from a series of civil court proceedings commenced by the Plaintiff in Beijing No. 1 Intermediate People’s Court and the other courts in the PRC since 2003 which alleged that Beijing Zhongzheng had failed to perform its obligation under a sale contract dated 7 June 2002 for selling certain real properties (the “Properties Transactions”) in the PRC to the Plaintiff at a consideration of US\$1,755,432 (equivalent to approximately HK\$13,605,000) entered into between Beijing Zhongzheng and the Plaintiff (the “Allegation”). The Company became one of defendants, as the Plaintiff claimed that Mr. Leung Kwo (梁戈) (“Mr. Leung”), the ex-director and former chairman of the Company, entered into a guarantee agreement (the “Guarantee Agreement”) with the Plaintiff on 28 June 2002 for and on behalf of the Company, pursuant to which, the Company acted as a guarantor to guarantee to the Plaintiff that Beijing Zhongzheng should perform its obligation under the Properties Transactions. No specific amount of compensation was demanded by the Plaintiff against the Company in the Litigation.

In view of the Litigation, the directors of the Company (the “Directors”) has conducted extensive investigations, in which (i) the Directors have inspected all the minutes of the meetings of its board of directors from the date of its incorporation to the end of year 2013 to see if the Allegation has ever been brought to the attention of the Directors, (ii) the Directors have contacted the key management personnel of Beijing Zhongzheng for ascertaining the merits of the Allegation, (iii) the Directors have discussed in their meeting to determine the financial impact of the Litigation and the Allegation, and (iv) sought for legal advices from the lawyers in the Cayman Islands and the PRC (collectively, the “Lawyers”) in respect of the Litigation. From such investigations, the Company found that (i) there was no record showing that the Allegation has ever been brought to the attention of the Directors and they did not approve and sign the Guarantee Agreement, (ii) Beijing Zhongzheng was aware of the Allegation and Litigation, but it has no records in respect of the sales of the Properties Transactions or the receipt of the sales proceeds as alleged in the Litigation. Based on the findings of the investigations, together with legal opinions from the Lawyers, the Directors are of the opinion that the Plaintiff has no merits in the Litigation against the Company.

On 29 July 2015, the Company received the judgment dated 14 May 2015 (the “Judgment”) granted by the Higher People’s Court of Beijing City (the “PRC Court”) in respect of the Litigation.

According to the Judgment, the PRC Court overruled its own judgment dated 26 July 2013 and upheld the judgment dated 10 November 2010 granted by Beijing No.1 Intermediate People’s Court in respect of the Litigation. In short, the PRC Court ruled that both the sale contract dated 27 June 2002 made between Beijing Zhongzheng and Guanghua Information for selling certain real properties in the People’s Republic of China to Guanghua Information at the price of US\$1,755,432 (equivalent to RMB14,529,886, by applying the exchange rate of US\$1 equivalent to RMB8.2271) and the Guarantee Agreement entered into between the Company and Guanghua Information were legally effective. The PRC Court also ordered that both the Company and Beijing Zhongzheng shall be jointly liable to repay to the Plaintiff the sum of RMB14,529,886 together with interest accrued thereon from 1 July 2002 up to the date of payment. In view of the Judgment, the Company is seeking the legal advice from its PRC Lawyer as to the action which should be taken by the Company. No provision in respect of the claims, if any, has been made in the interim financial statements as at 30 June 2015.

16. CONTINGENT LIABILITIES

Except for the Litigation, the Group did not have any contingent liabilities as at 30 June 2015.

17. OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties under operating lease arrangements. Leases for properties are negotiated for terms for 1 year.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) HK\$’000	31 December 2014 (Audited) HK\$’000
Within one year	22,420	17,677
In the second to fifth years, inclusive	—	—
	<u>22,420</u>	<u>17,677</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 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	1,413	1,541
In the second to fifth years, inclusive	—	642
	<u>1,413</u>	<u>2,183</u>

18. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following commitment as at 30 June 2015.

(a) 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\$249,850,000), subject to the upward adjustment.

The principal assets of Qingdao Chengtai is a leasehold land (the “Land”) located in Qingdao City, Shangdong 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, which should be completed on or before 8 July 2014. 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\$99,940,000) by cash and payable upon the completion of the 1st Phase; and (ii) as to RMB120,000,000 (equivalent to approximately HK\$149,910,000), subject to an upward adjustment, by transferring the corresponding parts of the real estate of the Project which worth RMB120,000,000 (equivalent to approximately HK\$149,910,000) and payable upon the completion of the 2nd Phase.

On 29 January 2015, the Group entered into a supplemental agreement with the Vendor to extend the completion date of the 1st Phase of the Qingdao Acquisition to 30 June 2015. On 19 June 2015, the Group further entered into a second supplemental agreement with the Vendor to further extend the completion date of the 1st Phase of the Qingdao Acquisition to 30 June 2016. As at the date of this report, both of the 1st Phase and the 2nd Phase of the Qingdao Acquisition have not been completed.

(b) Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the “Partner”), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited (“NC Fortune Medicare”) was incorporated, of which, 34% equity interest in NC Fortune Medicare was held by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the “Shanghai Subsidiary”) for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000. As at the date of this report, none of the RMB340,000 (equivalent to approximately HK\$424,000), being the capital to be contributed by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period on 13 July 2015, the Company proposed to issue of 636,196,999 offer shares (the “Offer Share”) to the qualifying shareholders at a subscription price of HK\$0.28 per Offer Share on the basis of one offer share for every four shares. The net proceeds of the open offer (the “Open Offer”) after the deduction of all estimated expenses are estimated to be approximately HK\$174 million. The Company intends to apply the net proceeds from the Open Offer for possible acquisition(s) of certain investments should any opportunities arise. At the date of this report, the Open Offer has not been completed.

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period’s presentation.

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 and Outlook

Guangzhou Changliu project is currently the Group's main operating unit. While the general economy is less than robust, the Group has fairly stable revenue sources generated from rental income and related management service income from its property projects.

Besides, the Company intends to continue to focus on city development and identifies business opportunities along with its long established development strategies. The Group is actively exploring profitable projects to increase revenue sources including but not limited to, estate developments.

In order to match with the Company's long term development strategies, on 13 July 2015, the Company issued its circular in which the Company proposes to raise approximately HK\$178 million (the "Open Offer"), before expenses, by issuing 636,196,999 offer shares (the "Offer Share") to the Qualifying Shareholders at the Subscription Price of HK\$0.28 per Offer Share under the Open Offer on the basis of one Offer Share for every four Shares held on the Record Date.

The net proceeds of the Open Offer after the deduction of all estimated expenses are estimated to be approximately HK\$174 million. The Company intends to apply the net proceeds from the Open Offer for possible acquisition(s) of certain investments should any opportunities arise. The Group has identified some investment opportunities and is in preliminary discussions with the relevant parties.

If all such possible acquisitions cannot be materialised, the net proceeds of the Open Offer will be used as general working capital of the Group to strengthen the Company's financial position. The Company considers that it is prudent to finance the Company's long-term growth by long-term financing, preferably in the form of equity which will not increase the Group's finance costs.

Furthermore, the Company believes urbanisation is the prominent direction of the economic growth in the PRC and will offer tremendous business opportunities for the Company. To align with such growth and adhere the Company's strategic development, the Company will continue to build strategic business alliance with various professional enterprises for conducting business in the arena of city development to strengthen the Company's financial performance and bring optimal benefits to the shareholders.

FINANCIAL REVIEW

During the Period under review, the Group has turnover and net profit for the Period amounted to approximately HK\$21,033,000 and HK\$4,877,000 respectively, whereas the Group had turnover and net profit for the first half of 2014 was approximately HK\$21,266,000 and HK\$2,455,000, respectively. Basic earning per share for the period was HK\$0.19 cents (Basic earning per share for six months ended 30 June 2014 was HK\$0.10 cents).

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2014: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2015, the Group had obligations under hire purchase contract of approximately HK\$344,000 (2014: HK\$494,000).

As at 30 June 2015, the Group's total assets was approximately HK\$766,038,000 (2014: approximately HK\$737,758,000) and total liabilities were of approximately HK\$318,231,000 (2014: approximately HK\$325,716,000). As at 30 June 2015, the cash and bank balances was approximately HK\$17,185,000 (2014: approximately HK\$28,966,000) and the current ratio (current assets/current liabilities) was 0.78 as at 30 June 2015 (2014: 0.81).

GEARING RATIO

The gearing ratio (net debt/capital and net debt) was 0.22 as at 30 June 2015 (2014: 0.26).

LITIGATION

Details of an outstanding litigation are disclosed in note 15 to this report.

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 14 to the condensed consolidated interim financial statements.

PLEDGE OF ASSETS

As at 30 June 2015, 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\$367,256.

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 2015.

CONTINGENT LIABILITIES

Except for the Litigation as detailed in note 15 to this report, the Group did not have any contingent liabilities as at 30 June 2015.

OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties under operating lease arrangements. Leases for properties are negotiated for terms for 1 year.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	22,420	17,677
In the second to fifth years, inclusive	–	–
	22,420	17,677

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 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	1,413	1,541
In the second to fifth years, inclusive	–	642
	1,413	2,183

OTHER COMMITMENT

Except for the other commitments as detailed in note 18 above, the Group did not have any commitment as at 30 June 2015.

OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2015, 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, two Independent Non-executive Directors did not attend the annual general meeting of the Company held on 22 June 2015. 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 2015, 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 2015, 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 2015, 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 2015, 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 2015, 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 2015. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2015.

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 2015.

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 2015.

By Order of the Board
Han Junran
Chairman

Hong Kong, 31 July 2015