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China New City Commercial Development Limited

中國新城市商業發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Unaudited		
	For the six months		
	ended 30 June		
	2015	2014	Percentage
			of increase/ (decrease)
Revenue (RMB'000)	198,405	115,476	72%
Profit attributable to equity holders of the Company (RMB'000)	96,338	361,306	(73%)
Earnings per share attributable to equity holders of the Company			
– Basic and diluted	RMB6 cents	RMB29 cents	(79%)

The board (the “**Board**”) of directors (the “**Directors**”) of China New City Commercial Development Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2015 (the “**period under review**”) together with the comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	198,405	115,476
Cost of sales		<u>(120,073)</u>	<u>(47,497)</u>
Gross profit		78,332	67,979
Other income and gains	4	112,128	3,240
Selling and distribution costs		(17,272)	(16,888)
Administrative expenses		(42,055)	(59,652)
Other expenses		(353)	(113)
Finance costs		(10,235)	(1,798)
Fair value gain upon transfer to investment properties		–	513,507
Changes in fair value of investment properties		27,031	9,300
Share of profits or losses of:			
Joint ventures		(1,147)	(553)
An associate		<u>–</u>	<u>141</u>
		(1,147)	(412)
Profit before tax	5	146,429	515,163
Income tax expense	6	<u>(44,950)</u>	<u>(148,548)</u>
Profit for the period		<u>101,479</u>	<u>366,615</u>
Attributable to:			
Equity holders of the Company		96,338	361,306
Non-controlling interests		<u>5,141</u>	<u>5,309</u>
		<u>101,479</u>	<u>366,615</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	7	<u>RMB6 cents</u>	<u>RMB29 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	<u>101,479</u>	<u>366,615</u>
Other comprehensive income, which may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(59)	(10,651)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>(59)</u>	<u>(10,651)</u>
Total comprehensive income for the period	<u>101,420</u>	<u>355,964</u>
Attributable to:		
Equity holders of the Company	96,279	350,655
Non-controlling interests	<u>5,141</u>	<u>5,309</u>
	<u>101,420</u>	<u>355,964</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment		162,048	167,845
Investment properties		3,821,600	3,773,200
Properties under development		2,769,163	3,063,911
Available-for-sale investments		3,300	3,300
Investments in joint ventures		45,081	46,228
Loans and receivables from a joint venture		257,174	390,931
Long term prepayments		37,004	18,661
Restricted cash		1,000	–
Deferred tax assets		39,560	49,582
Total non-current assets		<u>7,135,930</u>	<u>7,513,738</u>
CURRENT ASSETS			
Completed properties held for sale		1,277,324	846,936
Properties under development		911,683	614,464
Inventories		3,792	3,570
Trade and bills receivables	8	13,563	12,961
Prepayments, deposits and other receivables		81,110	46,357
Amounts due from a related company		162,107	112,359
Loans and receivables from a joint venture		–	29,769
Restricted cash		12,208	139,758
Cash and cash equivalents		415,476	723,909
Total current assets		<u>2,877,263</u>	<u>2,530,083</u>
CURRENT LIABILITIES			
Trade payables	9	742,151	564,032
Other payables and accruals		119,424	119,752
Advances from customers		90,589	129,473
Interest-bearing bank and other borrowings		809,000	1,638,031
Tax payable		179,441	178,549
Total current liabilities		<u>1,940,605</u>	<u>2,629,837</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>936,658</u>	<u>(99,754)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,072,588</u>	<u>7,413,984</u>

	As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,775,716	2,240,498
Deferred tax liabilities	<u>738,028</u>	<u>716,062</u>
Total non-current liabilities	<u>3,513,744</u>	<u>2,956,560</u>
Net assets	<u>4,558,844</u>	<u>4,457,424</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued and fully paid capital	138,183	138,183
Reserves	<u>4,245,970</u>	<u>4,149,691</u>
	4,384,153	4,287,874
Non-controlling interests	<u>174,691</u>	<u>169,550</u>
Total equity	<u>4,558,844</u>	<u>4,457,424</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserve	Other reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	138,183	432,533	1,281,751	5,974	81,716	225,261	2,122,456	4,287,874	169,550	4,457,424
Profit for the period	-	-	-	-	-	-	96,338	96,338	5,141	101,479
Other comprehensive income for the period:										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(59)	-	(59)	-	(59)
Total comprehensive income for the period	-	-	-	-	-	(59)	96,338	96,279	5,141	101,420
At 30 June 2015 (unaudited)	<u>138,183</u>	<u>432,533</u>	<u>1,281,751</u>	<u>5,974</u>	<u>81,716</u>	<u>225,202</u>	<u>2,218,794</u>	<u>4,384,153</u>	<u>174,691</u>	<u>4,558,844</u>
At 1 January 2014	-	-	146,615	5,815	81,716	237,059	1,855,202	2,326,407	214,875	2,541,282
Profit for the period	-	-	-	-	-	-	361,306	361,306	5,309	366,615
Other comprehensive income for the period:										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(10,651)	-	(10,651)	-	(10,651)
Total comprehensive income for the period	-	-	-	-	-	(10,651)	361,306	350,655	5,309	355,964
Issue of shares	240	-	-	-	-	-	-	240	-	240
Settlement of debts to equity	-	-	963,559	-	-	-	-	963,559	-	963,559
Deem contribution by the Controlling Shareholder	-	-	293,941	-	-	-	(209,250)	84,691	-	84,691
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(31,325)	(31,325)
Equity-settled share option arrangements	-	-	-	159	-	-	-	159	-	159
At 30 June 2014 (unaudited)	<u>240</u>	<u>-</u>	<u>1,404,115</u>	<u>5,974</u>	<u>81,716</u>	<u>226,408</u>	<u>2,007,258</u>	<u>3,725,711</u>	<u>188,859</u>	<u>3,914,570</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. Corporate information

China New City Commercial Development Limited (the “Company”) is a limited liability company incorporated as an exempted company in the Cayman Islands on 2 July 2013 under the Companies Law (revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as, the “Group”) were members of Zhong An Real Estate Limited (“Zhong An”) and its subsidiaries (“collectively referred to as Zhong An Group”). Zhong An, the shares of which have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since November 2007, is the holding company of Zhong An Group.

The Group is principally engaged in commercial property development, leasing and hotel operations.

In the opinion of the Company’s directors (the “Directors”), the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2015 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2014.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment properties.

2.2 Significant accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Annual Improvements	<i>Amendments to a number of IFRSs</i>
IFRSs 2010-2012 Cycle	
Annual Improvements	<i>Amendments to a number of IFRSs</i>
IFRSs 2011-2013 Cycle	

The adoption of these new and revised IFRSs had no significant financial effect on these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Operating segment information

For management purposes, the Group is organised into business units based on income derived from business and has four reportable operating segments as follows:

- (a) the commercial property development segment which develops and sells commercial properties in Mainland China;
- (b) the property rental segment which leases investment properties in Mainland China;
- (c) the hotel operations segment which owns and operates a hotel; and
- (d) the “others” segment which comprises, principally, the Group’s property management services business, which provides management services to commercial properties.

The management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present the revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2015 and 2014, respectively.

Six months ended 30 June 2015 (unaudited)	Commercial property development <i>RMB'000</i>	Property rental <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:					
Sales to external customers	139,320	36,008	22,587	490	198,405
Intersegment sales	-	14,037	-	-	14,037
	139,320	50,045	22,587	490	212,442
<i>Reconciliation:</i>					
Elimination of intersegment sales					(14,037)
Revenue					<u>198,405</u>
Segment results	24,093	39,871	(6,222)	(11,139)	46,603
<i>Reconciliation:</i>					
Interest income					110,061
Finance costs					(10,235)
Profit before tax					<u>146,429</u>
Six months ended 30 June 2014 (unaudited)	Commercial property development <i>RMB'000</i>	Property rental <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:					
Sales to external customers	48,409	43,213	23,444	410	115,476
Intersegment sales	-	12,800	-	-	12,800
	48,409	56,013	23,444	410	128,276
<i>Reconciliation:</i>					
Elimination of intersegment sales					(12,800)
Revenue					<u>115,476</u>
Segment results	13,174	528,917	711	(26,671)	516,131
<i>Reconciliation:</i>					
Interest income					989
Finance costs					(1,798)
Equity-settled share option expenses					(159)
Profit before tax					<u>515,163</u>

The following table presents segment assets of the Group's operating segments as at 30 June 2015 and 31 December 2014, respectively:

As at 30 June 2015 (unaudited)	Commercial property development <i>RMB'000</i>	Property rental <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	5,181,549	3,858,234	530,184	377,366	9,947,333
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(421,218)
Corporate and other unallocated assets					487,078
Total assets					<u><u>10,013,193</u></u>
As at 31 December 2014 (audited)	Commercial property development <i>RMB'000</i>	Property rental <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	4,854,309	3,795,208	482,520	338,255	9,470,292
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(359,193)
Corporate and other unallocated assets					932,722
Total assets					<u><u>10,043,821</u></u>

Geographical Information

All the Group's revenue is derived from customers based in Mainland China and all of the non-current assets of the Group are located in Mainland China.

Information about a major customer

No revenue amounted to 10% or more of the Group's revenue was derived from sales to a single customer or a group of customers under the common control for the six months ended 30 June 2015 and 30 June 2014.

4. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents income from the sale of properties, property leasing income, property management fee income and hotel operating income during the period, net of business tax and other sales related taxes and discounts allowed.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(a) Revenue		
Sale of properties	147,850	51,493
Property leasing income	44,808	46,244
Property management fee income	519	410
Hotel operating income	23,970	24,836
Less: Business tax and surcharges	(18,742)	(7,507)
	<u>198,405</u>	<u>115,476</u>
(b) Other income		
Interest income from a joint venture	98,088	–
Bank Interest income	11,973	989
Others	658	208
	<u>110,719</u>	<u>1,197</u>
(c) Gains		
Foreign exchange gains	–	2,043
Gain on disposal of items of investment properties	1,409	–
	<u>1,409</u>	<u>2,043</u>
Total	<u><u>112,128</u></u>	<u><u>3,240</u></u>

5. Profit before tax

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	104,310	32,920
Depreciation	6,122	6,658
Minimum lease payments under operating leases:		
– Office premises	1,111	138
Auditors' remuneration	250	250
Staff costs	26,071	28,126
Foreign exchange differences, net	186	(2,043)
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)	1,437	2,081
Gain on disposal of items of investment properties	1,409	–
Fair value gain net:		
Fair value gain upon transfer to investment properties	–	(513,507)
Changes in fair value of investment properties	(27,031)	(9,300)
	<u><u>(27,031)</u></u>	<u><u>(9,300)</u></u>

6. Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

The provision for PRC income tax has been provided at the applicable income tax rate of 25% (six months ended 30 June 2014: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated statement of income as income tax expense.

	Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Current tax:		
PRC income tax for the period	4,795	18,096
PRC LAT for the period	8,167	3,184
Deferred tax	31,988	127,268
Total tax charge for the period	<u>44,950</u>	<u>148,548</u>

7. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of approximately RMB96,338,000 (six months ended 30 June 2014: Approximately RMB361,306,000) and the weighted average number of ordinary shares of 1,738,000,000 (30 June 2014: 1,267,000,000) in issue during the period, as adjusted to reflect the rights issued during the period.

The 1,267,000,000 shares of the Company issued before initial public offering (the "Capitalization") were issued to and then existing sole shareholder of the Company for no additional or nominal consideration. Therefore, the number of ordinary shares outstanding before the Capitalization is adjusted for the proportionate change in the number of ordinary shares outstanding as if the Capitalization had occurred at the beginning of the earliest period presented.

The Group had no potential dilutive ordinary shares in issue for the period ended 30 June 2015 and 2014.

8. Trade and bills receivables

The Group's trading terms with its customers are mainly lease receivables on credit. The credit period is generally one month, extending up to three months for major customers. All balances of the trade receivables as at the end of the reporting period are neither past due nor impaired.

Trade and bills receivables are non-interest-bearing and unsecured.

9. Trade payables

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the payment due dates, is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within six months	695,628	514,119
Over six months but within one year	28,325	30,980
Over one year	18,198	18,933
	<u>742,151</u>	<u>564,032</u>

The above balances are unsecured and interest-free and are normally settled based on the progress of construction.

10. Commitments

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted, but not provided for: Properties under development	<u>1,003,005</u>	<u>1,303,094</u>

11. Contingent liabilities

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Guarantees given to banks for: Mortgage facilities granted to purchasers of the Group's properties	<u>119,075</u>	<u>169,633</u>

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the financial periods in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors of the Company consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

12. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

MANAGEMENT’S DISCUSSION AND ANALYSIS

The first half of 2015 witnessed signs of stabilization in the real estate industry in the People’s Republic of China (the “**PRC**”). The People’s Bank of China made successive moves to lower interest rates and the required reserve ratio, loosen credit conditions and adjust the business tax exemption period for individual housing transfer; and local governments also implemented certain bailout policies, such as relaxing the Central Provident Fund (公積金) rules and offering financial subsidies, which contributed to a steady and soft landing of the PRC’s real estate market. In the second half of 2015, it is expected that the PRC government will maintain “prudent to slightly loose” monetary policy and the macro economy may bottom out, where improving production and consumption will benefit the development of commercial properties.

The Group is dedicated to the development and operation of integrated commercial complexes in sub-city centers of second-tier cities in the Yangtze River Delta region as well as participating in the development strategies of new urbanization in the PRC. As the PRC’s economy entered a phase of “New Normal” (“新常態”), the Group’s operating model that focuses on commercial properties helped to mitigate the impact of such market conditions. Looking forward, the Group will stick to its strategic directions of participating in the new-type urbanization progress, leveraging on the internet and diversifying into various industries and strive to materialize its development strategies of “O2O” and “Light Asset” (“輕資產”).

As at 30 June 2015, the property development projects held by the Group included 7 completed projects, units in 2 completed buildings, 5 projects under development, 6 projects held for future development and 2 projects contracted to be acquired. The total gross floor area (“**GFA**”) of land reserves of the Group was approximately 3,131,962 sq.m., which is expected to be sufficient for its development at least in the next five years.

In respect of property development, Jia Run Mansion (嘉潤公館), the decorated serviced apartments were well received by the market. In particular, Block No. 5 of Jia Run Mansion has completed delivery in May 2015 and Block No. 7 of Jia Run Mansion is scheduled to complete transfer in the second half of 2015. Furthermore, Jia Run Square (嘉潤廣場), a joint-venture serviced apartments project of the Group in Suzhou, is planned to commence pre-sales in the second half of 2015.

In respect of the investment properties, the current rental income of the Group mainly derives from the shopping mall and office building of Highlong Plaza in Xiaoshan District of Hangzhou City. The slower growth of macro economy in the first half of 2015 has posed certain challenges to the operations and management of the Group. Nevertheless, with the upcoming completion and opening of Zhong An Times Square (Phases I and II) and Jia Run Square in Suzhou, the Group will achieve steady growth in both leasable area and rental income.

As to the hotel operations, the Group’s hotel Holiday Inn Hangzhou Xiaoshan, was in steady operation and 65% of the construction of the Hangzhou Qiandao Lake Run Zhou Resort Hotel project, located in southwest of Qiandaohu Town, Chunan County, Hangzhou, has been completed. The Group will introduce renowned international hotel brands to the projects under development, including IOC, Zhong An Times Square and Jia Run Square, in a bid to build high-end city complexes and generate continuous and stable cash income to the Group.

Adhering to its strategies of “O2O” and “Light Asset”(“輕資產”) and in light of the opportunities brought by urbanization in the PRC, the Group will strive to leverage on advanced internet technology and develop diversified and new property projects related to industries such as leisure, tourism and healthcare and elderly care services. In addition, the Group will roll out its homestay project under the brand “Another Village”(又一邨) and online platform “Zhong Jia Le”(眾家樂) in the second half of 2015, fully leverage on its own resources and integrating industrial information to gradually develop a diversified internet-based industry that encompasses homestay, urban apartment, eco-catering and local specialty.

Revenue

The Group recorded an unaudited consolidated revenue of approximately RMB198,405,000 for the period under review, representing an increase of approximately 72% as compared to the revenue of approximately RMB115,476,000 for the corresponding period in 2014.

During the period under review, the revenue generated from the sales of properties amounted to approximately RMB147,850,000 which represented an increase of approximately 187% from approximately RMB51,493,000 for the corresponding period in 2014. Such increase was primarily due to the increase in the recognition of sales of properties delivered during the period under review as the Group started to recognize revenue from the sale of properties from the Jia Run Mansion in May 2015, upon its completion in the same month.

The revenue from property leasing and property management amounted to approximately RMB45,327,000 (corresponding period in 2014: RMB46,654,000), representing a decrease of approximately 3% as compared to the corresponding period in 2014. The hotel operation of the Group recorded a revenue of approximately RMB23,970,000 (corresponding period in 2014: approximately RMB24,836,000), representing a decrease of approximately 3% as compared to the corresponding period in 2014. Such decrease was due to the periodic tenants and trade adjustments carried out by the Group during the period under review.

Gross profit

Gross profit of the Group for the period under review amounted to approximately RMB78,332,000, representing an increase of approximately 15% when compared with the corresponding period in 2014. Gross profit margin was approximately 39%, decreased by approximately 20 percentage point when compared with the corresponding period in 2014. The decrease in gross profit margin was mainly due to the increased proportion in revenue from the sales of properties segment whose gross profit margins are lower than that for property leasing and hotel operation segments.

Other income and gains

During the period under review, other income and gains increased from approximately RMB3,240,000 for the corresponding period in 2014 to approximately RMB112,128,000, mainly due to the increase in other interest income of approximately RMB98,088,000 from the interest-bearing loans to a joint venture.

Selling and distribution costs

The selling and distribution costs of the Group increased from approximately RMB16,888,000 for the corresponding period in 2014 to approximately RMB17,272,000 for the period under review, representing an increase of approximately 2%. Such increase was principally due to an increase in advertising and promotional expenses of the Jia Run Mansion during the period under review comparing to the corresponding period in 2014.

Administrative expenses

During the period under review, the administrative expenses of the Group reduced from approximately RMB59,652,000 for the corresponding period in 2014 to approximately RMB42,055,000, representing a reduction of approximately 29%. The reduction was mainly attributable to the non-recurring listing expenses incurred during the corresponding period in 2014 for the listing of the shares of the Company on the Main Board of the Stock Exchange while no such expenses had incurred in the period under review.

Earnings

The unaudited profit attributable to the equity holders of the Company was approximately RMB96,338,000 for the period under review (corresponding period in 2014: RMB361,306,000), representing a decrease of approximately 73%. The decrease in profit attributable to equity holders of the Company for the period under review was primarily attributable to the fact that no fair value gain upon transfer to investment properties was recognised for the period under review while a fair value gain of approximately RMB513,507,000 was recorded upon transfer of completed properties to investment properties in the corresponding period 2014.

Land reserve

As of 30 June 2015, the Group had a total of 20 projects located in Jiangsu province, Shanghai, Anhui Province and Zhejiang Province. The total project GFA attributable to the Group in Jiangsu province, Shanghai, Anhui Province and Zhejiang Province was about 113,126 sq. m., 307 sq. m., 67,061 sq. m. and 3,301,147 sq. m., respectively, which was about 3,481,641 sq. m. in aggregate.

The following table sets forth a summary of the Group's property interests as of 30 June 2015:

Project	Location	Property type	Site area sq. m.	Total project GFA/ Total planned project GFA sq. m.	Total GFA attributable to the Group sq. m.
Completed Projects					
Guomao Building	Hangzhou, Zhejiang Province	Integrated Commercial Complex	1,455	12,225	9,902
Integrated Service Center	Hangzhou, Zhejiang Province	Integrated Commercial Complex	2,979	11,164	10,048
Highlong Plaza	Hangzhou, Zhejiang Province	Integrated Commercial Complex	30,933	171,071	153,964
Landscape Garden (Phase I)	Hangzhou, Zhejiang Province	Residential with ancillary commercial component	53,260	14,104	12,694
Landscape Garden (Phase II)	Hangzhou, Zhejiang Province	Residential with ancillary commercial component	34,073	13,008	11,707
White Horse Noble Mansion	Hangzhou, Zhejiang Province	Residential with ancillary commercial component	73,514	169,439	168,931
Xihu Guomao Center	Hangzhou, Zhejiang Province	Commercial	246	676	608
Hidden Dragon Bay	Hangzhou, Zhejiang Province	Integrated Commercial Complex	89,173	241,695	223,568
La Vie	Shanghai	Commercial	171	341	307
Projects Under Development					
International Office Center (Plot A3)	Hangzhou, Zhejiang Province	Integrated Commercial Complex	39,060	327,996	327,996
Zhong An Times Square (Phase I)	Yuyao, Zhejiang Province	Integrated Commercial Complex	65,159	305,473	274,926
Zhong An Times Square (Phase II)	Yuyao, Zhejiang Province	Integrated Commercial – Residential Complex	71,519	322,935	300,330
Hangzhou Qiandao Lake Run Zhou Resort Hotel	Hangzhou, Zhejiang Province	Hotel	112,593	37,028	37,028
Jia Run Square	Suzhou, Jiangsu Province	Integrated Commercial Complex	21,367	251,391	113,126
Projects held for future development					
International Office Center (Plot A1)	Hangzhou, Zhejiang Province	Integrated Commercial Complex	25,533	341,838	341,838
International Office Center (Plot A2)	Hangzhou, Zhejiang Province	Integrated Commercial Complex	28,017	128,590	128,590
Cixi Ningbo Land	Ningbo, Zhejiang Province	Integrated Commercial Complex	49,804	159,510	143,559
Commercial portion of the Chaoyang Community Site	Hangzhou, Zhejiang Province	Integrated Commercial Complex	10,541	53,033	47,730
Qiandao Lake Land	Hangzhou, Zhejiang Province	Hotel	9,663	9,663	9,663
VC Hotel	Huaibei, Anhui Province	Hotel	60,768	67,061	67,061
Projects contracted to be acquired					
International Office Center (Plots B and C)	Hangzhou, Zhejiang Province	Integrated Commercial Complex	207,390	1,098,065	1,098,065

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the period under review, there was no material acquisition or disposal of subsidiaries or associated companies of the Company.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2015, the Group employed 469 staff (corresponding period in 2014: 578 staff). For the six months ended 30 June 2015, the unaudited staff cost of the Group was approximately RMB26,071,000 (corresponding period of 2014: approximately RMB28,126,000), representing a decrease of approximately 7%. The decrease was due to the decrease in headcounts and average salary during the period under review.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness.

CAPITAL STRUCTURE

As at 30 June 2015, the Group had aggregate cash and cash equivalents and restricted cash of approximately RMB428,684,000 (as at 31 December 2014: approximately RMB863,667,000).

The current ratio as at 30 June 2015 was approximately 1.48 (as at 31 December 2014: approximately 0.96).

As at 30 June 2015, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB809,000,000 and RMB2,775,716,000 respectively (as at 31 December 2014: approximately RMB1,638,031,000 and RMB2,240,498,000 respectively).

The unaudited consolidated interest expenses for the six months ended 30 June 2015 amounted to approximately RMB10,235,000 (corresponding period in 2014: approximately RMB1,798,000). In addition, for the six months ended 30 June 2015, interests with an unaudited amount of approximately RMB155,189,000 (corresponding period in 2014: approximately RMB116,686,000) were capitalized.

As at 30 June 2015, the ratio of total liabilities to total assets of the Group was 0.54 (as at 31 December 2014: approximately 0.56).

As at 30 June 2015, the ratio of interest-bearing bank and other borrowings to total equity of the Group was approximately 0.79 (as at 31 December 2014: approximately 0.87). The ratio of interest-bearing bank and other borrowings to total assets was approximately 0.36 (as at 31 December 2014: approximately 0.39). The decrease was due to the repayment of bank loans during the period under review.

CAPITAL COMMITMENTS

As at 30 June 2015, the capital commitments of the Group were approximately RMB1,003,005,000 (as at 31 December 2014: approximately RMB1,303,904,000), which were mainly the capital commitments for construction costs. It is expected that the Group will finance such commitments from its own funds and/or bank loans.

GUARANTEES AND CONTINGENT LIABILITIES

As at 30 June 2015, the contingent liabilities of the Group were approximately RMB119,075,000 (as at 31 December 2014: approximately RMB169,633,000), which were mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to purchasers of the Group's properties.

PLEDGE OF ASSETS

As at 30 June 2015, the Group had pledged investment properties of approximately RMB1,785,275,000 (as at 31 December 2014: approximately RMB2,093,991,000), properties under development of approximately RMB1,365,500,000 (as at 31 December 2014: approximately RMB776,066,000), completed properties held for sale of approximately RMB319,172,000 (as at 31 December 2014: approximately RMB390,283,000), properties under the category of property and equipment of approximately RMB135,309,000 (as at 31 December 2014: approximately RMB153,682,000) to secure the banking facilities of the Group. As at 30 June 2015, there was no pledged deposits (as at 31 December 2014: approximately RMB95,750,000).

FOREIGN EXCHANGE RISK

The Group's businesses are located in the PRC and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain bank balances and bank loans denominated in US\$ and HK\$. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks for the period under review and the corresponding period in 2014.

INTEREST RATE RISKS

The Group has no significant interest-bearing assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates. The Group currently does not use any interest rate swaps to hedge its interest rate risks.

EVENTS AFTER THE PERIOD UNDER REVIEW

No significant event affecting the Group took place subsequent to 30 June 2015 and up to the date of this announcement.

PROSPECTS AND OUTLOOK

In the second half of 2015, the PRC government will place more emphasis on stabilizing the economy and maintaining its growth momentum. Accelerating urbanization will remain a key financial policy to stabilize the economy. Currently, the permanent population urbanization rate and the census register population urbanization rate are merely around 55% and 37% respectively in the PRC. The figures suggest ample room for improvement, as the *National New Urbanization Plan (2014-2020)* issued last year put forward the goal that the permanent population urbanization rate and the census register population urbanization rate shall reach around 60% and 45% respectively by 2020. Faced with the opportunities brought by urbanization, the Group will continue to collaborate with more local governments and participate in the urbanization construction of new towns, with the support of Zhejiang Provincial Government.

IOC Project will remain a key development project for the Group. Located at Qianjiang Century City, one of the three satellite cities in Xiaoshan District, the IOC Project is at the geographical center between Hangzhou Xiaoshan International Airport and Hangzhou Express Rail Station, enjoying direct subway access to the international airport and the express rail station, which is of similar functions to the Hongqiao hub of Shanghai. The Group plans to expand the IOC project as its flagship commercial complex and a landmark commercial complex of Hangzhou.

According to the regional layout of the 13th Five-year Plan issued by the PRC government, the Yangtze River Economic Belt and eastern China will become key bases for innovation, and “Innovation and Consumption” will become a new engine for local economic development. Faced with a phase of “New Normal” (“新常態”) for economic development, the Group will actively explore new approaches in response to changes, basing itself in eastern China and tapping into new technologies such as GPS, internet and cloud computing to continue to develop O2O commercial complexes. The Group will also leverage on new technological channels to reshape the traditional model of hotel operating as well as the models of property leasing and management and improve its service quality, so as to boost its hotel operating income and property leasing income. In the second half of 2015, the Group will accelerate its expansion into the homestay market by developing a diversified global internet-based industry encompassing homestay, urban apartment, eco-catering, local specialty and capital operation in stages and building its own offline homestay brand, with an aim to realizing online-offline synchronized operation. Besides, the Group will also establish an organizational framework and an operating system in line with the new strategic direction of homestay.

In respect of diversified industrial development, the Group will adhere to its “Light Asset” (“輕資產”) strategy by seeking more cooperation with domestic and overseas business partners and exploring investment opportunities in the emerging industries related to new urban development, such as healthcare and elderly care services, leisure tourism, modern agricultural technology services, environmental protection and energy conservation industry, and technological research and development services.

Looking forward, the Group is committed to becoming the most competitive commercial property developer in the Yangtze River Delta region, realizing diversification in terms of business and product mix, ensuring the sustainable development of the Group, hence maximizing values and generating satisfactory return for the shareholders of the Company.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (corresponding period in 2014: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 June 2015.

AUDIT COMMITTEE

The Company has set up an audit committee (“Audit Committee”) and adopted the terms of reference which complied with the CG Code. The chairman of the Audit Committee is Mr. Ng Sze Yuen, Terry. The other members are Mr. Xu Chengfa and Mr. Yim Chun Leung. The Audit Committee comprised all of the three independent non-executive Directors. The condensed consolidated financial information for the six months ended 30 June 2015 has not been audited but has been reviewed by the Audit Committee and the Company’s auditors, Ernst & Young. Furthermore, the Audit Committee has discussed with the management of the Group about the unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2015, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (corresponding period in 2014: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.chinanewcity.com.cn. The interim report of the Company containing the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and of the Company in due course.

By order of the Board of
China New City Commercial Development Limited
中國新城市商業發展有限公司
Shi Kancheng
Chairman

The PRC, 27 August 2015

As at the date of this announcement, the Board comprises Mr. Dong Shuixiao, Ms. Jin Ni, Mr. Li Chu and Ms. Tang Yiyang, as executive Directors; Mr. Shi Kancheng, as non-executive Director; Mr. Ng Sze Yuen, Terry, Mr. Xu Chengfa and Mr. Yim Chun Leung, as independent non-executive Directors.