TARGET
Intelligence Report

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CHINA NEW CITY COMMERCIAL DEVELOPMENT LTD: DON'T HOLD YOUR BREATH, AWAITING THE DECLARATION OF A DIVIDEND FROM THIS COMPANY

Ever since China New City Commercial Development Ltd (中國新城市商業發展有限公司) (Code 1321, Main Board, The Stock Exchange of Hongkong Ltd) entered the fray by having its shares, listed on the premier equity market of The Stock Exchange of Hongkong Ltd, this commercial property developer and leasing entity, as well as being the owners and operators of hotels, has not, exactly, elicited promising and encouraging results as far as most minority shareholders are concerned.

And, on scanning the 240-page Annual Report of the Company in respect of the Financial Year, ended December 31, 2020, one cannot help but come to the conclusion that the financials have the ability to deteriorate even further in the coming years.

The Company was listed on the Main Board of The Stock Exchange of Hongkong Ltd on July 10, 2014, having raised about $HK608 million from the sales of 468 million, 10-cent Offer Shares at the Offer Price Per Share of $HK1.30.

China New City Commercial Development Ltd is spin-off of Zhong An Group Ltd (眾安集團有限公司) (Code: 672, Main Board, The Stock Exchange of Hongkong Ltd).

Mr Shi Kan Cheng (施侃成), the Chairman of China New City Commercial Development Ltd, on March 25, 2021, presented a five-paragraph Statement to his shareholders, stating, inter alia:

> '*The Chinese government insisted on the regulatory objectives of "houses are built to be inhabited, not for speculation" and "stabilizing land prices, housing prices and expectations" for the real estate industry, and introduced the long-term regulatory mechanism of new management and control regulations featured by "Three Red Lines and Four Camps" (the "**New Management and Control Regulations**") in 2020. We believe that the New Management and Control Regulations will help guide the long-term, stable and healthy development of the real estate industry.*
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> '*In 2020, the Group's revenue recorded a substantial decline, but the capital structure was optimized. During the year, the Group's revenue was*

approximately RMB700,370,000, representing a year-on-year decrease of approximately 64.2%; gross profit was approximately RMB170,155,000, representing a year-on-year decrease of approximately 78.1%; profit attributable to owners of the Company was approximately RMB44,429,000, representing a year-on-year increase of approximately 69.1%. As of the end of 2020, the total equity of the Group reached approximately RMB6,077,418,000, representing a slight decrease of approximately 1.0% from the end of 2019; the carrying amount of cash reached approximately RMB1,108,888,000. As a result, all asset and liability indicators were improved, and capital structure was optimized.

'*The Group's management is looking out for a suitable business partners for co-operation. For the property development business, the Group will focus on the land bank replenishment and the development and sales of commercial properties, which enables the Group to generate quick and stable income and cash flows. In addition, the Group will also pay attention to potential featured property projects to enhance its long-term profitability. From an industry perspective, property development remains to be supported by market demand and the relevant credit risk tends to be lower. In this respect, the Group will not rule out the possibility of any merger and acquisitions in order for the Group to achieve structural optimization and become more market-orientated. In addition, the Group will look for possible investment opportunities in China or overseas to diversify the income source and risk exposure of the Group. The Board will closely monitor the impact caused by the COVID-19 pandemic outbreak and will fine tune the Group's strategies and directions and inform the shareholders and the public of any material development in due course …'.*

At Page 15 of the 2020 Annual Report, under the general heading, '***MANAGEMENT DISCUSSION AND ANALYSIS***', one was informed, under the following sub-headings:

'***Hotel Operation***

'*There are four hotels of the Group namely Holiday Inn Hangzhou Xiaoshan, Qiandao Lake Bright Resort Hotel, Ningbo Bright Hotel and Huaibei Bright Hotel. The hotel operation of the Group recorded a revenue of approximately RMB182,516,000 (2019: approximately RMB141,270,000), representing an increase of approximately 29.2%, during the Year and the hotel occupancy rate was approximately 43% (2019: approximately 51%).*

'***Leasing Business***

'*The leasing income of the Group mainly comes from Highlong Plaza, International Office Centre and Zhong An Times Square, including office and shopping malls. The total revenue from leasing business for the Year was approximately RMB144,845,000, representing a decrease of approximately RMB30,567,000 (2019: approximately RMB175,412,000). The average occupancy rate of leasing properties (calculated by dividing* *total lease area by total area available for lease) was approximately 94% (2019: approximately 93%).*

‘***REVENUE***

‘*The Group recorded the consolidated revenue of approximately RMB700,370,000 for the Year, representing a drop of approximately RMB1,255,483,000 or 64.2% when compared with the same period in 2019. The drop was mainly due to widespread disruptions in social and economic activities arising from city lockdowns and epidemic prevention measures of COVID-19 in China and the sales of investment properties were not recognized in the revenue of property sales in accordance with the International Accounting Standards.’*

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