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## **China New Town Development Company Limited**

### **中國新城鎮發展有限公司**

*(Incorporated as a company limited by shares under the laws of the British Virgin Islands)*

Hong Kong Stock Code: 1278

Singapore Stock Code: D4N.si

### **UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board of directors (the “**Board**”) of China New Town Development Company Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014 (the “**Reporting Period**”).

On 28 March 2014, the Group announced the completion of the subscription of new shares by China Development Bank International Holdings Limited (“**CDBIH**”). The disposal of certain assets not related to the Group’s core business of land development (the “**Disposal Assets**”, as defined in the Company’s announcement dated 10 October 2013) is expected to complete in stages by no later than 24 months from 28 March 2014. As at 30 June 2014, the Disposal Assets are classified as assets held for sale in financial statements and deemed discontinued operations of the Group. Please refer to the notes regarding discontinued operations for detailed financial information in relation to discontinued operations.

### **INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2014*

*(Amount expressed in thousands of Renminbi unless otherwise stated)*

|                                                                                                         |       | Six months ended 30 June |               |
|---------------------------------------------------------------------------------------------------------|-------|--------------------------|---------------|
|                                                                                                         | Notes | 2014                     | 2013          |
| <b>Continuing operations</b>                                                                            |       |                          |               |
| <b>Revenue</b>                                                                                          | 5     | 53,626                   | 608,267       |
| Cost of sales                                                                                           |       | (46,397)                 | (309,110)     |
| <b>Gross profit</b>                                                                                     |       | 7,229                    | 299,157       |
| Other income                                                                                            | 6     | 23,250                   | 9,664         |
| Selling and distribution costs                                                                          |       | (8,771)                  | (10,927)      |
| Administrative expenses                                                                                 |       | (30,871)                 | (33,370)      |
| Other expenses                                                                                          | 7     | (519)                    | (1,151)       |
| <b>Operating (loss)/profit</b>                                                                          |       | (9,682)                  | 263,373       |
| Finance costs                                                                                           | 8     | (52,952)                 | (54,520)      |
| <b>(Loss)/Profit before tax from continuing operations</b>                                              |       | (62,634)                 | 208,853       |
| Income tax                                                                                              | 9     | (85)                     | (70,719)      |
| <b>(Loss)/Profit after tax from continuing operations</b>                                               |       | (62,719)                 | 138,134       |
| <b>Discontinued operations</b>                                                                          |       |                          |               |
| Loss after tax from discontinued operations                                                             |       | (71,594)                 | (80,462)      |
| <b>(Loss)/Profit for the year</b>                                                                       |       | (134,313)                | 57,672        |
| Other comprehensive income                                                                              |       | -                        | -             |
| <b>Total comprehensive (loss)/income</b>                                                                |       | <b>(134,313)</b>         | <b>57,672</b> |
| <b>(Loss)/Profit attributable to :</b>                                                                  |       |                          |               |
| Owners of the parent                                                                                    |       | (104,197)                | 30,626        |
| Non-controlling interests                                                                               |       | (30,116)                 | 27,046        |
|                                                                                                         |       | <b>(134,313)</b>         | <b>57,672</b> |
| <b>Total comprehensive (loss)/income attributable to:</b>                                               |       |                          |               |
| Owners of the parent                                                                                    |       | (104,197)                | 30,626        |
| Non-controlling interests                                                                               |       | (30,116)                 | 27,046        |
|                                                                                                         |       | <b>(134,313)</b>         | <b>57,672</b> |
| <b>(Loss)/Earnings per share attributable to ordinary equity holders of the parent (RMB per share):</b> |       |                          |               |
| Basic (loss)/earnings per share                                                                         | 11    | (0.0143)                 | 0.0068        |
| Diluted (loss)/earnings per share                                                                       | 11    | (0.0143)                 | 0.0068        |

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

(Amounts expressed in thousands of Renminbi unless otherwise stated)

|                                             |              | <b>Group</b>            |                             | <b>Company</b>          |                             |
|---------------------------------------------|--------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
|                                             | <b>Notes</b> | <b>30 June<br/>2014</b> | <b>31 December<br/>2013</b> | <b>30 June<br/>2014</b> | <b>31 December<br/>2013</b> |
| <b>Non-current assets</b>                   |              |                         |                             |                         |                             |
| Investments in subsidiaries                 |              | -                       | -                           | <b>2,591,259</b>        | 2,591,259                   |
| Investments in an associate                 |              | -                       | 200                         | -                       | -                           |
| Investments in a joint venture              |              | -                       | 55,656                      | -                       | -                           |
| Property, plant and equipment               |              | <b>75,862</b>           | 1,631,967                   | <b>53</b>               | 62                          |
| Completed investment properties             |              | -                       | 740,000                     | -                       | -                           |
| Investment properties under construction    |              | -                       | 106,000                     | -                       | -                           |
| Prepaid land lease payments                 |              | <b>98,590</b>           | 244,586                     | -                       | -                           |
| Non-current trade receivables               | 13           | <b>42,976</b>           | 48,626                      | -                       | -                           |
| Deferred tax assets                         |              | <b>88,600</b>           | 132,625                     | -                       | -                           |
| Other assets                                |              | -                       | 47,727                      | -                       | 2,794                       |
| <b>Total non-current assets</b>             |              | <b>306,028</b>          | 3,007,387                   | <b>2,591,312</b>        | 2,594,115                   |
| <b>Current assets</b>                       |              |                         |                             |                         |                             |
| Land development for sale                   | 12           | <b>5,033,017</b>        | 5,130,517                   | -                       | -                           |
| Properties under development for sale       |              | -                       | 1,568,991                   | -                       | -                           |
| Prepaid land lease payments                 |              | -                       | 642,312                     | -                       | -                           |
| Inventories                                 |              | -                       | 5,878                       | -                       | -                           |
| Amounts due from subsidiaries               |              | -                       | -                           | <b>506,886</b>          | 506,805                     |
| Prepayments                                 |              | <b>4,821</b>            | 93,382                      | -                       | -                           |
| Other receivables                           |              | <b>1,957</b>            | 21,832                      | <b>3</b>                | 6                           |
| Trade receivables                           | 13           | <b>109,054</b>          | 743,272                     | <b>1</b>                | 1                           |
| Prepaid income tax                          |              | -                       | 17,480                      | -                       | -                           |
| Cash and bank balances                      |              | <b>1,327,375</b>        | 332,333                     | <b>946,392</b>          | 1,853                       |
| Assets classified as held for sale          |              | <b>5,155,660</b>        | -                           | -                       | -                           |
| <b>Total current assets</b>                 |              | <b>11,631,884</b>       | 8,555,997                   | <b>1,453,282</b>        | 508,665                     |
| <b>Total assets</b>                         |              | <b>11,937,912</b>       | 11,563,384                  | <b>4,044,594</b>        | 3,102,780                   |
| <b>Equity</b>                               |              |                         |                             |                         |                             |
| Equity attributable to owners of the parent |              |                         |                             |                         |                             |
| Share capital                               |              | <b>4,110,841</b>        | 2,980,809                   | <b>4,110,841</b>        | 2,980,809                   |

|                                                                         | <i>Notes</i> | <b>Group</b>       |                    | <b>Company</b>     |                    |
|-------------------------------------------------------------------------|--------------|--------------------|--------------------|--------------------|--------------------|
|                                                                         |              | <b>30 June</b>     | <b>31 December</b> | <b>30 June</b>     | <b>31 December</b> |
|                                                                         |              | <b>2014</b>        | <b>2013</b>        | <b>2014</b>        | <b>2013</b>        |
| Other reserves                                                          |              | <b>579,270</b>     | 579,270            | <b>1,912,683</b>   | 1,912,683          |
| Accumulated losses                                                      |              | <b>(1,207,088)</b> | (1,102,891)        | <b>(1,997,220)</b> | (2,002,889)        |
|                                                                         |              | <b>3,483,023</b>   | 2,457,188          | <b>4,026,304</b>   | 2,890,603          |
| Non-controlling interests                                               |              | <b>491,980</b>     | 522,096            | -                  | -                  |
| <b>Total equity</b>                                                     |              | <b>3,975,003</b>   | 2,979,284          | <b>4,026,304</b>   | 2,890,603          |
| <b>Non-current liabilities</b>                                          |              |                    |                    |                    |                    |
| Interest-bearing bank and other borrowings                              | 15           | <b>217,000</b>     | 1,797,870          | -                  | -                  |
| Deferred income from sale of golf club membership                       |              | -                  | 486,208            | -                  | -                  |
| Deferred tax liabilities                                                |              | <b>21,151</b>      | 32,195             | -                  | -                  |
| <b>Total non-current liabilities</b>                                    |              | <b>238,151</b>     | 2,316,273          | -                  | -                  |
| <b>Current liabilities</b>                                              |              |                    |                    |                    |                    |
| Interest-bearing bank and other borrowings                              | 15           | <b>684,000</b>     | 1,338,992          | -                  | 198,312            |
| Trade payables                                                          | 14           | <b>1,508,726</b>   | 2,557,878          | -                  | -                  |
| Other payables and accruals                                             |              | <b>610,420</b>     | 872,498            | <b>18,290</b>      | 13,865             |
| Amounts due to related parties                                          |              | <b>3,000</b>       | 3,500              | -                  | -                  |
| Advances from customers                                                 |              | <b>553,549</b>     | 336,482            | -                  | -                  |
| Deferred income arising from land development                           |              | <b>622,357</b>     | 620,221            | -                  | -                  |
| Current income tax liabilities                                          |              | <b>525,581</b>     | 538,256            | -                  | -                  |
| Liabilities directly associated with assets classified as held for sale |              | <b>3,217,125</b>   | -                  | -                  | -                  |
| <b>Total current liabilities</b>                                        |              | <b>7,724,758</b>   | 6,267,827          | <b>18,290</b>      | 212,177            |
| <b>Total liabilities</b>                                                |              | <b>7,962,909</b>   | 8,584,100          | <b>18,290</b>      | 212,177            |
| <b>Total equity and liabilities</b>                                     |              | <b>11,937,912</b>  | 11,563,384         | <b>4,044,594</b>   | 3,102,780          |
| <b>Net current assets</b>                                               |              | <b>3,907,126</b>   | 2,288,170          | <b>1,434,992</b>   | 296,488            |
| <b>Total assets less current liabilities</b>                            |              | <b>4,213,154</b>   | 5,295,557          | <b>4,026,304</b>   | 2,890,603          |

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

(Amounts expressed in thousands of Renminbi unless otherwise stated)

|                                                                                   |       | Six months ended 30 June |                 |
|-----------------------------------------------------------------------------------|-------|--------------------------|-----------------|
|                                                                                   | Notes | 2014                     | 2013            |
| <b>Cash flows from operating activities</b>                                       |       |                          |                 |
| (Loss)/Profit before tax from continuing operations                               |       | (62,634)                 | 208,853         |
| (Loss)/Profit before tax from discontinued operations                             |       | (71,072)                 | (105,632)       |
| <b>(Loss)/Profit before tax</b>                                                   |       | <b>(133,706)</b>         | <b>103,221</b>  |
| Adjustments for:                                                                  |       |                          |                 |
| Depreciation of property, plant and equipment                                     |       | 23,605                   | 30,621          |
| Amortization of prepaid land lease payments                                       |       | 2,615                    | 2,079           |
| Share of loss from an associate and a joint venture                               |       | 38                       | -               |
| Fair value (gain)/loss on completed investment properties                         |       | 326                      | -               |
| Interest income                                                                   |       | (7,302)                  | (4,441)         |
| Interest expenses                                                                 |       | 92,458                   | 107,711         |
| Foreign exchange loss/(gain)                                                      |       | 2,270                    | (3,457)         |
|                                                                                   |       | <b>(19,696)</b>          | <b>235,734</b>  |
| Decrease in land development for sale                                             | 12    | 43,216                   | 290,984         |
| Decrease in properties under development for sale                                 |       | 21,589                   | 46,794          |
| Decrease in prepaid land lease payment                                            |       | 48,461                   | 46,529          |
| (Increase)/decrease in inventories                                                |       | (551)                    | 370             |
| Decrease/(increase) in prepayments                                                |       | 28,492                   | (10,138)        |
| (Increase)/decrease in other receivables and current assets                       |       | (128,229)                | 1,052           |
| Decrease/(increase) in trade receivables                                          | 13    | 632,520                  | (339,794)       |
| Decrease in deferred income for sale of golf club membership and land development |       | (8,091)                  | (8,731)         |
| Increase in advances from customers                                               |       | 508,633                  | 36,765          |
| Decrease in trade and other payables                                              | 14    | (725,941)                | (330,113)       |
| Decrease in amounts due to related parties                                        |       | -                        | (869)           |
| Increase in prepaid income tax                                                    |       | (1,690)                  | (7,661)         |
| Increase in deferred income arising from land development                         |       | 2,136                    | 24,438          |
| <b>Net cash inflow/(outflow) from operating activities</b>                        |       | <b>400,849</b>           | <b>(14,640)</b> |
| <b>Cash flows from investing activities</b>                                       |       |                          |                 |
| Purchase/construction of property, plant and equipment                            |       | (8,461)                  | (163,580)       |
| Payment for investment properties                                                 |       | (4,587)                  | (7,862)         |
| Interest received                                                                 |       | 7,302                    | 4,441           |
| Refund of prepayments for property, plant and equipment                           |       | -                        | 222,542         |
| <b>Net cash (outflow)/inflow from investing activities</b>                        |       | <b>(5,746)</b>           | <b>55,541</b>   |
| <b>Cash flows from financing activities</b>                                       |       |                          |                 |
| Cash proceeds from placing of new shares                                          |       | 1,138,979                | -               |

|                                                                                           | <i>Notes</i> | <b>Six months ended 30 June</b> |             |
|-------------------------------------------------------------------------------------------|--------------|---------------------------------|-------------|
|                                                                                           |              | <b>2014</b>                     | <b>2013</b> |
| Proceeds from bank borrowings                                                             |              | <b>180,778</b>                  | 165,315     |
| Repayment of bank borrowings                                                              | 15           | <b>(1,077,641)</b>              | (213,000)   |
| Proceeds from / repayment of loan from related parties                                    |              | <b>500,000</b>                  | -           |
| Interest paid                                                                             |              | <b>(94,799)</b>                 | (90,117)    |
| Cash released as restricted deposits in relation to interest payments for bank borrowings |              | <b>195,300</b>                  | 20,000      |
| Cash placed as restricted deposits in relation to other borrowings                        |              | -                               | (19,471)    |
| <b>Net cash inflow from financing activities</b>                                          |              | <b>842,617</b>                  | (137,273)   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                               |              | <b>1,237,720</b>                | (96,372)    |
| <b>Cash and cash equivalents at beginning of period</b>                                   |              | <b>136,833</b>                  | 229,267     |
| <b>Cash and cash equivalents at end of period</b>                                         |              | <b>1,374,553</b>                | 132,895     |

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

(Amounts expressed in thousands of Renminbi unless otherwise stated)

## Group

### Six months ended 30 June 2014

| RMB'000                                   | Equity attributable to owners of the parent |                |                    |                  |                           |                  |
|-------------------------------------------|---------------------------------------------|----------------|--------------------|------------------|---------------------------|------------------|
|                                           | Share capital                               | Other reserves | Accumulated losses | Total            | Non-controlling interests | Total equity     |
| Balance as at 1 January 2014              | 2,980,809                                   | 579,270        | (1,102,891)        | 2,457,188        | 522,096                   | 2,979,284        |
| Total comprehensive income for the period | -                                           | -              | (104,197)          | (104,197)        | (30,116)                  | (134,313)        |
| Placing of 5,347,921,071 new shares       | 1,130,032                                   | -              | -                  | 1,130,032        | -                         | 1,130,032        |
| Balance as at 30 June 2014                | <u>4,110,841</u>                            | <u>579,270</u> | <u>(1,207,088)</u> | <u>3,483,023</u> | <u>491,980</u>            | <u>3,975,003</u> |

### Six months ended 30 June 2013

| RMB'000                                                                    | Equity attributable to owners of the parent |                |                    |                  |                           |                  |
|----------------------------------------------------------------------------|---------------------------------------------|----------------|--------------------|------------------|---------------------------|------------------|
|                                                                            | Share capital                               | Other reserves | Accumulated losses | Total            | Non-controlling interests | Total equity     |
| Balance as at 1 January 2013                                               | 2,980,809                                   | 579,270        | (889,899)          | 2,670,180        | 570,367                   | 3,240,547        |
| Total comprehensive income for the period                                  | -                                           | -              | 30,626             | 30,626           | 27,046                    | 57,672           |
| Change in non-controlling interests due to the dissolution of a subsidiary | -                                           | -              | -                  | -                | (2,000)                   | (2,000)          |
| Balance as at 30 June 2013                                                 | <u>2,980,809</u>                            | <u>579,270</u> | <u>(859,273)</u>   | <u>2,700,806</u> | <u>595,413</u>            | <u>3,296,219</u> |

## Company

### Six months ended 30 June 2014

| RMB'000                                   | Share capital    | Other reserves   | Accumulated losses | Total            |
|-------------------------------------------|------------------|------------------|--------------------|------------------|
| Balance as at 1 January 2014              | 2,980,809        | 1,912,683        | (2,002,889)        | 2,890,603        |
| Total comprehensive income for the period | -                | -                | 5,669              | 5,669            |
| Placing of 5,347,921,071 new shares       | 1,130,032        | -                | -                  | 1,130,032        |
| Balance as at 30 June 2014                | <b>4,110,841</b> | <b>1,912,683</b> | <b>(1,997,220)</b> | <b>4,026,304</b> |

### Six months ended 30 June 2013

| RMB'000                                   | Share capital    | Other reserves   | Accumulated losses | Total            |
|-------------------------------------------|------------------|------------------|--------------------|------------------|
| Balance as at 1 January 2013              | 2,980,809        | 1,912,683        | (1,972,078)        | 2,921,414        |
| Total comprehensive income for the period | -                | -                | (9,899)            | (9,899)          |
| Balance as at 30 June 2013                | <b>2,980,809</b> | <b>1,912,683</b> | <b>(1,981,977)</b> | <b>2,911,515</b> |

## Notes to Financial Statements

*(All amounts expressed in thousands of Renminbi unless otherwise stated)*

### 1. GENERAL INFORMATION

#### Corporate information

The Company was incorporated on 4 January 2006 in the British Virgin Islands ( “**BVI**”) by one shareholder. After a series of reorganisations, on 14 November 2007, the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). On 22 October 2010, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**HKEx**”) by way of introduction. Since then, the Company has been dual listed on the Main Boards of both the SGX-ST and the HKEx.

The Group is a new town developer in Mainland China and is principally engaged in planning and developing large-scale new towns in China’s largest cities of which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Land use rights to the residential parcels in the new towns developed by the Group are then sold by the relevant land authorities to real estate property developers, the proceeds from which are apportioned to the Group on specified basis.

On 10 October 2013, the Company, CDBIH and SRE Investment Holding Limited (“**SREI**”, the controlling shareholder by the time) entered into the subscription agreement (“**Subscription Agreement**”) pursuant to the terms and conditions of which CDBIH agreed to subscribe for 5,347,921,071 newly issued shares of the Company (the “**Subscription**”). The Subscription was completed in the first quarter of 2014. CDBIH, a wholly-owned subsidiary of China Development Bank Capital Corporation Limited (“**CDB Capital**”), became the largest shareholder of the Company.

In the opinion of the directors of the Company (the “**Directors**”), as at 30 June 2014, the ultimate controlling company of the Company is China Development Bank Corporation. On 30 June 2014, it is interested in 54.32% of the issued capital of the Company.

## **2. BASIS OF PREPARATION**

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) as issued by the International Accounting Standards Board (the “**IASB**”).

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and investment properties under construction that have been measured at fair value. The financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (‘000) unless otherwise indicated.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2014. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same Reporting Period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

### Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than twelve months. The Group's current assets include assets (such as land development for sale) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the end of the Reporting Period, in accordance with IFRSs.

## **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of new and revised standards and interpretations as of 1 January 2014, as described below:

### Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. Currently, the Group expects that these amendments will not have significant impact on the Group's financial statements.

### Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. Currently, it is expected that the amendments would have no significant impact on the Group’s financial statements.

#### IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. Currently, the Group does not expect that IFRIC 21 will have significant impact on the Group’s financial statements.

#### Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

The amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. Currently, it is expected that the amendments would have no significant impact on the Group’s financial statements.

#### Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. Currently, it is expected that the amendments would have no significant impact on the Group’s financial statements.

### **4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on its products and services and has the following operating segments. The Group’s operational assets and operations are located in Mainland China.

- Land and property development segment, which provides land infrastructure development and construction of ancillary public facilities; and
- Others segment, which includes investment and provision of other services.

Management monitors the operating results of the Group’s business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit and loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to the operating segments.

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

An analysis by operating segment is as follows:

| For the six months ended 30 June 2014 |                  |          |                              |                 |
|---------------------------------------|------------------|----------|------------------------------|-----------------|
|                                       | Land Development | Others   | Adjustments and eliminations | Total           |
| <b>Segment results</b>                |                  |          |                              |                 |
| External sales                        | 53,626           | -        | -                            | 53,626          |
| Intersegment sales                    | -                | -        | <sup>1</sup>                 | -               |
| <b>Total segment sales</b>            | <b>53,626</b>    | <b>-</b> | <b>-</b>                     | <b>53,626</b>   |
| Segment loss                          | (9,682)          | -        |                              | (9,682)         |
| Finance cost                          |                  |          | (52,952) <sup>2</sup>        | (52,952)        |
| <b>Loss before income tax</b>         |                  |          |                              | <b>(62,634)</b> |

<sup>1</sup> Intersegment sales are eliminated on consolidation.

<sup>2</sup> Profit/(Loss) for each operating segment does not include finance costs (RMB 52,952 thousand).

| For the six months ended 30 June 2013 |                  |          |                              |                |
|---------------------------------------|------------------|----------|------------------------------|----------------|
|                                       | Land Development | Others   | Adjustments and eliminations | Total          |
| <b>Segment results</b>                |                  |          |                              |                |
| External sales                        | 608,267          | -        | -                            | 608,267        |
| Intersegment sales                    | -                | -        | <sup>1</sup>                 | -              |
| <b>Total segment sales</b>            | <b>608,267</b>   | <b>-</b> | <b>-</b>                     | <b>608,267</b> |
| Segment profit                        | 263,373          | -        |                              | 263,373        |
| Finance cost                          |                  |          | (54,520) <sup>2</sup>        | (54,520)       |
| <b>Profit before income tax</b>       |                  |          |                              | <b>208,853</b> |

<sup>1</sup> Intersegment sales are eliminated on consolidation.

<sup>2</sup> Profit/(Loss) for each operating segment does not include finance costs (RMB 54,520 thousand).

## 5. REVENUE

|                                   | Six months ended<br>30 June 2014 | Six months ended<br>30 June 2013 |
|-----------------------------------|----------------------------------|----------------------------------|
| Land development                  | 56,807                           | 643,336                          |
| Less: Business tax and surcharges | (3,181)                          | (35,069)                         |
|                                   | <b>53,626</b>                    | <b>608,267</b>                   |

## 6. OTHER INCOME

|                       | Six months ended<br>30 June 2014 | Six months ended<br>30 June 2013 |
|-----------------------|----------------------------------|----------------------------------|
| Foreign exchange gain | 12,770                           | 3,292                            |

|                                                  | Six months<br>ended<br>30 June 2014 | Six months<br>ended<br>30 June 2013 |
|--------------------------------------------------|-------------------------------------|-------------------------------------|
| Interest income                                  | 7,173                               | 4,339                               |
| Reversal of bad debt provision-other receivables | 3,300                               | 2,000                               |
| Others                                           | 7                                   | 33                                  |
|                                                  | <b>23,250</b>                       | <b>9,664</b>                        |

## 7. OTHER EXPENSES

|                                                  | Six months<br>ended<br>30 June 2014 | Six months<br>ended<br>30 June 2013 |
|--------------------------------------------------|-------------------------------------|-------------------------------------|
| Exchange loss                                    | -                                   | 4                                   |
| Bank charges                                     | 437                                 | 1,051                               |
| Impairment loss of property, plant and equipment | 10                                  | -                                   |
| Others                                           | 72                                  | 96                                  |
|                                                  | <b>519</b>                          | <b>1,151</b>                        |

## 8. FINANCE COSTS

|                                 | Six months<br>ended<br>30 June 2014 | Six months<br>ended<br>30 June 2013 |
|---------------------------------|-------------------------------------|-------------------------------------|
| Interest on bank and borrowings | 52,952                              | 54,520                              |
| Less: Interest capitalised      | -                                   | -                                   |
|                                 | <b>52,952</b>                       | <b>54,520</b>                       |

The borrowing costs during the first half of 2014 and the first half of 2013 have not been capitalised.

## 9. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The Company is a tax-exempted company incorporated in the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Reporting Period.

The principal operating subsidiaries of the Company were subject to income tax at the rate of 25% (2013: 25%) on their taxable income according to the Income Tax Law of the People's Republic of China (the "PRC").

### Mainland China land appreciation tax (“LAT”)

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures (including land costs, borrowing costs, business taxes and all property development expenditures).

### Mainland China Withholding Tax

Pursuant to the PRC Corporate Income Tax, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed and remitted out of PRC by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

The major components of income tax are:

|                                                 | <b>Six months<br/>ended<br/>30 June 2014</b> | Six months<br>ended<br>30 June 2013 |
|-------------------------------------------------|----------------------------------------------|-------------------------------------|
| Income tax charge:                              |                                              |                                     |
| Current income tax                              | <b>84</b>                                    | 57,620                              |
| Deferred tax                                    | <b>1</b>                                     | 8,676                               |
| Withholding tax                                 | -                                            | 4,423                               |
| Income tax charge as reported in profit or loss | <b>85</b>                                    | 70,719                              |

## **10. DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2014 (2013: Nil).

## **11. EARNINGS PER SHARE**

The calculation of the basic (loss)/earnings per share amount is based on the profit or loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2014.

The following reflects the profit and share data used in the basic and diluted (loss)/earnings per share calculations:

|                                                                     | <b>Six months<br/>ended<br/>30 June 2014</b> | Six months<br>ended<br>30 June 2013 |
|---------------------------------------------------------------------|----------------------------------------------|-------------------------------------|
| (Loss)/Profit attributable to ordinary equity holders of the parent | <b>(104,197)</b>                             | 30,626                              |
| Weighted average number of ordinary shares used to                  | <b>7,275,572,050</b>                         | 4,498,198,676                       |

|                                                    | <b>Six months<br/>ended<br/>30 June 2014</b> | Six months<br>ended<br>30 June 2013 |
|----------------------------------------------------|----------------------------------------------|-------------------------------------|
| calculate the basic and diluted earnings per share |                                              |                                     |
| Basic (loss)/earnings per share (RMB)              | <b>(0.0143)</b>                              | 0.0068                              |
| Diluted (loss)/earnings per share (RMB)            | <b>(0.0143)</b>                              | 0.0068                              |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## 12. LAND DEVELOPMENT FOR SALE

| <b>Group</b>   | <b>30 June 2014</b> | 31 December 2013 |
|----------------|---------------------|------------------|
| At cost:       |                     |                  |
| Mainland China | <b>5,033,017</b>    | 5,130,517        |

## 13. TRADE RECEIVABLES

| <b>Group</b>                                      | <b>30 June 2014</b> | 31 December 2013 |
|---------------------------------------------------|---------------------|------------------|
| Receivables from land development for sale        | <b>152,029</b>      | 784,514          |
| Receivables from the sale of properties           | -                   | 1,530            |
| Receivables from the sale of golf club membership | -                   | 2,178            |
| Others                                            | <b>1</b>            | 3,676            |
|                                                   | <b>152,030</b>      | 791,898          |

An aged analysis of the Group's trade receivables is as follows:

|                    | <b>30 June 2014</b> | 31 December 2013 |
|--------------------|---------------------|------------------|
| Within 6 months    | <b>59,070</b>       | 1,959            |
| 6 months to 1 year | -                   | 670,584          |
| 1 year to 2 years  | <b>42,868</b>       | 24,969           |
| 2 years to 3 years | <b>17,874</b>       | 6,233            |
| Over 3 years       | <b>32,218</b>       | 88,153           |
|                    | <b>152,030</b>      | 791,898          |

The above balances are unsecured and interest-free. The fair values of the trade receivables as at the end of each reporting period approximate to their carrying amounts. No trade receivables were written off as of 30 June 2014 (31 December 2013: Nil).

## 14. ACCOUNT PAYABLES

| <b>Group</b> | <b>30 June 2014</b> | 31 December 2013 |
|--------------|---------------------|------------------|
|--------------|---------------------|------------------|

|                |                  |           |
|----------------|------------------|-----------|
| Trade payables | <b>1,508,726</b> | 2,557,878 |
|                | <b>1,508,726</b> | 2,557,878 |

Trade payables are not interest-bearing and are normally settled within one year.

An aged analysis of the Group's trade payables as at the reporting dates is as follows:

|                 | <b>30 June 2014</b> | 31 December 2013 |
|-----------------|---------------------|------------------|
| Within one year | <b>18,357</b>       | 601,623          |
| 1 to 2 years    | <b>235,886</b>      | 435,602          |
| Over 2 years    | <b>1,254,483</b>    | 1,520,653        |
|                 | <b>1,508,726</b>    | 2,557,878        |

## 15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

The interest-bearing bank loans and other borrowings which were all denominated in RMB are as follows:

|                                             | <b>Group</b>        |                  | <b>Company</b>      |                  |
|---------------------------------------------|---------------------|------------------|---------------------|------------------|
|                                             | <b>30 June 2014</b> | 31 December 2013 | <b>30 June 2014</b> | 31 December 2013 |
| Bank loans and other borrowings – unsecured | <b>655,000</b>      | 738,000          | -                   | -                |
| Bank loans and other borrowings – secured   | <b>246,000</b>      | 2,398,862        | -                   | 198,312          |
|                                             | <b>901,000</b>      | 3,136,862        | -                   | 198,312          |

The bank loans and other borrowings are repayable as follows:

|                       | <b>Group</b>        |                  | <b>Company</b>      |                  |
|-----------------------|---------------------|------------------|---------------------|------------------|
|                       | <b>30 June 2014</b> | 31 December 2013 | <b>30 June 2014</b> | 31 December 2013 |
| Within 6 months       | <b>684,000</b>      | 510,452          | -                   | 198,312          |
| 6 months to 9 months  | -                   | 32,270           | -                   | -                |
| 9 months to 12 months | -                   | 796,270          | -                   | -                |
| 1 year to 2 years     | <b>217,000</b>      | 1,003,580        | -                   | -                |
| 2 years to 5 years    | -                   | 507,360          | -                   | -                |
| Over 5 years          | -                   | 286,930          | -                   | -                |
|                       | <b>901,000</b>      | 3,136,862        | -                   | 198,312          |

The Group's bank loans and other borrowings bore interest at floating rates ranging from 5.895% to 10.00% and 5.90% to 12.65% per annum for the six months ended 30 June 2014 and the year ended 31 December 2013 respectively.

## Long-term and short-term bank loans and other borrowings

As at 30 June 2014, bank borrowings of RMB246 million (2013: RMB1,949 million) were secured using the Group's certain properties: property, plant and equipment, completed investment properties, properties under development for sale, prepaid land lease payments as well as bank deposits, the net carrying amounts of which as at 30 June 2014 were RMB314 million (2013: RMB429 million), nil (2013: RMB606 million), nil (2013: RMB1,249 million), RMB194 million (2013: RMB450 million), and nil (2013: RMB195 million), respectively. As these properties are classified as Assets Held for Sale, the collateral amounts cannot be readily referenced to in the Statement of Financial Position as of 30 June 2014.

## Bank loans and other borrowings – unsecured

As at 30 June 2014, other unsecured borrowings include RMB 50 million short-term loan from Black Eagle (Shanghai) Investment Management Limited (黑鷹(上海)投資管理有限公司), RMB 500 million half-year facility from CDB Siyuan (Beijing) Investment Fund Limited (國開思遠(北京)投資基金有限公司), which is a fund managed by a subsidiary of CDB Capital, as well as a RMB 150 million loan from Shanghai Luodian Old Town Real Estate Limited (上海羅店古鎮置業有限公司).

## 16. CAPITAL COMMITMENTS AND COMMITMENTS IN RESPECT OF LAND OR PROPERTY DEVELOPMENT FOR SALE AND INVESTMENT

As at the end of each reporting period, the Group had capital commitments and commitments in respect of land development or properties under development for sale as follows:

| Group                                                | 30 June 2014 | 31 December 2013 |
|------------------------------------------------------|--------------|------------------|
| Commitments in respect of land development for sale: |              |                  |
| Contracted but not provided for                      | 827,688      | 828,753          |
| Authorised but not contracted for                    | 4,555,151    | 4,558,827        |
| Total                                                | 5,382,839    | 5,387,580        |

The Group had significant commitments as it had entered into three township development projects in Shanghai, Wuxi and Shenyang and such commitments are quantified based on contracts, feasibility studies and detailed plans for the respective projects. As a result, the Group prepares cash flow budgets for major project companies annually and updates the cash flow budgets regularly.

## 17. FINANCIAL REVIEW/HIGHLIGHTS

Fair review of development of business of the Company and its subsidiaries during the Reporting Period and of their financial position at the end of the Reporting Period:

### Operating results

Our results of operations are primarily driven by the frequency and achieved selling prices of public auction of land use rights. In the first half of 2014, the revenue of the Group have substantially decreased by 91% compared with the same period of 2013, which was mainly due to a substantial reduction in both land sale amount and size during the Reporting Period from the same period in 2013. On 5 June 2014, we successfully auctioned the land parcel C6-2 in the Shanghai Luodian project.

This land parcel was auctioned at RMB 124.5 million to an independent third party property developer in China. Relevant net proceeds of RMB 53.53 million and cost of sales RMB 46.40 million were recorded in first half of 2014. The details of the contracted price of land sale are summarized as follows:

| Project              | Site area<br>(sqm.) | Plot<br>ratio | Month | Gross floor<br>area | Contract price<br>(RMB'm) | Average price by gross<br>floor area (RMB per sqm.) |
|----------------------|---------------------|---------------|-------|---------------------|---------------------------|-----------------------------------------------------|
| Luodian,<br>Shanghai | 14,045.5            | 2             | June  | 28,091              | 124.5                     | 8,860                                               |

In terms of cost, the unit land development cost of the Shanghai Luodian project during the first half of 2014 (on the basis of budgeted service cost divided by relevant area) was RMB 3,216 per sqm., unchanged from 2013.

## **Operating expenses**

### Selling and distribution costs

In the first half of 2014, RMB 8.77 million of selling and distribution costs incurred was RMB 2.16 million lower than the amount incurred in the corresponding period of 2013. This decline was mainly due to the expense of hosting the China Urbanization International Forum (中國城鎮化高層國際論壇) in 2014 which was RMB 8 million, representing a reduction of RMB 2 million from the one held in 2013.

### Administrative expenses

In the first half of 2014, administrative expenses incurred was RMB 30.87 million, representing RMB 2.5 million reduction from the corresponding period of 2013. This was due to a reduction of property management expenses at Shanghai Luodian project by RMB 1.9 million which was caused by the transfer of properties.

### Other income

In the first half of 2014, other income was RMB 23.25 million, an increase of RMB 13.59 million from the corresponding period of 2013 or a year-on-year increase of 141%. Such increase was mainly attributable to: i) proceeds from the Subscription by CDBIH and the fluctuations in foreign exchange contributed foreign exchange gain of RMB 9.44 million and corresponding interest income of RMB 2.83 million; and ii) the reversal of a bad debt provision of RMB 3.3 million in relation to other receivables, representing an increase of RMB 1.3 million from the reversal of bad debt provision in the first half of 2013.

### Other expenses

In the first half of 2014, other expenses incurred was RMB 0.52 million, a reduction by RMB 0.63 million from the corresponding period of last year. The reduction was mainly caused by bank charges: i) we have repaid a offshore loan under domestic guarantee, saving a related bank management charge of RMB 0.98 million; and ii) bank charges increase of RMB 0.33 million caused by an increase in capital flow.

### Finance costs

In the first half of 2014, the Group recorded net finance costs of RMB 52.95 million, which were mainly interest expenses of RMB 52.95 million not capitalized. The net finance costs was RMB 1.57 million lower than the RMB 52.52 million incurred in the first half of 2013. This was mainly due to two reasons: firstly we incurred additional charges of RMB 3.58 million by prepaying a trust loan; secondly we saved around RMB 5.15 million of finance costs by prepaying an offshore loan under domestic guarantee.

## **Balance sheet**

### ***Investments in subsidiaries and a joint venture***

The balance at 30 June 2014 was RMB 55.86 million lower than the balance at 2013 year end, which was mainly due to reclassifications to “assets classified as held for sale”. For further details, please refer to the note on discontinued operations below.

### ***Property, plant and equipment***

The balance at 30 June 2014 was RMB 1.56 billion lower than the balance at 2013 year end, mainly due to reclassifications to “assets classified as held for sale”. The balance in relation to Disposal Assets includes fixed assets such as the Lake Malaren Hospital, Lake Malaren Golf Courses, Lake Malaren Hotel, Shenyang Sports Park and Lake Malaren Convention Centre, the costs of which were RMB 490 million, RMB 470 million, RMB 240 million, RMB 130 million and RMB 110 million respectively. For further details, please refer to the note on discontinued operations below.

### ***Trade receivables (non-current and current assets)***

The balance at 30 June 2014 was RMB 640 million lower than the balance at 2013 year end, which was mainly due to i) reclassifications to “assets classified as held for sale”, the impact of which was RMB 7.35 million. For further details, please refer to the note on discontinued operations below; ii) RMB 690 million received in the first half of 2014 from land sale receivables; and iii) RMB 56.81 million arose from the land sale in the second quarter of 2014.

### ***Land development for sale***

The balance at 30 June 2014 was RMB 97.5 million lower than the balance at 2013 year end, mainly due to i) reclassifications to “assets classified as held for sale”, the impact of which was RMB 54.28 million. For further details, please refer to the note on discontinued operations below; and ii) RMB 46.40 million was recorded as cost of sales when the land parcel was sold during the second quarter of 2014.

### ***Properties under development for sale***

The balance at 30 June 2014 was RMB 1.57 billion lower than the balance at 2013 year end, which was mainly due to reclassifications to “assets classified as held for sale” in the amount of RMB 1.57 billion. In addition, there was also a movement of around RMB 20 million in such reclassified assets. For further details, please refer to the note on discontinued operations below.

### ***Prepaid land lease payments (non-current and current assets)***

The balance at 30 June 2014 was RMB 790 million lower than the balance at 2013 year end, which was mainly due to reclassifications to “assets classified as held for sale” in the amount of RMB 790 million. In addition, there was also a movement of around RMB 50 million in such reclassified assets. For further details, please refer to the note on discontinued operations below.

### ***Prepayments (current assets)***

The balance at 30 June 2014 was RMB 88.56 million lower than the balance at 2013 year end, which was mainly due to reclassifications to “assets classified as held for sale” in the amount of

RMB 88.56 million. In addition, there was also a movement of around RMB 28 million in such reclassified assets. For further details, please refer to the note on discontinued operations below.

#### ***Other receivables***

The balance at 30 June 2014 was RMB 19.87 million lower than the balance at 2013 year end, which was mainly due to reclassifications to “assets classified as held for sale” in the amount of RMB 19.87 million. In addition, there was also a movement of around RMB 130 million in such reclassified assets. For further details, please refer to the note on discontinued operations below.

#### ***Trade payables***

The balance at 30 June 2014 was RMB 1.049 billion lower than the balance at 2013 year end, which was mainly because the trade payables recorded in 2013 year end in the amount of RMB 654 million has been settled during the first half of 2014 and RMB 395 million trade payables has been reclassified to “liabilities directly related to assets classified as held for sale”. In addition, there was also a movement of around RMB 86 million in such reclassified assets.

#### ***Other payables and accruals***

The balance at 30 June 2014 was RMB 262 million lower than the balance at 2013 year end, which was mainly due to reclassifications to “liabilities directly related to assets classified as held for sale” in the amount of RMB 256 million. In addition, there was also a movement of around RMB 9 million in such reclassified assets. Furthermore, there was an increase of RMB 3.18 million attributable to accrued business tax associated with land sale.

#### ***Advances from customers***

The balance at 30 June 2014 was RMB 217 million higher than the balance at 2013 year end, mainly because of i) consideration payment amounting to RMB 553 million was received from SREI pursuant to the Disposal Master Agreement between the Company and SREI on 10 October 2013 (the “Disposal Master Agreement”). However, affected by the progress of approval by the authorities, the corresponding disposal was not completed by the end of the Reporting Period, therefore the consideration payment has been recorded as an advance; and ii) reclassifications to “liabilities directly related to assets classified as held for sale” in the amount of RMB 336 million. For further details, please refer to the note on discontinued operations below.

#### ***Deferred income arising from land development***

The balance at 30 June 2014 was RMB 214 million higher than the balance at 2013 year end. This was because of the uncompleted portion of the land parcel sold in the second quarter of this year, based on a 96.17% completion ratio, has been recorded as deferred income in the Reporting Period.

#### ***Discontinued operations***

On 10 October 2013, the company, CDBIH and SREI entered into the Subscription Agreement, pursuant to the terms and conditions of which CDBIH agreed to subscribe for 5,347,921,071 shares of the Company. The Subscription has been completed in the first quarter of 2014 and the relevant shares have been issued.

As part of the Subscription, the Company and SREI entered into the Disposal Master Agreement pursuant to the terms and conditions of which the Company agreed to dispose the Disposal Assets and SREI agreed to purchase the Disposal Assets at total consideration of RMB 2,069,832,594, the relevant consideration of which shall be paid in several cash instalments (the “Disposal”).

According to the Disposal Master Agreement, the Company's entitled cash consideration in relation to disposing such assets has been fixed and shall not be affected by the subsequent profit or loss associated with such assets.

As at 30 June 2014, the Disposal Assets are classified as assets held for sale in financial statements and deemed discontinued operations of the Group.

The financial results of discontinued operations in the following periods are as set out below:

| RMB'000                                               | Six months ended 30 June |           |
|-------------------------------------------------------|--------------------------|-----------|
|                                                       | 2014                     | 2013      |
| <b>Group</b>                                          |                          |           |
| <b>Revenue</b>                                        | <b>191,640</b>           | 290,258   |
| Cost of sales                                         | (139,468)                | (268,723) |
| <b>Gross profit</b>                                   | <b>52,172</b>            | 21,535    |
| Other income                                          | 356                      | 6,559     |
| Selling and distribution costs                        | (24,725)                 | (28,384)  |
| Administrative expenses                               | (58,119)                 | (37,974)  |
| Other expenses                                        | (886)                    | (8,227)   |
| Fair value loss on completed investment properties    | (326)                    | -         |
| <b>Operating loss from discontinued operations</b>    | <b>(31,528)</b>          | (46,491)  |
| Finance costs                                         | (39,506)                 | (59,141)  |
| Share of loss from jointly-controlled entities        | (38)                     | -         |
| <b>Loss before tax from discontinued operations</b>   | <b>(71,072)</b>          | (105,632) |
| Income tax                                            | (522)                    | 25,170    |
| <b>Loss for the year from discontinued operations</b> | <b>(71,594)</b>          | (80,462)  |

The major classes of assets and liabilities classified as held for sale as at 30 June 2014 are as follows:

| RMB'000                                  | 30 June 2014 |
|------------------------------------------|--------------|
| <b>Assets</b>                            |              |
| Investments in an associate              | 200          |
| Investments in a joint venture           | 55,618       |
| Property, plant and equipment            | 1,531,885    |
| Completed investment properties          | 740,000      |
| Investment properties under construction | 106,000      |
| Prepaid land leases – long-term          | 143,381      |
| Deferred tax assets                      | 44,023       |
| Other assets                             | 43,788       |
| Land development for sale                | 54,284       |
| Properties under construction for sale   | 1,550,193    |
| Prepaid land leases – short-term         | 593,851      |
| Inventories                              | 6,429        |
| Prepayments                              | 60,069       |
| Other receivables                        | 152,043      |
| Trade receivables                        | 7,348        |
| Prepaid income taxes                     | 19,170       |
| Cash and bank balances                   | 47,378       |
| Assets classified as held for sale       | 5,155,660    |

## Liabilities

|                                                                         |                  |
|-------------------------------------------------------------------------|------------------|
| Non-current interest-bearing bank and other borrowings                  | 889,280          |
| Deferred income from sale of golf club memberships                      | 478,117          |
| Deferred tax liabilities                                                | 11,044           |
| Interest-bearing bank and other borrowings                              | 952,439          |
| Trade payables                                                          | 308,928          |
| Other payables and accruals                                             | 272,558          |
| Advances from customers                                                 | 291,566          |
| Current income liabilities                                              | 12,693           |
| Amount due to related parties                                           | 500              |
| Liabilities directly associated with assets classified as held for sale | <u>3,217,125</u> |
| Net assets directly associated with Disposal Assets                     | <u>1,938,535</u> |

The net cash flows related to Disposal Assets are as follows:

|                  | <b>Six months ended 30 June</b> |                     |
|------------------|---------------------------------|---------------------|
|                  | <b>2014</b>                     | <b>2013</b>         |
| Operating        | <b>(100,996)</b>                | 65,097              |
| Investing        | <b>(6,573)</b>                  | 57,215              |
| Financing        | <b>70,392</b>                   | (122,840)           |
| Net cash outflow | <b><u>(37,177)</u></b>          | <b><u>(528)</u></b> |

Overall, cash and cash equivalents (excluded restricted cash) in the Reporting Period increased by RMB 1,238 million as compared with 2013 year end, with balance of RMB 1,375 million at 30 June 2014. This is due to net operating cash inflow of RMB401 million and net financing cash inflow of RMB 843 million, partially offset by net financing cash outflow of RMB 50 million in the first half of 2014.

Gearing ratio (defined as net debt / sum of shareholder equity and net debt) at 30 June 2014 has substantially decreased in comparison with 31 December 2013, which was mainly due to the fact that cash balance at the end of the Reporting Period includes cash proceeds from placing of newly issued shares of RMB 1,139 million.

## Business prospects and outlook

In the first half of 2014, due to continued curbing policies in China characterized by purchase and credit restrictions, the mainland property market has been under the pressure of correction. In the first six months of the year, nominal investment in property development grew by 14.1% year-on-year (or equivalently real growth of 13.1%), representing a slow down by 0.6 percentage points from the first five months, in consistence with the slowing trend this year. In the first six months of the year, contracted sales of commodity housing in terms of area and value sold were respectively decreased by 6.0% and 6.7% year-on-year. Meanwhile, property developers face tightening capital chain, with paid-in capital for property developers growing merely by 3.0% year-on-year in the first six months, which is 29 percentage points lower than the growth rate of 32.1% in the comparable period last year. The capital tightening in property developers has affected the land market too. In the first six months, area of land acquired by property developers fell by 5.8% year-on-year. As at the end of June 2014, commodity housing inventory across China amounted to 544.28 million sqm., representing an increase of 10.26 million sqm. from the end of May 2014.

Facing sustained corrections in the property market, the Government has adopted certain adjustments in its curbing policies. With the exception of the first tier cities where strict purchase

restrictions were upheld, policy relaxation over purchase restrictions and curbing measures was seen in second and third tier cities with substantial inventory pressures.

On 28 March 2014, the Subscription by CDBIH, wholly-owned subsidiary of CDB Capital, has completed. CDB Capital became the controlling shareholder of the Company, and the new Board was formed. After completion, the Company has been improving its organizational structure and strengthening the management team. We focused on the disposal of non-core assets in exchange for consideration cash so as to best capitalize on the synergies brought by the acquisition. At the same time, we have been strengthening the governmental relationship at the existing projects and speeding up land sale progress. In addition, we have tightly monitored the series of potential projects and actively conducted project site visits and feasibility studies to accelerate new project acquisitions. Furthermore, to support project expansion and foster project development, we have actively pursued financing, including the RMB 1 billion half-year unsecured facility provided by CDB Capital which helped us prepay and refinance a more costly trust loan. Although the effects of these measures have not been immediately reflected in the financial performance of this Reporting Period, we believe they have laid a solid foundation for the Company's future sustainable development and financial performance.

After completion of the Subscription, we have achieved steady progress in our business development. In the second quarter of 2014, the Company has successfully auctioned the land parcel C6-2 at the Shanghai Luodian project at consideration of RMB 124.45 million. On 30 June 2014, the Company has entered into *Cooperative Framework Agreement regarding the Development of Nanjing Yuhuatai District Two Bridges Project and Software Valley South Park with the People's Government of Nanjing Yuhuatai District and CDB Capital*. Pursuant to the Agreement, the Yuhuatai District Government and the Company shall respectively contribute 51% and 49% of a total equity capital of RMB 1 billion, in proportion to their shareholding interests, towards a joint venture. The joint venture shall be authorized by the Yuhuatai District Government as the land development platform of the Two Bridges region, the total site area of which is 21.4 sq.km.. The Yuhuatai District Government undertakes to ensure that the Company receives a fixed investment return on our contributed capital of 12.8% after tax. In addition, the Yuhuatai District Government and the Company shall establish a joint venture under the Company's control to jointly participate in secondary land development. This is the Company's first land development project after the CDBIH share subscription. The rapid acquisition of a project located at strategically attractive location demonstrated the strategic resources of CDB Capital and its support to the Company's business. Compared with our existing projects, the Nanjing project has an innovative business model that helps the Company achieve steady cashflow, shorten payback period and balance the risk characteristics of existing projects. Moreover, the Company is well positioned to leverage off the primary land development platform and explore profit potential in the secondary development business.

As the 18th National Congress of the Communist Party of China clearly set new-style urbanization tailor-made for China as a national strategy and macro development direction, we expect urbanization will continue to be the focal point of policies and economy. The Company will continue its dedication to new-style urban development on the backdrop of corrections in the property market. We will continue to leverage off the experience and strategic resources of our controlling shareholder in the field, with a particular focus on exploring business and new project opportunities in the more robust regions, to create sustainable returns for shareholders.

## **18. APPRECIATION STATEMENT**

It is the Board's privilege to express our gratitude to our strategic investors and shareholders for their trust and support and to offer our heartfelt thanks to all Directors, executives and staff members in the Group for their team spirit and loyalty.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

## **20. MOVEMENTS IN SECURITIES**

On 28 March 2014, the Company announced that the subscription of 5,347,921,071 shares by CDBIH was completed. As a result, the Company's total number of issued shares changed to 9,846,119,747 shares.

## **21. CORPORATE GOVERNANCE**

The Company subscribes to best practice on corporate governance, and has complied with the principles and guidelines of the Code of Corporate Governance 2005 issued by the Corporate Governance Committee in Singapore (the “**Singapore Code**”) and the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**HK Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the HKEx (the “**HKEx Listing Rules**”) throughout the Reporting Period except for the HK Code C.1.2 monthly performance updates to Directors which implemented on 1 April 2012 for the reasons that, after careful consideration, the management considered that quarterly updates by way of a detailed financial results announcement under the Listing Manual of the SGX-ST. (“**SGX Listing Manual**”) is sufficient for Directors to understand and well noted business performance, position and prospects of the Company. Further, the Company has a unique business model with major revenues arise from land sales. Such sales are expected to be executed in relatively long spans of time given the application of land auctions is required to be in line with the government's land grant quota and schedule. Details of each land sales together with its implication on the Company's performance would be timely communicated to the Directors at early stage and announcements in relation to land auctions will be published immediately after listing and completion of sale of land use rights.

## **22. EMPLOYEE AND REMUNERATION POLICY**

At 30 June 2014, there were 1,075 (2013: 1,058) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

## **23. DIRECTORS' COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). Specific enquiry has been made of all Directors, who have confirmed that they complied with required standard as set out in the Model Code.

## **24. AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The Group's unaudited consolidated financial statements for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

By orders of the Board  
**China New Town Development Company Limited**  
**Liu Heqiang**  
*Chief Executive Officer*

Hong Kong, 14 August 2014

*As at the date of this announcement, the Board of the Company comprises four executive directors, namely Mr. Shi Jian (Vice Chairman), Mr. Liu Heqiang (Chief Executive Officer), Ms. Yang Meiyu and Mr. Ren Xiaowei; four non-executive directors, namely Mr. Fan Haibin (Chairman), Mr. Zuo Kun (Vice Chairman), Mr. Li Yao Min (Vice Chairman) and Mr. Zhang Yan; and four independent non-executive directors, namely Mr. Henry Tan Song Kok, Mr. Kong Siu Chee, Mr. Zhang Hao and Mr. E Hock Yap.*