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# Corporate Information

## BOARD OF DIRECTORS

### Executives

Mr Shi Jian (*Chairman*)  
Mr Li Yao Min  
(*Co-Chairman, Chief Executive Officer*)  
Mr Yue Wai Leung Stan (*Vice Chairman*)  
Mr Shi Janson Bing  
(*Co-Chief Executive Officer*)  
Ms Gu Biya (*Chief Operating Officer*)  
Mr Mao Yiping (*Executive Director*)  
Mr Yang Yonggang (*Executive Director*)  
Ms Song Yiqing (*Executive Director*)  
Mr Qian Yifeng (*Executive Director*)

### Non-Executives

Mr Henry Tan Song Kok  
(*Lead Independent Director*)  
Mr Lam Bing Lun Philip (*Independent Director*)  
Mr Kong Siu Chee (*Independent Director*)  
Mr Zhang Hao (*Independent Director*)  
Mr E Hock Yap (*Independent Director*)

## AUDIT COMMITTEE

Mr Henry Tan Song Kok (*Chairman*)  
Mr Lam Bing Lun Philip  
Mr Zhang Hao

## NOMINATING COMMITTEE

Mr E Hock Yap (*Chairman*)  
Mr Lam Bing Lun Philip  
Mr Kong Siu Chee

## REMUNERATION COMMITTEE

Mr Kong Siu Chee (*Chairman*)  
Mr Henry Tan Song Kok  
Mr Lam Bing Lun Philip  
Mr E Hock Yap

## INVESTMENT COMMITTEE

Mr Lam Bing Lun Philip (*Chairman*)  
Mr Henry Tan Song Kok  
Mr Kong Siu Chee  
Mr Zhang Hao

## COMPANY SECRETARIES

Ms Low Siew Tian  
Ms Kwok Yu Ching

## BUSINESS ADDRESS

2503 Convention Plaza Office Tower  
No 1 Harbour Road  
Wanchai, Hong Kong SAR  
Telephone: (852) 3965 9000  
Facsimile: (852) 3965 9111  
Website: [www.china-newtown.com](http://www.china-newtown.com)

## REGISTERED OFFICE

2/F Palm Grove House  
P.O. Box 3340  
Road Town, Tortola  
British Virgin Islands

## Corporate Information

### BVI PRINCIPAL SHARE REGISTRAR

Tricor Services (BVI) Limited  
P.O. Box 3340, Road Town  
Tortola, British Virgin Islands

### SINGAPORE SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services  
80 Robinson Road #02-00, Singapore 068898

### HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East, Wanchai, Hong Kong

### LEGAL ADVISOR

WongPartnership LLP  
Woo, Kwan, Lee & Lo  
Jingtian & Gongcheng

### AUDITOR

Ernst & Young  
22/F, CITIC Tower, 1 Tim Mei Avenue, Central  
Hong Kong SAR

### STOCK EXCHANGE LISTED

ISIN Code: VGG2156N1006

Singapore Exchange Securities Trading Limited  
Stock Name: ChinaNTown  
Stock Code: D4n.si

The Stock Exchange of Hong Kong Limited  
Stock Name: ChinaNewTown  
Stock Code: 1278

### PRINCIPAL BANKERS

CITIC Bank International Limited  
The Agricultural Bank of China  
United Overseas Bank Limited

# Project List

## LAND DEVELOPMENT PROJECTS

### Shanghai Luodian New Town

- Total site area of 6.80 sq. km.
- Located at Baoshan District, connected to downtown Shanghai by metroline #7 (with two stops at Luodian), around 30 minutes ride to downtown Shanghai
- Selected as permanent site to co-host the National Urbanization Forum with the National Development and Reform Commission of the People's Republic of China (the "PRC")
- Also features a five-star Crowne Plaza Hotel, two 18-holes PGA standard golf courses (the site of Lake Malaren BMW Masters Tournament), an European-styled retail street with over 72,000 sq.m. of rental space, an international convention centre, and Lake Malaren Maternity Hospital (provisional name)
- Approximately 825,192 sq.m. of remaining land available for sale representing 35% of total, available for sale up to year 2015

### Wuxi Hongshan New Town

- Total site area of 8.68 sq. km.
- Located in Wuxi New District and adjacent to the high-tech industrial park (over 70 of Fortune 500 businesses operating there), close proximity to the Wuxi city centre and Wuxi Airport
- Features a five-star hot spring hotel, retail street & the Wuxi branch of Shanghai Ruijing Hospital
- Approximately 3.17 million sq.m. of remaining land inventory available for sale representing 83% of total, available for sale up to year 2020

### Shenyang Lixiang New Town

- Site area of 20.55 sq. km.
- Located at Dongling District, close proximity to Shenyang city centre and adjacent to Shenyang Taoxian International Airport
- In the Dahunnan area where is planned to be transformed into "New Centre, New Landmark, new Hub and new Energy" under the Government's strategic plan; host of the 2013 National Games
- Approximately 11.84 million sq.m. of remaining land inventory available for sale representing 96% of total, available for sale up to year 2038

## LIST OF COMMERCIAL PROPERTIES CURRENTLY UNDER CNTD'S DEVELOPMENT AND/OR MANAGEMENT

### Luodian

- Crowne Plaza Hotel
- Lake Malaren Golf Course, two 18-holes PGA standard golf courses
- International Convention Centre
- European-styled retail street
- Shanghai shopping mall
- Lake Malaren Maternity Hospital

### Wuxi

- A five-star hot spring hotel
- Retail street
- Wuxi branch of Shanghai Ruijing Hospital

Note: CNTD's holding interests in Luodian, Wuxi and Shenyang joint-venture companies are 72.63%, 90% and 90% respectively.

## REAL ESTATE DEVELOPMENT PROJECTS

### Lake Malaren UHO Project<sup>1</sup>

Type:	Commercial
Location:	Within Luodian New Town, adjacent to the Metroline #7, Lake Malaren Station
Site area:	11,228 sq.m.
Total GFA:	39,317 sq.m.
Descriptions:	Located right on the top of the Luodian metro Transportation Hub, the Lake Malaren UHO project is to be developed into commercial use property. It benefits from convenient location, at the junction where the metroline #7 connects the new town with downtown Shanghai, as well as a shopping mall.
Expected timing:	Pre-sale started in 2011, delivery through 2012-2013

### Lake Malaren Silicon Valley Project<sup>1</sup>

Type:	Commercial
Location:	Adjacent to the Crowne Plaza Lake Malaren Hotel and Lake Malaren Golf Course (two 18-holes PGA standard golf courses to co-host an international golf tournament with the BMW ("BMW") in 2012-2014. BMW has the right to extend the cooperation agreement for a further period of four years. (i.e. 2015-2018)
Site area:	242,500 sq.m.
Total GFA:	97,000 sq.m.
Descriptions:	To be developed into low-density commercial office units and sold for use as corporate headquarters, enjoying full view of the Lake Malaren Golf Courses. The project will have approximately 240 units, with a standard unit ranging from 360 sq.m. to 460 sq.m.
Expected timing:	Pre-sale started in 2011, delivery through 2012-2015

### Jiangnan Richgate II (formerly known as Wuxi Hongqing Project)<sup>2</sup>

Type:	Residential
Location:	Within Wuxi Hongshan New Town of CNTD
Site area:	69,212 sq.m.
Total GFA:	83,055 sq.m.
Descriptions:	To be developed into residential property
Expected timing:	Pre-sale to start in 2012, delivery through 2013-2014

### Chengdu Albany Oasis Garden (formerly known as Chengdu Project in Pi County)<sup>1</sup>

Type:	Residential
Location:	Sanguan Village, Hongguang Town, Pi County, Chengdu, PRC
Site area:	90,982 sq.m.
Total GFA:	215,202 sq.m.
Descriptions:	Located in one of the six major city ancillary blocks of Chengdu with good location, convenient transportations and excellent development prospects. This project represents the first ever CNTD real estate project outside its own new towns.
Expected timing:	Pre-sale started in 2011, delivery through 2013-2015

Note 1: CNTD has 72.63% effective interest in these projects.

Note 2: CNTD has 90% effective interest in this project.

## Group Financial Highlights

Six months ended  
30 June 2012  
(Unaudited)

Revenue (RMB'000)	124,280
Gross Profit (RMB'000)	31,770
Gross Profit Margin (%)	26%
Loss attributable to equity holders of the Company (RMB'000)	(30,690)
Basic loss per share (RMB)	(0.0079)
Dividend per share – Interim (RMB)	–

### INTERIM RESULTS

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 2012 (the “Reporting Period”) together with comparative figures for the previous corresponding period in 2011. The unaudited interim financial statements for the six months ended 30 June 2012 have been reviewed by the Company’s audit committee (the “Audit Committee”).

# Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012  
(Amount expressed in thousands of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June	
		2012	2011
<b>Revenue</b>	5	<b>124,280</b>	314,833
Cost of sales		<b>(92,510)</b>	(135,801)
<b>Gross profit</b>		<b>31,770</b>	179,032
Other income	6	<b>4,453</b>	8,938
Selling and distribution costs		<b>(38,796)</b>	(38,226)
Administrative expenses		<b>(60,855)</b>	(76,284)
Other expenses	7	<b>(2,676)</b>	(1,066)
Fair value gain/(loss) on completed investment properties		<b>62,198</b>	(12,518)
Fair value loss on investment properties under construction		<b>-</b>	(4,856)
<b>Operating (loss)/profit</b>		<b>(3,906)</b>	55,020
Finance costs	8	<b>(35,276)</b>	(28,717)
Share of gain from jointly-controlled entities		<b>285</b>	-
<b>Profit/(Loss) before tax</b>		<b>(38,897)</b>	26,303
Income tax	9	<b>6,274</b>	(8,985)
<b>Profit/(Loss) after tax</b>		<b>(32,623)</b>	17,318
Other comprehensive income		<b>-</b>	-
<b>Total comprehensive income</b>		<b>(32,623)</b>	17,318

# Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

(Amount expressed in thousands of Renminbi unless otherwise stated)

		Six months ended 30 June	
	Notes	2012	2011
8			
Profit attributable to:			
Owners of the parent		<b>(30,690)</b>	5,120
Non-controlling interests		<b>(1,933)</b>	12,198
		<b>(32,623)</b>	17,318
Total comprehensive income attributable to:			
Owners of the parent		<b>(30,690)</b>	5,120
Non-controlling interests		<b>(1,933)</b>	12,198
		<b>(32,623)</b>	17,318
(Loss)/earnings per share attributable to ordinary equity holders of the parent:			
Basic (loss)/earnings per share	11	<b>(0.0079)</b>	0.0013
Diluted (loss)/earnings per share	11	<b>(0.0079)</b>	0.0013



# Interim Consolidated Statement of Financial Position

For the six months ended 30 June 2012  
(Amounts expressed in thousands of Renminbi unless otherwise stated)

	Notes	Group		Company	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Non-current assets</b>					
Investment in subsidiaries		-	-	<b>2,591,259</b>	2,591,259
Investment in an associate		<b>200</b>	200	-	-
Investments in jointly-controlled entities		<b>58,894</b>	39,109	-	-
Property, plant and equipment		<b>1,368,063</b>	1,324,933	<b>104</b>	134
Completed investment properties		<b>747,031</b>	684,000	-	-
Investment properties under construction		<b>100,030</b>	100,000	-	-
Prepaid land lease payments		<b>258,114</b>	239,555	-	-
Non-current prepayments		<b>500,000</b>	510,000	-	-
Non-current trade receivables	13	<b>54,417</b>	69,903	-	-
Deferred tax assets		<b>138,110</b>	131,823	-	-
Other assets		<b>46,536</b>	47,475	-	-
<b>Total non-current assets</b>		<b>3,271,395</b>	3,146,998	<b>2,591,363</b>	2,591,393
<b>Current assets</b>					
Land development for sale	12	<b>5,017,013</b>	4,998,936	-	-
Properties under development for sale		<b>1,528,025</b>	994,202	-	-
Prepaid land lease payments		<b>787,567</b>	796,890	-	-
Inventories		<b>5,338</b>	4,922	-	-
Amounts due from subsidiaries		-	-	<b>398,545</b>	398,545
Prepayments		<b>53,715</b>	38,668	-	-
Other receivables		<b>50,981</b>	32,595	<b>3</b>	2
Trade receivables	13	<b>78,340</b>	65,432	-	-
Cash and bank balances		<b>441,882</b>	537,387	<b>10,159</b>	9,349
<b>Total current assets</b>		<b>7,962,861</b>	7,469,032	<b>408,707</b>	407,896
<b>Total assets</b>		<b>11,234,256</b>	10,616,030	<b>3,000,070</b>	2,999,289
<b>Equity</b>					
Equity attributable to owners of the parent					
Share capital		<b>2,801,180</b>	2,801,180	<b>2,801,180</b>	2,801,180
Other reserves		<b>593,113</b>	591,731	<b>1,926,526</b>	1,925,144
Accumulated losses		<b>(935,030)</b>	(904,340)	<b>(1,950,872)</b>	(1,937,702)
		<b>2,459,263</b>	2,488,571	<b>2,776,834</b>	2,788,622
Non-controlling interests		<b>537,142</b>	537,075	-	-
<b>Total equity</b>		<b>2,996,405</b>	3,025,646	<b>2,776,834</b>	2,788,622

# Interim Consolidated Statement of Financial Position

For the six months ended 30 June 2012

(Amounts expressed in thousands of Renminbi unless otherwise stated)

	Notes	Group		Company	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Non-current liabilities</b>					
Interest-bearing bank and other borrowings	15	<b>2,450,750</b>	2,383,100	-	-
Deferred income from sale of golf club membership		<b>513,842</b>	521,885	-	-
Deferred tax liabilities		<b>21,151</b>	21,151	-	-
<b>Total non-current liabilities</b>		<b>2,985,743</b>	2,926,136	-	-
<b>Current liabilities</b>					
Interest-bearing bank and other borrowings	15	<b>971,353</b>	757,243	<b>166,963</b>	162,253
Trade payables	14	<b>2,311,998</b>	2,086,912	-	-
Other payables and accruals		<b>647,708</b>	602,570	<b>1,832</b>	3,704
Amounts due to related parties	16	<b>42,680</b>	53,548	<b>54,441</b>	44,710
Advances from customers		<b>155,590</b>	46,906	-	-
Deferred income arising from land development		<b>603,478</b>	594,968	-	-
Current income tax liabilities		<b>519,301</b>	522,101	-	-
<b>Total current liabilities</b>		<b>5,252,108</b>	4,664,248	<b>223,236</b>	210,667
<b>Total liabilities</b>		<b>8,237,851</b>	7,590,384	<b>223,236</b>	210,667
<b>Total equity and liabilities</b>		<b>11,234,256</b>	10,616,030	<b>3,000,070</b>	2,999,289
<b>Net current assets</b>		<b>2,710,753</b>	2,804,784	<b>185,471</b>	197,229
<b>Total assets less current liabilities</b>		<b>5,982,148</b>	5,951,782	<b>2,776,834</b>	2,788,622

# Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2012  
(Amounts expressed in thousands of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011
<b>Cash flows from operating activities</b>			
<b>Profit/(loss) before tax</b>		<b>(38,897)</b>	26,303
Adjustments for:			
Depreciation of property, plant and equipment		<b>23,681</b>	28,799
Amortization of prepaid land lease payments		<b>2,079</b>	4,354
Share of gain from jointly-controlled entities		<b>(285)</b>	–
Fair value (gain)/loss on completed investment properties		<b>(62,198)</b>	12,518
Fair value loss on investment properties under construction		–	4,856
Foreign exchange gain, net		–	(3,863)
Management share option expense		<b>1,382</b>	2,784
Interest income		<b>(2,942)</b>	(5,822)
Interest expense		<b>35,276</b>	28,717
		<b>(41,904)</b>	98,646
Decrease/(increase) in land development for sale	12	<b>23,066</b>	(293,764)
Increase in properties under development for sale		<b>(267,652)</b>	(319,755)
Increase in prepaid land lease payment		–	(473,159)
Increase in inventories		<b>(416)</b>	(306)
Decrease/(increase) in prepayments, other receivables and assets		<b>(17,447)</b>	124,645
Decrease in trade receivables	13	<b>2,576</b>	341,989
Increase/(decrease) in deferred income for sale of golf club membership and land development		<b>467</b>	(17,956)
Increase/(decrease) in advances from customers		<b>108,684</b>	(1,975)
Increase in trade and other payables	14	<b>42,328</b>	16,142
Decrease in amounts due to related parties	16	<b>(1,121)</b>	–
<b>Net cash outflow from operating activities</b>		<b>(151,419)</b>	(525,493)

# Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

(Amounts expressed in thousands of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011
<b>Cash flows from investing activities</b>			
Purchase/construction of property, plant and equipment		(50,630)	(45,494)
Proceeds from disposal of property, plant and equipment		-	164
Investments in jointly-controlled entities		(19,500)	(40,000)
Payment for investment properties		(863)	(47,912)
Payments for amounts paid for land use rights		(21,752)	-
Interest received		2,942	3,738
<b>Net cash outflow from investing activities</b>		<b>(89,803)</b>	<b>(129,504)</b>
<b>Cash flows from financing activities</b>			
Proceeds/(repayment) borrowings from related parties		(9,747)	148,441
Capital contributions from non-controlling shareholders of subsidiaries		2,000	16,259
Proceeds from bank borrowings		301,410	371,000
Repayment of bank borrowings	15	(20,200)	(20,000)
Interest paid	15	(127,746)	(64,323)
Dividend paid	10	-	(61,960)
Payments of expenses incurred for the listing of existing shares		-	(3,843)
Restricted cash amounts relating to bank borrowings		(5,398)	-
<b>Net cash inflow from financing activities</b>		<b>140,319</b>	<b>385,574</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(100,903)</b>	<b>(269,423)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>347,387</b>	<b>1,167,049</b>
<b>Cash and cash equivalents at end of period</b>		<b>246,484</b>	<b>897,626</b>

# Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012  
(Amounts expressed in thousands of Renminbi unless otherwise stated)

## Group

### Six months ended 30 June 2011

RMB'000	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share Capital	Treasury shares	Other reserves	Accumulated losses	Total		
Balance as at 1 January 2011	2,778,853	-	608,807	(641,653)	2,746,007	551,519	3,297,526
Total comprehensive income	-	-	-	5,120	5,120	12,198	17,318
Equity-settled share options to management	-	-	2,784	-	2,784	-	2,784
Shares issued used upon exercise of management share options granted under Management Grant	9,923	-	(9,922)	-	1	-	1
Dividends	-	-	-	(61,960)	(61,960)	-	(61,960)
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	16,259	16,259
Balance as at 30 June 2011	<u>2,788,776</u>	<u>-</u>	<u>601,669</u>	<u>(698,493)</u>	<u>2,691,952</u>	<u>579,976</u>	<u>3,271,928</u>

### Six months ended 30 June 2012

RMB'000	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share Capital	Treasury shares	Other reserves	Accumulated losses	Total		
Balance as at 1 January 2012	2,801,180	-	591,731	(904,340)	2,488,571	537,075	3,025,646
Total comprehensive income for the period	-	-	-	(30,690)	(30,690)	(1,933)	(32,623)
Equity-settled share options to management	-	-	1,382	-	1,382	-	1,382
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	2,000	2,000
Balance as at 30 June 2012	<u>2,801,180</u>	<u>-</u>	<u>593,113</u>	<u>(935,030)</u>	<u>2,459,263</u>	<u>537,142</u>	<u>2,996,405</u>

# Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012  
(Amounts expressed in thousands of Renminbi unless otherwise stated)

## Company

### Six months ended 30 June 2011

RMB'000	Share Capital	Treasury shares	Other reserves	Accumulated losses	Total
Balance as at 1 January 2011	2,778,853	-	1,942,220	(1,679,381)	3,041,692
Total comprehensive income	-	-	-	(11,420)	(11,420)
Equity-settled share options to management	-	-	2,784	-	2,784
Shares issued upon exercise of management share options granted under Management Grant	9,923	-	(9,922)	-	1
Dividends	-	-	-	(61,960)	(61,960)
Balance as at 30 June 2011	<u>2,788,776</u>	<u>-</u>	<u>1,935,082</u>	<u>(1,752,761)</u>	<u>2,971,097</u>

### Six months ended 30 June 2012

RMB'000	Share Capital	Treasury shares	Other reserves	Accumulated losses	Total
Balance as at 1 January 2012	2,801,180	-	1,925,144	(1,937,702)	2,788,622
Total comprehensive income for the period	-	-	-	(13,170)	(13,170)
Equity-settled share options to management	-	-	1,382	-	1,382
Balance as at 30 June 2012	<u>2,801,180</u>	<u>-</u>	<u>1,926,526</u>	<u>(1,950,872)</u>	<u>2,776,834</u>

# 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 (“SGX-ST”). On 22 October 2010, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEx”) by way of introduction. As a result, the Company is dual listed on the Main Board of both the SGX-ST and the HKEx.

The Group is a new town developer in the 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 of which are apportioned to the Group on specified bases. The Group also develops or manages some residential and commercial properties in those new towns.

In the opinion of the directors of the Company (“Directors”), the Company’s ultimate holding company is SRE Group Limited (“SRE”), a company incorporated in Bermuda. As the Company has become a subsidiary of SRE since September 2009 after a series of share placement and convertible bond issuance, the Company ceased to be an associate of SRE since then.

## 2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for investment properties under construction, certain financial instruments and completed investment properties 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.

# Notes to Financial Statements

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

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2012. 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 and properties under 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.



# Notes to Financial Statements

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

## 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 2011, except for the adoption of new and revised standards and interpretations as of 1 January 2012, as described below:

### IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment becomes effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Currently, it is expected that the amendment would have no significant impact on the Group's financial statements.

### IFRS 1 Amendment: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The amendment to IFRS 1 is effective for annual periods beginning on or after 1 July 2011. The amendment introduces a new deemed cost exemption for entities that have been subject to severe hyperinflation. They also remove the fixed dates in IFRS 1 relating to de-recognition and day one gain or loss transactions. The amendment is expected to have no significant impact on the financial statements of the Group.

### IFRS 7 Financial Instruments: Disclosures – Enhanced De-recognition Disclosure Requirements

The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

# Notes to Financial Statements

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

## 4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their 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, as well as develops and sells residential and commercial properties;
- Property leasing segment provides property leasing services of investment properties;
- Hotel operations segment provides room, restaurants and conference hall services;
- Golf operations segment provides golf course management services; and
- Others segment provides investment and property management 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 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.

# Notes to Financial Statements

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

An analysis by operating segment is as follow:

For the six months ended 30 June 2012							
	Land development	Property leasing	Hotel operations	Golf operations	Others	Adjustments and eliminations	Total
<b>Segment results</b>							
External sales	55,798	5,264	29,241	32,789	1,188	-	124,280
Intersegment sales	-	-	763	-	20,086	(20,849) <sup>1</sup>	-
Total segment sales	55,798	5,264	30,004	32,789	21,274	(20,849)	124,280
<b>Segment profit/(loss)</b>	<b>(58,509)</b>	<b>67,462</b>	<b>(11,512)</b>	<b>10,837</b>	<b>(12,184)</b>		<b>(3,906)</b>
Finance cost						(35,276) <sup>2</sup>	(35,276)
Share of profit from jointly-controlled entities						285	285
<b>Profit before income tax</b>							<b>(38,897)</b>

1 Intersegment sales are eliminated on consolidation.

2 Profit/(Loss) for each operating segment does not include finance costs (RMB35,276 thousand) and share of profit from jointly-controlled entities (RMB285 thousand).

For the six months ended 30 June 2011							
	Land development	Property leasing	Hotel operations	Golf operations	Others	Adjustments and eliminations	Total
<b>Segment results</b>							
External sales	269,489	3,204	20,092	21,491	557	-	314,833
Intersegment sales	-	-	-	-	750	(750) <sup>1</sup>	-
Total segment sales	269,489	3,204	20,092	21,491	1,307	(750)	314,833
<b>Segment profit/(loss)</b>	<b>113,576</b>	<b>(14,184)</b>	<b>(16,540)</b>	<b>(16,449)</b>	<b>(11,383)</b>		<b>55,020</b>
Finance cost						(28,717) <sup>2</sup>	(28,717)
<b>Profit before income tax</b>							<b>26,303</b>

1 Intersegment sales are eliminated on consolidation.

2 Loss for each operating segment does not include finance costs (RMB28,717 thousand).

# Notes to Financial Statements

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

## 5. REVENUE

	<b>Six months ended 30 June 2012</b>	Six months ended 30 June 2011
Land development	<b>58,926</b>	284,757
Hotel operations	<b>30,936</b>	21,296
Golf operations	<b>39,237</b>	26,912
Investment property leasing	<b>5,264</b>	3,397
Others	<b>1,225</b>	628
Less: Business tax and surcharges	<b>(11,308)</b>	(22,157)
	<b>124,280</b>	314,833

## 6. OTHER INCOME

	<b>Six months ended 30 June 2012</b>	Six months ended 30 June 2011
Foreign exchange gain, net	<b>151</b>	3,014
Interest income	<b>2,942</b>	5,822
Government subsidies	<b>810</b>	-
Others	<b>550</b>	102
	<b>4,453</b>	8,938

## 7. OTHER EXPENSES

	<b>Six months ended 30 June 2012</b>	Six months ended 30 June 2011
Bank charges	<b>1,648</b>	838
Others	<b>1,028</b>	228
	<b>2,676</b>	1,066

## Notes to Financial Statements

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

### 8. FINANCE COSTS

	<b>Six months ended 30 June 2012</b>	Six months ended 30 June 2011
Interest on bank and borrowings	<b>128,296</b>	64,923
Less: Interest capitalised	<b>(93,020)</b>	(36,206)
	<b>35,276</b>	28,717

The borrowing costs have been capitalised at weighted average rates of 8.32% and 5.84% per annum for the first half of 2012 and first half of 2011, respectively.

### 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% on their taxable income according to the Income Tax Law of the People's Republic of China ("the PRC").

The major components of income tax are:

	<b>Six months ended 30 June 2012</b>	Six months ended 30 June 2011
Income tax charge:		
Current income tax	<b>13</b>	5,714
Deferred tax	<b>(6,287)</b>	468
Withholding tax	<b>-</b>	2,803
Income tax charge as reported in profit or loss	<b>(6,274)</b>	8,985

### 10. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012 (2011: Nil).

# Notes to Financial Statements

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

## 11. EARNINGS PER SHARE

The calculation of the basic earnings/(loss) 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 2011 and the six months ended 30 June 2012.

The diluted earnings/(loss) per share amounts are calculated by dividing the profit or loss attributable to ordinary equity holders of the parent (after adjusting profit or loss effects of dilutive employee share options, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Employee share options are treated as options and outstanding from the date of grant, since they are dilutive, they have been included in the diluted earnings per share calculation for the six months ended 30 June 2011.

Since the company is reporting a net loss, therefore the Stock Options are not dilutive for the first half of 2012.

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

	<b>Six months ended 30 June 2012</b>	Six months ended 30 June 2011
Profit attributable to ordinary equity holders of the parent	<u>(30,690)</u>	<u>5,120</u>
Weighted average number of ordinary shares outstanding	<b>3,905,841,176</b>	3,897,135,552
Add: Net effect of dilutive potential ordinary shares of employee share options	-	4,118,903
Number of ordinary shares used to calculate the diluted earnings per share	<u><b>3,905,841,176</b></u>	<u>3,901,254,455</u>
Basic (loss)/earnings per share (RMB)	<u><b>(0.0079)</b></u>	<u>0.0013</u>
Diluted (loss)/earnings per share (RMB)	<u><b>(0.0079)</b></u>	<u>0.0013</u>

For the transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statement, please refer note 18 "subsequent event".

## Notes to Financial Statements

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

### 12. LAND DEVELOPMENT FOR SALE

<b>Group</b>	<b>30 June 2012</b>	31 December 2011
At cost:		
Mainland China	<u>5,017,013</u>	<u>4,998,936</u>

### 13. TRADE RECEIVABLE

<b>Group</b>	<b>30 June 2012</b>	31 December 2011
Receivables from land development for sale	125,106	128,503
Receivables from the sale of golf club membership	3,616	3,616
Others	<u>4,035</u>	<u>3,216</u>
	<u>132,757</u>	<u>135,335</u>

An aged analysis of the trade receivables is as follows:

	<b>30 June 2012</b>	31 December 2011
Within 6 months	3,486	2,666
6 months to 1 year	331	6,552
1 year to 2 years	50,744	43,531
2 years to 3 years	37,477	36,353
Over 3 years	<u>40,719</u>	<u>46,233</u>
	<u>132,757</u>	<u>135,335</u>

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 2012 (31 December 2011: nil).

# Notes to Financial Statements

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

## 14. ACCOUNT PAYABLE

<b>Group</b>	<b>30 June 2012</b>	31 December 2011
Trade payables	<u>2,311,998</u>	<u>2,086,912</u>
	<u>2,311,998</u>	<u>2,086,912</u>

Trade payables are non-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 2012</b>	31 December 2011
Within one year	<b>1,930,673</b>	1,705,800
1 to 2 years	<b>134,930</b>	134,717
Over 2 years	<u>246,395</u>	<u>246,395</u>
	<u>2,311,998</u>	<u>2,086,912</u>



## Notes to Financial Statements

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

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

The interest-bearing bank loans and other borrowings which were all denominated in RMB (except a HK\$200,140 thousand loan) are as follows:

	Group		Company	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Bank loans and other borrowings – unsecured	20,000	–	–	–
Bank loans and other borrowings – secured	3,402,103	3,140,343	166,963	162,253
	<b>3,422,103</b>	<b>3,140,343</b>	<b>166,963</b>	<b>162,253</b>

The bank loans and other borrowings are repayable as follows:

	Group		Company	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Within 6 months	741,853	182,253	166,963	162,253
6 months to 9 months	35,000	54,990	–	–
9 months to 12 months	194,500	520,000	–	–
1 year to 2 years	876,400	891,400	–	–
2 years to 5 years	1,111,300	1,009,200	–	–
Over 5 years	463,050	482,500	–	–
	<b>3,422,103</b>	<b>3,140,343</b>	<b>166,963</b>	<b>162,253</b>

The Group's bank loans and other borrowings bore interest at floating rates ranging from 5.90% to 12.65% and 6.35% to 9.31% per annum for 30 June 2012 and the years ended 31 December 2011, respectively.

# Notes to Financial Statements

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

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

As at 30 June 2012, bank borrowings of RMB2,771 million (2011: RMB2,509 million) were pledged by 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, whose net carrying amounts at 30 June 2012 were RMB470 million (2011: RMB486 million), RMB673 million (2011: RMB610 million), RMB1,495 million (2011: 766 million), RMB604 million (2011: RMB383 million), and RMB175 million (2011: RMB170 million), respectively. Also, as at 30 June 2012, a long-term bank loan with principal of RMB100 million (2011: RMB100 million) was guaranteed by Mr. Shi Jian, the Executive Chairman of the Company. The unsecured short-term borrowing of RMB20 million was an entrusted loan from a subsidiary of the Group (2011: nil).

As at 30 June 2012, bank borrowings of RMB844 million were also secured by part of future property pre-sale proceeds. For each unit sold of Silicon Valley project, an amount of RMB8 million of the pre-sale proceeds, and for each square meter sold of UHO project, an amount of RMB14.2 thousand of the pre-sale proceeds, will also be transferred to restricted bank accounts, until the balance of such restricted bank accounts reached the outstanding balance of such loans.

As at 30 June 2012, other borrowing of RMB631 million is a loan from a third party trust fund which is secured by pledge of the Group's 72.63% equity interest in SGLD, and entitlement to certain economic benefits (right to dividends, if any, etc.) in the equity interest of SGLD, use rights of two pieces of land and the title to the properties thereon (whose net carrying amounts at 30 June 2012 were RMB277 million (2011: RMB276 million)). The loan is also guaranteed by Mr. Shi Jian, the Executive Chairman of the Company. The Group has the right to repay the loan (the outstanding balance of principal and interest thereon) in full, at any time prior to expiry of the term of the loan.

The Group had undrawn credit facilities of RMB586 million as at 30 June 2012.

## Notes to Financial Statements

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

### 16. AMOUNTS DUE TO RELATED PARTIES

<b>Group</b>	<b>30 June 2012</b>	31 December 2011
<b>Amounts due to related parties:</b>		
SRE Group Limited	<b>42,680</b>	51,310
Shanghai Lake Malaren Property Management Co., Ltd.	<b>-</b>	2,238
	<b>42,680</b>	53,548

On 7 July 2010, SGLD and Shanghai Lake Malaren Property Management Co., Ltd. ("SLMPM") entered into the Property Management Agreement pursuant to which SLMPM agreed to continue to provide property management services to SGLD in respect of the Shanghai Luodian New Town for a term from 1 July 2010 to 31 December 2012 at a fixed management fee of RMB869 thousand per month. Under the Property Management Agreement, SGLD provides premises with a gross floor area ("GFA") of 132.1 sq.m. to SLMPM for use as property management office free of charge. The management fee of first half of 2012 was RMB5,214 thousand.

Balances as at 30 June 2012 represented a loan from SRE, which was interest-free, unsecured and repayable on demand.

# Notes to Financial Statements

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

## 17. 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:

<b>Group</b>	<b>30 June 2012</b>	31 December 2011
Commitments in respect of land development for sale:		
Contracted but not provided for	<b>1,187,094</b>	1,226,264
Authorised but not contracted for	<b>4,677,419</b>	4,685,811
Commitments in respect of properties under development for sale:		
Contracted but not provided for	<b>155,195</b>	461,979
Authorised but not contracted for	<b>-</b>	-
Commitments in respect of investment properties under construction:		
Contracted but not provided for	<b>8,062</b>	8,076
Authorised but not contracted for	<b>155,916</b>	155,916
Commitments in respect of property, plant and equipment and leasehold land:		
Contracted but not provided for	<b>1,538,395</b>	1,542,836
Authorised but not contracted for	<b>2,646,648</b>	2,701,317
<b>Total</b>	<b>10,368,729</b>	10,782,199

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.

# Notes to Financial Statements

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

## 18. SUBSEQUENT EVENT

As previously announced, on 20 June 2012, the Company proposed to place up to 585,000,000 new shares at a price of HK\$0.35 per share. The Placing was completed on 13 July 2012.

Please refer to detail information published in the Announcements dated 20 June 2012 and 13 July 2012, respectively.

# Management Discussion and Analysis

## FINANCIAL REVIEW/HIGHLIGHTS

Fair review of development of business of the Company and its subsidiaries during the Reporting Period and of their financial position as 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 for land use rights. The frequency and selling prices of public auction are not totally within the control of the Group. In the first half of 2012, revenue and operating profit of the Group have decreased 61% and 107% respectively compared with the same period of 2011. The decrease was a net effect due to a lower unit price per mu in terms of site area sold the first quarter of 2012, though the progress in the construction slightly increased in our Shanghai project.

On 5 March 2012, we handed over the land parcel XDG(XQ) from our Wuxi Project for public auction. The land parcel was sold at RMB75 million to a jointly-controlled entity Wuxi New District Xinrui Hospital Management Company Limited. The details of the contracted prices of land sales are summarized as follows:

<b>Project</b>	<b>Site area</b> <i>(sqm.)</i>	<b>Plot ratio</b>	<b>Month</b>	<b>Gross floor area</b>	<b>Contract price</b> <i>(RMB'mil)</i>	<b>Average price by gross floor area</b> <i>(RMB per sqm.)</i>
Hongshan, Wuxi	62,145	1.8	March	111,862	75.07	1,208

Please also refer to Announcement dated 23 March 2012 for detail information.

On the cost side, the unit cost for land development (allocated based on budgeted cost of services over relevant area) of the first half of 2012 was kept unchanged compared to 2011 for Wuxi project.

## Management Discussion and Analysis

Pursuant to an agreement reached with local government in December 2011, the Group needed to increase its estimated relocation compensation costs (to incumbent residents) by RMB600 million in Shanghai Luodian New Town. As a result, the unit cost for land development (estimated based on budgeted cost of services over relevant area) in Shanghai New Town was increased from RMB2,057 to RMB2,845 per square metre prospectively since December 2011. Please also refer to 2011 annual report for detail information.

The hotel operations and golf courses in the first half of 2012 recorded revenues of RMB31 million and RMB39 million, respectively, which were up by 45% and 46% compared with the corresponding period of 2011, with recorded revenues of RMB21 million and RMB27 million. The encouraging performance benefited from the successful hosting of the 2011 Lake Malaren Masters Golf tournament (“Tournament”) as well as improved service facility and environment after completion of the hotel and the golf course renovation in the third quarter of 2011.

Pursuant to Circular 131 Hucaishui 2011 announced by the Shanghai Local Taxation Bureau, the business tax rate imposed on golf operations was reduced to 10% from 20% effective from 1 January 2012. As a result, the business tax expenses for golf operations decreased substantially compared to the corresponding period of 2011.

### Operating expense

In the first half of 2012, selling and distributing costs kept consistent with the same period of 2011 of RMB38 million. Compared with the same period of 2011, the selling expense incurred during the period comprised of an increased selling expenses of RMB9 million in relation to the property development projects and a reduced cost of RMB9 million in relation to the Tournament. It should be noted that with BMW’s sponsorship on the Tournament, the selling expense would be substantially reduced this year. Please refer to Announcement dated 23 April 2012 for detailed information.

In the first half of 2012, administrative expenses decreased by RMB15 million compared to the corresponding period of 2011. The decrease was mainly due to RMB6 million of consulting fees incurred in relation to the borrowings via bank credit in the second quarter of 2011, while no such expense was incurred in the second quarter of 2012. On the other hand, given the current property market situation, the Group carried out a cost saving policy in order to effectively control cost and improve operation of activities.

## Management Discussion and Analysis

### *Fair value gain/loss on completed investment property and investment properties under construction*

Pursuant to the valuation result prepared as at 30 June 2012 provided by DTZ, the value of relevant investment properties had increased by RMB62 million compared with the book value of such properties at the end of 2011 (appreciation in value of 7%). The appreciation in value arose from valuation of the retail street and the transportation hub within our Shanghai Luodian project. The increase was attributable to commercial properties lease market rebound since the second quarter of 2012. Meanwhile, the rental rate of commercial properties has risen along with increasingly improved auxiliary facilities and environment of our new town, which led to an appreciation of those properties within the area. No revaluation was made in the corresponding period.

### **Financing cost**

In the first half of 2012, we recorded total net finance costs of RMB35 million due to an increase in interest expense amounted to RMB128 million, partially offset by interests capitalized of RMB93 million. This compares with net financing costs of RMB29 million for the same period of 2011.

### **Statements of Financial Position**

#### *Property, plant and equipment*

The balance as at 30 June 2012 increased by RMB43 million as compared with the balance at the end of 2011. The increase was attributable to progress in the construction of the hospital project within our Shanghai Luodian project.

#### *Completed investment property and investment properties under construction*

The balance as at 30 June 2012 mainly represented an appreciation in value of the properties. Please refer to note discussed above.



# Management Discussion and Analysis

## *Property under development for sale*

The balance as at 31 March 2012 mainly represented the construction of Lake Malaren Silicon Valley project, Lake Malaren UHO project, Chengdu project and Wuxi Hongqing project of RMB900 million, RMB344 million, RMB251 million and RMB33 million, respectively. The increase was mainly due to progress in the construction.

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

The balance as at 30 June 2012 increased by RMB19 million as compared with the balance as at the end of 2011, which was mainly due to the land use rights of the hospital project in Shanghai New Town obtained by the Group with a total amount of RMB22 million.

## *Advance from customer*

The balance as at 30 June 2012 mainly represented the collection of property development pre-sale revenue, which mainly included RMB107 million from the sale of UHO and RMB25 million from the sale of the Lake Malaren Silicon Valley and RMB19 million from the sale of Chengdu Albany Oasis Garden.

## *Trade payable*

The balance as at 30 June 2012 increased by RMB225 million. The increase was mainly due to progress in the construction.

## **Liquidity**

The Group has been granted the following facilities which had been announced.

## Management Discussion and Analysis

a) For development of Lake Malaren Silicon Valley Project in our Shanghai New Town Project:

- Principal: RMB600 million
- Facility withdrawn in this quarter: RMB15 million
- Total facility withdrawn as at 30 June 2012: RMB519.7 million

b) For development of UHO Project in our Shanghai New Town Project:

- Principal: RMB250 million
- Facility withdrawn in this quarter: RMB64.5 million
- Total facility withdrawn as at 30 June 2012: RMB164.5 million

c) For development of Hospital Project in our Shanghai New Town Project:

- Principal: RMB450 million
- Facility withdrawn in this quarter: RMB80 million
- Total facility withdrawn as at 30 June 2012: RMB80 million

For detail information, please refer to the Announcement dated 15 June 2012.

Overall, cash and cash equivalents excluding the restricted cash decreased RMB101 million over the period with a balance of RMB347 million as at 30 June 2012, which was mainly attributable to a decrease of RMB151 million from operating activities and a decrease of RMB90 million from investing activities offset by an increase of RMB140 million from finance activities.

Gearing ratio (as measured by net debt/total equity holders' capital and net debt) increased from 46% for the year ended 31 December 2011 to 50% as at 30 June 2012.

# Management Discussion and Analysis

## BUSINESS ANALYSIS AND OUTLOOK

In the first half of 2012, the PRC real estate industry continued to suffer from macroeconomic curbing policies. In July 2012, Chinese Premier Wen Jiabao commented for the fifth time on curbing the real estate market, saying the government would “firmly continue to promote curbing the real estate market with a view to facilitating reasonable price returns.” This has displayed the determination of the state to curb the real estate sector. However, with the double reduction in interest rates and the bank reserve ratio being lowered twice by the central bank since 2012, money supply has been gradually relaxed.

According to the National Bureau of Statistics of China, between January and June 2012, a total of 350 million square meters of commodity housing were sold in China, representing a year-on-year decline of 10%, while the decline narrowed for four consecutive months. In June 2012, nationwide commodity housing sales increased by 6.9% year-on-year, making the month the very first with positive year-on-year sales growth. House buyers’ expectations shifted due to growing anticipations of price rebounds. Meanwhile, national high-profile land auctions once again appeared one after another. For instance, Sinobo Group obtained the Wanliu land plot in Beijing for RMB2.63 billion and Sunac Greentown obtained the Tangzhen land plot in Pudong New District for RMB1.64 billion. The Company anticipates that the real estate industry may be in gradual transition to the stage of bottoming out before achieving stability under the pressure of dual policies of “curbing the real estate sector” and “stabilizing growth.”

Chinese Vice Premier Li Keqiang stressed once again the theme of “Urbanization” when visiting Hubei province in July 2012. Urbanization, the greatest potential for driving domestic demand, is an important foundation for economic structural adjustment and has been the focus of research by the central government. Currently, the urban-rural dual structure developing from the PRC’s traditional urbanization process brought about structural imbalances in society, the environment, various industry sectors and the population as a whole. As such, the concept of “New Urbanization” has emerged to lead the PRC down the road of urbanization in the future. After a decade of ups and downs in small town developments under our unique business model, we will continue to advance steadily in the process of new urbanization by capitalizing on our own strengths and advantages.

## Management Discussion and Analysis

- b) Details of important events affecting the Group which have occurred since the end of the financial period

The Company's unique business model of planning and developing new town projects helped contribute to make a decisive breakthrough during the period under review. As previously announced, in April, the Company signed a Strategic Cooperation Agreement on Comprehensive Town Development (the "Agreement") with Beijing Small Town Development Fund ("Beijing Fund"), a fund jointly initiated and founded by the Beijing Municipal Development and Reform Commission and China Development Bank Capital Corporation Ltd. (國開金融有限責任公司). Pursuant to the Agreement, the three parties will form a long-term strategic partnership to participate in the planning, construction and operation of small town developments around Beijing that would be funded by the Beijing Fund, as well as to seek new opportunities for our sustainable development while we are actively responding to the country's development strategy. In August, the International Peace Maternity and Child Health Hospital in our Shanghai project will enter into completion phase and it is expected to commence operations by next year.

As previously announced, the Company entered into a formal agreement with BMW, a global premium automotive manufacturer, with respect to the Lake Malaren Masters Golf Tournament under the title BMW Masters to be held at Lake Malaren Golf Club located in the our Shanghai Luodian New Town. In 2011, along with the Company successful hosting of the "Lake Malaren Shanghai Masters", the value of all commercial auxiliary facilities located in our Shanghai Luodian New Town such as a golf course, hotel and commercial streets had risen significantly. In the first half of 2012, revenue from golf course operations, hotel operations and retail street rental performance increased by 46%, 45% and 55%, respectively, compared to the last corresponding period. With the increasingly improved auxiliary facilities located in our Shanghai Luodian New Town together with the international golf tournament, the source of the Company's revenue will become more diversified.

- c) An indication of likely future development in the business of the Group for the financial period

Looking ahead, the Company will continue to apply for land auctions in line with the government's land grant quota and schedule. In addition, a certain portion of the Company's secondary real estate development projects will be completed in the second half of 2012 and are expected to generate considerable cash inflow. All in all, we believe that our unique business model, prudent cash flow management and involvement in secondary development will lay a solid foundation for the Company's sustainable development.

### 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 2012.

### SECURITIES INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2012, the interests and short position of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the HKEx (the "HKEx Listing Rules") (the "Model Code") were as follows:

#### (a) Long position in shares of the Company

Name of Director	Number of ordinary shares				Total	Approximate percentage of the issued share capital
	Personal interests	Family interests	Corporate interests			
Shi Jian	-	-	2,658,781,817 <sup>(1)</sup>		2,658,781,817	68.07%
Li Yao Min	4,147,500	-	-		4,147,500	0.11%
Yue Wai Leung Stan	3,555,000	-	-		3,555,000	0.09%
Gu Blya	2,100,000	-	-		2,100,000	0.05%
Mao Yiping	1,732,500	-	-		1,732,500	0.04%
Yang Yonggang	3,570,000	-	-		3,570,000	0.09%
Henry Tan Song Kok	100,000	-	-		100,000	0.003%

- (1) Mr. Shi Jian was deemed to be interested in Sinopower Investment Limited's ("Sinopower") entire shareholding in the Company by virtue of the fact that he was a controlling shareholder of SRE Group Limited ("SRE Group") through SRE Investment Holding Limited. Mr. Shi Jian's spouse also had a negligible direct shareholding in SRE Group.

## Supplementary Information

### (b) Long position in underlying shares of the Company

Pursuant to the Management Grant (as defined in the section headed “The Management Grant”) of the Company, certain Directors were granted share options to subscribe for the shares of the Company as follows and details are set out under the section headed “The Management Grant” in this Interim Report.

<b>Name of Director</b>	<b>Number of shares awarded under the Management Grant but not yet vested</b>	<b>Approximate percentage of the issued share capital</b>
Li Yao Min	1,777,500	0.05%
Yue Wai Leung Stan	1,777,500	0.05%
Gu Biya	900,000	0.02%
Mao Yiping	742,500	0.02%
Yang Yonggang	1,530,000	0.04%

### (c) Long position in shares and underlying shares in associated corporations of the Company

#### *Shares in SRE Group Limited*

<b>Name of Director</b>	<b>Personal Interests</b>	<b>Family Interests</b>	<b>Corporate Interests</b>	<b>Total</b>	<b>Approximate percentage of the issued share capital of associated corporation</b>
Shi Jian	13,006,991	2,324 <sup>(1)</sup>	3,128,434,628 <sup>(2)</sup>	3,141,443,943	55.46%
Li Yao Min	5,172,324	-	-	5,172,324	0.09%

(1) These shares were held by Ms. Si Xiao Dong, the spouse of Mr. Shi Jian.

(2) These 3,128,434,628 shares were held by SRE Investment Holding Limited (“SREI”). As Mr. Shi Jian and his spouse, Ms. Si Xiao Dong together beneficially own 63% of the issued share capital of SREI, Mr. Shi was deemed to be interested in these 3,128,434,628 shares.

## Supplementary Information

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under Section 352 of the SFO.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at 30 June 2012, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO:

#### Long position in the shares of the Company

Name of substantial shareholder	Capacity in which interests were held	Number of ordinary shares/underlying shares	Approximate percentage of the issued share capital
Sinopower Investment Limited (Note 1)	Beneficial owner	2,658,781,817	68.07%
SRE Group Limited (Note 1)	Interest of controlled corporation	2,658,781,817	68.07%
SRE Investment Holding Limited (Note 1)	Interest of controlled corporation	2,658,781,817	68.07%
Shi Jian (Note 1)	Interest of controlled corporation	2,658,781,817	68.07%

Note:

1. A controlled corporation of Mr. Shi Jian, duplicate to those disclosed in the section "Securities Interests of Directors and Chief Executive" above.

# Supplementary Information

## SHARE OPTIONS

### 1. The Management Grant

On 5 July 2007, the Board approved the award of a total of 28,500,000 ordinary shares of no par value of the Company ("Shares") (following adjustments made pursuant to the subdivision of one Share into 75,000 Shares (the "Share Split") to certain Directors and employees as stated below (collectively, referred as the "Entitled Persons"), as an incentive for their continued service to the Company (the "Management Grant"). The Management Grant was implemented on 5 July 2007.

On 9 July 2007, options on 28,500,000 unissued Shares with an exercise price of RMB8.00 per Share (before adjusting for the Share Split) were granted to the Entitled Persons.

In accordance with the terms of the Management Grant, the Shares which are to be allotted will vest as follows:–

- a. 10% at the end of the 12th month after the date of listing of the Company on the Main Board of the SGX-ST;
- b. 15% at the end of the 24th month after the date of listing of the Company on the Main Board of the SGX-ST;
- c. 20% at the end of the 36th month after the date of listing of the Company on the Main Board of the SGX-ST;
- d. 25% at the end of the 48th month after the date of listing of the Company on the Main Board of the SGX-ST; and
- e. the remaining 30% at the end of the 60th month after the date of listing of the Company on the Main Board of the SGX-ST,

provided that the relevant Entitled Persons remain in service within the Group on the vesting day and he/she has not submitted a notice of resignation. The exercise price is RMB8.00 per Share (before adjusting for the Share Split).



## Supplementary Information

During the six months ended 30 June 2012, no share option under the Management Grant were granted, exercised, cancelled or lapsed.

Number of shares subject to options under the Management Grant								Share options exercisable as at 30 June 2012	Aggregate unreleased Share options
Name of Entitled Persons	Share options granted	Movement during the financial period				As at 30.6.2012	Deemed Interest		
		As at 1.1.2012	Granted	Exercised	Cancelled				Lapsed
<b>Director</b>									
Li Yao Min	5,925,000	4,147,500	-	-	-	-	4,147,500	-	1,777,500
Yue Wai Leung Stan	5,332,500	3,555,000	-	-	-	-	3,555,000	-	1,777,500
Gu Biya	3,000,000	2,100,000	-	-	-	-	2,100,000	-	900,000
Mao Yiping	2,475,000	1,732,500	-	-	-	-	1,732,500	-	742,500
Yang Yonggang	5,100,000	3,570,000	-	-	-	-	3,570,000	-	1,530,000
<b>Employee</b>									
Tai Kuo-Lin	1,875,000	1,312,500	-	-	-	-	1,312,500	-	562,500
Sun Xiaomeng	225,000	157,500	-	-	-	-	157,500	-	67,500

## 2. CNTD Share Option Scheme

No option was granted since the adoption of the share option scheme approved by a resolution of the shareholders of the Company passed on 3 September 2010.

# Supplementary Information

## CHANGE OF INFORMATION OF DIRECTORS

On 13 February 2012, Mr. Zhang Hao was appointed as an Independent Non-executive Director of the Company.

On 30 April 2012, Mr. Loh Weng Whye retired as an Independent Non-executive Director of the Company and ceased to be the chairman of the Nominating Committee and a member of the Audit Committee, the Remuneration Committee and the Investment Committee. On the same date, Mr. Zhang Hao was appointed as a member of the Audit Committee and the Investment Committee.

Following Mr. Loh Weng Whye's retirement, the Company subsequently appointed Mr. E Hock Yap as an Independent Non-executive Director and a member of the Remuneration Committee and the chairman of the Nominating Committee with effect from 29 May 2012.

In addition, Ms. Song Yiqing ceased to be the Chief Financial Officer of the Company with effect from 1 August 2012. Ms. Song will remain as an Executive Director of the Company focusing on the Group's projects development.

<b>Name of Director</b>	<b>Date of appointment letter</b>	<b>Term</b>	<b>Fixed annual director's fee</b>	<b>Termination notice period/ payment in lieu of notice</b>
Zhang Hao	13 February 2012	13/02/2012 to 21/10/2013	HK\$260,000	No less than 1 month
E Hock Yap	29 May 2012	29/05/2012 to 21/10/2013	HK\$330,000	No less than 1 month

Save as disclosed herein, the Board is not aware of any other matters relating to the appointments and re-designation that should be disclosed pursuant to Rules 13.51(2)(a) to (x) of the HKEx Listing Rules or any other matters that need to be brought to the attention of the shareholders of the Company, the HKEx and the SGX-ST.

The remuneration of Mr. Yue Wai Leung Stan, Mr. Shi Janson Bing, Ms. Song Yiqing, Ms. Gu Biya, Mr. Mao Yiping, Mr. Yang Yonggang and Mr. Qian Yifeng has been deducted by 10% with effect from January 2012 for 12 months and the 13-month base pay remains unchanged. This decision was determined with reference to the Company's performance and profitability, as well as the remuneration benchmark in the industry and the prevailing market conditions.

## CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no contingent liabilities (2011: Nil) in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

## 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.

## CORPORATE GOVERNANCE

The Board and the Management are committed to maintaining a high standard of corporate governance principles and practices so as to promote corporate transparency and accountability. Good corporate governance is an integral element of a sound corporation to protect and enhance shareholders' value.

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 HKEx Listing Rules throughout the period except for the code provision C.1.2 regarding 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 Singapore Exchange Trading Limited ("SGX Listing Manual") is sufficient for directors to understand and well note the business performance, position and prospects of the Company. Furthermore, 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.

## Supplementary Information

In addition, the Company temporarily failed to comply with the Code Guideline 2.1 of the Singapore Code due to the retirement of Mr. Loh Weng Whye as an independent non-executive director of the Company on 30 April 2012 and hence, the Nominating Committee of the Company no longer comprised minimum of three members as required under the Code Guideline 4.1 of the Singapore Code. The Board noted that following the retirement of Mr. Loh, the Company was unable to meet the requirement of Rule 221 of the SGX Listing Manual. The Company subsequently appointed Mr. E Hock Yap as an independent non-executive director and the chairman of the Nominating Committee on 29 May 2012, and hence complied with the Singapore Code on that date.

### AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2012, including the accounting principles and practices adopted by the Group, and has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. The Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

By order of the Board

**China New Town Development Company Limited**

**Shi Jian**

*Chairman*

Hong Kong, 13 August 2012