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CHINA NEW TOWN DEVELOPMENT COMPANY LIMITED

中國新城鎮發展有限公司

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

(Stock Code: 1278)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 (the “**Reporting Period**”), together with relevant comparative figures, as set out below:

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

		Six months ended 30 June	
		2020	2019
	Notes	(Unaudited)	(Unaudited)
Operating income		246,068	252,549
Revenue	5	208,599	198,020
Other income	6	37,469	54,529
Operating expenses		(180,188)	(147,395)

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	(Unaudited)	(Unaudited)
Cost of sales	7	(14,503)	(12,526)
Selling and administrative expenses	7	(49,846)	(50,054)
Finance costs	8	(65,427)	(81,996)
Other expenses	9	(50,412)	(2,819)
Operating profit		65,880	105,154
Share of losses of joint ventures and associates		(9,834)	(5,898)
Profit before tax		56,046	99,256
Income tax	10	(21,104)	(23,641)
Profit after tax		34,942	75,615
Profit for the period		34,942	75,615
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange differences on translation of foreign operations		(382)	843
Other comprehensive (loss)/income for the period, net of tax		(382)	843
Total comprehensive income for the period, net of tax		34,560	76,458

		Six months ended 30 June	
		2020	2019
<i>Notes</i>		(Unaudited)	(Unaudited)
Profit/(loss) attributable to:			
	Equity holders of the parent	34,924	88,849
	Non-controlling interests	18	(13,234)
		<u>34,942</u>	<u>75,615</u>
Total comprehensive income/(loss) attributable to:			
	Equity holders of the parent	34,542	89,692
	Non-controlling interests	18	(13,234)
		<u>34,560</u>	<u>76,458</u>
Earnings per share attributable to ordinary equity holders of the parent:			
	Basic earnings per share (<i>RMB</i>)	12 0.0036	0.0091
	Diluted earnings per share (<i>RMB</i>)	12 0.0036	0.0091

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

		Group	
		30 June	31 December
		2020	2019
	<i>Notes</i>	(Unaudited)	(Audited)
Assets			
Non-current assets			
Investments in associates		58,642	64,020
Investments in joint ventures		215,751	220,590
Debt instruments at amortised cost	13	830,190	1,212,533
Financial assets at fair value through profit or loss	14	67,858	71,217
Investment property	15	1,450,842	1,447,729
Property, plant and equipment		12,351	13,245
Right-of-use assets	16	37,587	17,170
Deferred tax assets		7,096	8,957
Other assets		16,053	16,487
Total non-current assets		2,696,370	3,071,948
Current assets			
Land development for sale	17	885,552	884,820
Prepayments		1,768	2,774
Other current assets		22,366	18,236
Other receivables	18	725,201	734,286
Trade receivables	19	562,138	557,377
Debt instruments at amortised cost	13	1,746,114	1,932,758
Financial assets at fair value through profit or loss	14	1,230,842	1,198,872
Cash and bank balances	20	223,883	269,917
Total current assets		5,397,864	5,599,040
Total assets		8,094,234	8,670,988

		Group	
		30 June	31 December
		2020	2019
Notes	(Unaudited)	(Audited)	
Equity and liabilities			
Equity			
Attributable to:			
Equity holders of the parent:			
		4,070,201	4,070,201
		607,839	607,839
		718	1,100
		(444,070)	(440,034)
		4,234,688	4,239,106
Non-controlling interests		440,370	440,352
Total equity		4,675,058	4,679,458
Non-current liabilities			
Interest-bearing bank borrowings	21	735,380	2,353,078
Deferred tax liabilities		78,668	74,835
Lease liabilities	22	18,669	7,011
Other liabilities		6,591	6,668
Total non-current liabilities		839,308	2,441,592

		Group	
		30 June	31 December
		2020	2019
	<i>Notes</i>	(Unaudited)	(Audited)
Current liabilities			
Interest-bearing bank borrowings	21	1,358,307	298,734
Trade payables	23	353,160	363,816
Other payables and accruals	24	303,810	356,690
Advance from customers		9,830	15,438
Dividends payables	11	39,160	78
Current income tax liabilities		67,572	68,721
Financial liabilities at fair value through profit or loss	25	1,176	3,605
Lease liabilities	22	12,764	6,304
Contract liabilities	26	434,089	436,552
Total current liabilities		2,579,868	1,549,938
Total liabilities		3,419,176	3,991,530
Total equity and liabilities		8,094,234	8,670,988
Net current assets		2,817,996	4,049,102
Total assets less current liabilities		5,514,366	7,121,050

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	56,046	99,256
Adjustment for:		
Accrual/(reversal) of credit loss expenses	38,695	(16,374)
Depreciation of property, plant and equipment	963	1,063
Amortisation of right-of-use assets	6,584	4,925
Interest and similar income	(149,383)	(148,423)
Net gain on financial instruments at fair value through profit or loss	(29,677)	(15,008)
Amortisation of intangible assets	170	170
Gain on disposal of property, plant and equipment	(9)	—
Interest expense on financial liabilities at fair value through profit or loss	—	6,170
Share of losses from joint ventures and associates	9,834	5,898
Interest from bank deposits	(1,475)	(7,874)
Interest on lease liabilities	524	152
Interest expense on bank and other borrowings	65,427	75,826
Foreign exchange loss/(gain)	11,106	(8,593)
Operating gain/(loss) before working capital changes	8,805	(2,812)
Increase in land development for sale	(732)	(549)
(Increase)/decrease in prepayments	(1,715)	269
(Increase)/decrease in other receivables and other assets	(3,053)	28,057
(Increase)/decrease in trade receivables	(4,809)	999,960
(Decrease)/increase in advances from customers	(5,608)	4,640
Decrease in trade and other payables	(13,164)	(287,262)
Decrease in contract liabilities	(2,463)	(5,688)
Cash (used in)/generated from operating activities	(22,739)	736,615
Income tax paid	(21,949)	(17,487)
Net cash (outflow)/inflow from operating activities	(44,688)	719,128

Six months ended 30 June
2020 2019
(Unaudited) (Unaudited)

Cash flows from investing activities

Purchases of property, plant and equipment	(107)	(189)
Proceeds from disposal of property, plant and equipment	47	—
Capital expenditure on investment property	(13,715)	(46,285)
(Investment)/redemption in financial assets at fair value through profit or loss	(16,151)	17,000
Dividends received from financial assets at fair value through profit or loss	7,750	2,407
Gain from financial assets at fair value through profit or loss	15,800	8,885
Dividends received from a joint venture	—	530
Interest received from bank deposits	1,475	7,874
Net collection in debt instruments at amortised cost	556,191	602,032
Interest received from debt instruments at amortised cost	145,650	154,756
Investments in joint ventures and associates	(24,104)	(8,648)

Net cash inflow from investing activities

672,836 **738,362**

Cash flows from financing activities

Payment for the revolving loan facility fee	(5,896)	—
Repayment of bank borrowings	(596,257)	(35,000)
Proceeds from bank borrowings	—	259,965
Interest paid	(63,364)	(85,225)
Dividends paid	—	(13)
Payment of lease liabilities	(9,407)	(5,168)

Net cash (outflow)/inflow from financing activities

(674,924) **134,559**

Net (decrease)/increase in cash and cash equivalents	(46,776)	1,592,049
Effect of exchange rate changes on cash and cash equivalents	742	4,259
Cash and cash equivalents at beginning of period	269,917	662,662

Cash and cash equivalents at end of period

223,883 **2,258,970**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

Six months ended 30 June 2020

	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Other reserves	Foreign currency translation reserve	Accumulated loss	Total		
As at 31 December 2019	4,070,201	607,839	1,100	(440,034)	4,239,106	440,352	4,679,458
Profit for the period	—	—	—	34,924	34,924	18	34,942
Other comprehensive loss	—	—	(382)	—	(382)	—	(382)
Total comprehensive (loss)/income	—	—	(382)	34,924	34,542	18	34,560
Dividends	—	—	—	(38,960)	(38,960)	—	(38,960)
As at 30 June 2020	<u>4,070,201</u>	<u>607,839</u>	<u>718</u>	<u>(444,070)</u>	<u>4,234,688</u>	<u>440,370</u>	<u>4,675,058</u>

Six months ended 30 June 2019

	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Other reserves	Foreign currency translation reserve	Accumulated loss	Total		
As at 31 December 2018	4,070,201	607,334	(264)	(484,275)	4,192,996	424,412	4,617,408
Profit/(loss) for the period	—	—	—	88,849	88,849	(13,234)	75,615
Other comprehensive income	—	—	843	—	843	—	843
Total comprehensive income/(loss)	—	—	843	88,849	89,692	(13,234)	76,458
Dividends	—	—	—	(51,171)	(51,171)	—	(51,171)
As at 30 June 2019	<u>4,070,201</u>	<u>607,334</u>	<u>579</u>	<u>(446,597)</u>	<u>4,231,517</u>	<u>411,178</u>	<u>4,642,695</u>

NOTES TO FINANCIAL STATEMENTS

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

1. CORPORATE INFORMATION

The Company was incorporated on 4 January 2006 in the British Virgin Islands (the “**BVI**”). 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 HKEx by way of introduction. As a result, the Company was once dual-listed on the Main Boards of both the SGX-ST and the HKEx. The Company voluntarily delisted from the SGX-ST on 17 February 2017.

The Group is a new town developer in Mainland China and has been engaged in the investment and operation of new type of urbanization and primary land development in the People’s Republic of China (the “**PRC**”) since 2002. Since 2014, as China Development Bank Capital Corporation Limited (“**CDBC**” or “**CDB Capital**”) becoming the controlling shareholder, with the trend of new urbanization in China, the Company’s business models have been further optimized. With the business strategy of “investment + downstream operation”, on top of fixed income investment in urbanization projects, we introduce brands of urbanization to the region in the field of people’s livelihood improvement at the same time, such as education, tourism, healthcare and etc.

The Company used to be a subsidiary of SRE Group Limited (“**SRE**”, a company listed on the HKEx since September 2009). During 2012, SRE disposed of its entire holding of shares in the Company to SRE’s own shareholders via a special dividend in the form of a distribution in species. Upon completion of that distribution, in October 2012, SRE no longer held any shares in the Company and ceased to be the parent of the Company. As a result of that distribution, SRE Investment Holding Limited (“**SREI**”), the parent of SRE, became the largest shareholder of the Company.

On 10 October 2013, the Company, China Development Bank International Holdings Limited (“**CDBIH**”) and SREI entered into a share subscription agreement (the “**Subscription Agreement**”) pursuant to which CDBIH had agreed to subscribe for 5,347,921,071 new shares of the Company subject to the terms and conditions contained therein (the “**Subscription**”). The Subscription was completed in the first quarter of 2014. As a result, CDBIH, a wholly-owned subsidiary of CDB Capital, became the largest shareholder of the Company.

As an appendix of the Subscription Agreement, there was a disposal master agreement (the “**Disposal Master Agreement**”) between the Company and SREI to dispose of the specified assets and liabilities not relating to the Group’s principal business of planning and development of new town projects in Mainland China (the “**Disposal Assets**”). Execution of the Disposal Assets was completed in 2016.

In the opinion of the directors of the Company (the “**Directors**”), with the completion of the share subscription of CDBIH, the Company’s ultimate holding company is China Development Bank Corporation (“**CDB**”), which holds 54.98% of the issued share capital of the Company through CDBIH after delisted from the SGX-ST.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the Reporting Period (the “**Financial Statements**”) have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) as issued by the International Accounting Standards Board (the “**IASB**”).

The Financial Statements have been prepared under the historical cost convention, except for investment property, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value. The Financial Statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (’000) except when otherwise indicated.

(a) Basis of consolidation

The financial statements include the unaudited interim financial statements of the Company and its subsidiaries as at 30 June 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee
- (c) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement(s) with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if it results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) 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 Financial Statements were prepared in accordance with IAS 34 Interim Financial Reporting. The Financial Statements do not include all the information and disclosures required in the annual financial statements, and shall be read together with the Group’s annual financial statements as at 31 December 2019.

The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements as at 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply by the Group for the first time in 2020, but do not have a material impact on the unaudited Financial Statements.

Amendments to IFRS 3: *Definition of a Business*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

IFRS 3 is effective for annual periods beginning on or after 1 January 2020. The Group adopted the amendments from its effective date. Since the amendments applied prospectively to transactions or other events that occur on or after the date of first application, the amendments had no significant impact on the Financial Statements.

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The Group adopted the amendments from its effective date. These amendments had no significant impact on the Financial Statements as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: *Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The Group adopted the amendments from its effective date. The amendments to the definition of material had no significant impact on the Financial Statements.

Covid-19-Related Rent Concessions — Amendment to IFRS 16

In May 2020, the IASB amended IFRS 16 *Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

The amendments are effective for annual periods beginning on or after 1 June 2020. Early application is permitted. The Group adopted the amendments on 1 June 2020. Since there were no rent concessions occurring as a direct consequence of the Covid-19 pandemic within the Group till 30 June 2020, the Amendment to IFRS 16 had no significant impact on the Financial Statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no significant impact on the 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 development segment, which provides land infrastructure development, construction of ancillary public facilities;
- Urbanization development segment, which is responsible for investments in new town projects;
- Property leasing segment, which provides property leasing services of investment property; and
- Others segment, which includes the provision of other services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or 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.

The land development revenue were derived from contract liabilities in Shanghai when the performance obligations were satisfied in the Reporting Period.

The following tables present sales and profit information for the Group's operating segments for the six months ended 30 June 2020 and 2019, respectively.

RMB'000

	For the six months ended 30 June 2020 (Unaudited)					Total
	Land development	Urbanization development	Property leasing	Others	Adjustments and eliminations	
Segment results						
External sales	1,392	149,383	57,824	—	—	208,599
Intersegment sales	—	—	—	—	—	—
Total segment sales	1,392	149,383	57,824	—	—	208,599
Segment (loss)/profit	(1,497)	1,863	39,473	81,634	—	121,473
Finance cost					(65,427) ¹	(65,427)
Profit before income tax						56,046

¹ Profit for each operating segment of continuing operations does not include finance costs of RMB65,427 thousand.

RMB'000

	For the six months ended 30 June 2019 (Unaudited)					Total
	Land development	Urbanization development	Property leasing	Others	Adjustments and eliminations	
Segment results						
External sales	6,668	153,811	37,541	—	—	198,020
Intersegment sales	—	—	—	—	—	—
Total segment sales	6,668	153,811	37,541	—	—	198,020
Segment profit/(loss)	4,246	160,237	22,544	(5,775)	—	181,252
Finance cost					(81,996) ¹	(81,996)
Profit before income tax						99,256

¹ Profit for each operating segment of continuing operations does not include finance costs of RMB81,996 thousand.

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively:

	Land development	Urbanization development	Property Leasing	Others	Adjustments and eliminations	Total
Assets						
30 June 2020 (Unaudited)	<u>1,678,766</u>	<u>4,532,466</u>	<u>1,627,936</u>	<u>247,970</u>	<u>7,096¹</u>	<u>8,094,234</u>
31 December 2019 (Audited)	<u>1,678,138</u>	<u>4,996,182</u>	<u>1,643,878</u>	<u>343,833</u>	<u>8,957¹</u>	<u>8,670,988</u>
Liabilities						
30 June 2020 (Unaudited)	<u>719,140</u>	<u>49,959</u>	<u>205,894</u>	<u>204,256</u>	<u>2,239,927²</u>	<u>3,419,176</u>
31 December 2019 (Audited)	<u>723,112</u>	<u>59,057</u>	<u>225,289</u>	<u>188,704</u>	<u>2,795,368²</u>	<u>3,991,530</u>

¹ Assets in segments do not include deferred tax assets of RMB7,096 thousand as at 30 June 2020 as these assets are managed on a group basis.

Assets in segments do not include deferred tax assets of RMB8,957 thousand as at 31 December 2019 as these assets are managed on a group basis.

² Liabilities in segments do not include current income tax liabilities of RMB67,572 thousand, interest-bearing bank borrowings of RMB2,093,687 thousand, and deferred tax liabilities of RMB78,668 thousand as at 30 June 2020 as these liabilities are managed on a group basis.

Liabilities in segments do not include current income tax liabilities of RMB68,721 thousand, interest-bearing bank borrowings of RMB2,651,812 thousand, and deferred tax liabilities of RMB74,835 thousand as at 31 December 2019 as these liabilities are managed on a group basis.

5. REVENUE

RMB'000	Notes	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Land development	(a)	<u>1,392</u>	6,668
Property management	(a)	<u>13,434</u>	9,292
Asset and fund management	(a)	<u>—</u>	5,388
Revenue from contracts with customers	(a)	<u>14,826</u>	21,348
Rental income		<u>44,390</u>	28,249
Interest and similar income	(b)	<u>149,383</u>	148,423
Revenue from other sources		<u>193,773</u>	176,672
Total revenue		<u>208,599</u>	198,020

(a) Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended 30 June 2020 (Unaudited)			
	Land development	Urbanization development	Property Leasing	Total
Segments				
Type of goods or service				
Land development	1,392	—	—	1,392
Property management	—	—	13,434	13,434
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers				
	<u>1,392</u>	<u>—</u>	<u>13,434</u>	<u>14,826</u>
Timing of revenue recognition				
Services tendered over time				
	<u>1,392</u>	<u>—</u>	<u>13,434</u>	<u>14,826</u>

The Group's total revenue from contracts with customers is all derived from Mainland China.

	Six months ended 30 June 2019 (Unaudited)			
	Land development	Urbanization development	Property Leasing	Total
Segments				
Type of goods or service				
Land development	6,668	—	—	6,668
Property management	—	—	9,292	9,292
Asset and fund management	—	5,388	—	5,388
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers				
	<u>6,668</u>	<u>5,388</u>	<u>9,292</u>	<u>21,348</u>
Timing of revenue recognition				
Services tendered over time				
	<u>6,668</u>	<u>5,388</u>	<u>9,292</u>	<u>21,348</u>

The Group's total revenue from contracts with customers is all derived from Mainland China.

(b) The detailed information of revenue from interest and similar income is as follows:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
RMB'000		
Interest income		
Jiangsu Lianyungang Haizhou Bay Tourism Town Project	17,824	15,931
Jiangsu Huai'an Huaiyin District Urban Renewal Project	17,424	16,739
Taizhou Tongtai Intelligent Manufacturing Industrial Park Project	16,123	—
Chengdu Jintang Huaizhou New City Yunding Ranch Cultural Tourism Project	13,842	—
Jiangsu Taizhou New Energy Industrial Park Project	13,823	22,693
Shandong Qingzhou MI River Comprehensive Control Project	11,038	10,223
The First Phase Construction Project of High-tech Science and Technology Innovation Park in Yangzhong City, Jiangsu Province	10,603	—
Yangzhou Gaoyou National Agricultural Science and Technology Park Project	8,017	7,842
Gaoyou PPP Project	7,099	5,648
Suqian Yanghe Bio-tech Industrial Park Project	5,429	—
Nanchang Science and Technology Park Project of Chinese Academy of Sciences	3,855	18,986
Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project	2,910	5,469
Qinhuangdao Project	2,391	6,890
Lianyungang Haohai R&D Centre Project	2,385	4,743
Yangzhou Airport New Town Project	—	10,487
Yangzhou Xincheng River Hanjiang Branch Region Integrated Renovation Project	—	8,400
Yangzhou River Banks Project	—	5,890
Others	8,870	6,075
	141,633	146,016
Interest similar income		
CDB (Beijing) — BOCOMM New-Type Urbanization Development Fund (the “Urbanization Fund”)	7,750	2,407
	149,383	148,423

6. OTHER INCOME

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
RMB'000		
Interest income from bank deposits	1,475	7,874
Net fair value gain on financial instruments at fair value through profit or loss	14,889	6,123
Investment income from financial instruments at fair value through profit or loss	14,788	8,885
Foreign exchange gain, net	—	8,593
Reversal of credit loss expenses	—	16,374
Others	6,317	6,680
	<u>37,469</u>	<u>54,529</u>

7. EXPENSES BY NATURE

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
RMB'000		
Cost of land development	1,392	6,668
Depreciation of property, plant and equipment	963	1,063
Depreciation of right-of-use assets	6,584	4,925
Employee benefits	22,050	18,953
Utility expenses	2,393	2,517
Advertising	1,525	3,556
Rental expenses	918	3,119
Property management service expenses	6,733	3,259
Intermediary and professional service charges	2,335	2,762
Other tax and surcharges	6,104	7,090
Other expenses	13,352	8,668
	<u>64,349</u>	<u>62,580</u>
Total cost of sales, selling and administrative expenses		

8. FINANCE COSTS

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
RMB'000		
Interest on bank and other borrowings	65,427	75,826
Others	—	6,170
	<u>65,427</u>	<u>81,996</u>

No borrowing costs during the first half of 2020 and the first half of 2019 was capitalized.

9. OTHER EXPENSES

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
RMB'000		
Foreign exchanges loss, net	11,106	—
Bank charges	564	1,037
Credit loss expenses	38,695	—
Others	47	1,782
	<u>50,412</u>	<u>2,819</u>

10. 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 BVI.

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 PRC (2019: 25%).

Mainland China Withholding Tax

Pursuant to the laws governing 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 the Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed and remitted out of the PRC by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Pursuant to the laws governing the PRC Corporate Income Tax, a member of the Group, who is not a tax resident in the jurisdiction of the PRC, is subject to withholding tax at 10% on the incomes from Mainland China, such as interest income and gain from disposal of equity investment. A lower withholding tax rate may be applied if there is a tax treaty between the Mainland China and the jurisdiction of the foreign investors. The Group has decided that the withholding tax is classified as income tax under IAS 12, and therefore has recognized such withholding tax as an income tax expense in the statement of profit or loss and other comprehensive income.

The major components of income tax are:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
RMB'000		
Income tax charge:		
Current income tax	—	8,851
Deferred tax	5,694	4,395
Withholding tax	15,410	10,395
	<u>21,104</u>	<u>23,641</u>
Income tax charge as reported in profit or loss	<u>21,104</u>	<u>23,641</u>

11. DIVIDENDS

A final dividend for the year ended 31 December 2019 of HKD0.0044 per ordinary share has been approved by the shareholders at the Company's annual general meeting held on 24 June 2020 (the "2020 AGM") (2018: HKD0.006). The Board has resolved not to declare the payment of any interim dividend in respect of the Reporting Period (2019: Nil).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit or loss attributable to ordinary equity holders of the parent for the Reporting Period.

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
<i>RMB'000</i>		
Earnings attributable to ordinary equity holders of the parent	34,924	88,849
Weighted average number of ordinary shares used to calculate the basic and diluted earnings per share	9,726,246,417	9,726,246,417
Basic earnings per share (<i>RMB</i>)	0.0036	0.0091
Diluted earnings per share (<i>RMB</i>)	0.0036	0.0091

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.

13. DEBT INSTRUMENTS AT AMORTISED COST

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
Qinhuangdao Project	50,000	50,000
Gaoyou PPP Project	136,300	136,300
Nanchang Science and Technology Park Project of Chinese Academy of Sciences	400,000	400,000
Lianyungang Haohai R&D Centre Project	—	100,000
Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project	—	156,310
Jiangsu Taizhou New Energy Industrial Park Project	—	328,882
Shandong Qingzhou MI River Comprehensive Control Project	211,091	207,029
Jiangsu Lianyungang Haizhou Bay Tourism Town Project	319,704	313,523
Jiangsu Huai'an Huaiyin District Urban Renewal Project	317,748	312,867
Yangzhou Gaoyou National Agricultural Science and Technology Park Project	199,025	195,388
Chengdu Jintang Huaizhou New City Yunding Ranch Cultural Tourism Project	251,000	251,000
Taizhou Tongtai Intelligent Manufacturing Industrial Park Project	308,171	305,072
The First Phase Construction Project of High-tech Science and Technology Innovation Park in Yangzhong City, Jiangsu Province	201,000	201,000
Suqian Yanghe Bio-tech Industrial Park Project	107,000	107,000
Others	263,409	234,408
	2,764,448	3,298,779
Less: allowance for ECLs	(188,144)	(153,488)
	2,576,304	3,145,291
Amounts due in the next 12 months classified as current assets	1,746,114	1,932,758
Amounts classified as non-current assets	830,190	1,212,533

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

RMB'000	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Financial assets at fair value through profit or loss			
— Funds		25,074	28,433
— Wealth management products		1,218,663	1,188,978
— Equity instruments		42,784	42,784
— Derivatives	(a)	12,179	9,894
		<u>1,298,700</u>	<u>1,270,089</u>

Note:

- (a) China New Town Holding Company Limited (“CNTH”) entered into cross currency swap and foreign exchange forward contracts with China Construction Bank (Asia) (“CCB (Asia)”) and Bank of East Asia (“BEA”) which were measured at fair value through profit and loss. As at 30 June 2020, RMB12,179 thousand (2019: RMB9,894 thousand) was classified as financial asset at fair value through profit or loss, RMB1,176 thousand (2019: RMB3,605 thousand) was classified as financial liability at fair value through profit or loss (Note 25). Those contracts were not designed in hedging relationships, but were, nevertheless, intended to reduce the level of foreign currency exchange risks for the investments and borrowings denominated in foreign currencies.

15. INVESTMENT PROPERTY

RMB'000	30 June 2020 (Unaudited)	31 December 2019 (Audited)
At beginning of year	1,447,729	1,315,244
Subsequent expenditure	3,113	20,717
Gain from fair value adjustments	—	111,768
At end of Reporting Period/year	<u>1,450,842</u>	<u>1,447,729</u>

16. RIGHT-OF-USE ASSETS

<i>RMB'000</i>	Building	Motor vehicles	Land	Total
Original cost				
As at 1 January 2020	23,903	1,425	2,238	27,566
Additions	<u>27,001</u>	<u>—</u>	<u>—</u>	<u>27,001</u>
As at 30 June 2020	<u>50,904</u>	<u>1,425</u>	<u>2,238</u>	<u>54,567</u>
Accumulated depreciation				
As at 1 January 2020	9,746	493	157	10,396
Depreciation during the Reporting Period	<u>6,193</u>	<u>312</u>	<u>79</u>	<u>6,584</u>
As at 30 June 2020	<u>15,939</u>	<u>805</u>	<u>236</u>	<u>16,980</u>
Net carrying amount				
As at 1 January 2020	<u>14,157</u>	<u>932</u>	<u>2,081</u>	<u>17,170</u>
As at 30 June 2020	<u>34,965</u>	<u>620</u>	<u>2,002</u>	<u>37,587</u>

17. LAND DEVELOPMENT FOR SALE

<i>RMB'000</i>	30 June 2020 (Unaudited)	31 December 2019 (Audited)
At lower of cost and net realisable value:		
Mainland China — Shenyang Lixiang New Town Modern Agriculture Co., Ltd. (“Shenyang Lixiang”)	<u>885,552</u>	<u>884,820</u>

18. OTHER RECEIVABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
Wuxi Project:		
— Balances due from	20,977	20,977
Interest receivables from debt instruments at amortised cost	34,392	38,409
Due from SREI	140,146	140,146
Balances due from entities disposed of	24,384	24,384
Due from joint ventures and associates	487,541	487,634
Others	46,991	47,975
	<u>754,431</u>	<u>759,525</u>
Less: allowance for ECLs	<u>(29,230)</u>	<u>(25,239)</u>
Other receivables, net	<u><u>725,201</u></u>	<u><u>734,286</u></u>

19. TRADE RECEIVABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
Receivables from land development for sale	559,898	559,898
Others	10,323	5,514
	<u>570,221</u>	<u>565,412</u>
Less: allowance for ECLs	<u>(8,083)</u>	<u>(8,035)</u>
Trade receivables, net	<u><u>562,138</u></u>	<u><u>557,377</u></u>

An ageing analysis of the trade receivables is as follows:

	Trade receivables	30 June 2020 (Unaudited) Less: allowance for ECLs	Trade receivables, net
RMB'000			
Within 6 months	11,002	(110)	10,892
6 months to 1 year	1,493	(15)	1,478
1 year to 2 years	522,680	(5,227)	517,453
2 years to 3 years	—	—	—
Over 3 years	35,046	(2,731)	32,315
	<u>570,221</u>	<u>(8,083)</u>	<u>562,138</u>

	31 December 2019 (Audited)		
<i>RMB'000</i>	Trade receivables	Less: allowance for ECLs	Trade receivables, net
Within 6 months	7,686	(77)	7,609
6 months to 1 year	—	—	—
1 year to 2 years	522,680	(5,227)	517,453
2 years to 3 years	—	—	—
Over 3 years	35,046	(2,731)	32,315
	<u>565,412</u>	<u>(8,035)</u>	<u>557,377</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 2020 (31 December 2019: Nil).

20. CASH AND BANK BALANCES

<i>RMB'000</i>	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash at banks	<u>223,883</u>	<u>269,917</u>
Cash and cash equivalents	<u>223,883</u>	<u>269,917</u>
Restricted bank deposits	<u>—</u>	<u>—</u>
	<u>223,883</u>	<u>269,917</u>

RMB equivalent of the following currencies:

<i>RMB'000</i>	30 June 2020 (Unaudited)	31 December 2019 (Audited)
SGD	45	46
RMB	183,128	246,741
HKD	28,760	11,418
USD	8,589	8,442
EUR	<u>3,361</u>	<u>3,270</u>
	<u>223,883</u>	<u>269,917</u>

21. INTEREST-BEARING BANK BORROWINGS

Details of interest-bearing bank borrowings which were all denominated in RMB are as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
Bank borrowings — secured and guaranteed	780,380	795,380
Bank borrowings — guaranteed	1,313,307	1,856,432
	<u>2,093,687</u>	<u>2,651,812</u>

The interest-bearing bank borrowings are repayable as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
Within 6 months	15,000	283,734
6 months to 9 months	304,032	15,000
9 months to 12 months	1,039,275	—
1 year to 2 years	62,500	1,647,698
2 years to 5 years	252,500	235,000
Over 5 years	420,380	470,380
	<u>2,093,687</u>	<u>2,651,812</u>

The Group's interest-bearing bank borrowings bore interest at HIBOR plus 1.8%, LIBOR plus 2.2%, HIBOR plus 2.2% and 4.90% per annum for the Reporting Period (2019: at HIBOR plus 2.0%, LIBOR plus 2.2%, HIBOR plus 2.2% and 4.90% per annum).

Bank borrowings — secured and guaranteed

As at 30 June 2020, bank borrowings of RMB780,380 thousand (31 December 2019: RMB795,380 thousand) were guaranteed by CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town") and CDBC Co-Create Enterprise Management (Huzhou) Co., Ltd. ("CCEM Huzhou"). The bank borrowings were also secured by the investment property, whose carrying amount at 30 June 2020 was RMB1.451 billion.

Bank borrowings — guaranteed

As at 30 June 2020, bank borrowings of USD49,489 thousand and HKD1,054,000 thousand (as at 30 June 2020, equivalent to RMB1,313,307 thousand) were guaranteed by the Company (31 December 2019: USD76,968 thousand and HKD1,473,000 thousand, equivalent to RMB1,856,432 thousand).

22. LEASE LIABILITIES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
At beginning of Reporting Period/year	13,315	12,583
Additions	27,001	11,498
Interest expense	524	244
Payments	(9,407)	(11,010)
At end of Reporting Period/year	<u>31,433</u>	<u>13,315</u>
Amounts due in the next 12 months classified as current liabilities	<u>12,764</u>	<u>6,304</u>
Amounts classified as non-current liabilities	<u>18,669</u>	<u>7,011</u>

23. TRADE PAYABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
Payable for land development for sale	204,883	204,932
Payable for investment property	148,277	158,879
Others	—	5
	<u>353,160</u>	<u>363,816</u>

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

An aging analysis of the Group's trade payables is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
Within 1 year	10,056	7,647
1 year to 2 years	241,188	254,199
Over 2 years	<u>101,916</u>	<u>101,970</u>
	<u>353,160</u>	<u>363,816</u>

24. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000		
Payroll and welfare	3,428	20,951
Accrued interest on bank and other borrowings	19,117	16,126
Other taxes payable	15,825	21,640
Receipts in excess of the Group's estimated share of land sales proceeds	26,477	26,477
Amounts due to related parties	161	178
Payable for intermediary and professional service charges	—	5,901
Payable for Wuxi Project	42,250	42,250
Other borrowings	97,020	97,020
Tenancy deposit	36,413	31,363
Others	63,119	94,784
	<u>303,810</u>	<u>356,690</u>

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2020 (Unaudited)	31 December 2019 (Audited)
RMB'000	<i>Note</i>		
Financial liabilities at fair value through profit or loss			
— Derivatives	14(a)	<u>1,176</u>	<u>3,605</u>
		<u>1,176</u>	<u>3,605</u>

26. CONTRACT LIABILITIES

RMB'000	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contract liabilities arising from:			
Land development	(i)	430,764	432,156
Property management		3,325	4,396
		434,089	436,552

Note:

- (i) As at 30 June 2020 and 31 December 2019, the contract liabilities arising from land development for sale represents the amounts received or receivable from the land authorities that are not yet recognised as revenue, because the performance obligations of the developments of the ancillary public facilities are not satisfied. The amounts received or receivable are non-refundable unless the Group fails to complete the development work. The contract liability is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

27. FAIR VALUE AND FAIR VALUE HIERARCHY

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of the financial instrument. For financial instruments where there is no active market or when current market prices are not available, their fair values are determined using valuation techniques.

The Group's financial assets mainly include debt instruments at amortised cost, cash and bank balances, financial assets at fair value through profit or loss, trade receivables and other receivables. The Group's financial liabilities mainly include interest-bearing bank and other borrowings, financial liabilities at fair value through profit or loss, and trade and other payables. The fair values of the Group's and the Company's financial instruments are not materially different from their carrying amounts.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of assets measured at fair value as at 30 June 2020:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 14)	30 June 2020	1,298,700	—	1,255,916	42,784
Investment property (Note 15)	30 June 2020	1,450,842	—	—	1,450,842
Financial liabilities at fair value through profit or loss (Note 25)	30 June 2020	1,176	—	1,176	—

There were no transfers of fair value measurement between Level 1 and Level 2 during the Reporting Period.

Quantitative disclosures of assets measured at fair value as at 31 December 2019:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 14)	31 December 2019	1,270,089	—	1,227,305	42,784
Investment property (Note 15)	31 December 2019	1,447,729	—	—	1,447,729
Financial liabilities at fair value through profit or loss (Note 25)	31 December 2019	3,605	—	3,605	—

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2019.

28. FINANCIAL REVIEW/ABSTRACTS

- a) **Fair review of development of business of the Group during the Reporting Period and of its financial position at the end of the Reporting Period:**

Operating Results

Revenue

Our results from operating mainly include land development, urbanization development and property leasing. In the first half of 2020, the Group recorded revenue of RMB209 million, with an increase of 5% as compared with the same period of 2019.

In the first half of 2020, revenue from urbanization development decreased by 3% to RMB149 million, which was mainly due to that no income generated from asset and fund management in the first half of 2020. The revenue from property leasing increased by 57% to RMB44.39 million as compared with the same period of 2019, and revenue from property management increased by 45% to RMB13.43 million as compared with the same period of 2019, mainly because of the occupancy rate of investment property in Wuhan Chuguang Industry New Development Co., Ltd. (“**Wuhan Chuguang**”) increased as compared with the same period of last year. In addition, revenue from land development of RMB1.39 million was recorded, decreased by 79% as compared with the same period of last year, mainly because the actual progress of the project during the Reporting Period is lower than that of the same period of last year, thus the revenue from land development and cost carried forward reduced accordingly.

Other income

In the first half of 2020, other income decreased by RMB17.06 million and declined by 31%, as compared with the same period of 2019, which was mainly due to that no reversal of the expected credit losses (the “**ECLs**”) and net foreign exchange gains occurred in the Reporting Period, which occurred RMB24.97 million during the same period of 2019, that the net fair value gain on financial instruments at fair value through profit or loss increased by RMB8.77 million as compared with the same period of last year, that investment income from financial instruments at fair value through profit or loss increased by RMB5.90 million as compared with the same period of last year, and that interest income from bank deposits decreased by RMB6.40 million as compared with the same period of last year.

Cost of sales, and selling and administrative expenses

In the first half of 2020, the cost and expense increased by RMB1.77 million as compared with the same period of 2019, which was mainly due to the increase of RMB3.47 million in property management service expenses, the increase of RMB3.10 million in employee benefits and the decrease of RMB5.28 million in cost of land development.

Other expenses

In the first half of 2020, other expenses increased 17 times more than that of the same period of 2019, which was mainly due to additional RMB40 million provision of ECL of Nanchang Science and Technology Park Project of Chinese Academy of Sciences, that caused the recognition of the ECL of RMB38.70 million and the foreign exchange loss of RMB11.11 million during the Reporting Period.

Finance costs

In the first half of 2020, finance costs decreased by 20% as compared with the same period of 2019, which was mainly due to the balance of interest-bearing bank borrowings as at 30 June 2020 decreased by RMB582 million as compared with that of 30 June 2019. The interest from interest-bearing bank borrowings in the first half of 2020 decreased by RMB10.40 million compared with the same period of 2019. In addition, due to the redemption of all investment capital held by other interest holders of the structured entities in 2019, no interest payment to other interest holders of the structured entities occurred in the first half of 2020, resulting in a decrease of RMB6.17 million as compared to the same period of 2019.

Share of losses of joint ventures and associates

In the first half of 2020, the Group recorded share of losses of RMB9.83 million from its joint ventures and associates, which was increased by 67% as compared with that of the same period of 2019. The increase of share of loss was mainly due to the increase of losses occurred from associates of China Development Bank Education Co., Ltd. by RMB2.38 million and joint ventures of CDBC Agricultural Investment Management Co., Ltd. by RMB2.17 million compared to that of the same period of 2019.

Taxation

In the first half of 2020, the Group recorded income tax of RMB21.10 million with a decrease of 11% as compared with the same period of 2019, which was in line with the decreasing trend of profit generated by current period.

Profit after tax

As analyzed above, profit after tax was RMB34.94 million in the first half of 2020.

Financial Position

Investment in associates

As at 30 June 2020, investment in associates decreased by RMB5.38 million as compared with that of 31 December 2019, which was mainly due to shares of losses of RMB5 million and share of other comprehensive loss of RMB0.38 million from associates.

Investment in joint ventures

As at 30 June 2020, investment in joint ventures decreased by RMB4.84 million as compared with that of 31 December 2019, which was mainly due to share of losses of RMB4.84 million from joint ventures.

Debt instruments at amortised cost (non-current assets)

As at 30 June 2020, debt instruments at amortised cost (non-current assets) decreased by RMB382 million as compared with that of 31 December 2019, which was mainly due to the reclassification of debt instruments from non-current assets to current assets of the following projects: Changchun New Town Automobile project of RMB110 million, Taizhou Tongtai Intelligent Manufacturing Industrial Park Project of RMB305 million. Besides, the newly increased shareholder loan of Nanjing Guoying Zhongxi Development Co., Ltd. (“**Nanjing Guoying**”) was RMB29 million in the first half of 2020 and the reversal of the allowance for ECLs amounted to RMB3.86 million.

Financial assets at fair value through profit or loss (non-current assets)

As at 30 June 2020, the financial assets at fair value through profit or loss decreased by RMB3.36 million as compared with that of 31 December 2019, which was mainly due to the redemption of the Urbanization Fund of RMB1.85 million, the fair value loss of the Urbanization Fund of RMB1.51 million.

Investment property

As at 30 June 2020, the investment property increased by RMB3.11 million as compared with that of 31 December 2019, which was mainly due to the expenditure of investment property of RMB3.11 million in the first half of 2020.

Right-of-use assets

As at 30 June 2020, the right-of-use assets increased by RMB20.42 million as compared with that of 31 December 2019, which was mainly due to the increase of RMB27 million rental of office building in the first half of 2020, and depreciation of the right-of-use assets of RMB6.58 million in the first half of 2020.

Other receivables

As at 30 June 2020, other receivables decreased by RMB9.09 million as compared with that of 31 December 2019, which was mainly due to the decrease of interest receivable of debt instruments at amortised cost by RMB4.02 million and the adjustment of allowance for RMB3.99 million, mainly due to additional RMB3.86 million provision of ECL of interest receivable of Nanchang Science and Technology Park Project of Chinese Academy of Sciences.

Trade receivables

As at 30 June 2020, trade receivables increased by RMB4.76 million as compared with that of 31 December 2019, which was mainly due to an additional RMB2.5 million management fee receivables from the government and property leasing and property management fees receivables of RMB2.31 million from Wuhan Chuguang.

Debt instruments at amortised cost (current assets)

As at 30 June 2020, debt instruments at amortised cost (current assets) decreased by RMB187 million as compared with that of 31 December 2019, which was mainly due to the redemption of Lianyungang Haohai R&D Centre Project, Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project, and Jiangsu Taizhou New Energy Industrial Park Project on expiration of RMB585 million, and reclassification of debt instruments from non-current assets to current assets of RMB415 million and the increase amount of foreign exchange of RMB21 million, and the adjustment of allowance for ECLs of RMB38.52 million, mainly due to additional RMB40 million provision of ECL of Nanchang Science and Technology Park Project of Chinese Academy of Sciences.

Interest-bearing bank borrowings

As at 30 June 2020, the bank borrowings decreased by RMB558 million as compared with that of 31 December 2019, which was mainly due to the repayment of the loan of HKD419 million and USD27.48 million to CCB (Asia), and repayment of the loan of RMB15 million to Bank of China. All bank borrowings were denominated in RMB with interest at prevailing market rates (Please refer to Note 21).

Trade payables

As at 30 June 2020, the trade payables decreased by RMB10.66 million as compared with that of 31 December 2019, which was mainly due to the payment of RMB10.60 million in respect of the expenditure of Wuhan Chuguang.

Dividends payable

As at 30 June 2020, dividends payable increased by RMB39.08 million as compared with that of 31 December 2019, which was mainly due to the appropriation of profit upon the shareholders' approval of the final dividend for the financial year 2019 at the 2020 AGM.

Lease liabilities

As at 30 June 2020, lease liabilities increased by RMB18.12 million as compared with that of 31 December 2019. This is mainly due to the group's new lease of office buildings in the first half of 2020.

Other payables and accruals

As at 30 June 2020, other payables and accruals decreased by RMB52.88 million as compared with that of 31 December 2019, which was mainly due to the payment of Kaiyuan Education Fund LP contribution of RMB24.1 million, the decrease of payroll and welfare by RMB17.52 million, the decrease of payable for intermediary and professional service charges by RMB5.90 million and the decrease of other taxes payable by RMB5.82 million.

Contract liabilities

As at 30 June 2020, contract liabilities decreased by RMB2.46 million as compared with that of 31 December 2019, which was mainly due to the improvement of the construction progress of the ancillary public facilities by RMB1.39 million by SGLD during the Reporting Period; Wuhan Chuguang completed property management services of RMB1.07 million during the Reporting Period.

Cash and bank balances

As at 30 June 2020, cash and bank balances decreased by RMB46.03 million as compared with that of 31 December 2019, which was mainly due to net cash outflow from operating activities of RMB44.69 million, net cash inflow from investing activities of RMB672.84 million, net cash outflow from financing activities of RMB674.92 million, and effect of exchange rate changes on cash and cash equivalents of RMB0.74 million in the first half of 2020.

The gearing ratio (defined as net debt/the sum of shareholders equity and net debt) as at 30 June 2020 was 30%, representing a decrease as compared with 35% as at 31 December 2019, which was mainly due to the repayment of the loans of HKD419 million and USD27.48 million to CCB (Asia), and repayment of the loan of RMB15 million to Bank of China in the first half of 2020.

Business Prospects and Outlook

Since 2020, due to the outbreak of Corona Virus Disease 2019 (“COVID-19”), the global economy and politics has suffered seriously, and the process of globalization and cooperation have been materially and adversely affected. Against the adverse international political and economic environment, all the Chinese people worked in concerted effort to coordinate the advancement of epidemic prevention and control as well as economic and social development nationwide. With the effect of a series of policies, there was a trend of recovery in the domestic economy, as evidenced by the facts that the key economic indicators recovered, the employment and consumer price index maintained at a stable level in general, the basic livelihood has been protected, and the momentum of emerging sectors has been enhanced.

In the meantime, given that major indicators such as gross domestic product, industry, service industry, consumption and investment are still in the downward range in the first half of 2020, the economy is still in the process of recovering growth, and it will take time to fully compensate for the losses from the impact of COVID-19 and to drive the economy back to normal levels. In addition, due to the rapid spread and dissemination of the overseas epidemic, it is difficult to restart the world economy, and the recovery of domestic demand is still constrained to some extent. In the face of unprecedented severe challenges, the Group strictly controls the project investment risks, stabilizes the investments in the field of people’s livelihood improvement in the PRC, and maintains the fixed income investments. As at 30 June 2020, after deducting the impairment provision of risky projects, the Group has a portfolio of RMB2.45 billion fixed income investments in aggregate. Other projects, excluding risky projects, will secure a total contractually guaranteed annual return before tax of approximately RMB240 million, representing a corresponding average annualized pre-tax return on investment of about 10.5%.

At the beginning of 2020, Wuhan suffered from a serious epidemic and its economic activities were materially affected. In the face of such adverse impact, the Group adopted strict and scientific management methods and epidemic prevention measures, and carried out customer management work to ensure the normal operation of Optical Valley New Development International Center (光谷新發展國際中心) in Wuhan. With the full resumption of work and production nationwide, the project has resumed normal management and comprehensive operation, and the occupancy rate has showed a slow rebound.

In terms of the education segment, the Group has made new breakthroughs in education business. In August 2019, a signing ceremony for Zhangjiagang Reigate School was held in Zhangjiagang High-Tech Zone, Suzhou. As an important project of Zhangjiagang High-Tech Zone, it aims at introducing quality education resources and providing quality education. It is of great significance in meeting the needs of the public for quality education. The Group will actively layout in the education sector in which social capital is encouraged to participate by the State. By continuously leveraging the advantages of the controlling shareholders, namely CDB and CDBC, and the professional competence of the education team, the Group will progress existing projects, and actively expand new projects in education sector to realize the strategic layout in important regions. At the same time, we will realize the linkage and complementation of internal businesses, with a view to building a comprehensive education segment that provides comprehensive education solutions for 0 to 18 years old.

On 8 July 2019, CDB Nanjing Investment Development Co., Ltd. (“**CDB Nanjing**”), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Nanjing Guoying (the “**Joint Venture**”), pursuant to which CDB Nanjing has agreed to lend to the Joint Venture, a loan in the principal amount of RMB70,000,000. On the same day, CDB New Town (Beijing) Asset Management Company Limited (“**CDB New Town**”), an indirect wholly-owned subsidiary of the Company, and CDB Nanjing entered into a guarantee with Jiangsu Zijin Rural Commercial Bank Co., Ltd., pursuant to which CDB New Town and CDB Nanjing have agreed to guarantee the punctual due payment of a loan facility up to RMB200,000,000 granted by the bank to the Joint Venture. Please refer to the Company’s announcement dated 8 July 2019 for further details.

CNTH (a wholly-owned subsidiary of the Company) and CDB Nanjing entered into the cooperation agreement (the “**Agreement**”) with The First Construction Company of Jiangsu Provincial Construction Group Co., Ltd. (“**The First Construction Company of JPC**”) and Nanjing Guoying (the “**Project Company**”). Pursuant to the Agreement, Sichuan Zhongxi Properties Company Limited (“**Sichuan Zhongxi**”) will transfer all of its 50% equity interests in the Project Company to The First Construction Company of JPC (the “**Transfer of the Target Equity Interests**”); each party agrees to the Transfer of the Target Equity Interests and undertakes to handle all relevant procedures involved in the Transfer of the Target Equity Interests in accordance with the Agreement; the parties shall perform the relevant obligations in full pursuant to the Agreement after the Transfer of the Target Equity Interests is completed. Please refer to the Company’s announcement dated 28 February 2020 for further details.

Through the cooperation, the Group could explore a long-term and indepth cooperation opportunity with Jiangsu Provincial Construction Group Co., Ltd. in the education sector.

Looking ahead, the global epidemic and economic and political tensions are expected to last for a period of time. In view of this, the Group will continue to put the advantage of CDB’s systematical network resources and extensive experience in urbanization into full play. Under the leadership of the Company’s management team, it will integrate its advantages and unite with sincerity, aiming at building itself into a leading investment and operation platform in the field of livelihood improvement in China, and creating long-term value for the shareholders.

The Company will make the payment of 2019 final dividend on 21 August 2020 in recognition of the long-term support of its shareholders.

b) Details of important events affecting the Group which have occurred since the end of the Reporting Period:

Nil

c) An indication of likely future developments in the business of the Group for the fiscal year:

In the second half of 2020, in the face of a complicated global political and economic environment, the Group will continue to keep its fixed-income investment portfolio stabilized to achieve a stable cash return as a basis for long-term dividend sustainability. Moreover, it will continue to implement the pipelines in the downstream industry, such as education and tourism in the field of people’s livelihood improvement, so as to generate substantial operating income from the downstream business to effectively replenish income from fixed investments in order to create a greater value for the shareholders.

29. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities during the Reporting Period.

30. MOVEMENTS IN SECURITIES

There was no movement in securities of the Company during the first half of 2020. At the end of the Reporting Period, the total number of the Company's issued shares was 9,726,246,417.

31. CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the HKEx (the “**Listing Rules**”), except for code provision E.1.2 of the CG Code that the chairman of the Board (the “**Chairman**”) should attend the annual general meeting. The Chairman, Mr. Zuo Kun, was unable to attend the 2020 AGM due to other business engagements. In the absence of the Chairman, Mr. Liu Heqiang, an executive Director and the chief executive officer of the Company, took the chair of the 2020 AGM in accordance with the articles of association of the Company to ensure effective communication with its shareholders.

32. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, there were 105 (2019: 121) employees in the Group. Staff remuneration packages are determined in consideration of the 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. The Company has adopted a share option scheme for the grant of share options to eligible participants. The Group also provides and arranges on-the-job training for the employees.

33. 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**”) as its code of conduct for dealings in securities of the Company by the Directors. Specific enquiries had been made by the Company to all Directors who have confirmed that they had complied with required standard as set out in the Model Code during the Reporting Period.

34. AUDIT COMMITTEE

The audit committee of the Board (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 Financial Statements have been reviewed by the Audit Committee.

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.

By order of the Board
China New Town Development Company Limited
Liu Heqiang
Chief Executive Officer and Executive Director

Hong Kong, 7 August 2020

As at the date of this announcement, the executive Directors, namely Mr. Liu Heqiang (Chief Executive Officer), Ms. Yang Meiyu, Mr. Ren Xiaowei and Mr. Shi Janson Bing; the non-executive Directors, namely Mr. Zuo Kun (Chairman), Mr. Li Yao Min (Vice Chairman), Mr. Wei Dongzheng and Mr. Wang Jiangang; and the independent non-executive Directors, namely Mr. Henry Tan Song Kok, Mr. Kong Siu Chee, Mr. Zhang Hao and Mr. E Hock Yap.