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NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(formerly known as New City (China) Development Limited 新城市(中國)建設有限公司)
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 0456)

INTERIM RESULTS ANNOUNCEMENT 2012

The Directors of New City Development Group Limited (the “Company”) are pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2012 (the “Period”) with comparative figures for the previous corresponding period in 2011. The results have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	4	18,640	4,000
Cost of sales		(944)	—
Gross profit		17,696	4,000
Other income and gains	4	2,357	—
General and administrative expenses		(7,909)	(3,772)
Finance costs	6	(8,970)	(6,625)
Profit/(loss) before tax	5	3,174	(6,397)
Income tax expense	7	(48)	—
Profit/(loss) for the Period		3,126	(6,397)
Attributable to:			
Owners of the Company		3,126	(6,397)
		3,126	(6,397)
Earning/(Loss) per share, restated			
Basic	9	0.17 cents	(3.14) cents
Diluted	9	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the Period	<u>3,126</u>	<u>(6,397)</u>
Other comprehensive income		
Exchange differences on translation of foreign operations	–	–
Less: Income tax effect	–	–
Other comprehensive income for the Period, net of tax	<u>–</u>	<u>–</u>
Total comprehensive income for the Period	<u>3,126</u>	<u>(6,397)</u>
Attributable to:		
Owners of the Company	<u>3,126</u>	<u>(6,397)</u>
	<u>3,126</u>	<u>(6,397)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		338,494	–
Property, plant and equipment		2,599	290
Goodwill		35,116	–
		376,209	290
CURRENT ASSETS			
Trade receivable	10	2,000	2,000
Prepayments, deposits and other receivables		8,842	363
Cash and bank balances		56,707	393
		67,549	2,756
CURRENT LIABILITIES			
Other payables and accruals		38,038	7,613
Receipt in advance		397	–
Deposits received		5,143	–
Finance lease payable		–	18
Due to directors		–	29,639
Liability component of convertible bonds		–	82,491
Interest-bearing bank borrowings, secured		7,161	–
		50,739	119,761
NET CURRENT ASSETS/(LIABILITIES)		16,810	(117,005)
TOTAL ASSETS LESS CURRENT LIABILITIES		393,019	(116,715)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings, secured		159,141	–
Other payable		8,147	–
Deferred tax liabilities		64,949	–
		232,237	–
Net assets/(liabilities)		160,782	(116,715)
EQUITY/(DEFICIENCY IN ASSETS)			
Equity attributable to owners of the Company			
Issued capital	11	10,179	272
Reserves		150,603	(116,987)
		160,782	(116,715)
Total equity/(deficiency in assets)		160,782	(116,715)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Warrants reserve HK\$'000	Equity component of convertible bonds HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	272	20,773	4,755	–	–	25,027	(167,542)	(116,715)
Bonus issue (note 11)	544	(544)	–	–	–	–	–	–
Issue of shares (note 11)	6,567	190,437	–	–	–	–	–	197,004
Shares issue expenses (note 11)	–	(1,403)	–	–	–	–	–	(1,403)
Issue of warrants (note 11)	–	–	–	–	500	–	–	500
Exercise of warrants (note 11)	16	984	–	–	(500)	–	–	500
Acquisition of subsidiaries (note 11)	2,780	80,632	–	–	–	–	–	83,412
Redemption of convertible bonds	–	–	–	–	–	(25,027)	19,385	(5,642)
Total comprehensive income for the Period	–	–	–	–	–	–	3,126	3,126
At 30 June 2012	<u>10,179</u>	<u>290,879</u>	<u>4,755</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(145,031)</u>	<u>160,782</u>
At 1 January 2011	272	20,773	4,755	–	–	25,027	(149,985)	(99,158)
Total comprehensive income for the Period	–	–	–	–	–	–	(6,397)	(6,397)
At 30 June 2011	<u>272</u>	<u>20,773</u>	<u>4,755</u>	<u>–</u>	<u>–</u>	<u>25,027</u>	<u>(156,382)</u>	<u>(105,555)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	12,543	307
NET CASH USED IN INVESTING ACTIVITIES	(24,871)	(69)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	68,642	(61)
	<hr/>	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS	56,314	177
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	393	58
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	56,707	235
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	56,707	235
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporation Information

New City (China) Development Limited (the “Company”) is a limited liability company incorporated in Cayman Islands on 10 August 1998. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business in Hong Kong is situated at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Group’s principal activity has not changed during the Period and consists of the property development and investment in the PRC.

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 24 May 2000 which were suspended for trading since 30 December 2003 and resumed trading on 23 February 2012.

Pursuant to a special resolution passed at the annual general meeting of the Company held on 9 May 2012, the English name of the Company has been changed from “New City (China) Development Limited” to “New City Development Group Limited”. The certificate of incorporation on change of name was issued by the Registrar of Companies in Cayman Islands on 16 May 2012.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 (the “Unaudited Condensed Consolidated Interim Financial Statements”) have been approved for issue by the Board of Directors on 30 August 2012.

2.1 Basis of Preparation and Significant Accounting Policies

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2011 (the “2011 Annual Financial Statements”) which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA.

These interim results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Comparative figure restatement

The basic loss per share for the six months ended 30 June 2011 had been restated to reflect the share consolidation of 4 shares into 1 consolidated share on 12 January 2012 and the bonus issues on the basis of two bonus shares for every existing consolidated share.

2.2 Changes in Accounting Policies and Disclosures

Other than the adoption of new and revised HKFRSs and Interpretations as noted below, the accounting policies adopted in the preparation of the Unaudited Condensed Consolidated Interim Financial Statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2011.

New and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for first time for the current period's interim report. The adoption of these new and revised HKFRSs did not have any significant effect on the financial position or performance of the Group.

HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs that have been issued but not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKAS 1 (Amendments)	Presentation of Item of Other Comprehensive Income ¹
HKAS 19 (Revised in 2011)	Employee Benefits ²
HKAS 27 (Revised in 2011)	Separate Financial Statements ²
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

For the application of these standards or interpretations, management is either assessing the impact of or considers that there will have no material impact on the results and the financial position of the Group.

3. Operating Segment Information

For management purposes, the Group's primary operating segment is property development and investment in the PRC. Since this is the only operating segment of the Group, no further analysis thereof is presented.

Geographical information

The Group operates principally in the PRC. Over 90% of the Group's assets are located in the PRC and over 90% of the revenue are generated in the PRC. Accordingly, no further geographical information of non-current asset and revenue was disclosed.

Information about a major customer

Property management fee income

The sole customer during the period ended 30 June 2012 was Tong Sun Limited (“Tong Sun”), a subsidiary disposed by the Group during the year ended 31 December 2010. The Group managed and operated a property for Tong Sun in the PRC at an annual management fee (the “Property Management Fee Income”) of HK\$8,000,000 for a term of 3 years commencing from January 2011.

Rental income and related management service income

There are no significant concentrations of credit risk within the Group because there is a large number of diversified tenants.

4. Revenue, Other Income And Gains

	Six months ended 30 June	
	2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>
Revenue		
Property Management Fee Income	4,000	4,000
Rental income and related management service income	14,640	—
	<u>18,640</u>	<u>4,000</u>
Other income and gains		
Gain on the early redemption of convertible bonds	2,259	—
Interest income	93	—
Others	5	—
	<u>2,357</u>	<u>—</u>
	<u><u>20,997</u></u>	<u><u>4,000</u></u>

5. Profit/(Loss) Before Tax

Six months ended 30 June	
2012	2011
(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>

The Group's profit/(loss) from operations has been arrived at after charging/(crediting):

Depreciation of property, plant and equipment

– Owned assets

159

18

– Leased assets

–

17

Write-off of property, plant and equipment

32

–

Gain on early redemption of convertible bonds

(2,259)

–

Interest income

(93)

–

6. Finance costs

Six months ended 30 June	
2012	2011
(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>

Interest on convertible bonds

2,353

6,600

Interest on finance leases

5

25

Interest on bank loan

6,529

–

Other

83

–

8,970

6,625

7. Income Tax Expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2012 and 2011.

Taxes on profits in respect of the Group companies operating elsewhere have been calculated at the rates of tax prevailing in the respective tax countries/jurisdictions in which they operate based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	–	–
Elsewhere	173	–
	<u>173</u>	<u>–</u>
Deferred tax	(125)	–
	<u>(125)</u>	<u>–</u>
Total tax charge for the Period	<u><u>48</u></u>	<u><u>–</u></u>

8. Dividends

The directors do not recommend the payment of an interim dividend for the Period (2011: Nil).

9. Earning/(Loss) Per Share

(i) Basic earning/(loss) per share

The calculation of the basic earning/(loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
		(restated)
Earning/(Loss) for the purpose of calculating basic earning/(loss) per share:		
Net profit/(loss) for the Period (HK'000)	<u><u>3,126</u></u>	<u><u>(6,397)</u></u>
Weighted average number of shares for the purpose of calculating basic earning/(loss) per share (in thousands)	<u><u>1,850,048</u></u>	<u><u>203,818</u></u>

(ii) *Diluted earning/(loss) per share*

Diluted earning per share for the six months ended 30 June 2012 have not been disclosed, as the Group had no potentially dilutive events existed during the Period.

Diluted loss per share for the six months ended 30 June 2011 have not been disclosed, as the convertible bonds outstanding during these Period had an anti-dilutive effect on the basic loss per share for the six months ended 30 June 2011.

10. Trade Receivable

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivable	2,000	2,000
Impairment	—	—
	<u>2,000</u>	<u>2,000</u>

The trade receivable represented the Property Management Fee Income receivable from Tong Sun. The Group's services terms with Tong Sun are mainly on credit of 14 days. Subsequent to 30 June 2012, the trade receivable has been fully settled within the credit term.

An aged analysis of the trade receivable as at the end of the reporting period, based on the date of invoice, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 1 month	<u>2,000</u>	<u>2,000</u>

The aged analysis of the trade receivable that are not considered to be impaired is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Neither past due nor impaired	<u>2,000</u>	<u>2,000</u>

Trade receivable represented an amount due from a single customer and the Group has a high concentration of credit risk accordingly. The trade receivable is non-interest bearing.

11. Share Capital

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.004 each (31 December 2011: 10,000,000,000 ordinary shares of HK\$0.001 each)	40,000	10,000
Issued and fully paid:		
2,544,787,999 ordinary shares of HK\$0.004 each (31 December 2011: 271,758,000 shares of HK\$0.001)	10,179	272
Authorised share capital		
	Number of shares '000	HK\$'000
At 1 January 2012	10,000,000	10,000
Shares consolidation (note (i))	(7,500,000)	–
	2,500,000	10,000
Increased in the authorised share capital (note (ii))	7,500,000	30,000
At 30 June 2012	10,000,000	40,000

Issued and fully paid

	Number of shares '000	Share capital HK\$ '000	Share premium account HK\$ '000	Total HK\$ '000
At 1 January 2012	271,758	272	20,773	21,045
Shares consolidation (note (i))	(203,818)	–	–	–
	67,940			
Bonus issue (note (iii))	135,879	544	(544)	–
Issue of new shares during the year:				
Open offer (note (iv))	520,869	2,084	60,420	62,504
Remuneration shares (note (v))	8,333	33	967	1,000
Subscription (note (vi))	1,112,500	4,450	129,050	133,500
	1,641,702	6,567	190,437	197,004
Share issue expenses	–	–	(1,403)	(1,403)
	1,641,702	6,567	189,034	195,601
Acquisition of subsidiaries (note (vii))	695,100	2,780	80,632	83,412
Exercise of warrants (note (v))	4,167	16	984	1,000
At 30 June 2012	<u>2,544,788</u>	<u>10,179</u>	<u>290,879</u>	<u>301,058</u>

- (i) On 13 January 2012, every four issued and unissued shares of HK\$0.001 each in the share capital of the Company was consolidated into one consolidated share (the “Consolidated Share(s)”) of HK\$0.004. Upon the completion of the share consolidation, the authorised share capital of the Company was HK\$10,000,000 divided into 2,500,000,000 Consolidated Shares of HK\$0.004 each with 67,939,500 Consolidated Shares in issue.
- (ii) Pursuant to an ordinary resolution passed by the shareholders of the Company on 12 January 2012, the Company increased its authorised share capital from HK\$10,000,000 divided into 2,500,000,000 Consolidated Shares of HK\$0.004 each to HK\$40,000,000 divided into 10,000,000,000 Consolidated Shares of HK\$0.004 each by the creation of additional 7,500,000,000 Consolidated Shares.
- (iii) The Company has issued 135,879,000 bonus shares to the shareholders of the Company on the basis of two bonus shares for every existing Consolidated Share held by the shareholders on 21 February 2012.

- (iv) On 20 January 2012, the Company made an open offer (the “Open Offer”) of 520,869,500 offer shares on the basis of twenty three offer shares for every three Consolidated Shares. During the Period, 26,895,441 offer shares were subscribed through the Open Offer. The remaining 88,300,000 and 405,674,059 offer shares were taken up by the Subscribers (as defined below) and the placing agent.
- (v) A portion of the professional fee for the resumption of trading was HK\$1,500,000, of which HK\$500,000 was satisfied by the issue of warrants (the “Warrants”) of the Company, the remaining HK\$1,000,000 was satisfied by the issue of 8,333,333 Consolidated Shares at an issue price of HK\$0.12 each. The Warrants and the Consolidated Shares were issued by the Company on 21 February 2012.

The fair value of the Warrants of HK\$500,000 was included in warrant reserve in the consolidated statement of financial position at the issue date. The holders of the Warrants are entitled to subscribe for the Consolidated Shares at a subscription price of HK\$0.12 per Consolidated Share. During the Period, the Warrants have been fully exercised into 4,166,666 Consolidated Shares and the Group has further received cash with aggregate proceeds of HK\$500,000.

- (vi) Pursuant to an subscription agreement entered into among the Company, Mr. Han Junran (“Mr. Han”) and Junyi Investments Limited (collectively, the “Subscribers”) dated 15 November 2011, the Subscribers agreed to subscribe for the shares of the Company in the amount of HK\$133,500,000 of which, (i) as to approximately HK\$71 million being set off against the redemption of the outstanding convertible bonds of the Company (including all interest accrued thereon) held by Mr. Han; and (ii) as to approximately HK\$27.5 million being set off against the repayment of the working capital loan provided by Mr. Han to the Company; and (iii) the remaining balance of HK\$35 million being a general working capital of the Company. The Subscription was completed and a total of 1,112,500,000 subscription shares were issued to the Subscribers on 21 February 2012.
- (vii) During the Period, the Group acquired 100% equity interest in French Land Limited and its subsidiaries, Fudi International Holding Co., Limited and Guangdong Changliu Investment Company Limited (“Changliu”) at an aggregate consideration of RMB299,696,000 (equivalent to approximately HK\$357.1million) (the “Consideration”). Part of the Consideration of RMB70,000,000 (equivalent to approximately HK\$83,412,000) was settled by the issuance of 695,100,000 Consolidated Shares to the vendors.

12. Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2012.

13. Operating Lease Commitments

As lessor

The Group leases its investment properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within one year	39,944	–
In the second to fifth years, inclusive	–	–
After five years	–	–
	<hr/>	<hr/>
	39,944	–
	<hr/> <hr/>	<hr/> <hr/>

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within one year	795	580
In the second to fifth years, inclusive	779	–
After five years	–	–
	<hr/>	<hr/>
	1,574	580
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESTRUCTURING AND RESUMPTION OF TRADING

During the Period, the Company has undergone the Group restructuring and resumption of trading as follows:

a) Share Consolidation and Change of Board Lot Size

On 13 January 2012, every four issued and unissued shares of HK\$0.001 each in the share capital of the Company was consolidated into one consolidated share (the “Consolidated Share(s)”) of HK\$0.004. The board lot size for trading was changed to 20,000 Consolidated Shares upon the share consolidation becoming effective.

b) Increment of Authorised Capital

The authorised share capital of the Company was HK\$10,000,000 divided into 10,000,000,000 shares of HK\$0.001 each with 271,758,000 shares in issue prior to the share consolidation becoming effective. Upon the share consolidation becoming effective, the authorised share capital of the Company was HK\$10,000,000 divided into 2,500,000,000 Consolidated Shares of HK\$0.004 each with 67,939,500 Consolidated Shares in issue.

In order to accommodate the issue of the consideration shares, the bonus shares, the offer shares, the subscription shares, the remuneration shares and the warrant shares, upon the share consolidation becoming effective, pursuant to an ordinary resolution passed by the shareholders of the Company on 12 January 2012, the Company increased its authorised share capital from HK\$10,000,000 divided into 2,500,000,000 Consolidated Shares of HK\$0.004 each to HK\$40,000,000 divided into 10,000,000,000 Consolidated Shares of HK\$0.004 each by the creation of additional 7,500,000,000 Consolidated Shares.

c) Issue of Remuneration Shares and Remuneration Warrants

Pursuant to an engagement letter entered into between the Company and the joint financial advisers for resumption of trading of the shares of the Company, it was agreed between the Company and the joint financial advisers that the professional fees charged by the joint financial advisers may be settled by (i) the issue of remuneration shares in an aggregate amount of HK\$1,000,000 (i.e. 8,333,333 Consolidated Shares); (ii) the issue of remuneration warrants in an aggregate amount of HK\$500,000; and (iii) the settlement of the balance of HK\$1,000,000 in cash. The Company has issued such remuneration shares and remuneration warrants to the joint financial advisers on 21 February 2012. As at the date of this announcement, the joint financial advisers have fully exercised the remuneration warrants at a subscription price of HK\$0.12 per Consolidated Share.

d) Subscription of shares

Pursuant to an subscription agreement entered into among the Company, Mr. Han Junran (“Mr. Han”) and Junyi Investments Limited (the “Subscribers”) dated 15 November 2011, the Subscribers agreed to subscribe for the shares of the Company in the amount of HK\$133.5 million of which, (i) as to approximately HK\$71 million being set off against the redemption of the outstanding convertible bonds of the Company (including all interest accrued thereon) held by Mr. Han; and (ii) as to approximately HK\$27.5 million being set off against the repayment of the working capital loan provided by Mr. Han to the Company as at the date of completion of the Subscription. The Subscription was completed and a total of 1,112,500,000 subscription shares were issued to the Subscribers on 21 February 2012.

e) Issue of Bonus Shares

The Company has issued 135,879,000 bonus shares to the shareholders of the Company on the basis of two bonus shares for every existing Consolidated Share held by the shareholders on 21 February 2012.

f) Completion of Acquisition

On 24 January 2011, the Company entered into a sale and purchase agreement with two independent third parties 北京誠達順逸商貿有限公司 (Beijing Chengda Shunyi Shangmao Company Limited) (“Vendor A”) and Kayuan Enterprise Investment Co., Limited (“Vendor B”, together with Vendor A, collectively the “Vendors”), which was supplemented by two supplemental agreements dated 23 August 2011 and 15 November 2011, respectively (collectively, the “S&P Agreements”), pursuant to which, the Vendors agreed to sell and a wholly-owned subsidiary of the Company agreed to purchase (the “Resumption Acquisition”) 100% equity interest of French Land Limited and Fudi International Holding Co., Limited and 75% equity interest in Guangdong Changliu Investment Company Limited (“Changliu”) from the Vendor A and (ii) 25% equity interest of Changliu from the Vendor B at an aggregate consideration of RMB299,696,000 (equivalent to approximately HK\$357.1 million) (the “Consideration”), Changliu is principally engaged in property development and property investment in the PRC.

The Resumption Acquisition was completed on 21 February 2012 and the Consideration was settled as follows:

1. as to RMB30,000,000 by cash;
2. as to RMB20,000,000 by the issuance of 198,600,000 Consolidated Shares to the person designated by the Vendor A;
3. as to RMB50,000,000 by the issuance of 496,500,000 Consolidated Shares to the person designated by the Vendor B;

4. as to RMB124,640,000 by procuring Changliu to settle in cash to Vendor A; and
5. as to RMB75,056,000 by procuring Changliu to deliver a deed of assignment of its receivables in favour of Vendor A at nil consideration.

g) Open Offer

On 20 January 2012, the Company made an open offer (the “Open Offer”) on the basis of twenty three offer shares for every three Consolidated Shares held on the record date. As at the date of this announcement, 26,895,441 Offer Shares were subscribed through the Open Offer. The remaining 88,300,000 and 405,674,059 offer shares were taken up by the Subscribers and the placing agent in accordance with their obligation under an underwriting agreement dated 15 November 2011.

h) Repayment of Convertible Bonds and Loan from a Director

The Company has fully repaid the outstanding principal amounts and all interests accrued thereon of the convertible bonds, and the outstanding loan from a director in an aggregate amount of approximately HK\$116 million on 21 February 2012.

i) Resumption of Trading in Shares

At the request of the Company, trading in the shares on the Stock Exchange has been suspended since 30 December 2003. As all the resumption conditions have been fulfilled, the Stock Exchange approved the resumption of trading of the shares of the Company with effect from 9:00 a.m. on 23 February 2012.

j) Re-designation of Director

On 1 March 2012, Mr. Luo Min has been re-designated from a non-executive director to an executive director.

k) Appointment of Director and Vice-Chairman

On 2 April 2012, Dr. Liu Ta-pei has been appointed as a non-executive director and vice-chairman.

CHANGE OF COMPANY NAME

On 19 June 2012, the English name of the Company has been changed from “New City (China) Development Limited” to “New City Development Group Limited” and adoption of the new Chinese name “新城市建設發展集團有限公司” and the Company has ceased to use the Chinese name “新城市（中國）建設有限公司”. The certificate of incorporation on change of name was issued by the Registrar of Companies in Cayman Islands on 16 May 2012.

CONTINUING CONNECTED TRANSACTIONS

On 25 May 2012, the Tenancy Agreements were respectively entered into (i) between New Rank (a wholly-owned subsidiary of the Company) as tenant and Winrich as landlord; and (ii) between New Rank as tenant and Goldrich as landlord for leasing of the Office Premises and the Car-parking Space. The Tenancy Agreements are for a term of two years commencing from that day. Both Winrich and Goldrich are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

BUSINESS REVIEW

Rental income from the newly acquired property has been stable and the occupancy rate remains at a high of over 95%. Two anchor tenants making up over 30% of total rental have tenancy agreement maturing past year 2013. The rentals charged are in par with the surrounding areas and the commercial property market is relatively stable. The Company has started preparatory work on the redevelopment phase of the property. Because work involved is at the preliminary stage, there is no cash flow pressure on the Group. The property project is closely monitored and tightly run. The management is confident that property will generate result as expected.

PROSPECT

With the rebounding of the current real-estate prices, it is possible that the government will prolong tightening monetary policies on the property market. There has been lots of debates concerning whether China's housing market is set for a hard landing or a soft landing especially under the current American and European recessions. These negative sediments help to indicate that the future of China's property market is highly uncertain and undoubtedly risky.

Although the management still has confidence in the property sector in the longer term, alternate measures were taken to increase the sources of income by the Group like the strategic cooperation framework agreement with Huaxin Environmental Engineering publicly announced on 27 July 2012. The Group will continue to broaden its investment around the concept of city development but to retain property development as its core business.

FINANCIAL REVIEW

During the Period under review, the Group has turnover and net profit for the Period amounted to approximately HK\$18,640,000 and HK\$3,126,000 respectively, whereas the Group had no turnover and net loss for the first half of 2011 was HK\$6,397,000. Basic earning per share for the period was HK\$0.17 cents (Basic loss per share for six months ended 30 June 2011 was HK\$3.14 cents).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2011: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2012, the Group had obligations under hire purchase contracts of approximately HK\$Nil (2011: HK\$55,000).

As at 30 June 2012, the Group's total assets was approximately HK\$443,758,000 (2011: approximately HK\$2,682,000) and total liabilities were of approximately HK\$282,976,000 (2011: approximately HK\$108,237,000). As at 30 June 2012, the cash and bank balances was approximately HK\$56,707,000 (2011: approximately HK\$235,000) and the current ratio (current assets/current liabilities) was 1.33 as at 30 June 2012 (2011: 0.08).

GEARING RATIO

The gearing ratio (total borrowing/total assets of the Group) was 0.37 as at 30 June 2012 (2011: 28.00).

LITIGATION

The Group did not have any litigation as at 30 June 2012.

EXCHANGE RISKS

The majority of the Group's operations are located in the PRC and Hong Kong and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assess exchange risks.

CAPITAL STRUCTURE

The Company has undergone the Group Restructuring during the Period with details stated in the management discussion and analysis to the condensed consolidated interim financial statements. The movement of the capital structure of the Company during the Period is detailed in note 11 to the condensed consolidated interim financial statements.

CORPORATE GOVERNANCE

During the six months ended 30 June 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2012, save for the deviation from the code provisions listed below :

The Chairman of the Company is also the chief executive officer of the Company, which deviates from the **Code provision A.2.1** provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the current nature of the Group's business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.

According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms and the Chairman of the Board and/or the managing director of the Company are not subject to retirement by rotation. Thus, they are deviated from **Code provision A.4.1 and Code provision A.4.2**. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance the provisions of the Listing Rules whenever necessary.

EMPLOYEES

As at 30 June 2012, the Group has employed about 50 employees in Hong Kong and the PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

PLEDGE OF ASSETS

As at 30 June 2012, the investment properties were secured for bank borrowings.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 24 January 2011, the Company entered into a sale and purchase agreement with two independent third parties 北京誠達順逸商貿有限公司 (Beijing Chengda Shunyi Shangmao Company Limited) ("Vendor A") and Kayuan Enterprise Investment Co., Limited ("Vendor B", together with Vendor A, collectively the "Vendors"), which was supplemented by two supplemental agreements dated 23 August 2011 and 15 November 2011, respectively (collectively, the "S&P Agreements"), pursuant to which, the Vendors agreed to sell and a wholly-owned subsidiary of the Company agreed to purchase (the "Resumption Acquisition") 100% equity interest of French Land Limited and Fudi International Holding Co., Limited and 75% equity interest in Guangdong Changliu Investment Company Limited ("Changliu") from the Vendor A and (ii) 25% equity interest of Changliu from the Vendor B at an aggregate consideration of RMB299,696,000 (equivalent to approximately HK\$357.1 million) (the "Consideration"), Changliu is principally engaged in property development and property investment in the PRC. The Resumption Acquisition was completed on 21 February 2012.

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

The Company had not redeemed any of its shares during the six months ended 30 June 2012. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2012.

CONTINGENT LIABILITIES AND COMMITMENTS

Except for the operating lease commitments as below, the Group did not have any contingent liabilities and commitments as at 30 June 2012.

OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within one year	39,944	–
In the second to fifth years, inclusive	–	–
After five years	–	–
	<hr/>	<hr/>
	39,944	–
	<hr/> <hr/>	<hr/> <hr/>

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within one year	795	580
In the second to fifth years, inclusive	779	–
After five years	–	–
	<hr/>	<hr/>
	1,574	580
	<hr/> <hr/>	<hr/> <hr/>

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have complied with the Code throughout the six months period ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the unaudited interim financial statements for the six months ended 30 June 2012.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. Han Junran (Chairman), Mr. Fu Yiu Kwong and Mr. Luo Min; (ii) non-executive director, namely Dr. Liu Ta-pei (Vice-chairman) and (iii) three independent non-executive directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information”. The interim report of the Group for the six months ended 30 June 2012 containing all the information required by Listing Rules will be despatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information” in due course.

By Order of the Board
New City Development Group Limited
Han Junran
Chairman

Hong Kong, 30 August 2012