NEW CITY (CHINA) DEVELOPMENT LIMITED
新城市(中國) 建設有限公司

（於開曼群島註冊成立之有限公司）
（股份代號：0456）

Annual Report 2008

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Han Junran (Chairman)
Mr. Fu Yiu Kwong

Non-Executive Director
Mr. Luo Min

Independent Non-Executive Directors
Mr. Chan Yiu Tung, Anthony
Mr. Wong Shing Kay, Oliver
Mr. Zheng Qing

COMPANY SECRETARY
Ms. Cheng Yin Ling

REGISTERED OFFICE
Scotia Centre, 4th Floor
P.O. Box 2804, George Town
Grand Cayman, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
25/F, Effectual Building, 16
Hennessy Road, Wan Chai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA
27th Floor, Investment Plaza No. 27
Finance Street Xi Cheng
District Beijing, China
Postal Code:100032

AUDITOR
Parker Randall CF (H.K.) CPA Limited
Room 201, 2/F, Two Grand Tower
625 Nathan Road
Kowloon, Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE IN THE CAYMAN ISLANDS
Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P. O. Box 705
Grand Cayman KY1-1107
Cayman Islands

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG
Union Registrars Limited
Rooms 1901-1902, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road, Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES
Mr. Han Junran
Mr. Fu Yiu Kwong

Financial Highlights

	2008 **HK$'000**	2007 HK$'000	Change
Turnover	**-**	2,160,427	N/A
(Loss) / Profit from operations	**(29,890)**	451,539	N/A
(Loss) / Profit for the year	**(69,821)**	231,720	N/A
Deficiency of shareholders' Funds	**(113,072)**	(52,870)	114%
Total assets	**869,537**	864,380	1%
Total liabilities	**(982,609)**	(917,250)	7%
Basic (loss) /earning per share (HK cents)	**(25.69)**	50.46	N/A

I am pleased to present this annual report of New City (China) Development Limited (the "Company") and its subsidiaries (the "Group") for the financial year 2008.

BUSINESS REVIEW

The Group has no turnover and recorded a loss after tax of about HK$69,821,000 for the year. The acquisition regarding 51% equity interest of Qin Huang Dao Ocean West Hill Real Property Development Company Limited was abandon during the year due to a change in the financing structure of the deal.

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

Trading in the shares has been suspended on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 December 2003 at the request of the Company pending release of an announcement in relation to a major transaction of the Company involving China Securities Plaza. The Company was placed into the second stage of the delisting procedures on 12 January 2005 as the Stock Exchange is concerned about whether the Company meets the sufficient assets and operations requirements under Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company is now actively preparing further information for submission to the Stock Exchange in order to substantiate that it meets the requirements under Rule 13.24 of the Listing Rules. Trading in the shares will remain suspended pending fulfillment of any conditions which may be imposed on the Company by the Stock Exchange and the Company will make an announcement upon resumption of trading.

OUTLOOK

As part of the economy recovery plan, the government has encourage banks to increase credit availability to the property market as a means of stabilizing property prices. In the longer run, market speculation will not be encouraged but falling property prices which depress market confidence would be avoided. The economic environment of the property market in China, when compared with 2007, has been improved and this favourable change would have a positive effect on our Group.

There were litigations held during the year under review by some creditors but with the healthy indications that the property market will not be severely affected by the global economic crises, the management is confident that continuing support from creditors could be obtained although vast effort has to be made to proof that the current management is capable of delivering the desired results.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management team and staff for their dedication and contribution to the Group.

Han Junran
Chairman

Hong Kong, 26 June, 2009

FINANCIAL REVIEW

Result

For the year under review, the Group has not reported any turnover (2007: HK$2,160,427,000). The Group's net loss for the year was about HK$69,821,000 (2007: profit of about HK$231,720,000). The basic loss per share for the year was about 25.69 HK cents (2007: earning of about 50.46 HK cents). Administrative expenses was approximately HK$46,176,000 (2007: HK$100,083,000). Financial costs was about HK$39,931,000 (2007: HK$78,593,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2008, the Group had obligations under hire purchase contracts of approximately HK$237,000 (as at 31 December 2007: HK$310,000) and the bank borrowings amounted to approximately RMB90,000,000 (equivalent to approximately HK$99,989,000) (as at 31 December 2007: approximately RMB90,000,000 and equivalent to approximately HK$93,750,000), that is secured and interest-bearing.

The loan of HK$165,000,000 as at 31 December 2008 (as at 31 December 2007: HK$165,000,000) was secured on the shares in the Company held by a director and a former director was interest free before 1 July 2005 and extended the repayment date up to 31 December 2005 into two portions: (i) repayment by cash amounting to HK$55,000,000 was interest bearing at 10% per annum; (ii) the balance of which amounting to HK$110,000,000 will transfer such aggregate appraisal value of property to the borrower. Other unsecured loan of HK$3,873,000 as at 31 December 2008 (as at 31 December 2007: HK$15,000,000) was interest bearing at 10% per annum.

As at 31 December 2008, the Group’s total assets was approximately HK$869,537,000 (as at 31 December 2007: approximately HK$864,380,000) whereas total debts amounted to approximately HK$269,862,000 as at 31 December 2008 (as at 31 December 2007: approximately HK$274,750,000). As at 31 December 2008, the cash and bank balances was approximately HK$11,655,000 (as at 31 December 2007: approximately HK$42,739,000) and the current ratio (current assets/ current liabilities) was 1.12 as at 31 December 2008 (as at 31 December 2007: 1.67).

Gearing Ratio

The gearing ratio (total debts/total assets of the Group) was 0.31 as at 31 December 2008 (as at 31 December 2007 0.32). This ratio was lower than the gearing ratio of last year was mainly due to the impact of renminbi appreciation for the year.

Exchange Risks

The majority of the Group's operations are located in the PRC 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.

Pledge Assets

As at 31 December 2008, the Group had pledged the property of China Securities Plaza, the development of project in Beijing to secure bank loans granted approximately HK$99,989,000 (as at 31 December 2007: approximately HK$93,750,000).

Contingent Liabilities

a) The Group has given guarantees to banks in respect of the loans of the amounts US$2,500,000 and RMB14,000,000 granted to Beijing New Rank Real Estate Development Co., Limited, a former subsidiary of the Group.

b) On 23 December 2003, the Group had entered into an agreement with CNC for the construction of China Securities Plaza. Pursuant to the agreement, the construction should be completed on 30 June 2005 and its ownership should be delivered to CNC before 30 December 2005. Relevant penalties will be required upon the late delivery of ownership as 0.03% interest per day based on money received by the Group upon the late delivery within 12 months from the day of risk and reward of property which have been transferred on 25 December 2006.

c) On 15 May 2008, Starry Joy Properties Investment Limited ("Starry Joy") initiated a legal proceedings (the "Action") against the Company to claim for a loan and interest thereon amounting to HK$57,940,000. To the best of directors knowledge, information and belief having made all reasonable enquiries, the Company has made substantive repayments for the said loan and the Directors therefore consider that the alleged outstanding amount claimed by Starry Joy under the Action would have no material impact on the Company. There is no further provision necessary to be provided and the Directors are negotiating with Starry Joy and are confident that an amicable settlement arrangement in relation to the Action could be reached.

Prospect

An important task for the Group is the successful disposal of the Consideration Property to improve the liquidity of the Group. Following the ceased acquisition of the Qin Huang Dao Ocean West Hill Real Property Development Company Limited project, the Group has located another viable acquisition venue and the shareholders will be advised under separate announcement shortly. The Board will ensure that trading of the shares of the Company will be resumed as soon as possible and that there will be more profitable projects in strengthening the business and financial base of our Group.

Employees

As at 31 December 2008, the Group has employed about 52 employees in both the PRC and Hong Kong. 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.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") has from time to time review the corporate governance practices as to commit the maintenance of high standards of corporate governance practices and to comply with the increasingly stringent regulatory requirements. Except for the deviations disclosed in this report, during the year ended 31 December 2008, the Company has complied with the mandatory code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

THE BOARD OF DIRECTORS

Composition and role of the Board

The Board is responsible for the overall strategic development and business operation of the Group and also monitors the financial performance and control on business operation. The Board will from time to time review the Company's governance practices and will provide complete and sufficient information to its members as to ensure effective performance of their responsibilities. Currently, the Board is comprised of two executive directors , one non-executive director and three independent non-executive directors, which includes:

Executive Directors	:	Mr. Han Junran (Chairman)
		Mr. Fu Yiu Kwong
Non-Executive Director	:	Mr. Luo Min
Independent Non-Executive Directors	:	Mr. Chan Yiu Tung, Anthony
		Mr. Wong Shing Kay, Oliver
		Mr. Zheng Qing

Biographical details of the Board members are set out in page 10 of this annual report.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive directors, together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules.

The Company has received from each independent non-executive director an annual confirmation pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

During the year ended 31 December 2008, four full Board meetings were held by the Company and complies with the Code provision A.1.1. The Company has already established profound regime to ensure effective communication among the directors.

The attendance of each director is as follows:

Name of director	Number of meetings attended
Mr. Han Junran	4/4
Mr. Fu Yiu Kwong	4/4
Mr. Luo Min	4/4
Mr. Chan Yiu Tung, Anthony	4/4
Mr. Wong Shing Kay, Oliver	4/4
Mr. Zheng Qing	4/4

Chairman and Chief Executive Officer

According to the Code provision A.2.1, 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 believes the current management structure is sufficient for monitoring and controlling the operation of the Group. The Company will review its structure from time to time and make relevant arrangements to observe the provisions of the Listing Rules whenever necessary.

Appointment, re-election and removal of the directors

The non-executive directors of the Company are not appointed for specific terms, thus deviates from Code provision A.4.1. In addition, the chairman of the Board and/or the managing directors of the Company are not subject to retirement by rotation, which also deviates from Code provision A.4.2. However, in view of the fact that non-executive directors are subject to retirement by rotation in accordance with the Articles of Association of the Company, 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. Nevertheless, the Company will review its relevant Articles of Association and will propose any amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

Accountability and audit

The directors are responsible for preparation of accounts for the year ended 31 December 2008, which give a true and fair view of the state of affairs of the Group and of the financial results for the year. In preparing the accounts for the year ended 31 December 2008, the Directors have:-

1. selected suitable accounting policies and applied them consistently;

2. adopted appropriate Hong Kong Financial Reporting Standards; and

3. made adjustments and estimates that are prudent and reasonable and ensured that the accounts are prepared on the going concern basis.

The directors are also responsible for keeping proper accounting records so as to give a reasonable and accurate financial position of the Company at all times. In addition, the Board is responsible for the internal control of the Group and is committed to the fulfillment of effectual internal control system, which protects the interests of the shareholders of the Company.

SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following the specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2008. The Model Code also applies to other specified senior management of the Group.

REMUNERATION COMMITTEE

The Company has not established the Remuneration Committee for the year ended 31 December 2008, which deviates from Code provision B.1 as the Company has set up policy for fixing the remuneration packages for all directors and the senior management depending on the individual's performance and responsibility, market trend and company performance. The Board will review from time to time the necessity to establish the Remuneration Committee.

AUDIT COMMITTEE

Members of the Audit Committee comprises:
Mr. Wong Shing Kay Oliver (Chairman of the Audit Committee)
Mr. Chan Yiu Tung Anthony
Mr. Zheng Qing

All of the Audit Committee members are independent non-executive directors. The Board considers that each of the Audit Committee members owns comprehensive commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the accounts for the year ended 31 December 2008.

During the year ended 31 December 2008, two Audit Committee meetings were held and all the members have attended the meetings. The Board has reviewed the internal control system of the Group and confirmed that its opinion on the appointment of the auditors conforms with that of the Audit Committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2008, the auditors' remuneration paid by the Company is set out in note 10 to the financial statement.

COMMUNICATION WITH THE SHAREHOLDERS

Communication between the Company and its shareholders are achieved through various means including the convening of general meetings, the dispatch of annual reports, interim reports and circulars. Chairman of the Board also proposes separate resolution for each substantive issue including re-election of directors.

EXECUTIVE DIRECTORS

Mr. Han Junran, aged 52, holds a bachelor of law degree from China Politics and Laws University in 1998 and a master degree in banking from China Institute of Social Science. Previously, Mr. Han has worked for the Beijing Municipal Government since 1988 and was responsible for city planning and property development. Mr. Han has also worked for Beijing City Development Company since 1983 as an assistant general manager and has participated in various district development projects such as the Western station, Wangfujing Shopping District and Asia Olympic Village. Mr. Han joined the Group in December 1999 as the Group's general manager. Mr. Han is currently the Chairman of the Company and is responsible for the Group's project development and management.

Mr. Fu Yiu Kwong, MBA, aged 51, has over 25 years of experience in the accounting profession. Mr. Fu has worked for various local listed companies. He has extensive experience in auditing, merger and acquisition, business re-engineering and company re-structuring. Mr. Fu joined the Group in March 2003 as the Group's Finance Director and is responsible for all financial matters relating to the Group.

NON-EXECUTIVE DIRECTOR

Mr. Luo Min, aged 40, is an engineer and has extensive experience in property development, investments and management. Mr. Luo was appointed as non-executive director of the Company in May 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yiu Tung, Anthony, aged 50, graduated from University of Toronto in 1982. Mr. Chan has over 20 years experience in the construction and property investment field and is currently the managing director of two construction companies in Hong Kong. Mr. Chan is currently the Supervisor of KYT Excel Foundation Primary School and Manager of Building Contractor's Association School and member of various organizations including Lions Club of Hong Kong West (President during the years 1996/97 and 2001/02), The Hong Kong Construction Association Ltd (Hon. Secretary), H.K. General Building Contractors Association Ltd (Vice President), Kwong Yuet Tong Hong Kong (Vice Chairman), Association of Hong Kong Nanjing Fellows Ltd (Director), The Chinese General Chamber of Commerce (Shamshuipo) (Council Member), Levy Committee of Construction Industry Training Authority (Council Member), Land Sub-committee of Land and Building Advisory Committee (Council Member), Provisional Construction Industry Co-ordination Board (Environment) (Council Member), Commercial & Industrial Committee of DAB (Council Member), Guangzhou Overseas Friendship-Liaison Association (Council Member), Yan Oi Tong (Directors for the years 2005/06, 2006/07, 2007/08 and 2008/09), The Hong Kong Chan Clan General Association (Life Hon. Chairman and Vice Chairman). Mr. Chan was appointed as Independent Non-Executive Director of the Company in August 2002.

Mr. Wong Shing Kay, Oliver, aged 57, obtained his professional accounting qualifications in both Hong Kong and Canada. Mr. Wong is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong is also a fellow member of the Hong Kong Institute of Certified Public Accountants, an ordinary member of The Society of Chinese Accountants and Auditors and an associate member of Certified General Accountants of Canada. Mr. Wong had worked in various renowned auditing firms in Hong Kong with over 15 years of experience in handling auditing, financial accounting and taxation matters. Mr. Wong is currently appointed as independent non-executive director and the chairman of audit committee for several listed companies in Hong Kong. He also assumed the duty of financial controller for many listed companies in both Hong Kong and Canada during the past ten years. Mr. Wong is presently practicing as a Certified Public Accountant in Hong Kong. He is knowledgeable with expertise in financial accounting, taxation, import-export business and company management. Mr. Wong was appointed as Independent non-executive director of the Company in March 2003.

Mr. Zheng Qing, aged 43, has extensive experience in property development and management. Mr. Zheng is a director of various companies in the fields of property development management and securities investment in PRC.

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 34 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 19 to 51.

The Directors do not recommend the payment of any interim or final dividend for the year ended 31 December 2008.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of share premium and contributed surplus less accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

The Company had no reserves available for distribution to shareholders as at 31 December 2008.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Han Junran (Chairman)
Mr. Fu Yiu Kwong

Non-executive directors

Mr. Luo Min (appointed on 5 May 2008)

DIRECTORS (CONTINUED)

Independent non-executive directors

Mr. Chan Yiu Tung, Anthony
Mr. Wong Shing Kay, Oliver
Mr. Zheng Qing

In accordance with the Articles of Association, Messrs. Fu Yiu Kwong shall retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The Company has received annual confirmations of independence from each of the independent non-executive directors of the Company and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Han, the Chairman and executive Director, has entered into a service agreement with the Company commencing 16 December 2002 for a period of three years and continuing thereafter until his directorship terminated. As detailed in the circular of the Company dated 26 June 2007, Mr. Han also has entered into a management agreement dated 25 October 2005 with the Company for a term of 3 years commencing from 1 April 2005. The management agreement has been expired on 31 March 2008, the renewed management agreement is pending for independent shareholders approval.

Mr. Fu Yiu Kwong, the executive Director, has entered into a service agreement with the Company for a period of two years commencing 13 March 2003 and continuing thereafter on a yearly basis until terminated by either party giving to the other not less than six months' notice.

The term of each of the non- executive and independent non-executive directors is from the date they were last elected to the date of their retirement by rotation in accordance with the Company's Articles of Association.

Apart from the above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the interests and short positions of the directors and their associates in the share capital and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:-

Long positions
Ordinary shares of HK$0.001 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Han Junran ("Mr. Han")	Beneficial owner (Note I)	13,587,900	5%

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long positions (continued)

Note:

(I) Pursuant to a share charge entered into between New Rank Groups Limited ("NRG"), a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited ("Royal Bank Trustee"), and Mr. Han as chargors and Starry Joy Properties Investment Ltd. ("Starry Joy"), a wholly-owned subsidiary of Poly (Hong Kong) Investments Limited ("Poly HK"), as chargee dated 23 June 2003, among other things, Mr. Han charged his interest in 5% of the issued share capital of the Company, representing 13,587,900 shares of the Company, in favour of Starry Joy.

Pursuant to the New City Guarantee, Mr. Han pledged his interest in 5% of the issued share capital of the Company, representing 13,587,900 shares of the Company, in favour of China Poly Group Corporation ("Poly Corporation").

Other than as disclosed above, none of the directors nor their associates had any interests and short positions in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) which is required to be recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

There were no contract of significance to which the Company, its holding companies and any of its subsidiaries, was a party and in which a director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 14 June 2002 which will remain in force for a period of 10 years from the date of adoption. As at 31 December 2008, no option has been granted since the adoption of the share option scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of it subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouse or children under the age of 18, had any rights to subscribe for the securities of the Company, or exercised any such rights.

MANAGEMENT CONTRACT

The Company had entered into a management contract with Million Rich Consultants Limited (“Million Rich”) during the year ended 2003 for the provision of administrative and financial advisory services to the Group. An amount of HK$3,600,000 was paid. The contract is determinable by either party giving to the other party to the agreement of six months notice. No director of the Company has any interest in Million Rich. The management contract has been expired on 31 December 2008.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than the interests disclosed above in respect of a director of the Company, the following persons had notified the Company of relevant interests and short positions in the issued share capital of the Company:-

Name of shareholder	Capacity	Number of issued ordinary shares held (long position (L)/ short position (S))	Percentage of the issued Share capital of the Company
Poly HK	Person having a security interest in shares (Notes 1 and 5)	67,939,500 (L)	25%
NRG	Beneficial owner (Notes 1 and 2)	54,351,600 (L) 54,351,600 (S)	20%
Silver World Limited	(Note 2)	54,351,600 (L) 54,351,600 (S)	20%
Royal Bank Trustee	(Note 3)	54,351,600 (L) 54,351,600 (S)	20%
Wei Ping	Beneficial owner	47,032,000 (L)	17.31%
Lu Shu Guang	(Note 4)	13,587,900 (L)	5%

Notes:

(1) Pursuant to a share charge entered into between NRG and Mr. Han as chargors and Starry Joy, a wholly-owned subsidiary of Poly HK, as chargee dated 23 June 2003, NRG and Mr. Han charged their respective interests in 20% and 5% of the issued share capital of the Company, representing 54,351,600 shares and 13,587,900 shares of the Company respectively, in favour of Starry Joy. By virtue of its shareholding in Starry Joy, Poly HK is deemed to be interested in 67,939,500 shares of the Company under the SFO.

(2) NRG is a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank Trustee.

(3) Royal Bank Trustee is the trustee of a discretionary trust called New Rank Trust. The beneficiaries of the New Rank Trust include a holding company and its wholly-owned subsidiary and certain relatives of Mr. Leung Kwo and Ms. Lau Shun, wife of Mr. Leung Kwo, provided that such individuals are not residents of Canada of tax purpose nor residents of the PRC. The holding company is wholly-owned by another discretionary trust called Hold Trust. The beneficiaries under the Hold Trust include the lineal descendants (together with their spouses) of every degree of consanguinity of the paternal grandfather and maternal grandfather of each of Mr. Leung Kwo and Ms. Lau Shun provided that they are not residents of Canada for tax purposes nor residents of the PRC.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES (CONTINUED)

(4) Ms. Lu Shu Guang is the spouse of Mr. Han, a Director and Chairman of the Company. Ms. Lu is deemed interested in the 13,587,900 shares of the Company held by Mr. Han under the SFO.

(5) Pursuant to the New City Guarantee, Mr. Leung Kwo and Mr. Han respectively pledged their respective interests in 20% and 5% of the issued share capital of the Company, representing 54,351,600 shares and 13,587,900 shares of the Company respectively, in favour of Poly Corporation

So far as is known to any director of the Company, the companies (other than members of the Group) directly or indirectly interested in 5% or more of the voting power at general meetings of the subsidiaries of the Company are set out below:

Name of owner	Name of subsidiary	Percentage of equity interest
Guozheng Economic Development Company Limited ("Guozheng") (Note 1)	Beijing Zhong Zheng Real Estate Development Co., Ltd ("Beijing Zhong Zheng")	34%
Starry Joy (Note 2)	Tong Sun Limited ("Tong Sun")	49%

Notes:

(1) Beijing Zhong Zheng was established on 5 June 1995. Its existing joint venture partners are Tong Sun, a subsidiary of the Company, Guozheng and Beijing Finance Street Construction & Development Co. Ltd. ("Finance Street Development") and its capital contributions are as to 66% by Tong Sun and 34% by Guozheng. Pursuant to an agreement entered into between Finance Street Development, Guozheng and Tong Sun on 9 October 1999, Tong Sun became entitled to 100% of the economic benefit of Beijing Zhong Zheng and Guozheng becomes entitled to a fixed distribution by way of the ownership right of an office space in the China Securities Plaza of gross floor area of 7,000 square meters upon the completion of construction of the China Securities Plaza.

(2) Starry Joy is entitled to a preferred dividend of HK$94.6 million of Tong Sun and repayment of its loan and loan from Poly HK together with interest accrued thereon are in priority over the preferred dividend payment to the Group by Tong Sun, which is up to HK$136 million. After the payment of the aforesaid preferred dividend payments and repayment of all loans from Starry Joy and Poly HK, dividend and/or distribution to be declared by Tong Sun will be in the following proportion:

The Group: 75%
Starry Joy: 25%

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions as at 31 December 2008 representing 5% or more of the issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

MAJOR SUPPLIERS

The completed property was sold as at the year ended 31 December 2007 and there is no another property development project in this year. Therefore, no purchase payment was paid or payable to suppliers by the Group as at the year ended 31 December 2008.

AUDITOR

On 3 October 2007, C&F is affiliated with Parker Randall International and its name was then changed to Parker Randall CF (H.K.) CPA Limited. Accordingly Parker Randall CF (H.K.) CPA Limited was appointed as new auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint Parker Randall CF (H.K.) CPA Limited as auditor of the Company.

On behalf of the Board
Han Junran
Chairman

26 June 2009, Hong Kong

Independent Auditor's Report

To the shareholders of
NEW CITY (CHINA) DEVELOPMENT LIMITED
(Incorporated in the Cayman Islands with limited liability)

Report on the Financial Statements

We have audited the consolidated financial statements of New City (China) Development Limited set out on pages 19 to 51, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statements of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. ◦

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for qualified opinion, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of qualified opinion: Fundamental uncertainty relating to the going concern basis

In forming our opining, we have considered the adequacy of the disclosures made in Note 4b to the accounts concerning the liquidity position of the Group and the adoption of the going concern basis in preparation of the financial statement. The accounts have been prepared on the going concern basis, the validity of which depends upon future funding being available and the success of the Group's future operations.

Basis of qualified opinion: Fundamental uncertainty relating to the going concern basis (continued)

As further explained in the notes, as at 31 December 2008, the Group reported consolidated net loss and net liabilities of approximately HK$69,821,000 and approximately HK$113,072,000 respectively. In addition, the Group has overdue trade payables, tax payable, bank borrowings and other borrowings totaling aprproximately HK$143,859,000, HK$190,317,000, HK$99,989,000 and HK$59,873,000 respectively, whereas bank borrowings and other borrowings have became repayable on demand. After our deliberated considerations on the financial position of the Group, the capability for repaying such overdue liabilities depends on Group's debt rescheduling being available and success of a profitable project acquisition activity. We consider that appropriate disclosures have been made. However, we consider this fundamental uncertainty is significant that we have qualified our opinion in respect of the appropriateness of adopting the going concern basis for the preparation of the accounts.

Qualified opinion arising from fundamental uncertainty to continue as a going concern

In our opinion, except for fundamental uncertainties relating to the going concern basis, the financial statements given a true and fair view of the statement of the affairs of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Parker Randall CF (H.K.) CPA Limited

Certified Public Accountants

Lau Po Ming, Peter

Practising Certificate No. : P2732
Rm. 201, 2/F., Two Grand Tower,

625 Nathan Road, Kowloon,

Hong Kong
26 June 2009

Consolidated Income Statement

Year ended 31 December 2008

	NOTES	**2008 HK$'000**	2007 HK$'000
TURNOVER	8	**-**	2,160,427
COST OF SALES		**-**	(1,870,713)
GROSS PROFIT		**-**	289,714
Other revenue	9	**16,286**	261,908
Administrative expenses		**(46,176)**	(100,083)
(LOSS)/PROFIT FROM OPERATIONS	10	**(29,890)**	451,539
Finance costs	12	**(39,931)**	(78,593)
(LOSS)/PROFIT BEFORE TAXATION		**(69,821)**	372,946
Taxation	13	**-**	(141,226)
(LOSS)/PROFIT FOR THE YEAR		**(69,821)**	231,720
ATTRIBUTABLE TO:			
Equity holders of the Company		**(69,821)**	231,720
Minority interests		**-**	-
		(69,821)	231,720
DIVIDENDS	14	**-**	94,600
(LOSS)/EARNING PER SHARE (HK CENTS)			
Basic	15	**(25.69)**	50.46
Diluted	15	**(8.30)**	25.46

The annexed notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,850**	2,634
CURRENT ASSETS			
Property for sale-completed property	17	**777,778**	729,167
Accounts receivable	18	**75,079**	70,387
Prepayments, deposits and other receivables	19	**3,175**	19,453
Bank balances and cash	20	**11,655**	42,739
		867,687	861,746
CURRENT LIABILITIES			
Trade payables	21	**143,859**	103,818
Accruals and other payables		**179,315**	138,728
Obligations under finance lease	22	**73**	73
Bank borrowings	23	**99,989**	93,750
Other borrowings	24	**59,873**	71,000
Taxes payable	13	**190,317**	92,692
Convertible bonds	25	**69,263**	-
Provisions	26	**35,156**	16,129
		777,845	516,190
NET CURRENT ASSETS		**89,842**	345,556
TOTAL ASSETS LESS CURRENT LIABILITIES		**91,692**	348,190
NON-CURRENT LIABILITIES			
Trade payables	21	**-**	33,415
Obligations under finance leases	22	**164**	237
Other borrowing	24	**110,000**	110,000
Taxes payable	13	**-**	93,545
Convertible bonds	25	**-**	69,263
Preferred dividend payable		**94,600**	94,600
		204,764	401,060
NET LIABILITIES		**(113,072)**	(52,870)
CAPITAL AND RESERVES			
Share capital		**272**	272
Reserves		**(113,344)**	(53,142)
DEFICIENCY OF SHAREHOLDERS' FUNDS		**(113,072)**	(52,870)

Approved and authorised for issued by the Board of Directors on 26 June, 2009

Han Junran
Director

Fu Yiu Kwong
Director

The annexed notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

As at 31 December 2008

	Share Capital HK$'000	Share Premium HK$'000	Contributed surplus HK$'000	Convertible bond equity reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	272	20,773	4,755	226	7,758	(228,486)	(194,702)
Exchange differences arising on translation of foreign operations	-	-	-	-	4,938	-	4,938
Equity reserve of convertible bond was transferred to liabilities as the convertible bond was extended	-	-	-	(226)	-	-	(226)
Profit for the year	-	-	-	-	-	231,720	231,720
Preferred share dividend declared	-	-	-	-	-	(94,600)	(94,600)
At 31 December 2007 and 1 January 2008	272	20,773	4,755	-	12,696	(91,366)	(52,870)
Exchange differences arising on translation of foreign operations	-	-	-	-	9,619	-	9,619
Loss for the year	-	-	-	-	-	(69,821)	(69,821)
At 31 December 2008	272	20,773	4,755	-	22,315	(161,187)	(113,072)

Consolidated Cash Flow Statement

As at 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		**(69,821)**	372,946
Adjustment for:			
Depreciation		**900**	668
Reversal of impairment loss recognised in respect of other receivables		**25**	(140)
Gain on revaluation of property for sale – completed property		**-**	(260,132)
Finance costs		**39,931**	75,488
Interest received		**(464)**	(2)
Operating (loss) /profit before working capital changes		**(29,429)**	188,828
Decrease in property for sale – completed property		**-**	1,720,280
Decrease in prepayments, deposits and other receivables		**23,061**	178,123
Increase in accounts receivable		**-**	(70,387)
Decrease in trade payables		**(2,524)**	(51,240)
Increase/(decrease) in accruals and other payables		**19,981**	(34,075)
Decrease in advances from a customer		**-**	(1,512,166)
Cash generated from operations		**11,089**	419,363
Tax paid		**(8,336)**	(3,596)
Net cash generated from operating activities		**2,753**	415,767
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisition of investment properties		**-**	(469,035)
Purchase of fixed assets		**(14)**	(1,230)
Net cash used in investing activities		**(14)**	(470,265)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		**464**	2
Interest paid		**(3,629)**	-
Proceeds from other borrowings		**-**	1,000
Repayments of bank borrowings		**(11)**	-
Repayments of other borrowings		**(11,127)**	(30,000)
(Repayments) / drawdown of obligations under finance lease		**(73)**	310
Drawdown of convertible bond		**-**	57,060
Net cash (used in)/generated from financing activities		**(14,376)**	28,372
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,637)**	(26,126)
Cash and cash equivalents at the beginning of year		**42,739**	64,084
Effect of foreign exchange rate changes, net		**(19,447)**	4,781
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**11,655**	42,739
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**11,655**	42,739

1. GENERAL INFORMATION

New City (China) Development Limited (the "Company") was incorporated in Cayman Islands on 10 August 1998 with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and the principal place of business in Hong Kong is located at 25/F, Effectual Building, 16 Hennessy Road, Hong Kong

The Company was engaged in investment holding. The principal activities of its subsidiaries are property development in the People's Republic of China (the "PRC").

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group’s financial year beginning on 1 January 2008. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - INT 11	HKFRS 2: Group and Treasure Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) - INT 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of these new or amended HKFRSs did not result in significant changes to the Group's accounting policies but gave rise to additional disclosures

a. HKAS 39 & HKFRS 7 (Amentments) Reclassification of financial assets

The amentments permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7 - Financial Instruments: Disclosures, introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. As the Group had not involved in any held-for-trading and available-for-sale financial instruments, this amentments is not relevant to the Group's operations.

b. HK(IFRIC) - INT 11 HKFRS 2: Group and treasury share transactions.

The interpretation provides guidance on whether sharebased transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. As the Group has not involved in Group and treasury share transactions HK(IFRIC) INT 11 is not relevant to the Group’s operations.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

c. HK(IFRIC) - INT 12 Service concession arrangements

The interpretation applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements. As the Group has not involved in service concession arrangements, HK(IFRIC) INT 12 is not relevant to the Group's operations.

d. HK(IFRIC) - INT 14 HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The interpretation provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.

3. IMPACT OF 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 are not yet effective, in these financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statement [2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 1 & HKAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKAS 39 (Amendment)	Eligible Hedged Items [3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC) - INT 13	Customer Loyalty Programmes [3]
HK(IFRIC) - INT 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) - INT 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC) - INT 17	Distributions of Non-cash Assets to Owners [2]

1 Effective for annual periods beginning on or after 1 January 2009.

2 Effective for annual periods beginning on or after 1 July 2009.

3 Effective for annual periods beginning on or after 1 July 2008.

4 Effective for annual periods beginning on or after 1 October 2008.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which comprise all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, and have been aligned with the disclosure requirements of the Hong Kong Companies Ordinance and Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

b. Basis of preparation

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern, notwithstanding that the Group had net deficiency as at 31 December 2008.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and property for sale – completed property which are stated at fair values.

The functional currencies of the Company and its subsidiaries in the Hong Kong and PRC are Hong Kong dollars and Renminbi respectively. For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollar as its presentation currency as the Company is a public company with its shares listed on the Stock Exchange, where most of its investors are located.

In preparing the consolidated financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 31 December 2008. The Group had net liabilities of approximately HK$113,072,000 (2007: approximately HK$52,870,000) and incurred a loss of approximately HK$69,821,000 (2007: profit approximately HK$231,720,000) for the year ended 31 December 2008. It may cast a doubt on the Group's ability to continue as a going concern.

As explained in Note 23, the Group has certain bank borrowings totaling approximately HK$99,989,000 (2007: approximately HK$93,750,000) and such amounts have become repayable on demand. Also, other borrowings as explained in note 24 at the amount of approximately HK$59,873,000 (2007: approximately HK$71,000,000) become overdue during the year of 2008. In the opinion of the directors, the liquidity of the Group can be maintained in the forthcoming year, after taking into consideration of the following financing and operating measures:

(i) The Group has been actively negotiating with a party in relation to a possible property development project located in Beijing to maximise the returns to shareholders.

(ii) The management of the Group is negotiating with its creditors for the rescheduling or extension of the amounts due to creditors. The directors are confident that, on the basis that the disposal of the completed property will be successfully completed and the property as described above be self-financing, and assumed the negotiations with the creditors can be satisfactorily concluded, the Group will be able to meet in full its overdue loans and financial obligations as they fall due in the foreseeable future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended to 31 December 2008. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses.

d. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Furniture, fixture and equipment	20% - 35%
Motor vehicle	15% - 25%

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the year in which they are incurred.

The residual value and the useful life and depreciation methods are reviewed and adjusted, if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Surpluses arising on revaluations are credited to the revaluation reserve. Deficits arising on revaluations are first set off against any previous revaluation surpluses and thereafter charged to the consolidated income statement. The surplus on revaluation is recognised as income to the extent that it exceeds the revaluation deficit of the same asset previously recognised as an expense.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted as at the balance sheet date. Changes in fair values are recognised in the consolidated income statement.

f. Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the consolidated income statement in the period in which it arises.

g. Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the subsidiary in the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in the fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the subsidiary in the Group is the lessee, rentals payable under the operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at its original effective interest rate. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

i. Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the consolidated cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

j. Financial liabilities

The Group's financial liabilities include trade payables, other payables and accrued charges, bank and other borrowings, and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the consolidated income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the consolidated income statement.

i) Trade and other payables
Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

ii) Bank and other borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial liabilities (continued)

iii) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component. The derivative component embedded in the convertible notes is accounted for as derivative financial instruments.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The derivative component is initially measured at fair value. Any excess of proceeds over the amount initially recognised as the liability component and derivative component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability, derivative and equity components in proportion to the allocation of proceeds. The portion relating to the derivative component is recognised immediately to profit or loss.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The derivative component is remeasured to fair value at each balance sheet date. The gain or loss on remeasurement to fair value is charged immediately to profit or loss. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amounts of the liability and derivative components at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits and any difference between the amount paid and the carrying amounts of liability and derivative components is recognised in profit or loss.

k. Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

l. Revenue recognition

Revenue comprises the fair values of the consideration received or receivable for the sales of properties in the ordinary course of the Group's activities, revenue is shown in net of discount. Revenue is recognised as follows:

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

l. Revenue recognition (continued)

i) Revenue from sales of properties is recognised when the significant risks and rewards of properties have been transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds received from customers under current liabilities.

ii) Interest income from a financial asset is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

m. Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are recognised as expenses and accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that borrowings arised generally for financing a qualifying asset, the amonut of borrowing costs eligible for capitalisation is determined by applicable capitalsation rate to the expenditure on such assets.

All other borrowing costs are recognised in the consolidatded income statement in the period in which they are incurred.

o. Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Income tax (continued)

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that is probable that sufficient taxable profit will be available to allow all or parts of the deferred tax asset to be utilised.

p. Provisions and contingencies

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

q. Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency. Foreign currency transactions are recorded at the applicable exchange rates at the transaction dates. Monetary assets are liabilities denominated in foreign currencies at the balance sheets date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the consolidated income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

r. Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carry amounts of assets and liabilities mainly include those related to property development activities.

a. Current taxation and deferred taxation

The main business activities of the Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

b. Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiary of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the cost of sales. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. According, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and provisions of land appreciation taxes in the period in which such determination is made.

c. Valuation of property for sale

The fair value of each property for sale is individually determined at each balance sheet by independent valuers based on a market value assessment, on an existing use basis. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each property for sale reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

6. SEGMENT INFORMATION

Segment information is required by HKAS 14 "Segment Reporting" to be presented by way of two segment formats: (i) on a primary segment reporting basis, which the Group has determined to be by business segment; and (ii) on a secondary segment reporting basis, which the Group has determined to be by geographical segment.

No income was generated by the Group for the year since the completed property was sold as at the year ended 31 December 2007.

No additional disclosure is included in related to segment information, as the Group's activities were limited to one business segment.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

a. Interest rate risk

The Group has no significant interest bearing assets apart from cash and bank deposits. The Group currently have bank and other borrowings with fixed and floating interest rates as disclosed in notes 23 and 24.

The Group does not use financial derivatives to hedge against interest rate risk. However, the Group closely monitors the fair value fluctuation of the investments and disposes of them in case of significant increase in interest rate is foreseen. In addition, in order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowings when it has surplus funds.

b. Foreign currency risk

The Group's foreign currency risk relates primarily to certain trade receivables, trade payables, other payables and certain cash and cash equivalents in currencies other than the functional currency of the operations to which they relate.

The Company does not have any significant investment out of Mainland China. Although the RMB has appreciated during the year, the Group did not issue any financial instruments for hedging purposes. The directors of the Group closely and continuously monitor the exposure on currency risk.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in net profit
	%	HK$'000
2008		
If Hong Kong dollar weakens against RMB	5	(1,820)
If Hong Kong dollar strengthens against RMB	5	1,732

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b. Foreign currency risk (continued)

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in net profit
	%	HK$'000
2007		
If Hong Kong dollar weakens against RMB	5	25,758
If Hong Kong dollar strengthens against RMB	5	(19,953)

The sensitivity analysis has been prepared with the assumption that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to foreign exchange rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represents management's assessment of a reasonably possible change in foreign exchange rates at that date over the period until the next annual balance sheet date. The analysis is prepared on the same basis for 2007.

c. Credit risk

The Group's credit risk is primarily attributable to trade receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables. Other than this there are no significant concentrations of credit risk within the Group in relation to other financial assets.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

d. Liquidity risk

The Group exercise liquidity risk management policy by regularly monitoring its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d. Liquidity risk (continued)

2008

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	In second year HK$'000	In the third year to the fifth year HK$'000
Trade payables	143,859	143,859	143,859	-	-
Accruals and other payables	179,315	179,315	179,315	-	-
Bank borrowings	99,989	99,989	99,989	-	-
Other borrowings	169,873	169,873	59,873	110,000	-
Convertible bonds	69,263	69,263	69,263	-	-
Provision	35,156	35,156	35,156	-	-
	697,455	697,455	587,455	110,000	-

2007

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	In second year HK$'000	In the third year to the fifth year HK$'000
Trade payables	137,233	137,233	103,818	33,415	-
Accruals and other payables	138,728	138,728	138,728	-	-
Bank borrowings	93,750	93,750	93,750	-	-
Other borrowings	181,000	181,000	71,000	110,000	-
Convertible bonds	69,263	69,263	-	69,263	-
Provision	16,129	16,129	16,129	-	-
	636,103	636,103	423,425	212,678	-

e. Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

f. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

f. Capital management (continued)

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which represented the percentage of total debts over the total assets of the Group. The Group's policy is to maintain a stable gearing ratio. Total debts include bank borrowings and other borrowings. The gearing ratios as at the balance sheet dates were as follows:

	2008 **HK$'000**	2007 HK$'000
Bank borrowings	**99,989**	93,750
Other borrowings	**169,873**	181,000
Total debts	**269,862**	274,750
Total assets	**869,537**	864,380
Gearing ratio	**31%**	32%

8. TURNOVER

Turnover represents the total sales proceeds of properties received and receivable from customer.

An analysis of turnover is as follows:

	2008 **HK$'000**	2007 HK$'000
Sales of properties	**-**	2,160,427

9. OTHER REVENUES

	2008 **HK$'000**	2007 HK$'000
Interest income	**464**	2
Exchange gain	**15,792**	14
Reversal of impairment losses recognised in respect of other receivables	**25**	140
Refund of expenses deducted in previous years	**-**	1,530
Gain on disposal of assets	**-**	90
Gain on revaluation of investment properties	**-**	260,132
Sundry income	**5**	-
	16,286	261,908

10. (LOSS)/PROFIT FROM OPERATIONS

	2008 HK$'000	2007 HK$'000
(Loss)/profit from operations has been arrived at after charging:		
Costs of property sold	-	1,870,713
Auditors' remuneration	350	530
Bad debts written off	-	78,849
Depreciation of property, plant and equipment	900	668
Exchange loss	-	5,405
Operating lease rentals for land and buildings	1,410	1,918
Professional fee	2,182	5,250
Legal fee	502	734
Listing & announcement fee	236	895
Staff costs:		
Salaries and other staff costs	4,893	4,933
Retirement benefits	61	60

11. DIRECTORS' REMUNERATION

The remuneration of the directors of the Company for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is analysed as follows:

	2008 HK$'000	2007 HK$'000
Fees	1,184	1,184
Other emoluments:		
Salaries, allowances and benefits in kind	2,166	2,166
Pension scheme contributions	12	12
Total emoluments	3,362	3,362

An analysis of directors' remuneration by each individual is as follows:

	2008 HK$'000	2007 HK$'000
Executive directors		
Mr. Han Junran	1,950	1,950
Mr. Fu Yiu Kwong	1,052	1,052
	3,002	3,002
Non-executive director		
Mr. Luo Min	-	-
Independent non-executive directors		
Mr. Chan Yiu Tung, Anthony	120	120
Mr. Wong Shing Kay, Oliver	120	120
Mr. Zheng Qing	120	120
	360	360

11. DIRECTORS' REMUNERATION (CONTINUED)

There were no other emoluments payable to the non-executive director and independent non-executive directors during the year (2007: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

During the year, no performance related bonuses paid to or receivable by the directors (2007: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2007: Nil).

During the year, no directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company. No share options were granted to the directors in 2007.

12. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**16,406**	12,685
Other loans wholly repayable within five years	**14,330**	72,505
Convertible bonds	**5,602**	2,968
Finance leases	**20**	15
Beijing Tai Yang Hong	**3,573**	-
Arrangement fee of convertible bond	**-**	3,105
	39,931	91,278
Less: Amounts capitalised	**-**	(12,685)
	39,931	78,593

13. TAXATION

	2008	2007
	HK$'000	HK$'000
Income tax expenses:		
Hong Kong profits tax	-	-
PRC enterprise income tax	-	33,204
PRC business tax	-	108,022
	-	141,226

The Company's subsidiaries operating in Hong Kong are subjected to Hong Kong profits tax at the rate of 16.5% (2007: 17.5%) of the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year ended 31 December 2008 (2007: Nil).

PRC Enterprise Income Tax has been uniform across both foreign and domestic enterprises. The enterprise tax rate applicable is changed from 33% to 25% with effect from 1 January 2008.

13. TAXATION(CONTINUED)

Taxation in the consolidated balance sheet represents:

	2008 **HK$'000**	2007 HK$'000
PRC enterprise income tax	**35,418**	33,204
Less: Payment in previous years	**(8)**	(7)
PRC business tax	**115,223**	108,022
Less: Payment in previous years	**(46,549)**	(35,828)
PRC land appreciation tax	**85,603**	80,253
PRC salary tax	**632**	593
Less: Payment in previous years	**(2)**	-
	190,317	186,237

Taxation to be paid within 1 year classified as current liabilities

	2008 **HK$'000**	2007 HK$'000
PRC enterprise income tax	**35,410**	33,197
PRC business tax	**68,674**	43,179
PRC land appreciation tax	**85,603**	15,723
PRC salary tax	**630**	593
	190,317	92,692
Taxation to be paid after 1 year classified as non-current liabilities	**-**	93,545

The Group had no significant unprovided deferred taxation as at 31 December 2008 and 2007.

14. DIVIDENDS

	2008 **HK$'000**	2007 HK$'000
Ordinary shares	-	-
Preferred dividend	-	94,600
	-	94,600

Pursuant to the supplemental subscription agreement dated 8 May 2003, Starry Joy holding 49% of the equity interest of Tong Sun Limited (the "Tong Sun") is entitled to a preferred dividend from Tong Sun in the sum of up to HK$94,600,000 together with repayment in full of its loan and loan from Poly (Hong Kong) Investments Limited (the "Poly HK") and interest accrued thereon in priority over the preferred dividend payments to the Group by Tong Sun.

No interim and final dividend for the year ended 31 December 2008 was declared (2007: HK$94,600,000).

15. (LOSS)/EARNING PER SHARE

The calculation of the basic (loss)/earning per share attributable to the ordinary equity holders of the Group is based on the following data:

	2008 **HK$'000**	2007 HK$'000
(Loss)/Earning		
(Loss)/Earning attributable to equity holders of the Group for the purpose of basic (loss)/earning per share	**(69,821)**	231,720
Effect of dilutive potential ordinary shares:		
Preferred dividend	**-**	(94,600)
Interest on convertible bonds charged to consolidated income statement	**5,602**	2,968
(Loss)/Earning for the purpose of diluted (loss)/earning per share	**(64,219)**	140,088
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic (loss)/earning per share	**271,758**	271,758
Effect of dilutive potential ordinary shares:		
Convertible bonds	**501,906**	278,458
Weighted average number of ordinary shares for the purposes of diluted (loss)/earning per share	**773,664**	550,216

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:			
At 1 January 2007	3,053	6,296	9,349
Exchange adjustments	63	118	181
Additions	832	398	1,230
Disposals	(845)	-	(845)
At 31 December 2007 and 1 January 2008	3,103	6,812	9,915
Exchange adjustments	106	196	302
Additions	14	-	14
At 31 December 2008	3,223	7,008	10,231

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Aggregate depreciation:			
At 1 January 2007	2,433	4,924	7,357
Exchange adjustments	39	62	101
Disposals	(845)	-	(845)
Charge for the year	236	432	668
At 31 December 2007 and 1 January 2008	1,863	5,418	7,281
Exchange adjustments	76	124	200
Charge for the year	442	458	900
At 31 December 2008	2,381	6,000	8,381
Net book value:			
At 31 December 2008	842	1,008	1,850
At 31 December 2007	1,240	1,394	2,634

The net book value of motor vehicles includes an amount of approximately HK$216,000 (2007: approximately HK$315,000) in respect of assets held under finance leases.

17. PROPERTY FOR SALE – COMPLETED PROPERTY

	2008 HK$'000	2007 HK$'000
Fair value as at 31 December	777,778	729,167

Completed properties represents the property locates at Xicheng District, Beijing, transferred from the buyer of China Securities Plaza as part of the proceeds. Significant risks and rewards have been transferred although legal title has not been passed.

At 31 December 2008, the valuer reviewed it's fair value was amounting to RMB700,000,000 (2007: RMB700,000,000), which is approximately amounting to approximately HK$777,778,000 (2007: approximately HK$729,167,000). The further exchange gain of approximately HK$48,611,000 at 31 December 2008 (2007: approximately HK$18,762,000) had been credited to consolidated income statement accordingly.

18. ACCOUNTS RECEIVABLE

Accounts receivable represents proceeds receivable from sales of China Securities Plaza. Customers will repay according to the Sales and Purchase Agreement signed on 23 December 2003. The amount was past due but not impaired and expected to be recovered within one year.

19. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

	2008 HK$'000	2007 HK$'000
Temporary advances	-	11
Prepaid expenses and deposits	3,175	3,692
Amount due from a bond holder for unpaid convertible bond	-	15,750
	3,175	19,453

The amount due is unsecured, non-interest bearing and has no fixed terms of repayment.

20. BANK BALANCES AND CASH

Breakdown of bank balances and cash are as follows:

	2008 HK$'000	2007 HK$'000
Bank balances and cash in consolidated balance sheet and consolidated cash flow statement	11,655	42,739

Bank balances of HK$11,450,000. (2007: HK$42,152,000) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with credit worthy banks with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

21. TRADE PAYABLES

The aged analysis of trade payables as at balance sheet date is as follows:

	2008 **HK$'000**	2007 HK$'000
Within 3 months	**143,859**	103,818
4 - 6 months	**-**	-
7 - 9 months	**-**	-
10 - 12 months	**-**	-
Over 1 year	**-**	33,415
	143,859	137,233

22. OBLIGATIONS UNDER FINANCE LEASE

At 31 December 2008, the obligations under finance leases were repayable as follow:

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable:				
Within one year	**93**	93	**73**	73
In the second to fifth years, inclusive	**209**	302	**164**	237
	302	395	**237**	310
Future finance charges	**(65)**	(85)	**-**	-
Present value of lease obligations	**237**	310	**237**	310
Less: Amount due within one year shown under current liabilities			**(73)**	(73)
Amount due after one year			**164**	237

The lease term is ranging to 5 years. For the year ended 31 December 2008, the average effective borrowing rate was 5.5% (2007: 5.5%). Interest rates are fixed at the contract date. The leases is on a fixed repayment basis and no arrangement has been entered into for contingent lease payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. The directors of the Group consider that the carrying amounts of the obligations under finance leases at the balance sheet date approximated to their fair values.

23. BANK BORROWINGS

The secured bank borrowings as at 31 December 2008 is as follows:

	2008	2007
	HK$'000	HK$'000
Within 1 year	**99,989**	93,750
Over 1 year	**-**	-
	99,989	93,750

The bank borrowings are denominated in RMB and is bound by an agreement signed among the Group, the bank and CNC. It bears floating rates ranging from 12.3255% to 14.5665% (2007: 9.876% to 11.723 %) per annum and was agreed that the total amount is repayable in two portions:

i) RMB30,000,000 become repayable after the receipt of the eighth installment payment from CNC under the completion of transfer of legal title of China Securities Plaza;

ii) The repayment of the remaining RMB60,000,000 will be negotiated after completion of exchange of properties between the Company and CNC.

24. OTHER BORROWINGS

	2008 HK$'000	2007 HK$'000
Overdue interest bearing loan	**58,873**	70,000
Short term loan	**1,000**	1,000
Secured interest-free loan	**110,000**	110,000
	169,873	181,000
Less: Amount due within one year shown under current liabilities	**59,873**	71,000
Amount due after one year	**110,000**	110,000

An amount of HK$55,000,000 is secured on the shares in the Company held by a director and a former director. It was originally interest-free and for a term of 2 years from June 2003 repayable on maturity and was to be applied exclusively to finance the working capital requirements of the property under development for sale. On 25 October 2005, a second supplemental agreement was signed which extended the repayment date up to 31 December 2005 and the Group is under negotiation to further extend the repayment date. Due to the extension of repayment, the amount became interest bearing at an interest rate of 10% per annum as from 1 July 2005. The loan was overdue and the management of the Group is negotiating with the creditor for the rescheduling or extension of the amounts due to the creditor.

During the year, the creditor had initial a legal proceedings against the Company to claim the loan. Details of which are set out in the note 31 regarding Contingent Liabilities.

An balance amount of HK$3,873,000 is unsecured originally for a term of 2 years from June 2003 and borne interest at the rate of 6% per annum. It was repayable in one lump sum upon maturity and was to be applied to finance the general working capital and settlement of trade payable of the Group. On 25 October 2005, a supplemental facility letter was signed to extend the repayment date up to 31 December 2005 and the interest rate was revised to 10% per annum with effect from 1 July 2005. The said loan was overdue and the management of the Group is negotiating with the creditor for the rescheduling or extension of the amounts due to the creditor. On 15 April 2008, partial settlement of RMB10,000,000 (approximately HK$11,127,000) was paid to the lender.

An amount of HK$1,000,000 is unsecured was originally for a term of 3 months from 5 February 2007 and borne interest at the rate of the prime lending rate from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar deposits ("Prime rate") plus 2% per annum. The loan was overdue and the management of the Group is negotiating with the creditor for the rescheduling or extension of the amounts due to the creditor.

An amount of HK$110,000,000 is secured on the shares in the Company held by a director and a former director. It was interest-free and for a term of 2 years from June 2003 repayable on maturity and was to be applied exclusively to finance the working capital requirements of the property under development for sale . On 25 October 2005, a second supplemental agreement was signed which extended the repayment date. Pursuant to the Second Supplemental Agreement, the loan will be repaid by a portion of office building located at Xicheng District, Beijing, which will be transferred from CNC to BJZZ. As the legal title of the Property had not yet passed, the loan was not yet overdue and repaid.

25. CONVERTIBLE BONDS

The convertible bonds recognised in the balance sheet are calculated as follows:

	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 January	**69,263**	11,977
Interest expenses	**-**	2,968
Interest paid	**-**	(3,079)
Transfer from equity component	**-**	226
Convertible bonds issue	**-**	62,390
Transfer to the loan	**-**	(5,219)
Liability component at 31 December	**69,263**	69,263

On 1 March 2005, the Company issued a convertible bond bearing interest at 3% per annum with a principal amount of HK$12,000,000 (the "2005 Convertible Bond"), which is convertible into the Company's ordinary shares, at a conversion price of HK$0.30 per share. The convertible bond matures two years from the issue date. On 1 March 2007, such convertible bond was extended in the amount of HK$7,500,520, which is convertible into the Company's ordinary shares, at a conversion price of HK$0.138 per share and bearing interest of the prime lending rate from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar deposits. The convertible bond had been matured at 31 August 2007.

As at 31 December 2006, an amount of HK$30,000,000 were unsecured, bearing interest of the Prime Rate plus 4% per annum and represented the consideration of the convertible bond received in advance. Such balance has been transferred to convertible bond together with the arrangement fee and interest accrued on 14 June 2007 (the "2007 Convertible bond") at the amount of HK$33,403,150. The convertible bond is convertible into the Company's ordinary shares, at a conversion price of HK$0.138 per share and will mature two months from the date of issuance. The convertible bond had been matured at 14 August 2007.

On 28 June 2007, issuance of another convertible bond at the amount of HK$23,055,000 (collectively referred as the "2007 Convertible bond") was completed. The convertible bond is convertible into the Company's ordinary shares, at a conversion price of HK$0.138 per share and will mature two months from the date of issuance. It will bear interest of the Prime Rate plus 4% per annum. The convertible bond had been matured at 28 August 2007.

On 21 August 2007, the Company had entered into a subscription agreement with the owner of 2005 Convertible bond. Pursuant to the agreement, the Company would issue a new convertible bond in amount of HK$5,304,297 in order to settle the remaining amount of the principal of 2005 Convertible bond together with its accrued interest. The new convertible bond will be matured at 28 February 2009. The bond can be convertible into the Company's ordinary shares, at a conversion price of HK$0.138 per share and bearing interest of the Prime Rate plus 4% per annum from time to time, which will payable on the maturity date.

On 28 February 2008, the maturity date of 2005 Convertible bond and 2007 Convertible bond had been extended to 28 February 2009. Other terms of the 2005 and 2007 Convertible bond were remained unchange.

On 30 March 2009, the maturity date of the of 2005 Convertible Bond was extended to 28 February 2010. The conversion price were reduced from HK$0.138 per share to HK$0.03 per share and other terms of the bond were remained unchanged.

25. CONVERTIBLE BONDS (CONTINUED)

On 18 March 2009, the Company and the owner of 2007 Convertible Bond entered into an agreement in novation of the convertible bonds which is set out in note 33.

26. PROVISIONS

	2008	2007
	HK$'000	HK$'000
Beijing Tai Yang Hong arbitration	**20,778**	16,129
Beijing Tai He Li arbitration	**14,378**	-
	35,156	16,129

The amount represents the provision for the claim from 北京太陽紅投資諮詢有限公司 (the "Beijing Tai Yang Hong") an independent third party. On 19 January 2006, the Beijing Arbitration Committee made an arbitration award in favor of Beijing Tai Yang Hong that the agreement dated 6 June 2003 for the purchase of the entire 12th Floor of the China Securities Plaza entered into between Beijing Tai Yang Hong and BJZZ be cancelled and that the sum of approximately RMB14,000,000 being refund of the purchase price paid and RMB800,000 being damages be paid by BJZZ to Beijing Tai Yang Hong. The management has considered that the amount provided in the financial statements is sufficient. On 3 March 2009, the repayment rescheduling agreement were signed between both parties and the partial settlement approximately RMB14,118,000 (approximately HK$15,687,000) was paid to Beijing Tai Yang Hong.

On 6 February 2009, the Beijing Arbitration Committee made an arbitration award in favor of 北京泰和利鈷孔加固工程有限公司 (the "Beijing Tai He Li") that the agreement dated 23 June 2003 for reinforcing the building structure of the China Securities Plaza entered into between Beijing Tai He Li and BJZZ and the construction work had been completed on 27 January 2007 and such outstanding balance of the construction payable together with interest in sum of approximately RMB12,940,000 (approximately HK$14,378,000) be paid by BJZZ to Beijing Tai He Li.

27. SHARE CAPITAL

	2008	2007
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares (2007:500,000,000 ordinary shares) of HK$0.001 each (2007:HK$0.001)	**2,000**	500
Issued and fully paid:		
271,758,000 ordinary shares (2007: 271,758,000 ordinary shares) of HK$0.001 each (2007: HK$0.001)	**272**	272

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. Nature and purpose of the share premium, contributed surplus, convertible bond equity reserve and translation reserve are explained in note (a) to (d) below.

28. RESERVES (CONTINUED)

a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

b) Contributed surplus

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the reorganisation.

c) Convertible bond equity

With effect from 1 January 2005 and in accordance with HKAS 32, convertible bonds issued are required to split into their respective liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component, which is arisen from the difference between the proceeds from convertible bonds at its issue date and the fair value of the liability component. The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond. When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion are transferred to the share capital account and the share premium account as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to the accumulated losses account.

d) Translation reserve

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

29. SHARE OPTION SCHEME

A share option scheme was approved and adopted on 14 June 2002. The scheme is valid and effective for a period of 10 years after the date of adoption. The purpose of the scheme is attracting, retaining and motivating any full-time employees and directors (including non-executive directors and independent non-executive directors) of the Group, part time employees working with weekly working hours of 10 hours and above of the Group and the Group's advisors, consultants, providers of goods and/or services and other persons who have contributed to the Group or their trustee (the "Participants") to perform their best in achieving the goals of the Group and at the same time allow them to enjoy the results of the Group attained through their effort and contributions. Under the New Share Option Scheme, the board of directors of the Company may grant options to the Participants to subscribe for shares of the Company.

Subject to the terms of the Share Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted under the scheme should not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of such limit. Notwithstanding the above, the maximum number of shares in respect of which option may be granted under the scheme and of the Company must not exceed 30% (or such higher percentage as may be allowed under the Rules Governing

29. SHARE OPTION SCHEME (CONTINUED)

the Listing of Securities on the Stock Exchange) of the total number of shares in issue from time to time. The number of shares in respect of which option may be granted to each participant in aggregate in any 12-month period shall not exceed 1% of the total number of shares in issue, any further grant to that particular participant shall be subject to approval of shareholders of the Company in general meeting with such participant and his or her associates abstaining from voting.

Options granted pursuant to the Share Option Scheme must be accepted within 28 days of the date of option offered, upon payment of HK$1 by way of consideration. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors of the Company but in any event not exceeding 10 years. The exercise price per share will be determined by the board of directors of the Company, but in any event shall not be less than the highest of (i) the average closing price of the shares as quoted in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the option offered, (ii) the closing price of the shares as quoted in the Stock Exchange's daily quotations sheet on the date of the option offered, and (iii) the nominal value of the shares.

No option has been granted to any directors or employees under the Share Option Scheme since its adoption.

30. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Beijing, whereby the Group is required to make contributions to the Schemes at the rate of ranging from 10% to 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

31. CONTINGENT LIABILITIES

a) The Group has given guarantees to banks in respect of the loans of the amounts US$2,500,000 and RMB14,000,000 granted to Beijing New Rank Real Estate Development Co., Limited, a former subsidiary of the Group.

b) On 23 December 2003, the Group had entered into an agreement with CNC for the construction of China Securities Plaza. Pursuant to the agreement, the construction should be completed on 30 June 2005 and its ownership should be delivered to CNC before 30 December 2005. Relevant penalties will be required upon the late delivery of ownership as 0.03% interest per day based on money received by the Group upon the late delivery within 12 months from the day of risk and reward of property which have been transferred on 25 December 2006.

31. CONTINGENT LIABILITIES (CONTINUED)

c) On 15 May 2008, Starry Joy Properties Investment Limited ("Starry Joy") initiated a legal proceedings (the "Action") against the Company to claim for a loan and interest thereon amounting to HK$57,940,000. To the best of directors' knowledge, information and belief having made all reasonable enquiries, the Company has made substantive repayments for the said loan and the Directors therefore consider that the alleged outstanding amount claimed by Starry Joy under the Action would have no material impact on the Company. There is no further provision necessary to be provided and the Directors are negotiating with Starry Joy and are confident that an amicable settlement arrangement in relation to the Action could be reached.

32. OPERATING LEASE COMMITMENTS

As at 31 December 2008, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**1,482**	1,482
In second to fifth years, inclusive	**864**	2,346
	2,346	3,828

The lease payments are fixed and no arrangements have been entered into for contingent rental payments.

33. POST BALANCE SHEET EVENT

a. Drawdown of provisions

On 7 January 2009, cash deposit of the Group in China Construction Bank with RMB 9,090,000 was withdrawn by Beijing Arbitration Committee to draw down the provision for legal obligation to Beijing Tai Yang Hong. On 3 March 2009, the Group and Tai Yang Hong entered into an repayment rescheduling agreement and partial settlement approximately RMB14,118,000 (approximately HK$15,687,000) was paid to Beijing Tai Yang Hong.

b. Novation of the convertible bonds

On 18 March 2009, the Company entered into the agreements with the bond owner and Mr. Han, the chairman and an executive director of the Company, in relation to the novation of the obligations under the 2007 Convertible Bond, which is set out in note 25, from the Company to Mr. Han.

Pursuant to the agreements, the parties agreed that the total outstanding principal amount of the debt together with all interest thereon owing by the Company to the bond owner amounting approximately HK$56,458,150 under the loan documents shall be novated to the intent that the Company will be fully released and discharged from all liabilities and obligations, past or future, under the loan documents, and the convertible bonds and any security created by and under the share mortgages be cancelled and released and Mr. Han will undertake to repay the debt to bond owner in accordance with the terms and conditions therein.

33. POST BALANCE SHEET EVENT (CONITNUED)

b. Novation of the convertible bonds (continued)

Pursuant to the New Loan Agreement, the Company is deemed to have drawndown a debt amounting to HK$56,458,150, being the principal loan amount owed by the Company to the bond holder plus all interest accrued upto the date of execution of the Deed of Novation between the Company, the bond owner and Mr. Han in respect of the loan owed by the Company to bond owner at the date of execution of the Deed of Novation.

Pursuant to the New Subscription Agreement, the subscriber shall subscribe for and the company shall issue the new convertible bond in respect of the loan under the New Loan Agreement subject to and upon the terms and conditions of the New Subscription Agreement.

The Deed of Novation, New Loan Agreement and the subscription agreement are conditional upon the passing by the Independent Shareholders at an extraordinary general meeting of a resolution approving the agreements and the transactions contemplated thereunder, including but not limited to the issue of the new convertible bond to Mr. Han.

The Company has on 22 June 2009 entered into the Supplemental Agreements with the relevant parties to the Deed of Novation, the New Loan Agreement and the New Subscription Agreement pursuant to which the parties agreed the Deed of Novation, the New Loan Agreement and the New Subscription Agreement shall be subject to the condition that the passing by the Independent Shareholders at the EGM of relevant resolution approving the Extension Agreement and the transactions contemplated thereunder. All other terms of the Deed of Novation, the New Loan Agreement and the New Subscription Agreement as disclosed in the Novation Circular remain unchanged.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2008 are as follows:

Name of subsidiaries	Class of share held	Place of Incorporation/ establishment	Place of operation	Particular of issued share capital/paid up registered capital	Attributable equity interest of the Group	Principal activity
Direct subsidiary						
NR (BVI) Holdings Limited	Ordinary	British Virgin Islands	Hong Kong	US$47,001	100%	Investment holding
Polywell Finance Corporation	Ordinary	British Virgin Islands	Hong Kong	US$1	100%	Inactive

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Class of share held	Place of Incorporation/ establishment	Place of operation	Particular of issued share capital/paid up registered capital	Attributable equity interest of the Group	Principal activity
Indirect subsidiary						
New Rank Services Limited	Ordinary	Hong Kong	Hong Kong	US$2	100%	General management
New Rank (BVI 2) Limited	Ordinary	British Virgin Islands	Hong Kong	US$36,000	100%	Investment holding
Precise Assets Limited	Ordinary	British Virgin Islands	Hong Kong	US$1	100%	Inactive
Team Success Management Limited	Ordinary	British Virgin Islands	Hong Kong	US$1	100%	Investment holding
Tong Sun Limited	Ordinary	Samoa	Hong Kong	US$49 Class A Ordinary US$51 Class B Ordinary	51%	Investment holding
Very Best Investments Limted	Ordinary	British Virgin Islands	Hong Kong	US$1	100%	Inactive
Beijing Zhong Zheng Real Estate Development Company Limited	Contributed capital	PRC	PRC	US$25,000,000	100%	Property development

Other than Beijing Zhong Zheng Real Estate Development Company Limited is a Sino-Foreign Cooperative joint venture, all other subsidiaries are limited liability company.

Summary of Property

Location	Approximate total saleable total site/gross floor area attributable to the Group(Square Metres)	Interest attributable to the Group %	Lease term
Block C and Carparking Space Nos.201 to 226 and 241 to 264, No. 156 Fuxingmen Nei Da Street, Xicheng District, Beijing, the PRC			
Completed property for sale	25,730	100	50 years commencing on 28th June 1996
The property comprises a 14-storey office building and a total of 50 carparking spaces on basement level underneath the subject building. The building was completed in 1999.			

Summary of Financial Information

RESULTS

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	-	2,160,427	-	-	2,651
(LOSS)/PROFIT BEFORE	**(69,821)**	372,946	(32,909)	(21,026)	133,082
TAXATION	-	(141,226)	-	-	3,911
(LOSS)/PROFIT FOR THE YEAR	**(69,821)**	231,720	(32,909)	(21,026)	136,993
ATTRIBUTABLE TO:					
Equity holders of the Company	**(69,821)**	231,720	(32,909)	(21,026)	136,993
Minority interests	-	-	-	-	-
	(69,821)	231,720	(32,909)	(21,026)	136,993
DIVIDENDS	-	94,600	-	-	-
(LOSS)/EARNINGS PER SHARE					
Basic (HK cents)	**(25.69)**	50.46	(12.11)	(7.70)	50.40
Diluted (HK cents)	**(8.30)**	25.46	N/A	N/A	N/A

ASSETS AND LIABILITIES

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**869,537**	864,380	1,971,762	1,878,344	1,225,082
Total liabilities	**(982,609)**	(917,250)	(2,166,464)	(2,044,761)	(1,373,941)
Net liabilities	**(113,072)**	(52,870)	(194,702)	(166,417)	(148,859)
Deficiency of Shareholders' funds	**(113,072)**	(52,870)	(194,702)	(166,417)	(148,859)
Minority interests	-	-	-	-	-
	(113,072)	(52,870)	(194,702)	(166,417)	(148,859)