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

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 0456)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately HK$ Nil (2008: HK$Nil)
- Loss for the year was approximately HK$30,103,000 (2008: HK$69,821,000)
- Loss per share (basic) was (11.08) HK cents (2008: loss per share (basic) 25.69 HK cents)

FINAL RESULTS

The Board of Directors (the "Board") of New City (China) Development Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2009 together with the comparative figures in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
REVENUE	*3*	**–**	–
Other income and gains	*3*	**9,439**	16,286
Administrative and other operating expenses		**(14,354)**	(46,176)
Finance costs	*6*	**(25,188)**	(39,931)
LOSS BEFORE TAX	*5*	**(30,103)**	(69,821)
Income tax expenses	*7*	**–**	–
LOSS FOR THE YEAR		**(30,103)**	(69,821)
Attributable to:			
Owners of the Company	*8*	**(30,103)**	(69,821)
Minority interests		**–**	–
		(30,103)	(69,821)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**(11.08) cents**	(25.69) cents
Diluted		**Nil**	Nil

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	2008
	HK$'000	HK$'000
LOSS FOR THE YEAR	**(30,103)**	(69,821)
OTHER COMPRHENSIVE INCOME		
Exchange differences on translation of foreign operations	–	9,619
Less: Income tax effect	–	–
OTHER COMPRHENSIVE INCOME FOR THE YEAR, NET OF TAX	–	9,619
TOTAL COMPRHENSIVE INCOME FOR THE YEAR	**(30,103)**	(60,202)
Attributable to:		
Owners of the Company	**(30,103)**	(60,202)
Minority interests	–	–
	(30,103)	(60,202)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**887**	1,850
CURRENT ASSETS			
Trade receivable	*12*	**75,079**	75,079
Prepayments, deposits and other receivables		**1,612**	3,175
Cash and bank balances		**150**	11,655
		76,841	89,909
Investment properties classified as non-current assets held for sales	*11*	**777,778**	777,778
Total current assets		**854,619**	867,687
CURRENT LIABILITIES			
Trade payables	*13*	**147,487**	143,859
Other payables and accruals		**172,680**	162,713
Due to a related company		**5,581**	–
Finance lease payable		**73**	73
Interest-bearing bank borrowing, secured	*14*	**99,989**	99,989
Other borrowings	*15*	**169,039**	59,873
Due to directors		**17,959**	12,272
Tax payable		**189,687**	189,687
Preferred dividend payable		**94,600**	–
Liability component of convertible bonds		–	74,223
Provisions	*16*	**19,514**	35,156
Total current liabilities		**916,609**	777,845
NET CURRENT (LIABILITIES)/ASSETS		**(61,990)**	89,842
TOTAL ASSETS LESS CURRENT LIABILITIES		**(61,103)**	91,692
NON-CURRENT LIABILITIES			
Finance lease payables		**91**	164
Other borrowings	*15*	–	110,000
Liability component of convertible bonds		**56,954**	–
Preferred dividend payable		–	94,600
Total non-current liabilities		**57,045**	204,764
Net liabilities		**(118,148)**	(113,072)
DEFICIENCY IN ASSETS			
Equity attributable to owners of the Company			
Issued capital		**272**	272
Reserves		**(118,420)**	(113,344)
		(118,148)	(113,072)
Minority interests		–	–
Deficiency in assets		**(118,148)**	(113,072)

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

New City (China) Development Limited (the "Company") is a limited liability company incorporated in Cayman Islands on 10 August 1998. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business in Hong Kong and the People's Republic of China ("PRC") are situated at 25th Floor, Effectual Building, 16 Hennessy Road, Wan Chai, Hong Kong and 27th Floor, Investment Plaza, No.27 Finance Street, Xi Cheng District, Beijing, PRC, respectively.

The Company is an investment holding company. The Group's principal activities have not changed during the year and is engaged in a property development and investment in the PRC.

The shares of the Company have been listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 May 2000 and its shares were suspensed for trading since 30 December 2003.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties classified as non-current assets held for sales, which are stated in the consolidated statement of financial position at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

Despite the fact that the Group incurred a loss of approximately HK$30,103,000 for the year ended 31 December 2009 and the Group also had the net current liabilities and deficiency in assets of approximately HK$61,990,000 and HK$118,148,000 respectively, as at 31 December 2009 and the Group had overdue trade payables, other payables and accruals, interest bearing bank borrowings, other borrowings, tax payable, preferred dividend payable and provisions amounting of approximately HK$892,996,000, most of which have been default for settlement and became repayable on demand, these financial statements have been prepared on the basis that the Group and the Company will continue to operate as a going concern.

The directors are of the opinion that the Group and the Company would be able to continue as a going concern and to meet in full their financial obligations. In view of the liquidity problems faced by the Group, the directors of the Company have adopted the following measures with a view to improve the Group's overall financial and cash flow position and to maintain the Group's existence on a going concern basis:

(a) Attainment of profitable and positive cash flow operations

(i) The Company is in negotiation with certain independent third parties for the possible acquisition of a company which is engaged in property development and investment with profitable operation and positive cash flows; and

(ii) The Company has entered into a management contract with Tong Sun Limited ("Tong Sun") for a term of 3 years on 30 November 2010 whereby the Company will manage and operate a property for Tong Sun for an annual management fee of HK$8,000,000 with effect from January 2011.

(b) Proposed additional external funding

The directors of the Company are considering various alternatives to strengthen the capital base of the Group through various fund raising exercises, including but not limited to the fact that Mr. Han Juran, the chairman and a director of the Company, has entered into an agreement with the Company to provide a loan facility of up to HK$30,000,000 on 12 January 2011 as the working capital loan to the Group to enable it to meet the working capital requirements.

(c) Rescheduling of the repayment terms of indebtedness

The Group is actively negotiating with its creditors with a view to reschedule the repayment terms of its indebtedness. Apart from that, the Company is in negotiation with the convertible bonds holders for the possible conversion of the outstanding convertible bonds.

In the opinion of the directors, in light of all the measures adopted and arrangements implemented, the Group and the Company will have sufficient cash resources to satisfy its future working capital and other financial requirements and it is reasonable to expect the Group and the Company to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group and the Company's financial and liquidity position as at 31 December 2009.

Should the Group and the Company be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these financial statements.

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 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 EXTRACT OF INDEPENDENT AUDITORS' REPORT

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

In forming their opinion, the auditors have considered the adequacy of the disclosures made in the financial statements concerning the liquidity position of the Group and the Company and the adoption of the going concern basis in the preparation of the financial statements. The financial statements have been prepared on the going concern basis, the validity of which depends on the results of the Group's debt rescheduling future funding being available and the success of the Group's future operations.

The Group incurred a loss of approximately HK$30,103,000 for the year ended 31 December 2009 and the Group also had net current liabilities and deficiency in assets of approximately HK$61,990,000 and HK$118,148,000, respectively, as at 31 December 2009. As further detailed in notes to the financial statements, the Group had overdue trade payables, other payables and accruals, interest-bearing bank borrowings, other borrowings, tax payable, preferred dividend payable and provisions amounting to approximately HK$892,996,000, most of which have been default for settlement and became repayable on demand. Subsequent to the end of the reporting period on 16 December 2010, the Company received demand letters from a minority shareholder ("Starry Joy") of Tong Sun Limited ("Tong Sun"), a subsidiary of the Company, regarding the repayment of the loans and accrued interest indebted by the Company and Tong Sun amounting to approximately HK$268,695,000 as at 31 December 2009. As the Group and the Company did not possess the financial liquidity of repaying the loans and accrued interest, the Company had no alternative but to surrender the secured 51% interest held by the Company in Tong Sun to Starry Joy with effect from 29 December 2010. The above indicates the existence of a material uncertainty which may cast significant doubt on the Group and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. After the auditors deliberated considerations on the financial position of the Group and the Company, the capability for repaying such overdue liabilities depends on the results of the Group's debt rescheduling, future funding being available and the success of the acquisition and operation of a profitable project. The auditors consider that appropriate disclosures have been made. However, the auditors consider this fundamental uncertainty is significant and pervasive to the financial statements and therefore the auditors have disclaimed their opinion in respect of the appropriateness of adopting the going concern basis for the preparation of the financial statements.

Basis of disclaimer opinion: ***Scope limitation on trade payables and related property construction cost***

As detailed in auditors' report, the auditors noted during the course of their audit that Beijing Zhong Zheng Real Estate Development Company Limited ("BJZZ", a subsidiary of Tong Sun) was a defendant in a litigation in respect of a dishonour cheque (the "Cheque") in the amount of RMB19,000,000 (the "Amount") payable to a contractor, 北京城建四有限公司 ("Beijing Cheng Jian Si"), of the China Securities Plaza, a property developed by BJZZ, which was further endorsed by Beijing Cheng Jian Si to a third party during the year ended 31 December 2008. Except for an amount of approximately RMB6,708,000 (equivalent to approximately HK$7,453,000) included in the trade payables as at 31 December 2009, the Group did not provide for the Amount in the financial statements. The auditors were advised that the Cheque was issued by BJZZ as a proof of its ability to settle the construction cost of the China Securities Plaza which has to be agreed between the Group and Beijing Cheng Jian Si upon the finalisation of the project cost calculation which has yet to be completed as at the date of the auditors' report. The auditors have not been provided with sufficient and appropriate explanation and evidences for their verification of the possible outcome and implication of the litigation as at 31 December 2009, the accuracy, completeness and valuation of the construction cost of the China Securities Plaza, which has been disposed of during the year ended 31 December 2007 and the accuracy, completeness and valuation of the trade payables relating to the construction cost of the China Securities Plaza, as at 31 December 2009. The auditors were unable to carry out alternative audit procedures they considered necessary to satisfy themselves as to whether the trade payables and the related construction cost of the China Securities Plaza were free from material misstatement and were fairly stated as at 31 December 2009. Any adjustments found to be necessary would affect the net liabilities of the Group as at 31 December 2009 and have a consequential effect on its loss and cash flows for the year then ended and the related disclosure thereof in the financial statements.

Disclaimer of opinion: ***Disclaimer on view given by financial statements***

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, the auditors do not express an opinion on the financial statements as to whether they give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in the auditors' opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on matters under section 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on their work relating to the litigation, the trade payables and the related construction cost of the China Securities Plaza above, the auditors have not obtained all the information and explanations that they considered necessary for the purpose of their audit.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS *2 Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)*	Amendments to a number of HKFRSs except for Amendment to HKFRS 5
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 7 Amendment, and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(c) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in the financial statements.

2.4 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.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

In May 2010, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 while the amendments to HKFRS 3 are effective for annual periods beginning on or after 1 July 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the adoption of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE, OTHER INCOME AND GAINS

During the years ended 31 December 2008 and 2009, the Group did not generate any revenue from its principal activity.

An analysis of revenue, other income and gains is as follows:

	2009	2008
	HK$'000	HK$'000
Revenue		
Sales of properties	**–**	–
Other income and gains		
Bank interest income	**35**	464
Exchange gains, net	**24**	15,792
Reversal of impairment of prepayments, deposits and other receivables	**1,155**	25
Write-back of other payables and accruals	**8,225**	–
Others	**–**	5
	9,439	16,286
Total revenue, other income and gains	**9,439**	16,286

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about a major customer

During the years ended 31 December 2008 and 2009, the Group did not generate any revenue from its principal activity.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2009	2008
	HK$'000	HK$'000
Cost of sales	**–**	–
Auditors' remuneration	**300**	350
Depreciation		
– owned assets	**602**	794
– leased assets	**100**	106
	702	900
Write-off of property, plant and equipment	**284**	–
Employee benefits expenses		
(excluding directors' remuneration):		
Wages and salaries	**8,409**	10,747
Pension scheme contributions	**79**	61
	8,488	10,808
Minimum lease payments under operating leases on land and buildings	**958**	1,410
Bank interest income	**(35)**	(464)
Reversal of impairment of prepayments, deposits and other receivables	**(1,155)**	(25)
Exchange gains, net	**(24)**	(15,792)
Write-back of other payables and accruals	**(8,225)**	–

6. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**15,019**	16,406
Other borrowings wholly repayable within five years	**–**	14,330
Convertible bonds	**7,758**	5,602
Finance leases	**20**	20
Other payables	**2,391**	3,573
	25,188	39,931

7. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2008: Nil).

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

	2009 HK$'000	2008 HK$'000
Current tax:		
Hong Kong	**–**	–
Elsewhere	**–**	–
	–	–
Deferred tax	**–**	–
Total tax charge for the year	**–**	–

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2009		2008	
	HK$'000	**%**	HK$'000	%
Loss before tax	**(30,103)**		**(69,821)**	
Tax at the statutory tax rate	(8,738)	29.0	(16,443)	23.6
Income not subject to tax	(1,309)	4.4	(8,780)	12.6
Expenses not deductible for tax	9,520	(31.6)	24,869	(35.6)
Tax benefit not recognised	527	(1.8)	354	(0.6)
Tax charge at effective tax rate	–	–	–	–

The Group had no significant unprovided deferred taxation as at 31 December 2008 and 2009.

8. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$49,319,000 (2008: HK$12,655,000) which has been dealt with in the financial statements of the Company.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2008 and 2009 have not been disclosed, as the convertible bonds outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

The calculations of basic loss per share are based on

	2009	2008
	HK$'000	HK$'000
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(30,103)**	(69,821)

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**271,758,000**	271,758,000

10. DIVIDENDS

The Directors did not recommend any dividend for the year ended 31 December 2009 (2008: Nil).

11. INVESTMENT PROPERTIES CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALES

	2009	2008
	HK$'000	HK$'000
Fair value as at 31 December	**777,778**	777,778

On 23 December 2003, the Group entered into a sales and purchase agreement (the "China Securities Plaza S&P") with China Network Communication Group Corporation (now known as "China United Network Communication Group Co., Limited ") ("CUNGG"), pursuant to which, the Group disposed of the China Securities Plaza, a property developed by Beijing Zhong Zheng Real Estate Development Company Limited ("BJZZ") a subsidiary of Tong Sun, to CUNCG at a consideration of approximately RMB2,007,125,000, to be satisfied by (i) an indebtedness in the amount of approximately RMB1,556,852,000 repayable by 8 instalments; and (ii) the remaining balance of approximately RMB450,273,000 by a consideration property, which was located in Xi Cheng District, Beijing (the "Consideration Property"). The construction of the China Securities Plaza was completed during the year ended 31 December 2007 and has been occupied by CUNCG since then. As the significant risks and rewards of the China Securities Plaza have been transferred to CUNCG while the risks and rewards of the Consideration Property have been transferred to the Group despite the legal titles of both of the properties have not been transferred, the sales of the China Securities Plaza and the acquisition of the Consideration Property had been recorded by the Group during the year ended 31 December 2007. The investment properties represented the Consideration Property mentioned above.

The fair value of the Consideration Property has been assessed by Asset Appraisal Limited, an independent valuer, to be RMB700,000,000 (2008: RMB700,000,000), which is equivalent to approximately HK$777,778,000 (2008: approximately HK$777,778,000) as at 31 December 2009.

Subsequent to the end of the reporting period on 29 December 2010, the Company surrendered its 51% equity interest in Tong Sun, and accordingly, the Consideration Property which is owned by BJZZ, to Starry Joy for settlement of the loans and other payables indebted by the Group (note 21).

12. TRADE RECEIVABLE

	2009 HK$'000	2008 HK$'000
Trade receivable	**75,079**	75,079
Impairment	**–**	–
	75,079	75,079

Trade receivable represented the final instalment of the consideration receivable from CUNCG for the China Securities Plaza. Pursuant to the China Securities Plaza S&P, the final instalment of the consideration is due for settlement upon the transfer of the legal title of the China Securities Plaza from BJZZ to CUNCG. As the transfer of the legal title has not been completed as at the end of the reporting period, the receivable has not been overdue and the directors are of the opinion that no impairment is required.

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

	2009 HK$'000	2008 HK$'000
Within 1 month	**–**	–
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**75,079**	75,079
	75,079	75,079

The movements in provision for impairment of trade receivable is as follows:

	2009 HK$'000	2008 HK$'000
At 1 January	**–**	–
Impairment loss recognised during the year	**–**	–
At 31 December	**–**	–

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

	2009 HK$'000	2008 HK$'000
Neither past due nor impaired	**75,079**	75,079
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	–
Over 3 months	**–**	–
	75,079	75,079

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

13. TRADE PAYABLES

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

	2009 HK$'000	2008 HK$'000
Within 1 month	**–**	–
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**147,487**	143,859
	147,487	143,859

The trade payables are non-interest-bearing.

14. INTEREST-BEARING BANK BORROWING, SECURED

	Effective interest rate (%)	Maturity	**2009 HK$'000**	2008 HK$'000
Bank loan – secured	SHIBOR (10.53%-11.06%)	10 November 2005	**99,989**	99,989
Analyse into:				
Repayable:				
On demand			**99,989**	99,989
In the second to fifth years, inclusive			–	–
After five years			–	–
Total			**99,989**	99,989
Current portion			**(99,989)**	(99,989)
Non-current portion			–	–

The Group entered into a loan agreement (the "2003 Loan Agreement") with China Construction Bank Corporation ("CCB") on 11 December 2003 and obtained a loan (the "CCB Loan") in the amount of RMB300,000,000 (equivalent to approximately HK$333,297,000) which was due for repayment on 10 November 2005.

On 20 September 2005, the Group further entered into an agreement (the "2005 Agreement") with CCB and CUNCG, pursuant to which, the CCB Loan was secured by a legal charge on the China Securities Plaza and bore interest at the Shanghai Interbank Offered Rate (the "SHIOR") from time to time. During the year ended 31 December 2009, the SHIOR was in the range of 10.53% to 11.06% (2008: 12.33% to 14.57%) per annum. As at the end of the reporting period, the outstanding amount of the CCB Loan of RMB90,000,000 (equivalent to approximately HK$99,989,000) is repayable as follows:

(i) RMB30,000,000 repayable upon the receipt of the final instalment of the consideration receivable from CUNCG for disposal of the China Securities Plaza; and

(ii) The repayment of the remaining RMB60,000,000 has to be negotiated between the Company and CCB after the completion of the sales and purchase of the China Securities Plaza and the Consideration Property between the Group and CUNCG (note 16).

During the year ended 31 December 2008 and 2009, the Group has not received the final instalment of the consideration receivable for disposal of the China Securities Plaza from CUNCG.

15. OTHER BORROWINGS

	2009	2008
	HK$'000	HK$'000
New City China Loan (note (a) and (c))	**3,873**	3,873
New Rank Loan (note (b) and (c))	**165,000**	165,000
Short term loan (note (d))	**–**	1,000
Short term loan (note (e))	**166**	–
	169,039	169,873
Less: Amount due within one year shown under current liabilities	**(169,039)**	(59,873)
Amount due after one year	**–**	110,000

Note:

(a) The amount represented the balance of a loan (the "New City China Loan") granted by Starry Joy Properties Investment Limited ("Starry Joy"), a minority shareholder of Tong Sun, a subsidiary of the Company, in the principal amount of HK$45,000,000 on 23 June 2003, which bore interest at the rate of 6% per annum, secured by 20% and 5% of the Company's shares held by New Rank Group Limited and Mr. Han (collectively, "New City China Share Charge") and was originally repayable in June 2005. On 25 October 2005, a supplemental facility letter was entered into between the Company and Starry Joy to extend the repayment date of the New City China Loan to 31 December 2005 and the interest rate was revised to 10% per annum with effect from 1 July 2005.

On 15 May 2008, Starry Joy initiated legal proceedings against the Company to claim for the repayment of the New City China Loan and interest thereon. Detail of which has been set out in note 21 to this announcement.

(b) The amount represented a loan (the "New Rank Loan") granted by Starry Joy to BJZZ, on 23 June 2003 for the development of the China Securities Plaza which was secured by 51% of the shares in Tong Sun held by New Rank (BVI 2) Limited ("New Rank (BVI)"), a subsidiary of the Company (the "New Rank Share Charge"). The New Rank Loan is interest-free and was originally repayable in June 2003. On 25 October 2005, a supplemental agreement was entered into between Tong Sun and Starry Joy, pursuant to which:

(i) the repayment date for part of the New Rank Loan in the amount of HK$55,000,000 was extended to 31 December 2005 and became interest bearing at an interest rate of 10% per annum as from 1 July 2005; and

(ii) the balance of the New Rank Loan in the amount of HK$110,000,000 remained interest-free and was repayable by the transfer to Starry Joy a portion of the Consideration Property with an appraisal value of HK$110,000,000, subject to the transfer of the Consideration Property from CUNCG to BJZZ. The legal title of the Consideration Property has not yet been passed to BJZZ at the date of this announcement.

(c) On 26 November 2009, the Company further entered into a new settlement agreement (the "Settlement Agreement") with Poly (Hong Kong) Investments Limited ("Poly (HK)"), the ultimate holding company of Starry Joy, Starry Joy, New Rank (BVI) and Tong Sun, pursuant to which, the New City China Loan and the New Rank Loan together with the accrued interest of HK$99,822,000 and the preferred dividend payable of HK$94,600,000 would be settled in a lump sum of RMB 305,000,000 (equivalent to approximately HK$338,889,000) on or before 31 December 2009.

Subsequent to the end of the reporting period on 16 December 2010, the Company and BJZZ received demand letters from Starry Joy for settlement of the New City China Loan and the New Rank Loan, respectively. Please refer to note 19 to this announcement.

(d) The amount represented a loan of HK$1,000,000 granted by an independent third party which was unsecured, bore interest at the prime lending rate from time to time as quoted by The Hong Kong and Shanghai Banking Corporation Limited for Hong Kong dollar (the "Prime Rate") plus 2% per annum and was for a term of 3 months from 5 February 2007. The loan had been settled during the year ended 31 December 2009.

(e) The amount represented a loan of RMB150,000 (equivalent to approximately HK$166,000) obtained by BJZZ from an independent third party, which bear interest at a rate of 10% per annum and is repayable on demand.

16. PROVISIONS

	2009	2008
	HK$'000	HK$'000
Beijing Tai Yang Hong arbitration (note (a))	**5,136**	20,778
Beijing Tai He Li arbitration (note (b))	**14,378**	14,378
	19,514	35,156

(a) The amount represented a provision for a claim from 北京太陽紅投資諮詢有限公司 ("Beijing Tai Yang Hong"), an independent third party, in respect of the acquisition (the "Acquisition") of the entire 12th floor of China Securities Plaza developed by the Group. On 19 January 2006, Beijing Arbitration Committee made an arbitration award in favor of Beijing Tai Yang Hong and concluded that the sales and purchase agreement dated 6 June 2003 for the Acquisition entered into between BJZZ, be cancelled and that BJZZ has to refund the purchase price of approximately RMB14,000,000 together with a damage compensation of RMB800,000 to Beijing Tai Yang Hong. A deposit of RMB5,000,000 (equivalent to approximately HK$5,581,000) was placed by 北京東方天成房地產開發有限公司, a related company of the Company, on 4 September 2008, to the court on behalf of BJZZ for settlement of the claim. On 7 January 2009, a cash deposit of the Group maintained with the China Construction Bank in the amount of RMB 9,118,000 was further withdrawn and held by Beijing Arbitration Committee. On 4 March 2009, a repayment agreement were entered into between the Group and Beijing Tai Yang Hong, pursuant to which, Beijing Tai Yang Hong acknowledged the receipt of a partial settlement of approximately RMB14,118,000 (equivalent to approximately HK$15,642,000) with the remaining balance of RMB4,622,000 (equivalent to approximately HK$5,136,000) be repayable by BJZZ on or before 31 October 2009. The outstanding amount payable to Beijing Tai Yang Hong has been overdued for settlement as at 31 December 2009.

(b) The amount represented a provision for a claim from 北京泰和利鉆孔加固工程有限公司 ("Beijing Tai Hei Li") in respect of the reinforcement work of the building structure of the China Securities Plaza. On 6 February 2009, Beijing Arbitration Committee made an arbitration award in favor of Beijing Tai He Li and concluded that the reinforcement work pursuant to an agreement dated 23 June 2003 entered into between Beijing Tai He Li and BJZZ had been completed on 27 January 2007 and BJZZ has to settle to Beijing Tai Hei Li the outstanding balance together with accrued interest in the sum of approximately RMB12,940,000 (approximately HK$14,378,000).

17. OPERATING LEASE COMMITMENTS

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

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**357**	1,513
In the second to fifth years, inclusive	**96**	864
After five years	**–**	–
	453	2,377

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 to this announcement, the Group and the Company had the following capital commitments at the end of the reporting period.

On 4 May 2009, the Company entered into a conditional sale and purchase agreement with a director's brother, a connected person of the Company, as further supplemented by the supplemental agreement dated 30 April 2010 in relation to the acquisition (the "Oriental Paris Acquisition") of 100% equity interest in Oriental Paris Property Development (Beijing) Company Limited (東方巴黎房地產開發(北京)有限公司, a company established in the PRC and is principally engaged in the development of property projects in Beijing, the PRC at an aggregate consideration of RMB104,600,000.

Subsequent to the end of the reporting period on 13 January 2011, the Company entered into a termination agreement, pursuant to which, the Oriental Paris Acquisition was terminated.

19. LITIGATIONS

Apart from the litigations detailed in note 16 to this announcement, the Group had the following significant outstanding ligations at the end of the reporting period:

(a) Legal claim from Starry Joy

On 15 May 2008, Starry Joy initiated proceedings (the "Proceedings") against the Company to claim (the "Starry Joy Claim") for an amount of HK$57,940,624.30 being the aggregated balance of a loan of HK$45,000,000 and the accrued interest thereon advanced by Starry Joy to the Company.

On 26 November 2009, a settlement agreement was made among others, between the Company, Tong Sun and Starry Joy that the Company and Tong Sun shall be liable on a joint and several basis to repay RMB305,000,000 (the "Settlement Amount") to Poly (HK), the holding company of Starry Joy, or its nominee on or before 31 December 2009 for settlement of all loans and payables (including the Starry Joy Claim) indebted by the Group to Starry Joy. The Settlement Amount has been sufficiently provided for in aggregate by the Company and Tong Sun in other borrowings, accrued interests and preferred dividend payable as at the end of the reporting period.

Subsequent to the end of the reporting period on 29 December 2010, following the enforcement of the security constituted by the New City China Share Charge and the New Rank Share Charge, Starry Joy agreed to withdraw and discontinue permanently of the Proceedings against the Company.

(b) Legal claim from Beijing Jia Shi Bao

In February 2008, BJZZ issued a post-dated cheque (the "Post-Dated Cheque") of RMB19,000,000 to 北京城建四有限公司 ("Beijing Cheng Jian Si"), one of the major contractors of the Group in development of the China Securities Plaza, as a proof of its ability to settle the contraction cost of China Securities Plaza which has to be agreed between the Group and Beijing Cheng Jian Si upon the finalisation of the project cost calculation which has yet to be completed as at the date of this report.

The Post-Dated Cheque was subsequently endorsed by Beijing Cheng Jian Si to a third party (the "Plaintiff") and was presented and found to be dishonoured by the Plaintiff on 9 October 2008.

On 22 December 2008, the Plaintiff issued a statement of claim (the "Dishonoured Cheque Claim") on (i) the amount of RMB19,000,000, (ii) accrued interest of RMB247,645 and (iii) the related legal fee to BJZZ.

On 19 December 2009, a judgement "民事裁定書 (2009) 西民初字第1473號" was issued by 北京市西城區人民法院 in favour of BJZZ. An appeal was made by the Plaintiff on the same day and was accepted by the court on 26 February 2010, which ordered that, the judgement as stated in the "民事裁定書 (2009) 西民初字第1473號" was revoked pending by the hearing to be held by the 北京市第一中級人民法院.

Except for an amount of approximately HK$7,453,000 (2008: HK$7,453,000) in respect of the construction cost payable to Beijing Cheng Jian Si which was included in the trade payables in the statement of financial position of the Group as at 31 December 2009, no record of the Post-Dated Cheque or the Dishonoured Cheque Claim has yet been made in the financial statements.

The directors of the Company are of the opinion that the amount of the final construction cost with Beijing Cheng Jian Si has yet to be finalised and the amount cannot be accurately assessed as at the date of this announcement.

Subsequent to the end of the reporting period on 29 December 2010, following the enforcement of the security constituted by the New Rank Share Charge by Starry Joy (note 21), Tong Sun and BJZZ, ceased to be the subsidiaries of the Company. The directors are of the opinion that upon the cessation of Tong Sun and BJZZ as subsidiaries of the Company, the Posted Cheque and the Dishonoured Cheque Claim will have no financial and other impact on the Company and the Group.

20. CONTINGENT LIABILITIES

The Group

Apart from the litigations detailed in notes 16 and 19 to this announcements, the Group had the following contingent liabilities at the end of the reporting period.

Pursuant to the China Securities Plaza S&P, the legal title ownership of the China Securities Plaza shall be transferred from BJZZ to CUNCG on or before 30 December 2006. Relevant penalties will be imposed upon the late completion of the transfer of the legal title ownership as to 0.03% per day on the consideration amount payable by CUNCG to the Group, excluding the Consideration Property. Despite the legal title ownership of the China Securities Plaza has not been transferred to CUNCG as at the end of the reporting period, the directors of the Company are of the opinion that the penalty claims as mentioned in the China Securities Plaza S&P will not be executed by CUNCG as the corresponding legal title ownership of the Consideration Property has not been transferred from CUNCG to the Group.

Subsequent to the end of the reporting period on 29 December 2010, following the enforcement of the security constituted by the New Rank Share Charge by Starry Joy, Tong Sun and BJZZ ceased to be the subsidiaries of the Company. The directors are of the opinion that upon the cessation of Tong Sun and BJZZ as subsidiaries of the Company, the delay in transferring of the legal title ownership of the China Securities Plaza to CUNCG will have no financial and other impact on the Company and the Group.

21. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period on 16 December 2010, the Company and Tong Sun received demand letters from Starry Joy for settlement of the New City China Loan and the New Rank Loan.

On 17 December 2010, the Company, for itself and on behalf of New Rank (BVI) and Tong Sun, irrevocably and unconditionally informed and confirmed that they were unable to repay the New City China Loan and the New Rank Loan.

On 29 December 2010, the security constituted by the New City China Share Charge and the New Rank Share Charge were enforced by Starry Joy and Tong Sun ceased to be a subsidiary of the Company.

Upon the foreclosure of the New City China Share Charge and the New Rank Share Charge, pursuant to a reply letter (the "Reply Letter") from Starry Joy dated 31 December 2010, Starry Joy undertook, among others, that (a) Starry Joy permanently withdraws/discontinues the proceedings against the Company; (b) Starry Joy and Sure Yield Investment Limited waives all its claims whatsoever against the Company, New Rank (BVI) and Tong Sun in relation to (i) the New City China Loan and the New Rank Loan; (ii) intercompany indebtedness between the Group and Tong Sun together with its subsidiaries (collectively, the "Tong Sun Group"), in particular, BJZZ and (iii) no claims or compensation in any kind for any possible losses, recorded or contingent, would be seek by the Tong Sun Group against the Group.

As at 31 December 2009, the major assets and liabilities of Tong Sun Group included in the consolidated statement of financial position of the Group were as follows:

	HK$'000
Assets	
Property, plant and equipment	697
Trade receivable	75,079
Prepayments, deposits and other receivables	1,243
Investment properties classified as non-current assets held for sales	777,778
	854,797
Liabilities	
Trade payables	147,487
Other payables and accruals	157,529
Due to a related company	5,581
Interest-bearing bank borrowings, secured	99,989
Other borrowings	165,166
Tax payable	189,687
Preferred dividend payable	94,600
Provisions	19,514
	879,553

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group has no turnover and recorded a loss after tax of about HK$30,103,000 for the year.

Major business arrangements

A settlement agreement (the "Settlement Agreement") with Poly (Hong Kong) Investments Limited ("Poly (HK)"), Starry Joy Properties Investment Limited ("Starry Joy"), New Rank (BVI 2) Limited ("New Rank (BVI)") Tong Sun Limited ("Tong Sun") and the Company was reached on 26 November 2009 that the total indebtedness owed by the Group to Starry Joy would confirmed to be in the amount of RMB305,000,000 (the "Settlement Sum") repayment should be made on or before 31 December 2009.

On 28 June 2010, Sure Yield Investments Limited ("Sure Yield") made a payment of RMB309,235,800 to Sky Fortune Development Overseas Corporation (a 100% subsidiary of Poly (HK) and the holding company of Starry Joy) for purchasing its 100% interest in Starry Joy and thus, Sure Yield become the 49% shareholder of Tong Sun Limited ("Tong Sun"). On 16 December 2010, Sure Yield issue a 7 days demand letter on the Settlement Sum and since the Company do not have the liquidity to repay in full the Settlement Sum, the remaining 51% interest held by the Company in Tong Sun as loan securities became immediately enforceable by 29 December 2010.

As a result of the loan security enforcement on 29 December 2010, the non-performing subsidiary of Tong Sun (entitling to the ownership of the Consideration Property through its subsidiary BJZZ) would ceased to be a subsidiary of the Company.

On 13 January 2011, the Company entered into a termination agreement in which the Very Substantial Acquisition and Connection Transaction concerning the Acquisition of Oriental Paris Property Development (Beijing) Company Limited ("Oriental Paris") will be terminated and neither parties to the original Sale and Purchase Agreement shall have any claims against each other.

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"). On 13 August 2010, the Stock Exchange determined that the Company had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 and decided to place the

Company in the third delisting stage under Practice Note 17 to the Listing Rules. The Stock Exchange intends to cancel the listing of the Company after the six-month period (i.e. 24 February 2011) if the Company does not provide a viable resumption proposal. In addition to the submission of the resumption proposal, the Company needs to publish all outstanding financial results and to address all audit qualifications that may exist. Lastly, the Company also needs to demonstrate to the Stock Exchange that adequate and effective internal control system complying with the Listing Rules were in place.

OUTLOOK

It has been for some years, the primary objective of the Company to secure business project(s) and proofing to the regulators, the ability to maintain and develop the Company's business activities in a sustainable manner. Although the Company has terminated the acquisition of Oriental Paris, another property development project (an independent party to the Company) in PRC has been identified and negotiation would be finalized well in advance before the delisting deadline of 24 February 2011. This new acquisition shall be subject to, among other things, the approval of the shareholders of the Company and further announcement will be made when material developments take place.

The Company has engaged external professional consultants in the relisting procedure and the best of effort will be made to ensure that the Company will stay afloat in this time of turmoil.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited (formerly Cachet Certified Public Accountants Limited) ("Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2009. The work performed by Cachet in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Cachet on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Result

For the year under review, the Group has not reported any turnover (2008: Nil). The Group's net loss for the year was about HK$30,103,000 (2008: HK$69,821,000). The basic loss per share for the year was about 11.08 HK cents (2008: 25.69 HK cents). Administrative expenses was approximately HK$14,354,000 (2008: HK$46,176,000). Financial costs was about HK$25,188,000 (2008: HK$39,931,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2009, the Group had obligations under hire purchase contracts of approximately HK$164,000 (2008: HK$237,000) and the bank borrowings amounted to RMB90,000,000 (equivalent to approximately HK$99,989,000) (2008: RMB90,000,000 and equivalent to approximately HK$99,989,000), that is secured and interest-bearing.

As at 31 December 2009, the Group had the following other borrowings:

(a) The other borrowing of HK$3,873,000 represented the balance of a loan (the "New City China Loan") granted by Starry Joy, a minority shareholder of Tong Sun, a subsidiary of the Company, in the principal amount of HK$45,000,000 on 23 June 2003, which bore interest at the rate of 6% per annum, secured by 20% and 5% of the Company's shares held by New Rank Group Limited and Mr. Han Juran (collectively, "New City China Share Charge") and was originally repayable in June 2005. On 25 October 2005, a supplemental facility letter was entered into between the Company and Starry Joy to extend the repayment date of the New City China Loan to 31 December 2005 and the interest rate was revised to 10% per annum with effect from 1 July 2005.

    On 15 May 2008, Starry Joy initiated legal proceedings against the Company to claim for the repayment of the New City China Loan and interest thereon.

(b) The other borrowing of HK$165,000,000 represented a loan (the "New Rank Loan") granted by Starry Joy to BJZZ, on 23 June 2003 for the development of the China Securities Plaza which was secured by 51% of the shares in Tong Sun held by New Rank (BVI), a subsidiary of the Company (the "New Rank Share Charge"). The New Rank Loan is interest-free and was originally repayable in June 2003. On 25 October 2005, a supplemental agreement was entered into between Tong Sun and Starry Joy, pursuant to which:

    (i) the repayment date for part of the New Rank Loan in the amount of HK$55,000,000 was extended to 31 December 2005 and became interest bearing at an interest rate of 10% per annum as from 1 July 2005; and

    (ii) the balance of the New Rank Loan in the amount of HK$110,000,000 remained interest-free and was repayable by the transfer to Starry Joy a portion of the Consideration Property with an appraisal value of HK$110,000,000, subject to the transfer of the Consideration Property from CUNCG to BJZZ. The legal title of the Consideration Property has not yet been passed to BJZZ as at the date of this announcement.

    On 26 November 2009, the Company further entered into the Settlement Agreement with Tong Sun Poly (HK), the ultimate holding company of Starry Joy, Starry Joy, New Rank (BVI) and Tong Sun, pursuant to which, the New City China Loan and the New Rank Loan together with the accrued interest of HK$99,822,000 and the preferred dividend payable of HK$94,600,000 would be settled in a lump sum of RMB305,000,000 (equivalent to approximately HK$338,889,000) on or before 31 December 2009.

Subsequent to the end of the reporting period on 16 December 2010, the Company and BJZZ received demand letters from Starry Joy for settlement of the New City China Loan and the New Rank Loan, respectively.

As at 31 December 2009, the Group's total assets was approximately HK$855,506,000 (2008: approximately HK$869,537,000) and total liabilities were of approximately HK$973,654,000 (2008: approximately HK$982,609,000) whereas interest-bearing bank borrowing secured, other borrowings and the convertible bonds amounted to approximately HK$325,982,000 as at 31 December 2009 (2008: approximately HK$344,085,000). As at 31 December 2009, the cash and bank balances was approximately HK$150,000 (2008: approximately HK$11,655,000) and the current ratio (current assets/ current liabilities) was 0.93 as at 31 December 2009 (2008: 1.12).

Litigation

Details of the litigations are set-out in notes 16 and 19 to this announcement.

Gearing Ratio

The gearing ration (total borrowing/total assets of the Group) was 0.38 as at 31 December 2009 (2008: 0.40).

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 2009, 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 (2008: approximately HK$99,989,000).

In addition, the Company had plegded (1) its 25% shares, New City Share Charge; and (2) 51% equity in Tong Sun, New Rank Share Charge, to secure the other borrowings as mentioned in note 15 to this announcement.

Prospect

With Tong Sun being removed from the Group subsequent to the end of the reporting period in December 2010, the overall financial certainty of the Group is improved being there will be no overdue loans, no overdue advances and also no overdue statutory payment requirements. Furthermore, the uncertain liability of the Group regarding the accountability of the construction cost of China Securities Plaza, as qualified by the auditors in their auditors' report, will no longer has an effect on the Group's overall financial position. The clarity in the financial position of the Group and the simplicity of the Group's operation would help to hasten the review by the regulators regarding the relisting application.

The Board will make the best of efforts in safe guarding the investments of the shareholders by maintaining the listing status of the Group through developing new business and also through acquisition of viable projects in the property development market sector. The Company will make further announcement when material developments take place.

Employees

As at 31 December 2009, 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.

Significant Investments and Material Acquisitions

Except for note 18 to this announcement, the Company did not have any significant investments or material acquisitions for the year ended 31 December 2009.

Contingent Liabilities

Details of the contingent liabilities are set-out in note 20 to this announcement.

Commitments

Details of the commitments are set-out in note 18 to this announcement.

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

The Company had not redeemed any of its shares during the year ended 31 December, 2009. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 December, 2009.

CORPORATE GOVERNANCE

During the year ended 31 December 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the year ended 31 December 2009 , save for the deviation from the code provisions listed below :

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

According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms and the Chairman of the Board and/or the managing director of the Company are not subject to retirement by rotation. Thus, they are deviated from Code provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance the provisions of the Listing Rules whenever necessary.

The Company has not established the remuneration committee which deviates from the Code provision B.1, as the Company has an established policy for fixing remuneration packages for all directors and the senior management depending on the individuals' performance and responsibility, market trend and company performance. The Board will review from time to time the necessity to establish a remuneration committee.

MODEL CODE FOR SECURITIES TRANSACITONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of the Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2009.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Stock (www.hkex.com.hk). The 2009 Annual Report will be despatched to our shareholders on or before 31 March 2011 and will be available at the websites of the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the the financial statements for the year ended 31 December 2009.

BOARD OF DIRECTORS

As at the date of this announcement, the Company has (i) two executive directors, namely Mr. Han Junran (Chairman) and Mr. Fu Yiu Kwong; (ii) one non-executive director, namely Mr. Luo Min; and (iii) three independent non-executive directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing.

By Order of the Board
New City (China) Development Limited
Han Junran
Chairman

Hong Kong , 19 January 2011