

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31st December 2006.

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 31st December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 25 to 62.

The Directors do not recommend the payment of any interim or final dividend for the year ended 31st December 2006.

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 31st December 2006.

PLANT AND EQUIPMENT

Movements during the year in the 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 and as at the date of this annual report were :

Executive directors

Mr. Han Junran (Chairman)

Mr. Fu Yiu Kwong

Non-executive directors

Mr. Suo Qiang (appointed on 12th March 2007 and resigned on 26th March 2007)

Mr. Qi Yong (appointed on 12th March 2007 and resigned on 26th March 2007)

Independent non-executive directors

Mr. Chan Yiu Tung, Anthony

Mr. Wong Shing Kay, Oliver

Mr. Zheng Qing

In accordance with the Articles of Association, Mr. Wong Shing Kay, Oliver shall retire from office and, being eligible, offer himself 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 16th December 2002 for a period of three years and continuing thereafter until his directorship terminated. As detailed in the circular of the Company dated 26th June 2006, Mr. Han also has entered into a management agreement dated 25th October 2005 with the Company for a term of 3 years commencing from 1st April 2005.

Mr. Fu Yiu Kwong, the executive Director, has entered into a service agreement with the Company for a period of two years commencing 13th 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 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 31st December 2006, 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, as recorded in the register maintained by the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 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%

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 23rd June 2003, among other things, Mr. Han charged his interest 5% of the issued share capital of the Company, representing 13,587,900 shares of the Company, in favour of Starry Joy.

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 Part XV 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 for Securities Transactions by Directors of Listed Companies.

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 14th June 2002 which will remain in force for a period of 10 years from the date of adoption. As at 31st December 2006, 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 its 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.

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

As at 31st December 2006, 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 (Note 1)	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	(Notes 1 and 5)	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 23rd June 2003, NRG and Mr. Han charged their respective interests 20% and 5% of the issued share capital of the Company, representing 54,351,600 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.
- (4) 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.
- (5) Mr. 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.

So far as is known to any director of the Company, the only company (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 is 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 5th 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 9th 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 31st December 2006 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

For the year ended 31st December 2006, purchases attributable to the Group's largest supplier accounted for approximately 27% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 48% of the Group's total purchases.

To the knowledge of the directors, none of the directors, or their respective associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers of suppliers.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 18th July 2006, the name of the Company was changed from New City (Beijing) Development Limited 新城市(北京)建設有限公司 to New City (China) Development Limited 新城市(中國)建設有限公司. The Certificate of Incorporation on Change of Name and the Certificate Registration of Change of Name of Oversea Company were issued by the Registry of Companies in the Cayman Islands on 19th July 2006 and the Registrar of Companies in Hong Kong on 24th August 2006 respectively.

AUDITORS

KLL Associates CPA Limited (“KLL”) appointed as auditors of the Company on 1st April 2005 to fill the casual vacancy upon the resignation of Messrs. Deloitte Touche Tohmatsu on 31st March 2005. KLL then resigned as auditors of the Company because of the combination of their practice with that of BDO McCabe Lo Limited (“BDO”) effective on 1st August 2005. Accordingly, BDO were appointed as new auditors of the Company following the resignation of KLL effective from 23rd September 2005.

SHINEWING (HK) CPA Limited appointed as auditors of the Company on 28th December 2006 to fill the casual vacancy upon the resignation of BDO McCabe Lo Limited on 15th December 2006. A resolution will be submitted to the annual general meeting to re-appoint SHINEWING (HK) CPA Limited as auditors of the Company.

On behalf of the Board

Han Junran

Chairman

30th April 2007, Hong Kong