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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

Interim Report 2009

CONTENTS

INTERIM RESULTS

The Board of Directors (the "Board") of New City (China) Development Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	**2009 (Unaudited) *HK$'000***	2008 (Unaudited) *HK$'000*
OTHER REVENUE	*4*	**37**	16,066
ADMINISTRATIVE EXPENSES		**(10,923)**	(14,582)
(LOSS)/PROFIT FROM OPERATIONS	*4*	**(10,886)**	1,484
FINANCE COSTS	*5*	**(10,307)**	(35,684)
LOSS BEFORE TAXATION		**(21,193)**	(34,200)
TAXATION	*6*	**–**	–
LOSS FOR THE PERIOD		**(21,193)**	(34,200)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(21,193)**	(34,200)
Minority interests		**–**	–
		(21,193)	(34,200)
DIVIDENDS		**–**	–
LOSS PER SHARE (HK CENTS)			
Basic	*7*	**(7.80)**	(12.58)
Diluted	*7*	**(2.99)**	(4.09)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Notes	**30.6.2009 (Unaudited) *HK$'000***	31.12.2008 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,191**	1,850
CURRENT ASSETS			
Property for sale-completed property		**777,778**	777,778
Accounts receivable		**75,079**	75,079
Prepayments, deposits and other receivables	*10*	**2,130**	3,175
Bank balances and cash		**152**	11,655
		855,139	867,687
CURRENT LIABILITIES			
Trade payables	*11*	**159,926**	143,859
Accruals and other payables		**206,384**	179,315
Obligations under finance leases		**73**	73
Interest-bearing bank borrowing, secured	*12*	**99,989**	99,989
Other borrowings		**59,873**	59,873
Taxes payable		**190,359**	190,317
Convertible bonds	*13*	**69,263**	69,263
Provisions		**–**	35,156
		785,867	777,845
NET CURRENT ASSETS		**69,272**	89,842
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,463**	91,692
NON-CURRENT LIABILITIES			
Obligation under finance leases		**128**	164
Other borrowing		**110,000**	110,000
Preferred dividend payable		**94,600**	94,600
		204,728	204,764
NET LIABILITIES		**(134,265)**	(113,072)
CAPITAL AND RESERVES			
Share capital	*14*	**272**	272
Reserves	*15*	**(134,537)**	(113,344)
DEFICIENCY OF SHAREHOLDERS' FUNDS		**(134,265)**	(113,072)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Share capital	Share premium	Contributed surplus	Translation reserve	Accumulated losses	Total	Minority interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	272	20,773	4,755	22,315	(161,187)	(113,072)	–	(113,072)
Loss for the period	–	–	–	–	(21,193)	(21,193)	–	(21,193)
At 30 June 2009	272	20,773	4,755	22,315	(182,380)	(134,265)	–	(134,265)
At 1 January 2008	272	20,773	4,755	12,696	(91,366)	(52,870)	–	(52,870)
Exchange differences arising on translation of foreign operations	–	–	–	9,619	–	9,619	–	9,619
Loss for the period	–	–	–	–	(34,200)	(34,200)	–	(34,200)
At 30 June 2008	272	20,773	4,755	22,315	(125,566)	(77,451)	–	(77,451)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2009

	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**(11,480)**	13,419
NET CASH USED IN INVESTING ACTIVITIES	**(22)**	(9)
NET CASH USED IN FINANCING ACTIVITIES	**(1)**	(14,608)
DECREASE IN CASH AND CASH EQUIVALENTS	**(11,503)**	(1,198)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**11,655**	42,739
Effect of foreign exchange rate changes, net	**–**	(19,448)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**152**	22,093
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**152**	22,093

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The condensed consolidated financial statements of New City (China) Development Limited (the "Company") and its subsidiaries (collectively known as the "Group") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

b. Principal accounting policies

The condensed 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 accounting policies and basis of preparation adopted for the preparation of the interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2008.

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 30 June 2009. The Group incurred loss for the six months ended 30 June 2009, and as at that date, it had consolidated net liabilities of HK$134,265,000. It may cast a doubt on the Group's ability to continue as a going concern. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(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.

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the six months ended 30 June 2009 on a going concern. Should the Group be unable to continue or operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments has not been reflected in the financial statements.

Up to the date of issue of the interim financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2009 and which have not been adopted in the interim financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
HKAS 27 (Revised)	Consolidated & Separate Financial Statements	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new amended disclosures, it is unlikely to have a significant impact on the Group's result of operations and financial position.

c. **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 net of discount. Revenue is recognised as follows:

(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 condensed consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Interest income from a financial asset is accrued on a time 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.

d. **Provisions and contingencies**

Provisions are recognized for liabilities of uncertain timing or amount when the Company 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.

2. 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.

The Group did not have turnover for the six months ended 30 June 2009, and the Group's end-customer is in the PRC. Accordingly, no segment analysis by business and geographical segments is provided for the six months ended 30 June 2009.

3. TURNOVER

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

The Group did not have turnover for the six months ended 30 June 2009 and 2008.

4. (LOSS)/PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
(Loss)/Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**681**	455
Exchange loss	**11**	–
and after crediting:		
Interest income	**35**	200
Exchange gain	**–**	15,850
Other income	**2**	16

5. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**7,325**	7,498
Other loans wholly repayable within five years	**–**	13,535
Convertible bonds	**2,972**	2,553
Finance leases	**10**	10
Guarantee fee for the Beijing Tai Yang Hong	**–**	12,088
	10,307	35,684

6. TAXATION

The Company's subsidiaries operating in Hong Kong are subject to profits tax at the rate of 16.5% for the six months ended 30 June 2009 (six months ended 30 June 2008: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group has no assessable income for Hong Kong Profits Tax for the six months ended 30 June 2009 and 2008. The group companies operating in the PRC are subject to enterprise income tax at a rate of 25% (six months ended 30 June 2008: 25%) during the period. No provision for PRC enterprise income tax has been made as the Group has no assessable income for PRC tax for the six months ended 2009 and 2008.

The Group had no significant unprovided deferred taxation for the period.

7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2009 is based on the net loss after deducting preferred dividend attributable to equity shareholders of the Company of HK$21,193,000 (six months ended 30 June 2008: HK$34,200,000) and the weighted average number of 271,758,000 ordinary shares in issue during the six months ended 30 June 2009 (six months ended 30 June 2008: 271,758,000 ordinary shares).

The calculation of the diluted loss per share for the six months ended 30 June 2009 is based on the net loss before bond interest (net of tax) and after deducting preferred dividend attributable to equity shareholders of the Company of HK$18,221,000 (six months ended 30 June 2008: HK$31,647,000) and the weighted average number of 610,058,984 ordinary shares (six months ended 30 June 2008: 773,663,558 ordinary shares) after considering the effects of converting all convertible bonds to ordinary shares upon maturity.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: Nil)

Pursuant to the supplemental subscription agreement dated 8 May 2003, Starry Joy Properties Investment Limited ("Starry Joy"), holding 49% of the equity interest of Tong Sun Limited ("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 ("Poly HK") and interest accrued thereon in priority over the dividend payments to the Group by Tong Sun.

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost			
At 1 January 2009	3,223	7,008	10,231
Additions	22	–	22
At 30 June 2009	3,245	7,008	10,253
Aggregate depreciation			
At 1 January 2009	2,381	6,000	8,381
Charge for the period	455	226	681
At 30 June 2009	2,836	6,226	9,062
Net book value			
At 30 June 2009	409	782	1,191
At 31 December 2008	842	1,008	1,850

The carrying amount of the Group's motor vehicles, held under finance leases included in the total amount of motor vehicles at 30 June 2009 amounted to HK$166,156 (six months ended 30 June 2008: HK$266,156).

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30.6.2009 ***HK$'000***	31.12.2008 *HK$'000*
Prepaid expenses and deposits	**2,130**	3,175

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

11. TRADE PAYABLES

The aged analysis of trade payables as at 30 June 2009 is as follows:

	30.6.2009 ***HK$'000***	31.12.2008 *HK$'000*
Within 3 months	**159,926**	143,859
	159,926	143,859

12. INTEREST-BEARING BANK BORROWING, SECURED

The secured bank borrowings as at 30 June 2009 is as following:

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Within 1 year	**99,989**	99,989
Over 1 year	**–**	–
	99,989	99,989

The bank borrowings are denominated in Renminbi and is bound by an agreement signed among the Company, China Construction Bank and China Network Communication Group Corporation ("CNC"). It 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.

13. CONVERTIBLE BONDS

The Group has the following convertible bonds as at 30 June 2009:

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Convertible Bond A (notes (i) and (v))	**7,501**	7,501
Convertible Bond B (notes (ii) and (v))	**5,304**	5,304
Convertible Bond C (note (iii) and (vi))	**33,403**	33,403
Convertible Bond D (note (iv) and (vi))	**23,055**	23,055
	69,263	69,263

(i) a convertible bond (the "2005 Convertible Bond") was issued on 1 March 2005 with a principal amount of HK$12,000,000 which bore interest at 3% per annum and was convertible into the ordinary shares of the Company at a conversion price of HK$0.30 per share. Upon its maturity on 1 March 2007, the terms of the convertible bond with a principal amount of HK$7,500,520 ("Convertible Bond A") was revised whereby the conversion price was reduced to HK$0.138 per share and bore interest at Prime Rate. The maturity of the Convertible Bond A was extended to 31 August 2007 which was subsequently further extended to 28 February 2009 on 17 August 2007.

(ii) apart from Convertible Bond A, upon the maturity of the 2005 Convertible Bond on 1 March 2007, the remaining principal amount together with the accrued interest of HK$5,219,480 was extended to 31 August 2007 and bore interest at Prime Rate plus 2% per annum. On 21 August 2007, a new convertible bond (the "Convertible Bond B") was issued with a principal amount of HK$5,304,297 for settlement of the said remaining outstanding balance of the 2005 Convertible Bond. Convertible Bond B bore interest at Prime Rate plus 2% per annum and was convertible into the ordinary shares of the Company at a conversion price of HK$0.138 per share. Upon its maturity on 14 August 2007, the Convertible Bond B was extended to 28 February 2009.

(iii) a convertible bond ("Convertible Bond C") was issued on 14 June 2007 with a principal amount of HK$33,403,150, which bore interest at Prime Rate plus 4% per annum, secured by pledging of the shares of certain subsidiaries of the Company and was convertible into the ordinary shares of the Company at a conversion price of HK$0.138 per share. Upon its maturity on 14 August 2007, the Convertible Bond C was extended to 28 February 2009.

(iv) a convertible bond ("Convertible Bond D") was issued on 28 June 2007 with a principal amount of HK$23,055,000, which bore interest at Prime Rate plus 4% per annum, secured by pledging of the shares of certain subsidiaries of the Company and was convertible into the ordinary shares of the Company, at a conversion price of HK$0.138 per share. The Convertible Bond D was matured on 28 August 2007 and was further extended to 28 February 2009 on 21 August 2007.

(v) Upon the maturity of Convertible Bond A and Convertible Bond B on 28 February 2009, the Company and the bond holder entered into an agreement for the issuance of a new convertible bond in a principal amount of HK$14,185,129 (the "Convertible Bond E") for the settlement of Convertible Bond A and Convertible Bond B in an aggregate principal amount of HK$12,804,817 together with accrued interest of HK$1,380,312. The Convertible Bond E bears interest at Prime Rate plus 2% per annum, maturity on 28 February 2012 and is convertible into the ordinary shares of the Company at a conversion price of HK$0.03 per share. The Convertible Bond E was approved by the shareholders on 5 May 2009.

(vi) On 18 March 2009, the Company entered into a deed of novation (the "Deed of Novation") between the convertible bond holder of Convertible Bond C and Convertible Bond D (the "Bond Holder") and Mr. Han. Pursuant to the Deed of Novation, the parties agreed that the total outstanding principal amount of Convertible Bond C and Convertible Bond D together with all interest thereon owing by the Company to the Bond Holder be novated from the Company to Mr. Han and the Company be fully released and discharged from all liabilities and obligations, past or future, under Convertible Bond C and Convertible Bond D and any security created by and under the share mortgages be cancelled and released and Mr. Han has undertaken to repay the debt to the Bond Holder in accordance with the terms and conditions therein.

On the same day, the Company further entered into a new loan agreement and subscription agreement (the "New Agreement") with Mr. Han, pursuant to which, the Company is deemed to have drawn down a debt amounting to HK$63,248,596, being the principal amount owed by the Company to the Bond Holder of HK$56,458,150 plus accrued interest of HK$6,790,446 up to the date of execution of the Deed of Novation and the Company has issued a new convertible bond (the "Convertible Bond F") therefrom. The Convertible Bond F bears interest at Prime Rate, maturity on 17 March 2012 and is convertible into the ordinary shares of the Company at a conversion price of HK$0.03 per share. Subsequent to the end of the reporting period, the Convertible Bond F was approved by the shareholders on 10 August 2009.

14. SHARE CAPITAL

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares (2008: 2,000,000,000 ordinary shares) of HK$0.001 each (2008: HK$0.001)	**2,000**	2,000
Issued and fully paid:		
271,758,000 ordinary shares (2008: 271,758,000 ordinary shares) of HK$0.001 each (2008: HK$0.001)	**272**	272

15. 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 notes (a) to (d) below.

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 reserve

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.

16. OPERATING LEASE COMMITMENTS

As at 30 June 2009, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Within one year	**1,482**	1,482
In second to fifth years, inclusive	**123**	864
	1,605	2,346

17. 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.

18. POST BALANCE SHEET EVENTS

a) Increase in Authorized Share Capital

On 10 August 2009, the Independent Shareholders passed the resolution at the EGM for the increase in Authorized Share Capital from HK$2,000,000 divided into 2,000,000,000 shares to HK$10,000,000 divided into 10,000,000,000 shares.

b) Extension of the maturity date of Tritime convertible bonds

On 10 August 2009, the amendments of the terms of Tritime Convertible Bonds, including but not limited to the maturity date shall be extended to 28 February 2012 at a conversion price of HK$0.03 per share were duly passed by the Independent Shareholders at the EGM.

c) Novation of the Crown Champion convertible bonds

On 10 August 2009, the novation of the obligations under the Crown Champion Convertible Bond from the Company to Mr. Han was duly passed by the Independent Shareholders at the EGM.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

During the six-month period under review, the Group has no turnover and net loss for the period amounted to approximately HK$21,193,000, whereas the Group has no turnover and net loss for the first half of 2008 were approximately HK$34,200,000. Basic loss per share for the period was HK$7.80 cents (six months ended 30 June 2008: HK$12.58 cents).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

Pursuant to the supplemental subscription agreement dated 8 May 2003, Starry Joy, holding 49% of the equity interest of Tong Sun Limited ("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 ("Poly HK") and interest accrued thereon in priority over the dividend payments to the Group by Tong Sun.

BUSINESS REVIEW

As a result of the continuing effort made by the management regarding the sales of the Consideration Property, prospective buyers are located and results of negotiations are encouraging. It is believed that should progress is developed as expected, further information on this issue would be released to the shareholders in the very near future. This also contributes to the continued support from the creditors to our group during the period as they are also confident that, from the proceeds of the sale of the Consideration Property, we are able to settle our debts.

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"). Subsequent to the end of the reporting period, 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 on 13 August 2010 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.

PROSPECT

As noted in our previous reports, the need to develop new business is imminent subsequent to the disposal of the Consideration Property or the Group will not be able to meet the listing requirement of a public company. With the limited capital base of the Group, identifying appropriate business venue would be difficult. The management however, is determined to purse in this direction with an objective in regaining our status as a trading public company as soon as possible.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2009, the Group had obligations under hire purchase contracts of approximately HK$201,000 (as at 31 December 2008: HK$237,000) and the bank borrowings amounted to approximately RMB90,000,000 (equivalent to approximately HK$99,989,000) (as at 31 December 2008: approximately RMB90,000,000 and equivalent to approximately HK$99,989,000), that is secured and interest-bearing.

As at 30 June 2009, the Group had the following other borrowings:

(a) The other borrowing 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. Subsequent to the end of the reporting period, the loan had been settled.

(b) 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.

(c) 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 report.

Subsequent to the end of the reporting period 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.

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 30 June 2009, the Group's total assets was approximately HK$856,330,000 (as at 31 December 2008: approximately HK$869,537,000) whereas interest-bearing bank borrowing, secured and other borrowings amounted to approximately HK$269,862,000 as at 30 June 2009 (as at 31 December 2008: approximately HK$269,862,000). As at 30 June 2009, the cash and bank balances was approximately HK$152,000 (as at 31 December 2008: approximately HK$11,655,000) and the current ratio (current assets/current liabilities) was 1.09 as at 30 June 2009 (as at 31 December 2008: 1.12).

EXCHANGE RISKS

The majority of the Group's operations are located in the Peoples' Republic of China ("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 OF ASSETS

As at 30 June 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 (as at 31 December 2008: approximately HK$99,989,000).

OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 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 six months ended 30 June 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** and **Code provision A.4.2.** However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance the provisions of the Listing Rules whenever necessary.

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.

EMPLOYEES

As at 30 June 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.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, 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 ("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%

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 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 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, 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 23 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.

Subsequent to the end of the reporting period, Poly HK entered into the Share Sale and Purchase Agreement on 28 June 2010, pursuant to which it has sold all its shareholding in Starry Joy to Sure Yield Investments Limited ("Sure Yield"). By virtue of its shareholding in Starry Joy, Sure Yield is deemed to be interested in 67,939,500 shares of the Company under the SFO.

On 29 December 2010, following the enforcement of the security constituted by the Share Charge, Starry Joy became the legal and beneficial owner of 67,939,500 shares of the Company.

(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) 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.

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 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 30 June 2009 representing 5% or more of the issued share capital of the Company.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 14 June 2002 which remains in force for a period of 10 years from the date of adoption. No option has been granted during the six months ended 30 June 2009 and all the outstanding options were lapsed.

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

The Company had not redeemed any of its shares during the six months ended 30 June 2009. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have complied with the Code throughout the six months period ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the unaudited interim financial statements for the six months ended 30 June 2009.

By Order of the Board
Han Junran
Chairman

Hong Kong, 31 January 2011