



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 2010

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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 2010 (the “Period”) together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Other income and gains		4	37
General and administrative expenses		(9,196)	(10,923)
Finance costs	5	(13,229)	(10,307)
		<hr/>	<hr/>
Loss before tax	4	(22,421)	(21,193)
Income tax expense	6	–	–
		<hr/>	<hr/>
Loss for the Period		(22,421)	(21,193)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		(22,421)	(21,193)
Non-controlling interests		–	–
		<hr/>	<hr/>
		(22,421)	(21,193)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
Basic	8	(8.25) cents	(7.80) cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted	8	Nil	Nil
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Loss for the Period	<u>(22,421)</u>	<u>(21,193)</u>
Other comprehensive income		
Exchange differences on translation of foreign operations	–	–
Less: Income tax effect	<u>–</u>	<u>–</u>
Other comprehensive income for the Period, net of tax	<u>–</u>	<u>–</u>
Total comprehensive income for the Period	<u>(22,421)</u>	<u>(21,193)</u>
Attributable to:		
Owners of the Company	<u>(22,421)</u>	<u>(21,193)</u>
Non-controlling interests	<u>–</u>	<u>–</u>
	<u>(22,421)</u>	<u>(21,193)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	<u>691</u>	<u>887</u>
CURRENT ASSETS			
Trade receivable	11	75,079	75,079
Prepayments, deposits and other receivables	12	1,615	1,612
Cash and bank balances		<u>112</u>	<u>150</u>
		76,806	76,841
Investment properties classified as non-current assets held for sales	10	<u>777,778</u>	<u>777,778</u>
Total current assets		<u>854,584</u>	<u>854,619</u>
CURRENT LIABILITIES			
Trade payables	13	149,299	147,487
Other payables and accruals		182,777	172,680
Due to a related company		10,752	5,581
Finance lease payable		73	73
Interest-bearing bank borrowing, secured	14	99,989	99,989
Other borrowings	15	169,595	169,039
Due to directors		21,295	17,959
Tax payable		190,625	189,687
Preferred dividend payable		94,600	94,600
Provisions	16	<u>14,378</u>	<u>19,514</u>
Total current liabilities		<u>933,383</u>	<u>916,609</u>
NET CURRENT LIABILITIES		<u>(78,799)</u>	<u>(61,990)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(78,108)</u>	<u>(61,103)</u>
NON-CURRENT LIABILITIES			
Finance lease payable		55	91
Liability component of convertible bonds		<u>62,406</u>	<u>56,954</u>
Total non-current liabilities		<u>62,461</u>	<u>57,045</u>
Net liabilities		<u>(140,569)</u>	<u>(118,148)</u>
DEFICIENCY IN ASSETS			
Equity attributable to owners of the Company			
Issued capital	17	272	272
Reserves	18	<u>(140,841)</u>	<u>(118,420)</u>
		(140,569)	(118,148)
Non-controlling interests		<u>–</u>	<u>–</u>
Deficiency in assets		<u>(140,569)</u>	<u>(118,148)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital	Share premium	Contributed surplus	Translation reserve	Equity component of convertible bonds	Accumulated losses	Total	Non- controlling interests	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance as per audited account as at 31 December 2009	272	20,773	4,755	22,315	25,027	(191,290)	(118,148)	-	(118,148)
Total comprehensive income for the Period	-	-	-	-	-	(22,421)	(22,421)	-	(22,421)
At 30 June 2010	272	20,773	4,755	22,315	25,027	(213,711)	(140,569)	-	(140,569)
At 1 January 2009	272	20,773	4,755	22,315	-	(161,187)	(113,072)	-	(113,072)
Total comprehensive income 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)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(5,175)	(11,480)
NET CASH USED IN INVESTING ACTIVITIES	–	(22)
NET CASH GENERATED FORM/(USED IN) FINANCING ACTIVITIES	5,137	(1)
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(38)	(11,503)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	150	11,655
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	112	152
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	112	152
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance 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”) and with Hong Kong Accounting Standard (“HKAS”) No. 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. Principal Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, new interpretations and amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group.

HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction

First improvements to HKFRS (2008) were issued in May 2008 by the IASB and October 2008 by the HKICPA. The improvement related to HKFRS 5 “Non-current assets held for sale and discontinued operations”.

Second improvements to HKFRS (2009) were issued in April 2009 by IASB and May 2009 by the HKICPA.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

HKFRS 9	‘Financial instruments’ ¹
HKAS 24 (Revised)	‘Related party disclosures’ ²
HKAS 32 Amendment	Amendment to HKAS 32 ‘Financial Instruments: Presentation – Classification of Rights Issue’ ⁴
Amendments to HK(IFRIC) Int-14	‘Prepayments of a minimum funding requirement’ ²
HK(IFRIC)-Int 19	‘Extinguishing financial liabilities with equity instruments’ ³
Amendment to HKFRS 1	

Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA.

- ¹ Effective for annual periods beginning on or after 1 January 2013
- ² Effective for annual periods beginning on or after 1 January 2011
- ³ Effective for annual periods beginning on or after 1 July 2010
- ⁴ Effective for annual periods beginning on or after 1 February 2010

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

3. Operating Segment Information

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

Geographical information

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

Information about a major customer

During the period ended 30 June 2010 and 2009, the Group did not generate any revenue from its principal activity.

4. Loss Before Tax

Six months ended 30 June	
2010	2009
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

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

Depreciation of property, plant and equipment		
– Owned assets	146	347
– Leased assets	50	50
Write-off of property, plant and equipment	–	284
Exchange losses	–	11
Interest income from bank deposits	–	(35)
Exchange gains	(4)	–
Others	–	(2)
	<u>146</u>	<u>347</u>

5. Finance Costs

Six months ended 30 June	
2010	2009
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Interest on:

Bank loans and overdrafts wholly repayable within five years	7,764	7,325
Other loans wholly repayable within five years	–	–
Convertible bonds	5,455	2,972
Finance leases	10	10
	<u>13,229</u>	<u>10,307</u>

6. Income Tax Expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 2010 and 2009.

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	–	–
Elsewhere	–	–
	<hr/>	<hr/>
Deferred tax	–	–
	<hr/>	<hr/>
Total tax charge for the year	–	–
	<hr/> <hr/>	<hr/> <hr/>

7. Dividends

No dividends were paid during the Period. The directors do not recommend the payment of an interim dividend for the Period (2009: Nil).

8. Loss Per Share

(i) Basic loss per share

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic loss per share:		
Net loss for the Period (HK'000)	22,421	21,193
	<u><u>22,421</u></u>	<u><u>21,193</u></u>
Weighted average number of shares for the purpose of calculating basic loss per share (in thousands)	271,758	271,758
	<u><u>271,758</u></u>	<u><u>271,758</u></u>

(ii) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2009 and 2010 have not been disclosed, as the convertible bonds outstanding during these years had an anti-dilutive effect on the basic loss per share for the period.

9. Property, Plant and Equipment

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 January 2010	2,604	7,008	9,612
Additions	—	—	—
	<hr/>	<hr/>	<hr/>
At 30 June 2010	2,604	7,008	9,612
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Aggregate depreciation			
At 1 January 2010	2,274	6,451	8,725
Charge for the Period	65	131	196
	<hr/>	<hr/>	<hr/>
At 30 June 2010	2,339	6,582	8,921
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net book value			
At 30 June 2010	265	426	691
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
At 31 December 2009	330	557	887
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The carrying amount of the Group's motor vehicles, held under finance leases included in the total amount of motor vehicles at 30 June 2010 amounted to HK\$66,375 (six months ended 30 June 2009: HK\$166,156).

10. Investment Properties Classified as Non-Current Assets Held for Sales

	At	At
	30 June	31 December
	2010	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Fair value as at 30 June 2010 and 31 December 2009	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.

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(a)).

11. Trade Receivable

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Trade receivable	75,079	75,079
Impairment	–	–
	<u>75,079</u>	<u>75,079</u>

Trade receivable represented the final instalment of the consideration receivable from CUNCG for the China Securities Plaza (note 10). 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:

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Within 1 month	–	–
1 to 2 months	–	–
2 to 3 months	–	–
Over 3 months	75,079	75,079
	<u>75,079</u>	<u>75,079</u>

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

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
At 1 January 2010 and 2009	–	–
Impairment loss recognised during the period/year	–	–
	<hr/>	<hr/>
At 30 June 2010 and 31 December 2009	–	–
	<hr/> <hr/>	<hr/> <hr/>

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

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) 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	–	–
	<hr/>	<hr/>
	75,079	75,079
	<hr/> <hr/>	<hr/> <hr/>

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.

12. Prepayments, Deposits And Other Receivables

	At 30 June 2010 (Unaudited) <i>HK\$'000</i>	At 31 December 2009 (Audited) <i>HK\$'000</i>
Prepaid expenses and deposits	<u>1,615</u>	<u>1,612</u>

None of the above assets is either past due or impaired. The financial assets included in the above balance relate to receivables of which no recent history of default was noted.

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:

	At 30 June 2010 (Unaudited) <i>HK\$'000</i>	At 31 December 2009 (Audited) <i>HK\$'000</i>
Within 1 month	–	–
1 to 2 months	–	–
2 to 3 months	–	–
Over 3 months	<u>149,299</u>	<u>147,487</u>
	<u>149,299</u>	<u>147,487</u>

The trade payables are non-interest-bearing.

14. Interest-Bearing Bank Borrowing, Secured

	Effective interest rate (%)	Maturity	At 30 June 2010 (unaudited) HK\$'000	At 31 December 2009 (audited) 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 “SHIBOR”) from time to time. During the period, the SHIBOR was in the range of 10.53% to 11.06% (2009: 10.53% to 11.06%) 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 (note 11); 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 10).

During the period ended 30 June 2010, the Group has not received the final instalment of the consideration receivable for disposal of the China Securities Plaza from CUNCG.

15. Other Borrowings

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
New City China Loan <i>(note (a) and (c))</i>	3,873	3,873
New Rank Loan <i>(note (b) and (c))</i>	165,000	165,000
Short term loan <i>(note (d))</i>	722	166
	169,595	169,039
Less: Amount due within one year shown under current liabilities	(169,595)	(169,039)
Amount due after one year	–	–

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 19(a) to this report.

- (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 report.
- (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 (the “Total Indebtedness”) 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. Please refer to note 21(a) to this report.

- (d) The amount represented a loan of RMB650,000 (2009: RMB150,000) (equivalent to approximately HK\$722,000 (2009: 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

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Beijing Tai Yang Hong arbitration (note (a))	–	5,136
Beijing Tai He Li arbitration (note (b))	14,378	14,378
	14,378	19,514

- (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) which has been fully settled in April 2010.
- (b) The amount represented a provision for a claim from 北京泰和利鉗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. SHARE CAPITAL

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Authorised:		
10,000,000,000 ordinary shares (2009: 10,000,000,000 ordinary shares) of HK\$0.001 each (2009: HK\$0.001)	10,000	10,000
Issued and fully paid:		
271,758,000 ordinary shares (2009: 271,758,000 ordinary shares) of HK\$0.001 each (2009: HK\$0.001)	272	272

18. 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.

19. LITIGATIONS

The Group had the following significant outstanding litigations as at 30 June 2010:

(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 30 June 2010.

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 (2009: 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 and 30 June 2010, no record of the Post-Dated Cheque or the Dishonoured Cheque Claim has yet been made in the financial statements for the Period.

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 report.

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(a)), 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

The Group had the following contingent liabilities as at 30 June 2010.

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

a) Security constituted by New City China Share Charge and New Rank Share Charge were enforced by Starry Joy

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 30 June 2010, the major assets and liabilities of Tong Sun Group included in the consolidated statement of financial position of the Group were as follows:

	<i>HK\$'000</i>
Assets	
Property, plant and equipment	589
Trade receivable	75,079
Prepayments, deposits and other receivables	66
Investment properties classified as non-current assets held for sales	777,778
	<hr/>
	853,512
	<hr/> <hr/>
Liabilities	
Trade payables	149,299
Other payables and accruals	176,435
Due to a related company	10,752
Interest-bearing bank borrowings, secured	99,989
Other borrowings	165,722
Tax payable	190,625
Preferred dividend payable	94,600
Provisions	14,378
	<hr/>
	901,800
	<hr/> <hr/>

(b) Proposed acquisition

On 24 January 2011, the Company entered into a sale and purchase agreement with two independent third parties (the “Vendors”), whereby the Vendors agreed to sell and the wholly-owned subsidiary of the Company agreed to purchase (the “Acquisition”) effectively the entire equity interest of a company which, is principally engaged in property development and property investment in mainland China.

The Acquisition constitutes a very substantial acquisition of the Company and forms part of the Company’s resumption proposal. At the date of this report, the Acquisition is still subject to, inter alia, the approval of the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

During the period under review, the Group has no turnover and net loss for the period amounted to approximately HK\$22,421,000, whereas the Group had no turnover and net loss for the first half of 2009 was HK\$21,193,000. Basic loss per share for the period was HK\$8.25 cents (six months ended 30 June 2009: HK\$7.8 cents).

DIVIDEND

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

BUSINESS REVIEW

The Group has no turnover and recorded a loss after tax of about HK\$22,421,000 for the Period ended 30 June 2010.

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 will be terminated and neither parties to the original Sale and Purchase Agreement shall have any claims against each other.

On 24 January 2011, the Company entered into a sale and purchase agreement with two independent third parties (the “Vendors”), whereby the Vendors agreed to sell and the wholly-owned subsidiary of the Company agreed to purchase (the “Acquisition”) effectively the entire equity interest of a company which, is principally engaged in property development and property investment in mainland China.

The Acquisition constitutes a very substantial acquisition of the Company and forms part of the Company’s resumption proposal. At the date of this report, the Acquisition is still subject to, inter alias, the approval of the shareholders of the Company.

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.

PROSPECT

The primary objective of the Group is to obtain relisting approval from the regulators. Business resumption proposal has been submitted and the management will work closely with the professional firms in connection with the relisting.

For years, it has been a firm belief of the Group that the mainland property market is a sound market for investment and the Group will be adopting the same development strategy in the foreseeable future. The Company will make further announcement when material developments take place.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2010, the Group had obligations under hire purchase contracts of approximately HK\$128,000 (2009: HK\$164,000) and the bank borrowings amounted to RMB90,000,000 (equivalent to approximately HK\$99,989,000) (2009: RMB90,000,000 and equivalent to approximately HK\$99,989,000), that is secured and interest-bearing.

As at 30 June 2010, 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 report.

On 26 November 2009, the Company further entered into the Settlement Agreement with 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.

- (c) RMB650,000 (equivalent to approximately HK\$722,000) obtained by BJZZ from an independent third party, which bear interest at a rate of 10% per annum and is repayable on demand.

As at 30 June 2010, the Group's total assets was approximately HK\$855,275,000 (2009: approximately HK\$855,506,000) and total liabilities were of approximately HK\$995,844,000 (2009: approximately HK\$973,654,000) whereas interest-bearing bank borrowing secured, other borrowings and the convertible bonds amounted to approximately HK\$331,990,000 as at 30 June 2010 (2009: approximately HK\$325,982,000). As at 30 June 2010, the cash and bank balances was approximately HK\$112,000 (2009: approximately HK\$150,000) and the current ratio (current assets/ current liabilities) was 0.92 as at 30 June 2010 (2009: 0.93).

LITIGATION

Details of the litigations are set-out in note 16 and 19 to this report.

GEARING RATIO

The gearing ratio (total borrowing/total assets of the Group) was 0.39 as at 30 June 2010 (2009: 0.38).

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 2010, 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 2009: approximately HK\$99,989,000).

In addition, the Company had pledged 51% equity in Tong Sun, to secure the other borrowings as mentioned in note 15 to this report.

CONTINGENT LIABILITIES

THE GROUP

The Group had the following contingent liabilities as at 30 June 2010.

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.

COMMITMENTS

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.

OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2010, 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 2010, 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 2010, the Group has employed about 20 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 2010, the interests and short positions of the directors and their associates in the share capital and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) were as follows:-

Long positions

Ordinary shares of HK\$0.001 each of the Company

Name of director	Capacity	Number of issued ordinary share held	Percentage of the issued share capital of the Company
Han Junran (“Mr. Han”)	Beneficial owner <i>(Note 1)</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 in 5% of the issued share capital of the Company, representing 13,587,900 shares of the Company, in favour of Starry Joy.

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

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

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

As at 30 June 2010, 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 <i>(Notes 1)</i>	67,939,500 (L)	25%
NRG	Beneficial owner <i>(Notes 1 and 2)</i>	54,351,600 (L) 54,351,600 (S)	20%
Silver World Limited	<i>(Note 2)</i>	54,351,600 (L) 54,351,600 (S)	20%
Royal Bank Trustee	<i>(Note 3)</i>	54,351,600 (L) 54,351,600 (S)	20%
Wei Ping	Beneficial owner	47,032,000 (L)	17.31%
Lu Shu Guang	<i>(Note 1 and 5)</i>	13,587,900 (L)	5%

Notes:

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

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.

Subsequent to the end of the reporting period, 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 companies (other than members of the Group) directly or indirectly interested in 5% or more of the voting power at general meetings of the subsidiaries of the Company are set out below:

Name of owner	Name of subsidiary	Percentage of equity interest
Guozheng Economic Development Company Limited (“Guozheng”) <i>(Note 1)</i>	Beijing Zhong Zheng Real Estate Development Co., Ltd (“Beijing Zhong Zheng”)	34%
Starry Joy <i>(Note 2)</i>	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 2010 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 2010 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 2010. Neither the Company nor its subsidiaries had purchased or sold any of the Company’s shares during the six months ended 30 June 2010.

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 2010.

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 2010.

By Order of the Board
Han Junran
Chairman

Hong Kong, 23 February 2011