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NEW CITY (CHINA) DEVELOPMENT LIMITED
新城市(中國)建設有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 0456)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately HK\$ Nil (2007: HK\$2,160,427,000)
- Loss for the year was approximately HK\$69,821,000 (2007: Profit HK\$231,720,000)
- Loss per share (Basic) was 25.69 HK cents (2007: Earning per share (Basic) 50.46 HK cents)

FINAL RESULTS

The Board of Directors (the “Board”) of New City (China) Development Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the year ended 31 December 2008 together with the comparative figures in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	<i>NOTES</i>	2008 HK\$'000	2007 HK\$'000
TURNOVER	3	-	2,160,427
COST OF SALES		-	(1,870,713)
GROSS PROFIT		-	289,714
Other revenue	4	16,286	261,908
Administrative expenses		(46,176)	(100,083)
(LOSS)/PROFIT FROM OPERATIONS	5	(29,890)	451,539
Finance costs	6	(39,931)	(78,593)
(LOSS)/PROFIT BEFORE TAXATION		(69,821)	372,946
Taxation	7	-	(141,226)
(LOSS)/PROFIT FOR THE PERIOD		(69,821)	231,720
ATTRIBUTABLE TO:			
Equity holders of the Company		(69,821)	231,720
Minority interests		-	-
		(69,821)	231,720
DIVIDENDS	8	-	94,600
(LOSS)/EARNINGS PER SHARE (HK CENTS)			
Basic	9	(25.69)	50.46
Diluted	9	(8.3)	25.46

CONSOLIDATED BALANCE SHEET*As at 31 December 2008*

	<i>NOTES</i>	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		<u>1,850</u>	<u>2,634</u>
CURRENT ASSETS			
Property for sale-completed property		777,778	729,167
Accounts receivable	10	75,079	70,387
Prepayments, deposits and other receivables		3,175	19,453
Bank balances and cash		<u>11,655</u>	<u>42,739</u>
		<u>867,687</u>	<u>861,746</u>
CURRENT LIABILITIES			
Trade payables	11	143,859	103,818
Accruals and other payables		179,315	138,728
Obligations under finance leases		73	73
Bank borrowings	12	99,989	93,750
Other borrowings	13	59,873	71,000
Taxes payable	7	190,317	92,692
Convertible bonds		69,263	-
Provisions	14	<u>35,156</u>	<u>16,129</u>
		<u>777,845</u>	<u>516,190</u>
NET CURRENT ASSETS		<u>89,842</u>	<u>345,556</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>91,692</u>	<u>348,190</u>
NON-CURRENT LIABILITIES			
Trade payables	11	-	33,415
Obligations under finance leases		164	237
Other borrowing	13	110,000	110,000
Taxes payable	7	-	93,545
Convertible bonds		-	69,263
Preferred dividend payable		<u>94,600</u>	<u>94,600</u>
		<u>204,764</u>	<u>401,060</u>
NET LIABILITIES		<u>(113,072)</u>	<u>(52,870)</u>
CAPITAL AND RESERVES			
Share capital		272	272
Reserves		<u>(113,344)</u>	<u>(53,142)</u>
DEFICIENCY OF SHAREHOLDERS' FUNDS		<u>(113,072)</u>	<u>(52,870)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 31 December 2008. The Group incurred loss for the year ended 31 December 2008, and as at that date, it had consolidated net liabilities of HK\$113,072,000. 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 discussing with prospective financial supporters to obtain new working capital; and
- ii) based on a cash flow forecast prepared by the Group's management for the twelve months ending 31 December 2009, the Group will be able to generate adequate cash flows from its operation.

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2008 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.

IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

2. PRINCIPAL ACCOUNTING POLICIES(CONTINUED)

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

IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

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

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

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

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

3. TURNOVER

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

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

4. OTHER REVENUES

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

5. (LOSS)/PROFIT FROM OPERATIONS

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

6. FINANCE COSTS

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

7. TAXATION

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

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

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

7. TAXATION(CONTINUED)

Taxation in the consolidated balance sheet represents:

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

Taxation to be paid within 1 year classified as current liabilities

	2008 HK\$'000	2007 HK\$'000
PRC enterprise income tax	35,410	33,197
PRC business tax	68,674	43,179
PRC land appreciation tax	85,603	15,723
PRC Salary tax	630	593
	-----	-----
	190,317	92,692
	-----	-----

Taxation to be paid after 1 year classified as non-current liabilities

-	93,545
-----	-----

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

8. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Ordinary shares	-	-
Preferred dividend	-	94,600
	-----	-----
	<u>-</u>	<u>94,600</u>

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

No interim and final dividend for the year ended 31 December 2008 was declared (2007: Nil).

9. (LOSS)/EARNING PER SHARE

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

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

10. ACCOUNTS RECEIVABLE

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

11. TRADE PAYABLES

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

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

12. BANK BORROWINGS

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

	2008 HK\$'000	2007 HK\$'000
Within 1 year	99,989	93,750
Over 1 year	-	-
	<u>99,989</u>	<u>93,750</u>

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

- i) RMB30,000,000 become repayable after the receipt of the eighth installment payment from CNC under the completion of transfer of legal title of China Securities Plaza;
- ii) The repayment of the remaining RMB60,000,000 will be negotiated after completion of exchange of properties between the Company and CNC.

13. OTHER BORROWINGS

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

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

During the year, the creditor had initial a legal proceedings against the Company to claim the loan. Details of which are set out in the note 16 regarding Contingent Liabilities (item (c)).

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

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

14. PROVISIONS

	2008 HK\$'000	2007 HK\$'000
Beijing Tai Yang Hong arbitration	20,778	16,129
Beijing Tai He Li arbitration	14,378	-
	-----	-----
	<u>35,156</u>	<u>16,129</u>

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

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

15. SEGMENT INFORMATION

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

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

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

16. CONTINGENT LIABILITES

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

17. POST BALANCE SHEET EVENT

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

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

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

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

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

OUTLOOK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Result

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

Liquidity, Financial Resources and Funding Requirements

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

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

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

Gearing Ratio

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

Exchange Risks

The majority of the Group's operations are located in the PRC and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assess exchange risks.

Pledge Assets

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

Prospect

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

Employees

As at 31 December 2008, the Group has employed about 52 employees in both the PRC and Hong Kong. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

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

The Company had not redeemed any of its shares during the year ended 31 December, 2008. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 December, 2008.

CORPORATE GOVERNANCE

During the year ended 31 December 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the year ended 31 December 2008, save for the deviation from the code provisions listed below:

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

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

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

MODEL CODE FOR SECURITIES 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 year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Wong Shing Kay, Oliver 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 financial statements for the year ended 31 December 2008.

BOARD OF DIRECTORS

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

By Order of the Board
Han Junran
Chairman

Hong Kong , 26 June 2009