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 2010

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately HK$ Nil (2009: HK$Nil)
- Profit for the year was approximately HK$41,305,000 (2009: loss HK$30,103,000)
- Earnings per share (basic) was 15.20 HK cents (2009: loss per share (basic) 11.08 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 2010 together with the comparative figures in 2009 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	3	–	–
Other income and gains	3	**86,648**	9,439
Administrative and other operating expenses		**(17,274)**	(14,354)
Finance costs	6	**(28,069)**	(25,188)
PROFIT/(LOSS) BEFORE TAX	5	**41,305**	(30,103)
Income tax expenses	7	–	–
PROFIT/(LOSS) FOR THE YEAR		**41,305**	(30,103)
Attributable to:			
Owners of the Company	8	**41,305**	(30,103)
Non-Controlling interest		–	–
		41,305	(30,103)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**15.20 cents**	(11.08) cents
Diluted		**1.79 cents**	(11.08) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**41,305**	(30,103)
OTHER COMPRHENSIVE INCOME		
Exchange differences on translation of foreign operations	–	–
Less: Income tax effect	–	–
OTHER COMPRHENSIVE INCOME FOR THE YEAR, NET OF TAX	–	–
TOTAL COMPRHENSIVE INCOME FOR THE YEAR	**41,305**	(30,103)
Attributable to:		
Owners of the Company	**41,305**	(30,103)
Non-Controlling interest	–	–
	41,305	(30,103)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**38**	887
CURRENT ASSETS			
Trade receivable	*12*	–	75,079
Prepayments, deposits and other receivables		**371**	1,612
Cash and bank balances		**58**	150
		429	76,841
Investment properties classified as non-current assets held for sales	*11*	–	777,778
Total current assets		**429**	854,619
CURRENT LIABILITIES			
Trade payables	*13*	–	147,487
Other payables and accruals		**6,024**	172,680
Due to a related company		–	5,581
Finance lease payable		**73**	73
Interest-bearing bank borrowing, secured	*14*	–	99,989
Other borrowings	*15*	–	169,039
Due to directors		**25,005**	17,959
Tax payable		–	189,687
Preferred dividend payable		–	94,600
Provisions	*16*	–	19,514
Total current liabilities		**31,102**	916,609
NET CURRENT LIABILITIES		**(30,673)**	(61,990)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(30,635)**	(61,103)
NON-CURRENT LIABILITIES			
Finance lease payables		**18**	91
Other borrowings	*15*	–	–
Liability component of convertible bonds		**68,505**	56,954
Total non-current liabilities		**68,523**	57,045
Net liabilities		**(99,158)**	(118,148)
DEFICIENCY IN ASSETS			
Equity attributable to owners of the Company			
Issued capital		**272**	272
Reserves		**(99,430)**	(118,420)
		(99,158)	(118,148)
Non-controlling interest		–	–
Deficiency in assets		**(99,158)**	(118,148)

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

New City (China) Development Limited (the "Company") is a limited liability company incorporated in Cayman Islands on 10 August 1998. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business in Hong Kong and the People's Republic of China ("PRC") are situated at 11th Floor, Effectual Building, 16 Hennessy Road, Wan Chai, Hong Kong and 27th Floor, Investment Plaza, No.27 Finance Street, Xi Cheng District, Beijing, PRC, respectively.

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

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

2.1 BASIS OF PREPARATION

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

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

Despite the fact that the Group had net current liabilities and deficiency in assets of approximately HK$30,673,000 and HK$99,158,000 respectively, as at 31 December 2010, these financial statements have been prepared on the basis that the Group and the Company will continue to operate as a going concern.

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

(a) Attainment of profitable and positive cash flow operations

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

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

(b) Proposed additional external funding

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

(c) Rescheduling of the repayment terms of indebtedness

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

In the opinion of the directors, in light of all the measures adopted and arrangements implemented, the Group and the Company will have sufficient cash resources to satisfy its future working capital and other financial requirements and it is reasonable to expect the Group and the Company to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group and the Company's financial and liquidity position as at 31 December 2010.

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

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were is recognised in as goodwill.

- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 EXTRACT OF INDEPENDENT AUDITORS' REPORT

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

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

The Group had net current liabilities and deficiency in assets of approximately HK$30,673,000 and HK$99,158,000 respectively, as at 31 December 2010 which indicates the existence of a material uncertainty which may cast significant doubt on the Group and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. After the auditors' deliberated considerations on the financial position of the Group and the Company, the capability for repaying its liabilities depends on the results of the Group's debt rescheduling, future funding being available and the success of the acquisition and operation of a profitable project. The auditors consider that appropriate disclosures have been made. However, they consider this fundamental uncertainty is significant and pervasive to the financial statements and therefore they have disclaimed their opinion in respect of the appropriateness of adopting the going concern basis for the preparation of the financial statements.

Basis of disclaimer opinion: ***Prior year's audit scope limitation affecting opening balance of trade payables, property construction cost and gain on disposal of subsidiaries and waiver of loans***

As detailed in the auditors' report, the auditors noted during the course of their audit for the year ended 31 December 2009 that Beijing Zhong Zheng Real Estate Development Company Limited ("BJZZ", a company which ceased to be a subsidiary of the Company since 29 December 2010 was a defendant in a litigation in respect of a dishonour cheque (the "Cheque") in the amount of RMB19,000,000 (the "Amount") payable to 北京城建四有限公司 ("Beijing Cheng Jian Si"), a contractor of the China Securities Plaza, a property developed by BJZZ, which was further endorsed by Beijing Cheng Jian Si to a third party during the year ended 31 December 2008. Except for an amount of approximately RMB6,708,000 (equivalent to approximately HK$7,453,000) included in the trade payables as at 31 December 2009, the Group did not provide for the Amount in the financial statements. The auditors were advised that the Cheque was issued by BJZZ as a proof of its ability to settle the construction cost of the China Securities Plaza which has to be agreed between the Group and Beijing Cheng Jian Si upon the finalisation of the project cost calculation which has yet to be completed. The auditors have not been provided with sufficient and appropriate explanation and evidences for their verification of the possible outcome and implication of the litigation as at 31 December 2009, the accuracy, completeness and valuation of the construction cost of the China Securities Plaza, which has been disposed of during the year ended 31 December 2007 and the accuracy, completeness and valuation of the trade payables relating to the construction cost of the China Securities Plaza, as at 31 December 2009 and 29 December 2010, being the date whereas BJZZ ceased to be a subsidiary of the Company. The auditors were unable to carry out alternative audit procedures they considered necessary to satisfy themselves as to whether the trade payables and the related construction cost of the China Securities Plaza were free from material misstatement and were fairly stated as at 31 December 2009 and 29 December 2010. The auditors had disclaimed their opinion in their previous auditors' report dated 19 January 2011 on the trade payables and the construction cost as at 31 December 2009. Any adjustments found to be necessary would affect the net liabilities of the Group as at 31 December 2009 and the loss for the year then ended and have a consequential effect on the gain on disposal of subsidiaries and waiver of loans of approximately HK$86,648,000 for the year ended 31 December 2010 and the related disclosure thereof in the financial statements.

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

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, the auditors do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in their opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

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

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKFRS 5 Amendments included in improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the borrower of Term Loan that Contains a Repayment on Demand Clause

Other than as further explained below regarding the impact of HKAS 3 (Revised), HKAS 27 (Revised) and amendments to HKAS 7 included in Improvements to HKFRSs 2009 (include other standards as appropriate), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interest in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) HKAS 7 Statement of Cash Flows Requires that only expenditures that result in a recognised asset in the statement of financial position and can be classified as a cash flow from investing activities.

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

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets [4]
HKFRS 9	*Financial Instruments* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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

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

3. REVENUE, OTHER INCOME AND GAINS

During the years ended 31 December 2009 and 2010, the Group did not generate any revenue from its principal activity.

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

	2010	2009
	HK$'000	HK$'000
Revenue		
Sales of properties	–	–
Other income and gains		
Bank interest income	–	35
Exchange gains, net	–	24
Reversal of impairment of prepayments, deposits and other receivables	–	1,155
Write-back of other payables and accruals	–	8,225
Gain on disposal of subsidiaries and waiver of loans (note 17)	**86,648**	–
	86,648	9,439
Total revenue, other income and gains	**86,648**	9,439

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about a major customer

During the years ended 31 December 2009 and 2010, the Group did not generate any revenue from its principal activity.

5. PROFIT/(LOSS) BEFORE TAX

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

	2010	2009
	HK$'000	HK$'000
Cost of sales	**–**	–
Auditors' remuneration	**250**	300
Depreciation		
– owned assets	**213**	602
– leased assets	**100**	100
	313	702
Write-off of property, plant and equipment	**–**	284
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	**6,785**	8,409
Pension scheme contributions	**41**	79
	6,826	8,488
Minimum lease payments under operating leases on land and buildings	**632**	958
Bank interest income	**–**	(35)
Reversal of impairment of prepayments, deposits and other receivables	**–**	(1,155)
Exchange gains, net	**–**	(24)
Write-back of other payables and accruals	**–**	(8,225)
Gain on disposal of subsidiaries and waiver of loans	**(86,648)**	–

6. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**16,470**	15,019
Convertible bonds	**11,551**	7,758
Finance leases	**20**	20
Other payables	**28**	2,391
	28,069	25,188

7. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil).

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

	2010	2009
	HK$'000	HK$'000
Current tax:		
Hong Kong	**–**	–
Elsewhere	**–**	–
	–	–
Deferred tax	**–**	–
Total tax charge for the year	**–**	–

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

	2010		2009	
	HK$'000	**%**	HK$'000	%
Profit/(Loss) before tax	**41,305**		(30,103)	
Tax at the statutory tax rate	**4,414**	**10.7**	(8,738)	29.0
Income not subject to tax	**(11,064)**	**(26.8)**	(1,309)	4.4
Expenses not deductible for tax	**6,340**	**15.3**	9,520	(31.6)
Tax benefit not recognised	**310**	**0.8**	527	(1.8)
Tax charge at effective tax rate	**–**	**–**	–	–

The Group had no significant unprovided deferred taxation as at 31 December 2009 and 2010.

8. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2010 includes a loss of HK$42,732,000 (2009: HK$49,319,000) which has been dealt with in the financial statements of the Company.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

The calculations of basic earnings/(loss) per share are based on:

	2010	2009
	HK$'000	HK$'000
Profit/(Loss)		
Earnings/(Loss) for the year attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**41,305**	(30,103)

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings/(loss) per share calculation	**271,758,000**	271,758,000

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue for the year ended 31 December 2010, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share for the year ended 31 December 2010 is based on:

	2010 HK$'000
Earnings	
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**41,305**
Interest on convertible bonds	**11,551**
Less: Tax effect (16.5%)	**(1,906)**
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**50,950**

	Number of shares 2010
Shares	
Weighted average number of ordinary shares in Issue during the year used in basic earnings per share calculation	**271,758,000**
Effect on dilution – weighted average number of ordinary shares:	
– Convertible bonds	**2,581,124,166**
	2,852,882,166

Diluted earnings/(loss) per share for the year ended 31 December 2009 have not been prepared, as the convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share for these years.

10. DIVIDENDS

The Directors did not recommend any dividend for the year ended 31 December 2010 (2009: Nil).

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

	2010	2009
	HK$'000	HK$'000
Fair value as at 31 December	–	**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 ") ("CUNCG"), 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 to BJZZ 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.

As at 31 December 2009, the fair value of the Consideration Property was assessed by Asset Appraisal Limited, an independent valuer, to be RMB700,000,000 which is equivalent to approximately HK$777,778,000.

As detailed in note 17 below, on 29 December 2010, Starry Joy enforced the security constituted by the New City China Share Charge and the New Rank Share Charge for settlement of the loans and other payables indebted by the Group. Following the enforcement, Tong Sun and its subsidiary, BJZZ, ceased to be the subsidiaries of the Company and the Group ceased to own the Consideration Property as at 31 December 2010.

12. TRADE RECEIVABLE

	2010	2009
	HK$'000	HK$'000
Trade receivable	–	75,079
Impairment	–	–
	–	75,079

Trade receivable represented the final instalment of the consideration receivable from CUNCG for the China Securities Plaza (note 11). 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 31 December 2009, the receivable has not been overdue and the directors are of the opinion that no impairment is required.

As detailed in note 17 below, on 29 December 2010, Starry Joy enforced the security constituted by the New City China Share Charge and the New Rank Share Charge for settlement of the loans and other payables indebted by the Group. Following the enforcement, Tong Sun and its subsidiary, BJZZ, ceased to be the subsidiaries of the Company and the Group ceased to have the trade receivable as at 31 December 2010.

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:

	2010	2009
	HK$'000	HK$'000
Within 1 month	–	–
1 to 2 months	–	–
2 to 3 months	–	–
Over 3 months	–	75,079
	–	75,079

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

	2010	2009
	HK$'000	HK$'000
At 1 January	**–**	–
Impairment loss recognised during the year	**–**	–
At 31 December	**–**	–

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

	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**–**	75,079
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	–
Over 3 months	**–**	–
	–	75,079

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

13. TRADE PAYABLES

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

	2010	2009
	HK$'000	HK$'000
Within 1 month	**–**	–
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**–**	147,487
	–	147,487

The trade payables are non-interest-bearing and are normally settled on 60-days terms.

As detailed in note 17 below, on 29 December 2010, Starry Joy enforced the security constituted by the New City China Share Charge and the New Rank Share Charge for settlement of the loans and other payables indebted by the Group. Following the enforcement, Tong Sun and its subsidiary, BJZZ, ceased to be the subsidiaries of the Company and the Group ceased to have any trade payables as at 31 December 2010.

14. INTEREST-BEARING BANK BORROWING, SECURED

	Effective interest rate (%)	Maturity	2010 HK$'000	2009 HK$'000
Bank loan – secured	SHIBOR (10.53%-11.06%)	10 November 2005	–	99,989
Analyse into:				
Repayable:				
On demand			–	99,989
In the second to fifth years, inclusive			–	–
After five years			–	–
Total			–	99,989
Current portion			–	(99,989)
Non-current portion			–	–

BJZZ 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, BJZZ 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 year ended 31 December 2010, the SHIBOR was in the range of 10.53% to 11.06% (2009: 10.53% to 11.06%) per annum.

As at 31 December 2009, 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 12); 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 11).

As detailed in note 17 below, on 29 December 2010, Starry Joy enforced the security constituted by the New City China Share Charge and the New Rank Share Charge for settlement of the loans and other payables indebted by the Group. Following the enforcement, Tong Sun and its subsidiary, BJZZ, ceased to be the subsidiaries of the Company and the Group ceased to have any interest bearing bank borrowing, secured as at 31 December 2010.

15. OTHER BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
New City China Loan (note (a) and (c))	–	3,873	–	3,873
New Rank Loan (note (b) and (c))	–	165,000	–	–
Short term loan (note (d))	–	166	–	–
	–	169,039	–	3,873
Less: Amount due within one year shown under current liabilities	–	(169,039)	–	(3,873)
Amount due after one year	–	–	–	–

Notes:

(a) The amount represented 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 (collectively, the "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, details of which has been set out in note 20(a) below.

(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 is 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.

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

On 28 June 2010, Poly HK entered into as share sale and purchase agreement, pursuant to which Poly HK sold all its shareholdings in Starry Joy to Sure Yield Investments Limited ("Sure Yield") which became the ultimate holding company of Starry Joy.

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.

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

As detailed in note 17 below, on 29 December 2010, Starry Joy enforced the security constituted by the New City China Share Charge and the New Rank Share Charge for settlement of the loans and other payable indebted by the Group. Following the enforcement, Tong Sun and its subsidiary, BJZZ, (collectively the "Tong Sun Group") ceased to be the subsidiaries of the Company and Starry Joy and Sure Yield waived all their 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, and (ii) intercompany indebtedness between the Group and the Tong Sun Group. Consequentially, the Group ceased to have any liabilities as stated in (a) to (d) above nor any amount due to Starry Joy and the Tong Sun Group as at 31 December 2010.

16. PROVISIONS

	2010	2009
	HK$'000	HK$'000
Beijing Tai Yang Hong arbitration (note (a))	–	5,136
Beijing Tai He Li arbitration (note (b))	–	14,378
	–	19,514

Notes:

(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 an acquisition (the "TYH 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 favour of Beijing Tai Yang Hong and concluded that the sales and purchase agreement dated 6 June 2003 for the TYH Acquisition entered into with BJZZ be cancelled and that BJZZ has to refund the purchase price of approximately RMB14,000,000 together with a damage compensation of RMB800,000 to Beijing Tai Yang Hong. A deposit of RMB5,000,000 (equivalent to approximately HK$5,581,000) was placed by北京東方天成房地產開發有限公司, a related company of the Company, on 4 September 2008, to the court on behalf of BJZZ for settlement of the claim. On 7 January 2009, a cash deposit of the Group maintained with the China Construction Bank in the amount of RMB 9,118,000 was further withdrawn and held by Beijing Arbitration Committee. On 4 March 2009, a repayment agreement were entered into between the Group and Beijing Tai Yang Hong, pursuant to which, Beijing Tai Yang Hong acknowledged the receipt of a partial settlement of approximately RMB14,118,000 (equivalent to approximately HK$15,642,000) with the remaining balance of RMB4,622,000 (equivalent to approximately HK$5,136,000) be repayable by BJZZ on or before 31 October 2009. The outstanding amount payable to Beijing Tai Yang Hong has been overdue for settlement as at 31 December 2009.

(b) The amount represented a provision for a claim from 北京泰和利鑽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 favour 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).

On 29 December 2010, Starry Joy enforced the security constituted by the New City China Share Charge and the New Rank Share Charge for settlement of the loans and other payables indebted by the Group. Following the enforcement, Tong Sun and its subsidiary, BJZZ, ceased to be the subsidiaries of the Company and the Group ceased to have any provisions as at 31 December 2010.

17. GAIN ON DISPOSAL OF SUBSIDIARIES AND WAIVER OF LOANS

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 (note 15(a) and note 15(b)).

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. Following the enforcement, Tong Sun and its subsidiary, BJZZ, ceased to be the subsidiaries 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 (note 20(a)) against the Company; and (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 subsidiary (collectively, the "Tong Sun Group"), 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.

The major assets and liabilities of Tong Sun Group included in the consolidated statement of financial position of the Group were as follows:

	29 December 2010 HK$'000	31 December 2009 HK$'000
Property, plant and equipment	**536**	697
Cash and bank balances	**57**	22
Trade receivable	**75,079**	75,079
Prepayments, deposits and other receivables	**749**	1,243
Investment properties classified as non-current assets held for sales	**777,778**	777,778
Due from group companies	**105,506**	105,273
Trade payables	**(161,776)**	(147,487)
Other payables and accruals	**(159,671)**	(157,529)
Due to related companies	**(10,994)**	(5,581)
Interest-bearing bank borrowings, secured	**(99,989)**	(99,989)
Other borrowings	**(168,533)**	(165,166)
Tax payable	**(190,621)**	(189,687)
Preferred dividend payable	**(94,600)**	(94,600)
Provision	**(19,514)**	(19,514)
Due to group companies	**(513)**	(513)
Due to ultimate holding company	**(76,261)**	(76,261)
Net assets/(liabilities) of Tong Sun Group	**(22,767)**	3,765
Less: Due from group companies	**(105,506)**	
Due to group companies	**513**	
Due to ultimate holding company	**76,261**	
Net liabilities disposed	**(51,499)**	
Exchange fluctuation reserve realised upon disposal of subsidiaries	**(22,315)**	
	(73,814)	
Less: Sales proceeds	**–**	
Gain on disposal of Tong Sun Group	**(73,814)**	
Waiver of New City China Loan and accrued interests	**(12,834)**	
Gain on disposal of subsidiaries and wavier of loans	**(86,648)**	

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2010	2009
	HK$'000	HK$'000
Cash consideration	**–**	–
Cash and bank balances disposed of	**(57)**	–
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(57)**	–

18. OPERATING LEASE COMMITMENTS

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

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**96**	357
In the second to fifth years, inclusive	**–**	96
After five years	**–**	–
	96	453

19. COMMITMENTS

On 4 May 2009, the Company entered into a conditional sale and purchase agreement with the brother of a director (the "Oriental Paris Vendor"), a connected person of the Company, which was supplemented by an agreement dated 30 April 2010, for 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 a consideration of RMB104,600,000.

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

20. LITIGATIONS

Apart from the litigations detailed in note 16 above, the Group had the following ligations:

(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 aggregate 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 31 December 2009.

As detailed in note 17 above, on 29 December 2010, Starry Joy enforced the security constituted by the New City China Share Charge and the New Rank Share Charge for settlement of the loans and other payables indebted by the Group. Following the enforcement, Tong Sun and its subsidiary BJZZ, ceased to be the subsidiaries of the Company and 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 end of the reporting period.

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

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

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

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

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

As detailed in note 17 above, on 29 December 2010, Starry Joy enforced the security constituted by the New City China Share Charge and the New Rank Share Charge for settlement of the loans and other payables indebted by the Group. Following the enforcement, Tong Sun and its subsidiary, 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 have no financial and other impact on the Company and the Group.

21. CONTINGENT LIABILITIES

The Group

Apart from the litigations detailed in notes 16 and 20 to this announcements, the Group did not have any contingent liabilities at the end of the reporting period.

22. EVENTS AFTER THE REPORTING PERIOD

a) Proposed acquisition

Subsequent to the end of the reporting period 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 a wholly-owned subsidiary of the Company agreed to purchase (the "Resumption Acquisition") the entire equity interest of a company which is principally engaged in property development and property investment in mainland China.

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

b) **Management agreement**

On 30 November 2010, the Company entered into a management agreement with Tong Sun, which was supplemented by an agreement dated 23 March 2011, pursuant to which, the Group will manage and operate a property for Tong Sun at an annual management fee of HK$8 million payable on a quarterly basis commencing from January 2011.

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group has no turnover and recorded a profit after tax of about HK$41,305,000 for the year.

Major business arrangements

(a) Disposal of a subsidiary

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.

(b) Termination of acquisition transaction

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

(c) Proposed acquisition

Subsequent to the end of the reporting period 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 a 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 announcement, the Acquisition is still subject to, inter alias, the approval of the shareholders of the Company.

(d) Management agreement

On 30 November 2010, Tong Sun Limited has entered into a Management Agreement with the Company (as amended by the Supplemental Agreement dated 23 March, 2011), pursuant to which, the Company will receive a yearly management fee of HK$8 million. Tong Sun Limited will pay the management fee every quarterly and the management income will be calculated from 1 January 2011.

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

Trading in the shares has been suspended on Hong Kong Exchanges and Clearing Limited (the "Stock Exchange") since 30 December 2003 at the request of the Company pending release of an announcement in relation to a major transaction of the Company involving China Securities Plaza. The Company was placed into the second stage of the delisting procedures on 12 January 2005 as the Stock Exchange is concerned about whether the Company meets the sufficient assets and operations requirements under Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). On 13 August 2010, the Stock Exchange determined that the Company had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 and decided to place the Company in the third delisting stage under Practice Note 17 to the Listing Rules. The Stock Exchange intends to cancel the listing of the Company after the six-month period (i.e. 24 February 2011) if the Company does not provide a viable resumption proposal. In addition to the submission of the resumption proposal, the Company needs to publish all outstanding financial results and to address all audit qualifications that may exist. Lastly, the Company also needs to demonstrate to the Stock Exchange that adequate and effective internal control system complying with the Listing Rules were in place.

OUTLOOK

Despite the imposition of both fiscal and monetary policies in fighting the rising property prices by the Chinese central and local government in previous months, both market sentiment has weaken and transaction volume in property dealings has been reduced. The property prices of major cities are relatively stable but rises are still experienced in non-major cities. It could be expected that more investment in public housing will be spent by the governments in providing housing for the common mass and more stringent measurements would be taken to reduce liquidity available for property investment from financial institutions. However, in view of the lack of good investment options for the growing Chinese families looking for higher returns from their bank deposits, the property market is still, a more preferable form of investment to counter-fight the adversary effect from economic inflation. Accordingly, the management believes that the investment strategy of focusing in the property market of China is still a promising maneuver for the shareholders of the Company.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2010. The work performed by Cachet in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Cachet on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Result

For the year under review, the Group has not reported any turnover (2009: Nil). The Group's net profit for the year was about HK$41,305,000 (2009: loss of about HK$30,103,000). The basic earnings per share for the year was about 15.20 HK cents (2009: loss of about 11.08 HK cents). Administrative expenses was approximately HK$17,274,000 (2009: HK$14,354,000). Financial costs was about HK$28,069,000 (2009: HK$25,188,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2010, the Group had obligations under hire purchase contracts of approximately HK$91,000 (2009: HK$164,000).

As at 31 December 2010, the Group had the following other borrowings:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
New City China Loan (note (a) and (c))	–	3,873	–	3,873
New Rank Loan (note (b) and (c))	–	165,000	–	–
Short term loan (note (d))	–	166	–	–
	–	169,039	–	3,873
Less: Amount due within one year shown under current liabilities	–	(169,039)	–	(3,873)
Amount due after one year	–	–	–	–

Notes:

(a) The amount 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 (collectively, the "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 20(a) to this announcement.

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

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

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

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

    On 28 June 2010, Poly HK entered into the Share Sale and Purchase Agreement, 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 becomes the ultimate holding company of Starry Joy.

    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.

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

(e) As mentioned in (b), (c) and (d), these loans were obtained by BJZZ. On 29 December 2010, the Company surrendered its 51% equity interest in Tong Sun to Starry Joy for settlement of the loans and other payable indebted by the Group. As further detailed in note 17 to the financial statements, upon the completion of disposal on 29 December 2010, Tong Sun Group ceased to be a subsidiary of the Company and Starry Joy and Sure Yield Investment waives all its claims whatsoever against the Company, New Rank (BVI) and Tong Sun Group in relation to (i) the New City China Loan and the New Rank Loan, (ii) intercompany indebtedness between the Group and Tong Sun Group. Accordingly, the Group did not have any other borrowing as at 31 December 2010.

As at 31 December 2010, the Group's total assets was approximately HK$467,000 (2009: approximately HK$855,506,000) and total liabilities were of approximately HK$99,625,000 (2009: approximately HK$973,654,000) whereas interest-bearing bank borrowing secured, other borrowings and the convertible bonds amounted to approximately HK$68,505,000 as at 31 December 2010 (2009: approximately HK$325,982,000). As at 31 December 2010, the cash and bank balances was approximately HK$58,000 (2009: approximately HK$150,000) and the current ratio (current assets/ current liabilities) was 0.01 as at 31 December 2010 (2009: 0.93).

Litigation

Details of the litigations are set-out in notes 16 and 20 to this announcement.

Gearing Ratio

The gearing ration (total borrowing/total assets of the Group) was 146.69 as at 31 December 2010 (2009: 0.38).

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.

Prospect

The Company had announced earlier about the possible acquisition of a property project in Guangzhou, a strategic move towards strengthening the financial health of the Company. The city of Guangzhou has a population exceeding 14 million, total import and export value exceeding US$100 billion in 2010, has the highest minimum wage for workers among other first-tier cities, and a preferred city ranking just after Beijing and Shanghai for attracting talents all over from China. Besides the various successful trade fairs that is famous world-wide particularly in the garment and textile trade, the city become even more popular and famous to the world through hosting of the 2010 Asian Games.

A business resumption plan is currently under review by the regulators and among satisfaction of other conditions and requirements, this project could also contribute to the successful relisting of the Company's shares. Further announcement will be made when material developments take place.

Employees

As at 31 December 2010, the Group has employed about 10 employees in Hong Kong. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

Significant Investments and Material Acquisitions

Except for note 19 to this announcement, the Company did not have any significant investments or material acquisitions for the year ended 31 December 2010.

Contingent Liabilities

Details of the contingent liabilities are set-out in note 21 to this announcement.

Commitments

Details of the commitments are set-out in note 19 to this announcement.

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, 2010. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 December, 2010.

CORPORATE GOVERNANCE

During the year ended 31 December 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 year ended 31 December 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 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 (the "Model Code"). Having made specific enquiry of the Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2010.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Hong Kong Exchanges and Clearing Ltd (www.hkex.com.hk). The 2010 Annual Report will be despatched to our shareholders on or before 30 April 2011 and will be available at the websites of the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the financial statements for the year ended 31 December 2010.

BOARD OF DIRECTORS

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

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

Hong Kong , 30 March 2011