NEW CITY (CHINA) DEVELOPMENT LIMITED
新 城 市（中 國）建 設 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

2008 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The Board of Directors (the "Board") of New City (China) Development Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	**2008** **_HK$'000_** **(Unaudited)**	2007 *HK$'000* (Unaudited)
TURNOVER	*3*	**—**	2,074,010
COST OF SALES		**—**	(1,787,569)
GROSS PROFIT		**—**	286,441
Other revenue	*4*	**16,066**	299,817
Administrative expenses		**(14,582)**	(86,167)
PROFIT FROM OPERATIONS	*4*	**1,484**	500,091
Finance costs	*5*	**(35,684)**	(8,623)
(LOSS)/PROFIT BEFORE TAXATION		**(34,200)**	491,468
Taxation	*6*	**—**	(166,331)
(LOSS)/PROFIT FOR THE PERIOD		**(34,200)**	325,137
ATTRIBUTABLE TO:			
Equity holders of the Company		**(34,200)**	325,137
Minority interests		**—**	—
		(34,200)	325,137
DIVIDENDS	*8*	**—**	94,600
(LOSS)/EARNINGS PER SHARE (HK CENTS)			
Basic	*7*	**(12.58)**	84.83
Diluted	*7*	**(4.09)**	66.52

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2008

	Notes	30.6.2008 HK$'000 (Unaudited)	31.12.2007 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,291**	2,634
		2,291	2,634
CURRENT ASSETS			
Property for sale-completed property		**777,777**	729,167
Accounts receivable		**75,079**	70,387
Prepayments, deposits and other receivables	9	**5,321**	19,453
Bank balances and cash		**22,093**	42,739
		880,270	861,746
CURRENT LIABILITIES			
Trade payables	10	**138,398**	103,818
Accruals and other payables		**173,428**	138,728
Obligations under finance leases		**73**	73
Bank borrowings		**99,992**	93,750
Other borrowings		**59,873**	71,000
Taxes payable		**196,979**	92,692
Convertible bonds		**69,263**	—
Provisions		**17,205**	16,129
		755,211	516,190
NET CURRENT ASSETS		**125,059**	345,556
TOTAL ASSETS LESS CURRENT LIABILITIES		**127,350**	348,190
NON-CURRENT LIABILITIES			
Trade payables	10	**—**	33,415
Obligations under finance leases		**201**	237
Other borrowing		**110,000**	110,000
Taxes payable		**—**	93,545
Convertible bonds		**—**	69,263
Preferred share dividend payable		**94,600**	94,600
		204,801	401,060
NET LIABILITIES		**(77,451)**	(52,870)
CAPITAL AND RESERVES			
Share capital		**272**	272
Reserves		**(77,723)**	(53,142)
DEFICIENCY OF SHAREHOLDERS' FUNDS		**(77,451)**	(52,870)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

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

b. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial assets which are stated at fair values. The accounting policies and basis of preparation adopted for the preparation of the interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2007.

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 30 June 2008. The Group incurred loss for the six months ended 30 June 2008, and as at that date, it had consolidated net liabilities of HK$77,451,000. 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;

(ii) the Group has been actively negotiating with a party in relation to a possible property development project located in Beijing to maximise the returns to shareholders; and

(iii) based on a cash flow forecast prepared by the Group's management for the eighteen 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 six months ended 30 June 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.

Up to the date of issue of the interim financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008 and which have not been adopted in the interim financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Principal accounting policies (continued)

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

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estates	1 January 2009
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Cost	1 January 2009
Hong Kong Financial Reporting Standard ("HKFRS") 1 & HKAS 27 (Amended)	Cost of an Investment in a Subsidiary, Jointly-controlled Entity & Associate	1 January 2009
HKAS 32 & HKAS 1 (Amended)	Puttable Financial Instruments & Obligations Arising on Liquidation	1 January 2009
HKFRS 2 (Amended)	Share-based Payments: Vesting Conditions and Cancellations	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HKAS 27 (Revised)	Consolidated & Separate Financial Statements	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009

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

c. Revenue recognition

Revenue comprises the fair values of the consideration received or receivable for the sales of properties in the ordinary course of the Group's activities, revenue is shown net of discount. Revenue is recognised as follows:

(i) Revenue from sales of properties is recognised when the significant risks and rewards of properties have been transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the condensed consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Provisions and contingencies

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

2. SEGMENT INFORMATION

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

The Group did not have turnover for the six months ended 30 June 2008, and the Group's end-customer is in the PRC. Accordingly, no segment analysis by business and geographical segments is provided for the six months ended 30 June 2008.

3. TURNOVER

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

An analysis of turnover is as follows:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Turnover:		
Sales of properties	—	2,074,010

4. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**455**	286
Costs of properties sold	**—**	1,787,569
Bad debts written off	**—**	8,834
Provision for doubtful debt	**—**	67,005
and after crediting:		
Interest income	**200**	—
Exchange gain	**15,850**	—
Other income	**16**	—
Gain on disposal of property, plant and equipment	**—**	90
Gain on revaluation of investment properties	**—**	299,727

5. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Guarantee fee for the Beijing Tai Yang Hong arbitration	**12,088**	—
Bank loans and overdrafts wholly repayable within five years	**7,498**	5,734
Other loans wholly repayable within five years	**13,535**	5,273
Convertible bond	**2,553**	240
Finance leases	**10**	5
Arrangement fee of convertible bond	**—**	3,105
Total borrowing costs	**35,684**	14,357
Less: Amounts included in cost of properties sold	**—**	(5,734)
	35,684	8,623

6. TAXATION

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Income tax expenses		
Hong Kong profits tax	**—**	—
PRC enterprise income tax	**—**	62,630
PRC business tax	**—**	103,701
	—	166,331

The Company's subsidiaries operating in Hong Kong are subject to profits tax at the rate of 16.5% for the six months ended 30 June 2008 (six months ended 30 June 2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group has no assessable income for Hong Kong Profits Tax for the six months ended 30 June 2008 and 2007. In addition, 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.

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

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2008 is based on the net loss after deducting preferred share dividend attributable to equity shareholders of the Company of HK$34,200,000 (six months ended 30 June 2007: profit HK$230,537,000) and the weighted average number of 271,758,000 ordinary shares in issue during the six months ended 30 June 2008 (six months ended 30 June 2007: 271,758,000 ordinary shares).

The calculation of the diluted loss per share for the six months ended 30 June 2008 is based on the net loss before bond interest (net of tax) and after deducting preferred share dividend attributable to equity shareholders of the Company of HK$31,647,000 (six months ended 30 June 2007: profit HK$230,777,000) and the weighted average number of 773,663,558 ordinary shares (six months ended 30 June 2007: 346,934,634 ordinary shares) after considering the effects of converting all convertible bonds to ordinary shares upon maturity.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

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

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Temporary advances	**12**	11
Prepaid expenses and deposits	**5,309**	3,692
Amount due from a bond holder for unpaid convertible bond	**—**	15,750
	5,321	19,453

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

10. TRADE PAYABLES

The aged analysis of trade payables as at 30 June 2008 is as follows:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Within 3 months	**112,438**	103,818
4 - 6 months	**—**	—
7 - 9 months	**—**	—
10 - 12 months	**25,960**	—
Over 1 year	**—**	33,415
	138,398	137,233

11. POST BALANCE SHEET EVENT

Pursuant to an acquisition agreement dated 15 August 2007 entered into with Qin Huang Dao City Ocean Realty Company Limited (the "Vendor"), the Company undertook to acquire the 51% equity interest in Qin Huang Dao Ocean West Hill Real Property Development Company Limited (the "Project Company") by total consideration of RMB10,924,000 (equivalent to approximately HK$11,379,000) which in sum of cash consideration amounted to HK$1,000,000 and a tenancy agreement by which Beijing Zhong Zheng Real Estate Development Company Limited ("Beijing Zhong Zheng") shall let and China Yin Di City Investment Company Limited, a subsidiary of the Vendor, shall rent the property and there will be arrangements for setting off all the outstanding amount of the remaining consideration other than the cash consideration under the tenancy agreement.

The Company had paid the cash consideration as a deposit of the acquisition on 12 September 2007 subsequent to the Memorandum of Cooperation entered into between the Company and the Vendor. On 18 March 2008, an extraordinary general meeting was held and approved the acquisition.

On 23 September 2008, the Board announced that as the local regulatory authority has requested the Company for the injection of its share in the costs of the Land (amounting to approximately RMB117,300,000) before allowing registration of changes in the shareholding structure of the Project Company, taking into account of the current working capital of the Group, the acquisition by the Company have to be ceased. The amount paid as a deposit will not be refunded and will be written off.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

During the six-month period under review, the Group has no turnover and net loss for the period amounted to approximately HK$34,200,000, whereas the Group generated turnover and net profit for the first half of 2007 were approximately HK$2,074,010,000 and HK$325,137,000 respectively.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

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

Business Review

During the period of this report, efforts were made to secure new short term financing for freeing the pledge of China Securities Plaza and complete the registration process for formal conveyance to China Network Communications Group Corporation. There had been many offers and the management is choosing the best possible option for the Company with a view to minimise risk and costs.

Progress of discussion with Poly HK has been positive and the management strongly believes that the current litigation case with Poly HK would be settled within the very near future.

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 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.

Prospect

The management has never stop looking for new projects and with the cessation of the acquisition of 51% equity interest in Qin Huang Dao Ocean West Hill Real Property Development Company Limited, the management is now considering another project for recommending to the shareholders for approval. Information will be released to the public when they are ready.

Despite of the new hurdles confronted by the Company, the management is still confident in turning the Company around with an aim to have the shares of the Company resuming in trading as soon as possible.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding Requirements

As at 30 June 2008, the Group had obligations under hire purchase contracts of approximately HK$274,000 (as at 31 December 2007: HK$310,000) and the bank borrowings amounted to approximately RMB90,000,000 (equivalent to approximately HK$99,992,000) (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 30 June 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 30 June 2008 (as at 31 December 2007: HK$15,000,000) was interest bearing at 10% per annum. And, the short term loan of HK$1,000,000 as at 30 June 2008 (as at 31 December 2007: HK$1,000,000) was interest bearing at the rate equal to Prime Rate plus 2%.

As at 30 June 2008, the Group's total assets was approximately HK$882,561,000 (as at 31 December 2007: approximately HK$864,380,000) whereas total debts amounted to approximately HK$269,865,000 as at 30 June 2008 (as at 31 December 2007: approximately HK$274,750,000). As at 30 June 2008, the cash and bank balances was approximately HK$22,093,000 (as at 31 December 2007: approximately HK$42,739,000) and the current ratio (current assets/current liabilities) was 1.17 as at 30 June 2008 (as at 31 December 2007: 1.67).

Exchange Risks

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

Pledge of Assets

As at 30 June 2008, the Group had pledged the property of China Securities Plaza, the development of project in Beijing to secure bank loans granted approximately HK$99,992,000 (as at 31 December 2007: approximately HK$93,750,000).

Corporate Governance

During the six months ended 30 June 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 six months ended 30 June 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.** As the current nature of the Group's business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.

According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms and the Chairman of the Board and/or the managing director of the Company are not subject to retirement by rotation. Thus, they are deviated from **Code provision A.4.1 and Code provision A.4.2**. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance the provisions of the Listing Rules whenever necessary.

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

Employees

As at 30 June 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 six months ended 30 June 2008. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2008.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have complied with the Code throughout the six months period ended 30 June 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 unaudited interim financial statements for the six months ended 30 June 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 September 2008