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NEW CITY (CHINA) DEVELOPMENT LIMITED

新城市(中國)建設有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 0456)

INTERIM RESULTS ANNOUNCEMENT 2011

The Directors of New City (China) Development Limited (the “Company”) are pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2011 (the “Period”) with comparative figures for the previous corresponding period in 2010. The results have not been audited but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Other income and gains	4	4,000	4
General and administrative expenses		(3,772)	(9,196)
Finance costs		(6,625)	(13,229)
Loss before tax	5	(6,397)	(22,421)
Income tax expense	6	—	—
Loss for the Period		(6,397)	(22,421)
Attributable to:			
Owners of the Company		(6,397)	(22,421)
Non-controlling interests		—	—
		(6,397)	(22,421)
Loss per share			
Basic	8	(2.35) cents	(8.25) cents
Diluted	8	Nil	Nil

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the Period	<u>(6,397)</u>	<u>(22,421)</u>
Other comprehensive income		
Exchange differences on translation of foreign operations	—	—
Less: Income tax effect	<u>—</u>	<u>—</u>
Other comprehensive income for the Period, net of tax	<u>—</u>	<u>—</u>
Total comprehensive income for the Period	<u>(6,397)</u>	<u>(22,421)</u>
Attributable to:		
Owners of the Company	(6,397)	(22,421)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>(6,397)</u>	<u>(22,421)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	72	38
CURRENT ASSETS		
Prepayments, deposits and other receivables	2,375	371
Cash and bank balances	235	58
Total current assets	2,610	429
CURRENT LIABILITIES		
Other payables and accruals	4,654	6,024
Finance lease payable	55	73
Due to directors	28,423	25,005
Total current liabilities	33,132	31,102
NET CURRENT LIABILITIES	(30,522)	(30,673)
TOTAL ASSETS LESS CURRENT LIABILITIES	(30,450)	(30,635)
NON-CURRENT LIABILITIES		
Finance lease payable	–	18
Liability component of convertible bonds	75,105	68,505
Total non-current liabilities	75,105	68,523
Net liabilities	(105,555)	(99,158)
DEFICIENCY IN ASSETS		
Equity attributable to owners of the Company		
Issued capital	272	272
Reserves	(105,827)	(99,430)
	(105,555)	(99,158)
Non-controlling interests	–	–
Deficiency in assets	(105,555)	(99,158)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Equity component of convertible bonds <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2011	272	20,773	4,755	–	25,027	(149,985)	(99,158)	–	(99,158)
Total comprehensive income for the Period	–	–	–	–	–	(6,397)	(6,397)	–	(6,397)
At 30 June 2011	272	20,773	4,755	–	25,027	(156,382)	(105,555)	–	(105,555)
At 1 January 2010	272	20,773	4,755	22,315	25,027	(191,290)	(118,148)	–	(118,148)
Total comprehensive income for the Period	–	–	–	–	–	(22,421)	(22,421)	–	(22,421)
At 30 June 2010	272	20,773	4,755	22,315	25,027	(213,711)	(140,569)	–	(140,569)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	307	(5,175)
NET CASH USED IN INVESTING ACTIVITIES	(69)	–
NET CASH GENERATED (USED IN)/FROM FINANCING ACTIVITIES	(61)	5,137
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	177	(38)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	58	150
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	235	112
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	235	112

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) No. 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. Principal Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

The following new standards, new interpretations and amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Group.

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
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes: Recovery of Underlying Assets ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²

¹ Effective for annual periods beginning on or after 1 January 2012

² Effective for annual periods beginning on or after 1 January 2013

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

3. Operating Segment Information

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

Geographical information

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

Information about a major customer

During the six months ended 30 June 2011 and 2010, the Group did not generate any revenue from its principal activity.

4. Other Income And Gains

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Management fee income	4,000	—
Exchange gains	—	4
	4,000	4

5. Loss Before Tax

Six months ended 30 June	
2011	2010
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

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

Depreciation of property, plant and equipment

– Owned assets	18	146
– Leased assets	17	50

Exchange gains

–	(4)
<u> </u>	<u> </u>

6. Income Tax Expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2011 and 2010.

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

Six months ended 30 June	
2011	2010
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Current tax:

Hong Kong	–	–
Elsewhere	–	–
	<u> </u>	<u> </u>

Deferred tax

–	–
<u> </u>	<u> </u>

Total tax charge for the Period

–	–
<u> </u>	<u> </u>

7. Dividends

No dividends were paid during the Period. The directors do not recommend the payment of an interim dividend for the Period (2010: Nil).

8. Loss Per Share

(i) Basic loss per share

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic loss per share:		
Net loss for the Period (HK'000)	6,397	22,421
Weighted average number of shares for the purpose of calculating basic loss per share (in thousands)	271,758	271,758

(ii) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2011 and 2010 have not been disclosed, as the convertible bonds outstanding during these Period had an anti-dilutive effect on the basic loss per share for the Period.

9. Litigations

Legal claim from Starry Joy

On 15 May 2008, Starry Joy initiated proceedings (the “Proceedings”) against the Company to claim (the “Starry Joy Claim”) for an amount of HK\$57,940,624.30 being the aggregated balance of a loan of HK\$45,000,000 and the accrued interest thereon advanced by Starry Joy to the Company.

On 26 November 2009, a settlement agreement was made among others, between the Company, Tong Sun and Starry Joy that the Company and Tong Sun shall be liable on a joint and several basis to repay RMB305,000,000 (the “Settlement Amount”) to Poly (HK), the holding company of Starry Joy, or its nominee on or before 31 December 2009 for settlement of all loans and payables (including the Starry Joy Claim) indebted by the Group to Starry Joy. The Settlement Amount has been sufficiently provided for in aggregate by the Company and Tong Sun in other borrowings, accrued interests and preferred dividend payable in the previous year.

On 29 December 2010, following the enforcement of the security constituted by the New City China Share Charge and the New Rank Share Charge, Starry Joy agreed to withdraw and discontinue permanently of the Proceedings against the Company.

The Consent Summaries had been filed in the High Court of The Hong Kong Special Administrative Region Court of First Instance on 10 June 2011. The directors of the Company are of the opinion that the Group did not have any litigations as at 30 June 2011.

10. Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2011.

BUSINESS REVIEW

The Group has no turnover and recorded a loss after tax of about HK\$6,397,000 for the period ended 30 June 2011.

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 manages and operates a property for Tong Sun at an annual management fee of HK\$8 million payable on a quarterly basis commencing from January 2011. During the period ended 30 June 2011, HK\$4 million is received by the Company for the management fee income for the period ended 30 June 2011.

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

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

PROSPECT

The acquisition progress of the Guangzhou project is encouraging. Although the financial benefits of the project is tinted by an increase in the financial expenses, the overall financial position of the acquisition is still favourable to the Company. Announcement of the deal structure and estimated profits will be made when material developments take place.

The regulators are still reviewing our business resumption plan. The Company will make the best of efforts to ensure that the Company will meet all conditions and requirements needed for the relisting approval.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

During the Period under review, the Group has no turnover and net loss for the Period amounted to approximately HK\$6,397,000, whereas the Group had no turnover and net loss for the first half of 2010 was HK\$22,421,000. Basic loss per share for the period was HK\$2.35 cents (six months ended 30 June 2010: HK\$8.25 cents).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2010: Nil).

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2011, the Group had obligations under hire purchase contracts of approximately HK\$55,000 (2010: HK\$91,000).

As at 30 June 2011, the Group's total assets was approximately HK\$2,682,000 (2010: approximately HK\$467,000) and total liabilities were of approximately HK\$108,237,000 (2010: approximately HK\$99,625,000). As at 30 June 2011, the cash and bank balances was approximately HK\$235,000 (2010: approximately HK\$58,000) and the current ratio (current assets/current liabilities) was 0.08 as at 30 June 2011 (2010: 0.01).

LITIGATION

Details of the litigations are set-out in note 9 to this announcement.

GEARING RATIO

The gearing ration (total borrowing/total assets of the Group) was 28.00 as at 30 June 2011 (2010: 146.69).

EXCHANGE RISKS

The Group's operations are located in Hong Kong for the Period, and the main operational currencies are Hong Kong Dollars. Hence, the directors of the Company are of the opinion that the Group did not have any exchange risks as at 30 June 2011.

CORPORATE GOVERNANCE

During the six months ended 30 June 2011, 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 2011, save for the deviation from the code provisions listed below :

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

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

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

EMPLOYEES

As at 30 June 2011, the Group has employed about 5 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.

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 2011. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2011.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2011.

COMMITMENTS

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 these financial statements, the Resumption Acquisition is still subject to, inter alia, the approval of the shareholders of the Company.

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 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011 HK\$'000	2010 <i>HK\$'000</i>
Within one year	580	96
In the second to fifth years, inclusive	—	—
After five years	—	—
	580	96

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 2011.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the unaudited interim financial statements for the six months ended 30 June 2011.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (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, 5 August 2011