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 2011

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$8,000,000 (2010: HK$Nil)
- Loss for the year was approximately HK$17,557,000 (2010: Profit HK$41,305,000)
- Loss per share (basic) was 8.61 HK cents (2010: earning per share (basic) 20.20 HK cents (restated))

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 2011 together with the comparative figures in 2010 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	3	**8,000**	–
Other income and gains	3	**885**	86,648
Administrative and other operating expenses		**(12,426)**	(17,274)
Finance costs	6	**(14,016)**	(28,069)
(LOSS)/PROFIT BEFORE TAX	5	**(17,557)**	41,305
Income tax expense	7	**–**	–
(LOSS)/PROFIT FOR THE YEAR		**(17,557)**	41,305
Attributable to:			
Owners of the Company	8	**(17,557)**	41,305
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic (Restated)		**(8.61) cents**	20.20 cents
Diluted (Restated)		**(8.61) cents**	2.38 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011	2010
	HK$'000	HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(17,557)**	41,305
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**–**	–
Less: Income tax effect	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(17,557)**	41,305
Attributable to:		
Owners of the Company	**(17,557)**	41,305

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON CURRENT ASSETS			
Property, plant and equipment		**290**	38
CURRENT ASSETS			
Trade receivable	*11*	**2,000**	–
Prepayments, deposits and other receivables		**363**	371
Cash and bank balances		**393**	58
Total current assets		**2,756**	429
CURRENT LIABILITIES			
Other payables and accruals		**7,613**	6,024
Finance lease payable		**18**	73
Due to directors	*12*	**29,639**	25,005
Liability component of convertible bonds	*13*	**82,491**	–
Total current liabilities		**119,761**	31,102
NET CURRENT LIABILITIES		**(117,005)**	(30,673)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(116,715)**	(30,635)
NON-CURRENT LIABILITIES			
Finance lease payable		**–**	18
Liability component of convertible bonds	*13*	**–**	68,505
Total non-current liabilities		**–**	68,523
Net liabilities		**(116,715)**	(99,158)
DEFICIENCY IN ASSETS			
Equity attributable to owners of the Company			
Issued capital		**272**	272
Reserves		**(116,987)**	(99,430)
Deficiency in assets		**(116,715)**	(99,158)

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 is situated at 11th Floor, Effectual Building, 16 Hennessy Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Group's principal activity has not changed during the year and consists of the 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 suspended for trading since 30 December 2003. As further detailed in note 16 to the financial statements, the Group has undergone a capital restructuring during the year and the trading of its shares has been resumed subsequent to the end of the reporting period on 23 February 2012.

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.

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

Despite the fact that the Group had net current liabilities and deficiency in assets of approximately HK$117,005,000 and HK$116,715,000, respectively, as at 31 December 2011, 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 is 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 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

As detailed in note 16(f) to the financial statements, the Company has completed the acquisition of a company, which is engaged in property development and investment with profitable operation and positive cash flows subsequent to the end of the reporting period on 21 February 2012. The directors believe that the Group's operation will be substantially improved upon the completion of this acquisition.

(b) Obtaining of additional fundings

(i) As detailed in note 16(g) to the financial statements, the Company has completed an open offer (the "Open Offer") on the basis of twenty three offer shares for every three consolidated shares subsequent to the end of the reporting period on 21 February 2012 with a net proceed of approximately HK$60,941,000.

(ii) As further detailed in note 16(d) to the financial statements, on 15 November 2011, the Company entered into a subscription agreement with Mr. Han and Junyi Investment Limited (collectively, the "Subscribers"), pursuant to which, the Subscribers will subscribe for (the "Subscription") 1,112,500,000 consolidated shares (the "Subscription Shares") at a subscription price of HK$0.12 each amounting to approximately HK$133,500,000. The Subscription was completed subsequent to the end of the reporting period on 21 February 2012.

(c) Settlement of convertible bonds and loan from a director

Certain of the net proceeds from the Open Offer and the Subscription has been applied for the settlement (the "Settlement") of the convertible bonds in full and a loan granted by Mr. Han. The directors are of the opinion that the Group has no outstanding loans and borrowings further to the Settlement.

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 2011.

Basis of consolidation

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 2011. 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.

Total comprehensive income within a subsidiary is 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.

2.2 EXTRACT OF INDEPENDENT AUDITORS' REPORT

Emphasis of matters

Fundamental uncertainty – going concern

Without qualifying their opinion, the auditors of the Company (the "Auditors") draw attention to note 2.1 to the financial statements which indicates that the Group had net current liabilities and deficiency in assets of approximately HK$117,005,000 and HK$116,715,000, respectively, as at 31 December 2011. The financial statements have been prepared on a going concern basis. As further detailed in the notes 2.1 and 16 to the financial statements, the Auditors consider that the adoption of the going concern basis is appropriate as (i) the Company has completed the acquisition of a company which is principally engaged in property development and investment with profitable operation and positive cash flows subsequent to the end of the reporting period; and (ii) the Group has successfully raised through rights issue and subscription of shares in aggregate a net proceed of approximately HK$194 million (the "Proceeds") subsequent to the end of the reporting period on 21 February 2012. Certain of the Proceeds in the amount of HK$116 million were applied to the settlement of two outstanding convertible bonds and an outstanding loan granted by a director of the Company and the remaining of approximately HK$78 million was applied as working capital of the Group. The Auditors consider that the fundamental uncertainty has been properly disclosed in the consolidated financial statements. The Auditors' report is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

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 Amendment	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 Right 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
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), 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:

HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments [5]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of items of Other Comprehensive Income [3]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets [2]
HKAS 19 (2011)	Employee Benefits [4]
HKAS 27 (2011)	Separate Financial Statements [4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [4]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

Revenue represents income received and receivable from property management services rendered during the year.

No revenue was recorded for the year ended 31 December 2010 as the Group did not generate any revenue from its principal activity.

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

	2011	2010
	HK$'000	HK$'000
Revenue		
Property management fee income	**8,000**	–
Other income and gains		
Write-back of other payables and accruals	**885**	–
Gain on disposal of subsidiaries and wavier of loans	–	86,648
	885	86,648
Total revenue, other income and gains	**8,885**	86,648

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 and over 9% of the revenue are generated in the PRC. Accordingly, no further geographical information of total asset and revenue was disclosed.

Information about a major customer

The sole customer of the Group during the year ended 31 December 2011 was Tong Sun Limited ("Tong Sun"), a subsidiary disposed by the Group during the year ended 31 December 2010. The Group managed and operated a property for Tong Sun in the PRC at an annual management fee (the "Property Management Fee Income") of HK$8,000,000 for a term of 3 years commencing from January 2011.

The Group did not have any customers during the year ended 31 December 2010 and no revenue was generated from its principal activity.

5. (LOSS)/PROFIT BEFORE TAX

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

	2011	2010
	HK$'000	HK$'000
Cost of sales	**–**	–
Auditors' remuneration	**230**	250
Depreciation		
– owned assets	**59**	213
– leased assets	**17**	100
	76	313
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**4,301**	6,785
Pension scheme contributions	**44**	41
	4,345	6,826
Minimum lease payments under operating leases on land and buildings*	**676**	632
Write-back of other payables and accruals	**(885)**	–
Gain on disposal of subsidiaries and waiver of loans	**–**	(86,648)

* minimum lease payments under operating leases on land and buildings included rental for a director quarter of HK$253,000 (2010: HK$256,350).

6. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	–	16,470
Convertible bonds	**13,986**	11,551
Finance leases	**20**	20
Other payables	**10**	28
	14,016	28,069

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 (2010: 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.

	2011	2010
	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 (loss)/profit 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:

	2011		2010	
	HK$'000	**%**	HK$'000	%
(Loss)/Profit before tax	**(17,557)**		41,305	
Tax at the statutory tax rate	**(2,897)**	**16.5**	4,414	10.7
Income not subject to tax	**(1,466)**	**8.3**	(14,296)	(34.6)
Expenses not deductible for tax	**4,360**	**(24.8)**	9,881	23.9
Tax benefit not recognised	**3**	**–**	1	–
Tax charge at effective tax rate	**–**	**–**	–	–

The Group had no significant unprovided deferred taxation as at 31 December 2010 and 2011.

8. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2011 includes a profit of HK$6,183,000 (2010: loss of HK$42,732,000) which has been dealt with in the financial statements of the Company.

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

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year as adjusted to reflect the effect of share consolidation and bonus issue subsequent to the end of the reporting period.

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

	2011 HK$'000	2010 HK$'000
(Loss)/Earnings		
(Loss)/Profit for the year attributable to ordinary equity holders of the Company, used in the basic (loss)/earnings per share calculation	**(17,557)**	41,305

	Number of shares 2011	 2010 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in basic (loss)/earnings per share calculation	**271,758,000**	271,758,000
– Effect on share consolidation subsequent to the end of the reporting period	**(203,818,500)**	(203,818,500)
– Effect on bonus issue subsequent to the end of the reporting period	**135,879,000**	135,879,000
	203,818,500	203,818,500

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company as adjusted to reflect the interest on convertible bonds and the weighted average number of ordinary shares used in the basic earnings per share calculation, as adjusted for 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.

Diluted loss per share for the year ended 31 December 2011 have not been prepared, as the convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share.

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

	2010 HK$'000 (Restated)
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 (Restated)
Shares	
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**203,818,500**
Effect on dilution – weighted average number of ordinary shares in issue assumed the convertible bonds have been converted into the share capital of the Company at the beginning of the year	**1,935,843,124**
	2,139,661,624

10. DIVIDENDS

The Directors did not recommend any dividend for the year ended 31 December 2011 (2010: Nil).

11. TRADE RECEIVABLE

	2011	2010
	HK$'000	HK$'000
Trade receivable	**2,000**	–
Impairment	**–**	–
	2,000	–

The trade receivable represented the Property Management Fee Income receivable from Tong Sun. The Group's services terms with Tong Sun are mainly on credit of 14 days.

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

	2011	2010
	HK$'000	HK$'000
Within 1 month	**2,000**	–

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

	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**2,000**	–

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

12. DUE TO DIRECTORS

On 12 January 2011, the Company entered into a loan facility agreement (the "Loan Facility Agreement") with Mr Han, a director of the Company, pursuant to which, Mr Han agreed to provide a loan facility (the "Loan Facility") up to an aggregate principal amount not exceeding HK$30,000,000, to the Company as working capital. The Loan Facility in an aggregate amount of approximately HK$27,212,000 (the "Loan") has been utilised by the Company at the end of the reporting period. The Loan Facility is unsecured, interest-free and has no fixed terms of repayment. As detailed in note 16(h) to the financial statements, the Loan was fully settled subsequent to the end of the reporting period on 21 February 2012.

The remaining balance of amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

13. CONVERTIBLE BONDS

The convertible bonds recognised in the statement of financial position are calculated as follows:

	2011	2010
	HK$'000	HK$'000
Liability component at 1 January	**68,505**	56,954
Interest expenses (note 6)	**13,986**	11,551
Interest paid	**–**	–
Liability component at 31 December	**82,491**	68,505

The fair value of the convertible bonds was estimated at the issuance date by using the closing share price of the Company and the Trinomial Tree Pricing Model by Asset Appraisal Limited, an independent valuer. The inputs into the model were as follows:

	Convertible Bond A 5 May 2009 (issuance date)	**Convertible Bond B 10 August 2009 (issuance date)**
Stock price	HK$0.03	HK$0.03
Expiration	2 years 10 months	3 years
Risk-free-rate	0.920%	1.264%
Volatility	68.285%	69.077%

The fair value of the liability component at the issuance date was approximately HK$52,407,000 and was classified as "Liability component of convertible bonds" in the non-current liabilities. Accordingly the remaining balance of approximately HK$25,027,000 was classified as "Equity component of convertible bonds" in the consolidated statement of change in equity.

The face value of the convertible bonds as at the end of the reporting period is as follows:

	2011	2010
	HK$'000	HK$'000
Convertible Bond A (notes (i))	**14,185**	14,185
Convertible Bond B (notes (ii))	**63,249**	63,249
	77,434	77,434

Note:

(i) On 28 February 2009, the Company and a convertible bond holder entered into an agreement for the issuance of a new convertible bond in a principal amount of HK$14,185,129 (the "Convertible Bond A") for the settlement of certain outstanding bonds in an aggregate principal amount of HK$12,804,817 together with accrued interest of HK$1,380,312. The Convertible Bond A bears interest at Prime Rate plus 2% per annum, matures on 28 February 2012 and is convertible into the ordinary shares of the Company at a conversion price of HK$0.03 per share. The Convertible Bond A was approved by the shareholders on 5 May 2009.

(ii) On 18 March 2009, the Company entered into a deed of novation (the "Deed of Novation") with another convertible bond holder (the "Bond Holder") and Mr. Han. Pursuant to the Deed of Novation, the parties agreed that the total outstanding principal amount together with all interest thereon owing by the Company to the Bond Holder be novated from the Company to Mr. Han and the Company be fully released and discharged from all liabilities and obligations, past or future, and any security created.

On the same day, the Company entered into a new loan agreement and subscription agreement (the "New Agreement") with Mr. Han, pursuant to which, the Company is deemed to have drawn down a debt amounting to HK$63,248,596, being the principal amount owed by the Company to the Bond Holder of HK$56,458,150 plus accrued interest of HK$6,790,446 up to the date of execution of the Deed of Novation and the Company has issued a new convertible bond (the "Convertible Bond B") therefrom. The Convertible Bond B bears interest at Prime Rate, matures on 17 March 2012 and is convertible into the ordinary shares of the Company at a conversion price of HK$0.03 per share. The Convertible Bond B was approved by the shareholders on 10 August 2009.

14. 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 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**108**	257

15. COMMITMENTS

As detailed in note 16(f) to the financial statements, the Company entered into a sale and purchase agreement with two independent third parties on 24 January 2011, which was supplemented by two supplemental agreements dated 23 August 2011 and 15 November 2011, respectively (collectively, the "S&P Agreements"). Pursuant to which, the Company will acquire a 100% equity interest in Guangdong Changliu Investment Company Limited at a consideration of RMB299,696,000. The S&P Agreements was completed subsequent to the end of the reporting period on 21 February 2012.

16. EVENTS AFTER THE REPORTING PERIOD

a) Share Consolidation and Change of Board Lot Size

On 13 January 2012, every four issued and unissued shares of HK$0.001 each in the share capital of the Company was consolidated into one consolidated share (the "Consolidated Share") of HK$0.004. The board lot size for trading was changed to 20,000 Consolidated Shares upon the share consolidation becoming effective.

b) Increment of Authorised Capital

The authorised share capital of the Company was HK$10,000,000 divided into 10,000,000,000 shares of HK$0.001 each with 271,758,000 shares in issue prior to the share consolidation becoming effective. Upon the share consolidation becoming effective, the authorised share capital of the Company was HK$10,000,000 divided into 2,500,000,000 Consolidated Shares of HK$0.004 each with 67,939,500 Consolidated Shares in issue.

In order to accommodate the issue of the consideration shares, the bonus shares, the offer shares, the subscription shares, the remuneration shares and the warrant shares, upon the share consolidation becoming effective, pursuant to an ordinary resolution passed by the shareholders of the Company on 12 January 2012, the Company increased its authorised share capital from HK$10,000,000 divided into 2,500,000,000 Consolidated Shares of HK$ 0.004 each to HK$40,000,000 divided into 10,000,000,000 Consolidated Shares of HK$0.004 each by the creation of additional 7,500,000,000 Consolidated Shares.

c) Issue of Remuneration Shares and Remuneration Warrants

Pursuant to an engagement letter entered into between the Company and the joint financial advisers for resumption of trading of the shares of the Company, it was agreed between the Company and the joint financial advisers that the professional fees charged by the joint financial advisers may be settled by (i) the issue of remuneration shares in an aggregate amount of HK$1,000,000 (i.e. 8,333,333 Consolidated Shares); (ii) the issue of remuneration warrants in an aggregate amount of HK$500,000; and (iii) the settlement of the balance of HK$1,000,000 in cash. The Company has issued such remuneration shares and remuneration warrants to the joint financial advisers on 21 February 2012. As at the date of this announcement, the joint financial advisers have exercised 833,333 remuneration warrants for the subscription of 833,333 Consolidation Shares at a subscription price of HK$0.12 per Consolidated Share. There are 3,333,333 remuneration warrants remain outstanding which is exercisable within a 36-month period after issue.

d) **Subscription of shares**

Pursuant to an subscription agreement entered into among the Company, Mr. Han and Junyi Investment Limited (the "Subscribers") dated 15 November 2011, the Subscribers agreed to subscribe for the shares of the Company in the amount of HK$133.5 million of which, (i) as to approximately HK$71 million being set off against the redemption of the outstanding convertible bonds of the Company (including all interest accrued thereon) held by Mr. Han Junran ("Mr. Han"); and (ii) as to approximately HK$27.5 million being set off against the repayment of the working capital loan drawn down by the Company as at the date of completion of the Subscription. The Subscription was completed and a total of 1,112,500,000 subscription shares was issued to the Subscribers on 21 February 2012.

e) **Issue of Bonus Shares**

The Company has issued 135,879,000 bonus shares to the existing shareholders of the Company whose names appear on the register of members of the Company on the record date on the basis of two bonus shares for every existing Consolidated Share held by the shareholders on 21 February 2012.

f) **Completion of Acquisition**

On 24 January 2011, the Company entered into a sale and purchase agreement with two independent third parties 北京誠達順逸商貿有限公司 (Beijing Chengda Shunyi Shangmao Company Limited) ("Vendor A") and Kayuan Enterprise Investment Co., Limited ("Vendor B", together with Vendor A, collectively the "Vendors"), which was supplemented by two supplemental agreements dated 23 August 2011 and 15 November 2011, respectively (collectively, the "S&P Agreements"), pursuant to which, the Vendors agreed to sell and a wholly-owned subsidiary (the "Subsidiary") of the Company agreed to purchase (the "Resumption Acquisition") a 100% equity interest of French Land Limited and Fudi International Holding Co., Limited and 75% equity interest in Guangdong Changliu Investment Company Limited ("Changliu") from the Vendor A and (ii) 25% equity interest of Changliu from the Vendor B at an aggregate consideration of RMB299,696,000 (equivalent to approximately HK$357.1 million) (the "Consideration"), Changliu is principally engaged in property development and property investment in the PRC.

The Resumption Acquisition was completed on 21 February 2011 and the Consideration was settled as follows:

1. as to RMB30,000,000 by cash;

2. as to RMB20,000,000 by the issuance of 198,600,000 Consolidated Shares to the person designated by the Vendor A;

3. as to RMB50,000,000 by the issuance of 496,500,000 Consolidated Shares to the person designated by the Vendor B.

4. as to RMB124,640,000 by procuring Changliu to settle in cash to Vendor A on or before the completion date; and

5. as to RMB75,056,000 by procuring Changliu to deliver a deed of assignment of its receivables in favour of Vendor A on or before the completion date at nil consideration. Provided that, if the total amount of Changliu receivables as at the date of completion is less than RMB75,056,000, Changliu has to pay the shortfall in cash to Vendor A.

g) Open Offer

On 20 January 2012, the Company made an open offer (the "Open Offer") on the basis of twenty three offer shares for every three Consolidated Shares held on the record date. As at the date of this announcement, 26,895,441 Offer Shares were subscribed through the Open Offer. The remaining 88,300,000 and 405,674,059 offer shares were taken up by the Subscribers and the placing agent in accordance with their obligation under an underwriting agreement dated 15 November 2011.

h) Repayment of Convertible Bonds and Loan from a Director

The Company has fully repaid the outstanding principal amounts and all interests accrued thereon of the convertible bonds, and the outstanding loan from a director in an aggregate amount of approximately HK$116 million on 21 February 2012.

i) Resumption of Trading in Shares

At the request of the Company, trading in the shares on the Stock Exchange has been suspended since 30 December 2003. As all the resumption conditions have been fulfilled, the Stock Exchange approved the resumption of trading of the shares of the Company with effect from 9:00 a.m. on 23 February 2012.

j) Re-designation of director

On 1 March 2012, Mr. Luo Min ("Mr. Luo") has been re-designated from a non-executive Director to an executive Director.

CHAIRMAN'S STATEMENT

As a result of the combined efforts from professional advisory companies and by the Company, the shares of the Company regained its listing status as from 23 February 2012. The Company also successfully acquired a property project situated in Guangzhou as detailed in the circular dated 23 December 2011. This project will be the Group's main business activity before other business acquisitions.

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a turnover of HK$8,000,000 and recorded a loss after tax of about HK$17,557,000 for the year.

Major business arrangements

(a) Progress of Resumption Proposal

During the year, the Listing Committee of the Stock Exchange decided to allow the Company to proceed with the resumption proposal subject to the resumption conditions to be completed to the satisfaction of the Listing Division by 28 February 2012. And, all conditions precedent of completing acquisition, subscription, open offer, bonus issue and resumption proposal was fulfilled on 21 February 2012 and the above mentioned transactions were completed on the same day.

(b) Proposed acquisition

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

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 has been, inter alias, approved by the shareholders of the Company and fully completed.

(c) 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. As at the date of this announcement, the Company has received from Tong Sun Limited the management fee for the year ended 31 December 2011.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 30 December 2003. As all the resumption conditions have been fulfilled, the Company has made an application to and was approved by the Stock Exchange for the resumption of trading of the shares of the Company with effect from 9:00 a.m. on 23 February 2012.

OUTLOOK

The Central Government of the PRC's determined policy and administrative measures for tightening property prices poses continuing difficulties for land developers. Liquidity problems caused by both shrinking markets and refinancing unavailability force helpless developers to borrow from informal moneylenders and therefore, paying colossal interest expenses. Property prices could adjust further downward if financing of this last resort is becoming financially unfeasible for their business to continue. The property market could remain unstable for a period of time.

Since the current property project of the Company earns mainly from rental income, the Company are not affected from the current unhealthy market environment. It will be the main objective of the Company to properly manage this project to ensure that projected returns are met with. Whilst the Company is still confident that the property market will remain to be a viable investment sector in the long run, the management will also look into other related investment possibilities where the profit of the Company could be maximised.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("Ascenda Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2011. The work performed by Ascenda Cachet in this respect did not constitute an 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 Ascenda Cachet on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Result

For the year under review, the Group reported a turnover which represented the Management fee income of HK$8,000,000 (2010: Nil). The Group's net loss for the year was approximately HK$17,557,000 (2010: profit of about HK$41,305,000). The basic loss per share for the year was approximately 8.61 HK cents (2010: earnings of about 20.20 HK cents (Restated)). Administrative expenses was approximately HK$12,426,000 (2010: HK$17,274,000). Financial costs was approximately HK$14,016,000 (2010: HK$28,069,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2011, the Group had obligations under hire purchase contracts of approximately HK$18,000 (2010: HK$91,000).

As at 31 December 2011, the Group's total assets was approximately HK$3,046,000 (2010: approximately HKHK467,000) and total liabilities were of approximately HK$119,761,000 (2010: approximately HK$99,625,000) whereas the convertible bonds was approximately HK$82,491,000 as at 31 December 2011 (2010: approximately HK$68,505,000). As at 31 December 2011, the cash and bank balances was approximately HK$393,000 (2010: approximately HK$58,000) and the current ratio (current assets/current liabilities) was 0.02 as at 31 December 2011 (2010: 0.01).

Litigation

The Group did not have any litigation as at 31 December 2011.

Gearing Ratio

The gearing ratio (total borrowing/total assets of the Group) was 27.08 as at 31 December 2011 (2010: 146.69).

Capital Structure

During the year ended 31 December 2011, the Company did not change its capital structure. As detailed in note 16 to the financial statements, subsequent to the end of the reporting period, the Company has certain movements in its share capital structure.

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.

Dividends

The directors did not recommend any dividend for the year ended 31 December 2011 (2010: Nil).

Prospect

Subsequent to the successful acquisition of the Guangzhou Changliu Project, the Group will benefit from a stable and healthy growth period where the Company could rejuvenate from past difficulties. Physical hardware for Changliu will be improved where necessary and good quality property management will be applied to ensure steady increase in rentals.

The value of this project is the portion of acquired land earmarked for redevelopment along the proposed greenbelt axis of modern CBD for Guangzhou not being requisitioned by the Guangzhou Government. The Company had enrolled the former management of Changliu, besides participating in the day to day administration of the rentable properties, to assist in the discussion and liaising for approval of the Reform Plan with Guangzhou Government. This arrangement will help to safeguard in realising the full inherent value to the benefit of the Company.

Employees

As at 31 December 2011, 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 detailed in note 16(f) to the financial statements, the Company did not have any significant investments or material acquisitions for the year ended 31 December 2011.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2011.

Commitments

Details of the commitments are set-out in note 15 to the financial statements.

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 2011. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 December 2011.

CORPORATE GOVERNANCE

During the year ended 31 December 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, 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 2011.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of Hong Kong Exchanges and Clearing Ltd (www.hkex.com.hk) and the Company (www.newcitychina.com). The 2011 Annual Report will be despatched to our shareholders on or before 30 April 2012 and will be available at the websites of the Stock Exchange and the Company.

CHANGE OF COMPANY NAME

The Board also announces that the Company proposes to change the English name of the Company from "New City (China) Development Limited" to "New City Development Holdings Limited" and the adoption of the Chinese name "新城市建設發展控股有限公司" for identification purpose only to replace the existing Chinese name "新城市（中國）建設有限公司". The adoption of the new name of the Company is subject to (i) the passing of a special resolution by the Shareholders at the Annual General Meeting; and (ii) the approval by the Registrar of Companies in the Cayman Islands.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "Annual General Meeting") will be held on 9 May 2012. A circular containing the further details of the adoption of change of company name and the information required by the Listing Rules, together with the notice of the Annual General Meeting will be published on the Company's website and the Stock Exchange's website and sent to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 4 May 2012 to 9 May 2012 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at 18/F Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:30 pm on 3 May 2012.

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 2011.

BOARD OF DIRECTORS

As at the date of this announcement, the Company has (i) three executive directors, namely Mr. Han Junran (Chairman), Mr. Fu Yiu Kwong and 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 , 21 March 2011