



NEW CITY (BEIJING) DEVELOPMENT LIMITED

新城市(北京)建設有限公司*

Interim Report 2002

INTERIM RESULTS

The Board of Directors (“Board”) of New City (Beijing) Development Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 together with the comparative figures for the corresponding period in 2001 were as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2002

	Notes	Six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 HK\$'000
Turnover	3	1,188	10,656
Cost of sales		–	(10,973)
Gross profit (loss)		1,188	(317)
Other revenue		3,403	2,378
Selling expenses		–	(825)
General and administrative expenses		(18,457)	(21,945)
Loss from operations		(13,866)	(20,709)
Financial costs		(3,435)	(7,545)
Loss before taxation		(17,301)	(28,254)
Taxation	4	–	–
Loss after taxation		(17,301)	(28,254)
Minority interests		30	142
Net loss for the period		(17,271)	(28,112)
Loss per share (HK cents)	5		
Basic		(6.36)	(10.65)

Condensed Consolidated Balance Sheet

As at 30 June 2002

		2002	2001
		30 June	31 December
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investment properties	6	258,797	260,562
Property, plant and equipment		96,004	108,937
Restricted cash		518	518
		355,319	370,017
Current assets			
Property under development for sale		656,512	623,088
Prepayments and other receivables		79,485	14,130
Instalment contract receivables		2,514	3,886
Accounts receivable	9	39,558	39,329
Amount due from related companies	17(b)	8,177	–
Bank balances and cash		66,891	196,306
		853,137	876,739
Current liabilities			
Accounts payable	10	(174,592)	(171,675)
Taxes payable		(166,894)	(168,258)
Accruals and other payables		(118,567)	(122,815)
Sales deposits		(45,929)	(28,286)
Bank borrowings		(182,103)	(200,311)
Amount due to a related company	17(c)	(179)	(2,951)
Amount due to a director		(170)	–
Land demolition payable		(263,679)	(263,679)
Current portion of obligations under finance leases and hire purchase contracts		(100)	(100)
		(952,213)	(958,075)
Net current liabilities		(99,076)	(81,336)
Total assets less current liabilities		256,243	288,681

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2002

		2002	2001
		30 June	31 December
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
Minority interests		(1,232)	(1,177)
Non-current liabilities			
Long-term payable		(46,642)	(46,642)
Bank borrowings		(242,888)	(242,913)
Obligations under finance leases and hire purchase contracts		(242)	(292)
		(289,772)	(289,847)
		(34,761)	(2,343)
Capital and reserves			
Share capital	12	272	272
Reserves	13	(35,033)	(2,615)
		(34,761)	(2,343)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2002

	Six months ended 30 June (Unaudited)	
	2002	2001
	HK\$'000	HK\$'000
Net loss for the period	(17,271)	(28,112)
Net deficit on revaluation	(15,147)	–
Total recognised losses	(32,418)	(28,112)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2002

	Six months ended 30 June (Unaudited)	
	2002	2001
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(93,296)	(2,259)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,749)	(7,767)
NET CASH (OUTFLOW) INFLOW FROM FINANCING	(32,370)	6,693
DECREASE IN CASH AND CASH EQUIVALENTS	(129,415)	(3,333)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	196,306	6,006
CASH AND CASH EQUIVALENTS, END OF PERIOD	66,891	2,673
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	66,891	2,673

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2002

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2001, except as described below:

The following recently issued and revised SSAPs are effective for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

There is no impact to the financial results and the financial position of the Group by the adoption of the above new or revised SSAPs.

Certain comparative figures have been reclassified to conform to the current period's presentation.

3. SEGMENT INFORMATION

The Group's turnover and contribution to operating loss before taxation for the six months ended 30 June 2002 and 2001, analysed by principal activity are as follows:

	Turnover		Contribution to operating loss before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<i>By principal activity:</i>				
Property development	1,188	10,656	1,188	(317)
Property investment	-	-	-	-
Other revenue			3,403	2,378
Finance costs			(3,435)	(7,545)
Operating expenses			(18,457)	(22,770)
Loss before taxation			(17,301)	(28,254)

No geographical analysis of the Group's consolidated turnover and contribution is shown as the operating business of the Group is solely carried out in Beijing, The People's Republic of China (the "PRC").

4. TAXATION

Income Tax

The companies of the Group which are operating in Hong Kong are subject to profits tax at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong for the period. 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 2002 and 2001.

The companies of the Group which are operating in the PRC are subject to enterprise income tax at a rate of 33%. No provision for PRC enterprise income tax has been made as the Group has no assessable income for PRC tax for the six months ended 30 June 2002 and 2001.

4. TAXATION (Continued)

Land Appreciation Tax

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the balance of the proceeds received on transfer of real properties after deducting certain items including consideration paid for acquisition of land use rights, land development costs incurred, construction costs and taxes paid in relation to the transfer of real properties.

Business Tax

The Group is subject to the business tax at 5% on its turnover and other revenue.

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period for the six months ended 30 June 2002 of approximately HK\$17,271,000 (Six months ended 30 June 2001: approximately HK\$28,112,000) and on the weighted average of 271,758,000 (Six months ended 30 June 2001: 263,855,000) shares in issue during the respective periods.

The diluted loss per share figure for six months ended 30 June 2002 and six months ended 30 June 2001 has not been presented as the exercise of the outstanding options would result in a decrease in loss per share.

6. INVESTMENT PROPERTIES

The Group's investment properties were revalued at their open market value at 30 June 2002 by Messrs. Vigers Hong Kong Limited, an independent firm of professional property valuers, on open market value basis. This valuation gave rise to a revaluation decrease of HK\$5,382,000 which has been debited to the investment property revaluation reserve and minority interests.

The investment properties are held outside Hong Kong under medium term lease.

7. DEPRECIATION

During the period, depreciation of HK\$1,667,000 (2001: HK\$1,362,104) was charged in respect of the Group's property, plant and equipment.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$664,000 on property, plant and equipment.

9. ACCOUNTS RECEIVABLE

	As at 30 June 2002 HK\$'000	As at 31 December 2001 HK\$'000
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Accounts receivable with aging analysis :		
Within 3 months	–	105
4-6 months	213	–
7-9 months	–	4,080
10-12 months	–	13,537
Over 1 Year	39,345	21,607
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	39,558	39,329
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The terms of payment in respect of the Group's sales of properties are in accordance with the terms of respective sales contracts.

10. ACCOUNTS PAYABLE

	As at 30 June 2002 HK\$'000	As at 31 December 2001 HK\$'000
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Accounts payable with aging analysis :		
Within 3 months	10,113	–
4-6 months	2,205	106
7-9 months	–	9,995
10-12 months	–	–
Over 1 year	162,274	161,574
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	174,592	171,675
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11. RESTRICTED CASH

As at 30 June 2002, pursuant to the terms of certain guarantee agreements, cash of approximately HK\$518,000 were designated as guarantee against mortgage facilities provided by a bank to buyers of the Group's properties (see note 14 below). Accordingly, the use of the cash balances is restricted.

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised:		
Balance as at 30 June 2002 & 31 December 2001	500,000,000	500
Issued and fully paid:		
Balance as at 30 June 2002 & 31 December 2001	271,758,000	272

13. RESERVES

	Share		Investment		Translation reserve	Retained profit (deficit)	Total
	premium	Contributed surplus	Property revaluation reserve	property revaluation reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	20,773	4,755	63,367	58,093	1,664	(151,267)	(2,615)
Net loss for the period	-	-	-	-	-	(17,271)	(17,271)
Net deficit on revaluation	-	-	(9,819)	(5,328)	-	-	(15,147)
At 30 June 2002	20,773	4,755	53,548	52,765	1,664	(168,538)	(35,033)

14. CONTINGENT LIABILITIES

The Group had provided guarantees for mortgage facilities provided by a bank to the buyers of properties developed by the Group. In addition, bank balances of approximately HK\$518,000 (31 December 2001: HK\$518,000) as at 30 June 2002 were restricted as guarantee for these mortgages. As at 30 June 2002, the outstanding amount of the above mentioned mortgage facilities for which the Group had provided guarantees amounted to approximately HK\$7,719,000 (31 December 2001: HK\$8,509,000).

15. CAPITAL AND CONSTRUCTION COMMITMENTS

	As at 30 June 2002 HK\$'000	As at 31 December 2001 HK\$'000
At 30 June 2002, the Group had the following capital and construction commitments:		
Capital expenditure in relation to the land and buildings contracted but not provided for	–	2,390
Capital expenditure in relation to the property under development contracted but not provided for	113,433	45,043
Capital expenditure in relation to the property under development authorised but not contracted for	645,356	560,220
	758,789	607,653

16. PLEDGE OF ASSETS

At 30 June 2002, the Group had pledged its properties with an aggregate net book value of HK\$989,088,000 (2001: HK\$989,088,000) to secure bank loans granted to its subsidiaries.

17. RELATED PARTY TRANSACTIONS

- (a) The Group had the following significant transactions with related parties conducted on terms arrived at by reference to market prices during the period:

	As at 30 June 2002 HK\$'000	As at 31 December 2001 HK\$'000
Rental income from a company controlled by a company	–	325

- (b) At 30 June 2002, the amount due from related companies, which are controlled by a director, was HK\$8,177,000 which is unsecured and non-interest bearing.

- (c) At 30 June 2002, the amount due to a related company, which is controlled by a director, was HK\$179,000 which is unsecured and non-interest bearing.

17. RELATED PARTY TRANSACTIONS (Continued)

- (d) In October 1999, the joint venture partners of Beijing Zhong Zheng Real Estate Development Co., Limited ("Beijing Zhong Zheng") entered into an agreement, pursuant to which Guozheng Economics Development Company Limited ("Guozheng") will give up all its interest in Beijing Zhong Zheng in exchange for a fixed return as defined in the agreement. After completion of the transaction, Beijing Zhong Zheng became a wholly-owned subsidiary of the Company. Accordingly, the amount due to Guozheng of HK\$1,695,000 (31 December 2001: HK\$2,442,000) was included in accounts payable and the previous capital investment of HK\$46,642,000 (31 December 2001: HK\$46,642,000) made by Guozheng was reclassified as a long-term payable.
- (e) Guozheng has jointly guaranteed the land demolition payable by the Group totalling approximately HK\$228,811,000 as at 30 June 2002 (31 December 2001: HK\$228,811,000).

18. COMPARATIVE FIGURES

Certain comparative figures for six months ended 30 June 2002 and 2001, and as of 31 December 2001 have been reclassified to conform to the current interim period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

During the six-month period under review, the Group's turnover and net loss for the period amounted to approximately HK\$1.2 million and HK\$17.3 million respectively, compared with the figures of approximately HK\$10.7 and HK\$28.1 million respectively for the first half of 2001. Basic loss per share for the period was HK cents 6.4, decreased by 39.9% as compared with HK cents 10.65 for the corresponding period in 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: nil).

Review of Operations

In the first half of the year the Group obtained encouraging response from the private pre-sale of China Securities Building ("CSB") that commenced in March 2002. Total provisional contracts for sales of CSB office units already entered into with the buyers amounted to US\$9.9 million (equivalent to HK\$77.5 million). Hence the Group is confident in an excellent growth in turnover and operating profit from its property operations when the above office units are formally offered for sale in the year 2004.

Recent Development of China Securities Building

The Directors are pleased to report that the construction of CSB has been progressing well. Details are as follows:

- a) The new design of the complex has been completed as a twin tower office complex sitting on a 5-storey podium with 4 underground levels.
- b) The construction of the project is progressing in full speed. As at 30 June 2002 an equivalent of HK\$39.2 million of work has been completed.
- c) The belowground structural work should be completed by October 2002 and the superstructure should be completed by the middle of 2003.
- d) The projected date for the start of tenant finishing is the middle of 2004, and total completion of the project is scheduled to be the end of 2004.

PROSPECTS

The Directors are of the view that the PRC's accession to World Trade Organization and Beijing's right to host the 2008 Olympics will continue to facilitate property development in Beijing, particularly the premier commercial property market. The Group is well positioned to benefit from all these opportunities as it continues to focus on office property development and investment in down town Beijing.

Strategically located in Beijing Wall Street, the Group's flagship building CSB is scheduled to be completed in late 2004. The sale of CSB office units will generate steady cash inflow and income for the Group in order to establish a solid foundation for the future development of the Group.

The Group's business objective is to become a premier developer and investor in the property market of Beijing. The Group has been actively looking for opportunity to acquire any favourable land bank or property development projects in Beijing to enhance the earning base and investment value of the Group.

Internally the Group shall rigorously implement a sound management system for the best exploitation of both human and physical resources. Externally the Group maintains an open attitude towards joint venture with renowned international firms for the Group's projects in Beijing. In the meantime, the Group will endeavour to enhance its corporate image and earning capability.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding Requirements

As at 30 June 2002, the Group's borrowings amounted to approximately HK\$425 million. Of the total bank borrowings, HK\$182.1 million, HK\$242.8 million and HK\$0.1 million are repayable on or before 31 December 2002, 31 December 2003 and 31 December 2004 respectively.

The gearing ratio (total debts/total assets of the Group) was 1.03 as at 30 June 2002 (as at 31 December 2001: 1.00). The Group had pledged its properties with an aggregate net book value of HK\$989,088,000 to secure bank loans.

The majority of the Group's operations are in the PRC, there is no significant exchange rate fluctuations during the period under review. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimize the foreign exchange risk and exposure.

FINANCIAL RESULTS (Continued)

Contingent Liabilities

The Group had provided guarantees for mortgage facilities by a bank to the buyers of its properties developed by the Group. In addition, bank balances of approximately HK\$518,000 as at 30 June 2002 were restricted as guarantee for these mortgages. As at 30 June 2002, the outstanding amount of the abovementioned mortgage facilities for which the Group had provided guarantees amounted to approximately HK\$7,719,000.

On 5 August 2002 the Company's solicitors acknowledged service of a writ of summons (the "Writ") issued by Sun Hung Kai Properties Consultants Limited ("SHKPCL") against, among others, the Company, claiming for the sum of approximately HK\$3.1 million being the alleged compensation for the alleged breach of a tenancy agreement entered into between SHKPCL and a subsidiary of the Group in respect of the previous office premises of the Company. It is the intention of the Company to defend the case.

Subsequent Events

On 12 August 2002 the Group conditionally agreed to dispose of 49% of its interest in a subsidiary Tong Sun Limited to Starry Joy Properties Investment Ltd, a wholly and beneficiary owned subsidiary of Continental Mariner Investment Company Limited, for a total cash consideration of HK\$210 million. Details of the disposal have been announced as a major transaction.

With regard to the acquisition of 49% equity interest in Fountainwood Limited and 100% benefit of the shareholder's loan by New Rank (BVI1) Limited from the controlling shareholder Mr. Leung Kwo for a consideration of HK\$68 million, the acquisition was satisfied by issuance of a convertible note to Mr. Leung Kwo on 31 January 2002. As Beijing Shiyuan Guanghua Real Estate Development Limited failed to fulfill certain conditions, the Group will reverse the acquisition in accordance with the terms of the sale and purchase agreement signed. The Company will issue a further announcement in relation to the reversion.

Upon completion of the disposal of 49% interest in our subsidiary Tong Sun Limited, the existing shareholder (which is our wholly owned subsidiary) of Tong sun Limited shall execute share and loan securities in favour of the subscriber for:

- a) the due performance of all and each of the obligations and liabilities to be performed on the part of the existing shareholder under the relevant sale and purchase agreement; and

FINANCIAL RESULTS (Continued)

Subsequent Events (Continued)

- b) the due repayment of the full amount of the loans to associates on demand.

STAFF

As at 30 June 2002, the Group has employed about 80 employees in both 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. During the period under review, share options have been granted to certain directors and staff of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2002.

DIRECTORS' INTEREST IN SHARES

1. Shares

As at 30 June 2002, the director had the following interests in the number of shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

Name of Director	Number of shares held Personal
Leung Kwo	4,800,000

Save as disclosed above and certain nominee shares in subsidiaries held by the directors in trust for the Group, none of the directors and their associates had and has any beneficial interest as at 30 June 2002 in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTEREST IN SHARES (Continued)**2. Share Options**

As at 30 June 2002, the directors had the following interests in the share options of the Company as follows:

Name	Exercisable period	Exercise Price Per Share (HK\$)	Outstanding as at 1 January 2002	Number of share options		Outstanding as at 30 June 2002
				Granted during the period	Exercised during the period	
Leung Kwo	27/07/2000 to 26/07/2003	1.04	1,450,000	-	-	1,450,000
Han Junran	15/02/2001 to 14/02/2004	0.69	5,000,000	-	-	5,000,000

Save as disclosed above, at no time during the six months ended 30 June 2002 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Similarly, none of the spouses or children under the age of 18 of the directors had any rights to subscribe for securities of the Company or had exercised any such rights during the six months ended 30 June 2002.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following companies had interests of 10% or more of the issued share capital of the Company as recorded in the register maintained under Section 16(1) of the SDI Ordinance:

Name	Number of Shares	Approximate percentage of holding
New Rank Groups Limited ("NRG")	120,254,297	44.25%
Silver World Limited	120,254,297	44.25%
Royal Bank of Canada Trust Company (Cayman) Limited	120,254,297	44.25%

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. NRG is a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited ("Royal Bank Trustee").
2. Royal Bank Trustee is the trustee of a discretionary trust called New Rank Trust. The beneficiaries of the New Rank Trust include a holding company and its wholly-owned subsidiary and certain relatives of Mr. Leung Kwo and Ms. Lau Suen, wife of Mr. Leung Kwo, provided that such individuals are not residents of Canada for tax purpose nor residents of the PRC. The holding company is wholly-owned by another discretionary trust called Hold Trust.
3. The beneficiaries under the Hold Trust include the lineal descendants (together with their spouses) of every degree of consanguinity of the paternal grandfather and maternal grandfather of each of Mr. Leung Kwo and Ms. Lau Suen provided that they are not residents of Canada for tax purposes nor residents of the PRC.
4. Under letters of wishes (which are not legally binding) issued to the trustees of both trusts, the trustees are requested to obtain the views of Ms. Lau Suen (or upon her death, Mr. Leung Kwo) from time to time on all matters relating to the trusts and consider her views as if they were the settler's.

So far as is known to any director or chief executive of the Company, the only company (other than members of the Group) directly or indirectly interested in 10% or more of the voting power at general meetings of the subsidiaries of the Company is set out below:

Name of Owner	Name of subsidiary	Percentage of equity interest
Guozheng Economic Development Company Limited ("Guozheng")	Beijing Zhong Zheng Real Estate Development Co., Ltd. ("BJZZ")	34%

Note:

BJZZ was established on 5 June 1995. Its existing joint venture partners are Tong Sun Limited ("Tong Sun"), a subsidiary of the Company, Guozheng and Beijing Finance Street Construction & Development Co. Ltd. ("Finance Street Development") and its capital contributions are as to 66% by Tong Sun and 34% by Guozheng. Pursuant to an agreement entered into between Finance Street Development, Guozheng and Tong Sun on 9 October 1999, Tong Sun became entitled to 100% of the economic benefit of BJZZ and Guozheng becomes entitled to a fixed distribution by way of the ownership right of an office space in the China Securities Building, the property being developed by BJZZ, of gross floor areas of 7,000 square metres upon the completion of construction of the China Securities Building.

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, the Company has not been notified of any other interest as at 30 June 2002 representing 10% or more of the issued share capital of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this Interim Report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial statements of the Company for the six months ended 30 June 2002.

By Order of the Board
Leung Kwo
Chairman

Hong Kong, 27 September 2002