2005

Interim Report

NEW CITY (BEIJING) DEVELOPMENT LIMITED

新城市 (北京) 建設有限公司

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

During the six-month period under review, the Group generated no turnover and net loss for the period amounted to approximately HK$9,890,000, whereas the Group's turnover and net loss for the first half of 2004 were HK$1,966,000 and HK$18,332,000 respectively. Basic loss per share for the period was HK3.64 cents (six months ended 30 June 2004: HK6.75 cents).

Reasons for the improved results for the six months ended 30 June 2005 were due to the reduction of the administrative expenses and finance costs as a result of the disposal of one of a major group of subsidiaries in mid September 2004.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: nil).

BUSINESS REVIEW

During the period, the group continued to monitor the construction progress of China Securities Plaza and was engaged in negotiations with the major creditor and pending to sign the supplemental agreement to extend the loans.

CONSTRUCTION PROGRESS OF CHINA SECURITIES PLAZA

With the support from China Network Communications Group Corporation (the "Netcom") under the agreement dated 23 December 2003, the structural construction of the China Securities Plaza had been completed. The exterior decoration, services installation and interior decoration are in progress.

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

Since the Group entered into an agreement with Netcom regarding certain financial and construction arrangements of China Securities Plaza by the end of December 2003, trading in shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 30 December 2003, pending the release of an announcement by the Company regarding a major transaction relating to China Securities Plaza.

The Stock Exchange questioned whether the Company had a sufficient level of assets and operations. The Board is now working closely with the Stock Exchange by submitting all the requisite information, with an aim of complying with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and enabling the continued listing of its shares on the Stock Exchange. As at the date of this report, the Stock Exchange still considers that the Group has not fully addressed the issues raised. As such, the Group continues to discuss with the Stock Exchange in this respect.

PROSPECT

The Board will continue to monitor the construction progress of China Securities Plaza and ensure its completion by the end of 2005. Furthermore, the Board is in negotiation with some of shareholders of the Company and independent financial institutions for certain fund raising proposals in order to strengthen the financial position and also commence to identify new investment projects with a view to consolidate its operations and income stream.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding Requirements

As at 30 June 2005, the Group had obligations under hire purchase contracts of approximately HK$383,000 (as at 31 December 2004: approximately HK$798,000) and the bank borrowings amounted to approximately RMB240,000,000 (equivalent to HK$224,299,000) (as at 31 December 2004: approximately RMB300,000,000 and equivalent to approximately HK$280,374,000), that is secured, interest-bearing and repayable within one year.

Other borrowings of HK$210,000,000 as at 30 June 2005 (as at 31 December 2004: HK$210,000,000) are repayable within one year, of which HK$165,000,000 (as at 31 December 2004: HK$165,000,000) was secured on the shares in the Company held by a director and a former director and interest free. Other unsecured loans of HK$45,000,000 (as at 31 December 2004: HK$45,000,000) was interest bearing at 6% per annum.

As at 30 June 2005, the Group's total assets was approximately HK$1,447,819,000 (as at 31 December 2004: approximately HK$1,178,439,000) whereas total debts amounted to approximately HK$446,073,000 (as at 31 December 2004: approximately HK$490,374,000). The gearing ratio (total debts/total assets of the Group) was 0.31 as at 30 June 2005 (as at 31 December 2004: 0.42). As at 30 June 2005, the cash and bank balances was approximately HK$97,285,000 (as at 31 December 2004: approximately HK$100,014,000) and the current ratio (current assets/current liabilities) was 0.91as at 30 June 2005 (as at 31 December 2004: 0.89).

Foreign Exchange Exposure

The majority of the Group's operations are located in the PRC, and the main operational currencies are Hong Kong Dollars and Renminbi, there is no significant exchange rate fluctuation during the period under review.

Starting from 21 July 2005, China reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar. The Directors do not anticipate any significant foreign exchange loss as a result of changes in exchange rate between Hong Kong Dollars and Renminbi in the foreseeable future. The Group has no plan to make any foreign currency hedging arrangement to minimize the foreign exchange risk and exposure.

Pledge of assets

As at 30 June 2005, the Group had pledged its properties under development with an aggregate net book value of approximately HK$443,925,000 (as at 31 December 2004: approximately HK$947,789,000) to secure bank loans granted and amounts payable in respect of respective land development cost totalling approximately HK$250,869,000 (as at 31 December 2004: approximately HK$306,944,000).

Contingent Liabilities

(a) In October 2002, one of the creditors of the Group filed a notice of arbitration against the PRC subsidiary holding the property for development for sale for a total amount of approximately RMB290 million, which relates to certain land development cost for the property of approximately RMB222 million and interest penalty of approximately RMB68 million. A court order against the PRC subsidiary was issued on 22 October 2002 either to freeze its bank deposits or to attach its assets for an amount up to RMB50 million. The Group has entered into a settlement agreement (the "Agreement") and rescheduled the outstanding amounts payable to the creditor. The rescheduled payment has been executed in accordance with the terms of the Agreement and therefore the directors are confident that the Group is not liable to pay the aforesaid interest penalty of approximately RMB68 million according to the Agreement.

(b) During the year ended 31 December 2002, purchaser of an unit of the Group's property under development for sale in the PRC took legal action to cancel the sale and purchase agreement of the aforesaid unit and to claim the refund of the deposits of RMB30 million paid together with interest and applied to freeze the bank balances or equivalent assets of the Group to the extent of RMB30 million. On 8 January 2003, the PRC court ordered that the Group is liable to refund the deposits together with interest to the purchaser. On 31 March 2003, the Group appealed to the court to object the decision based on the fact that the evidence provided by the purchaser are not valid. The directors of the Group, based on the opinion of the independent legal advisers, considered that the claim from the purchaser will be overruled and no provision for the loss is necessary.

(c) The Group has given guarantees to banks in respect of the loans of the amounts USD2,500,000 and RMB14,000,000 granted to Beijing New Rank Real Estate Development Co., Limited, a former subsidiary of the Group.

EMPLOYEES

As at 30 June 2005, the Group has employed about 50 employees in both the PRC and Hong Kong. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, the interests and short positions of the directors and their associates in the share capital and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows: —

Long positions
Ordinary shares of HK$0.001 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Han Junran	Beneficial owner *(Note i)*	13,587,900	5%

Note:

(i) Pursuant to a share charge entered into between New Rank Groups Limited ("NRG"), 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"), and Mr. Han Junran as chargors and Starry Joy Properties Investment Ltd. ("Starry Joy"), a wholly-owned subsidiary of Poly (Hong Kong) Investments Limited (formerly known as Continental Mariner Investment Company Limited) ("Poly HK"), as chargee dated 23 June 2003, among other things, Mr. Han Junran charged his interest 5% of the issued share capital of the Company, representing 13,587,900 shares of the Company, in favour of Starry Joy.

Other than as disclosed above, none of the directors nor their associates had any interests and short positions in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of a director or chief executive of the Company, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held (long position (L)/ short position (S))	Percentage of the issued share capital of the Company
Poly HK	Person having a security Interest in shares *(Note 1)*	67,939,500 (L)	25%
NRG	Beneficial owner *(Notes 1 and 2)*	54,351,600 (L) 54,351,600 (S)	20%
Silver World Limited	*(Note 2)*	54,351,600 (L) 54,351,600 (S)	20%
Royal Bank Trustee	*(Note 3)*	54,351,600 (L) 54,351,600 (S)	20%
Wei Ping	Beneficial owner	47,032,000 (L)	17.31%
Lu Shu Guang	*(Notes 1 and 5)*	13,587,900 (L)	5%

Notes:

(1) Pursuant to a share charge entered into between NRG and Mr. Han Junran as chargors and Starry Joy, a wholly-owned subsidiary of Poly HK, as chargee dated 23 June 2003, NRG and Mr. Han Junran charged their respective interests in 20% and 5% of the issued share capital of the Company, representing 54,351,600 shares and 13,587,900 shares of the Company respectively, in favour of Starry Joy. By virtue of its shareholding in Starry Joy, Poly HK is deemed to be interested in 67,939,500 shares of the Company under the SFO.

(2) NRG is a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank Trustee.

(3) 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 Shun, wife of Mr. Leung Kwo, provided that such individuals are not residents of Canada of tax purpose nor residents of the PRC. The holding company is wholly-owned by another discretionary trust called Hold Trust.

(4) 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 Shun provided that they are not residents of Canada for tax purposes nor residents of the PRC.

(5) Ms. Lu Shu Guang is the spouse of Mr. Han Junran, a Director and Chairman of the Company. Ms. Lu is deemed interested in the 13,587,900 shares of the Company held by Mr. Han Junran under the SFO.

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 5% 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") *(Note 1)*	Beijing Zhong Zheng Real Estate Development Co., Ltd ("Beijing Zhong Zheng)	34%
Starry Joy *(Note 2)*	Tong Sun Limited ("Tong Sun")	49%

Notes:

(1) Beijing Zhong Zheng was established on 5 June 1995. Its existing joint venture partners are 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 Beijing Zhong Zheng and Guozheng becomes entitled to a fixed distribution by way of the ownership right of an office space in the China Securities Plaza, the property being developed by Beijing Zhong Zheng, of gross floor area of 7,000 square metres upon the completion of construction of the China Securities Plaza.

(2) Starry Joy is entitled to a preferred dividend of HK$94.6 million of Tong Sun and repayment of its loan and loan from Poly HK together with interest accrued thereon are in priority over the preferred dividend payment to the Group by Tong Sun, which is up to hK$136 million. After the payment of the aforesaid preferred dividend payments and repayment of all loans from Starry Joy and Poly HK, dividend and/or distribution to be declared by Tong Sun will be in the following proportion:

The Group:	75%
Starry Joy:	25%

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions as at 30 June 2005 representing 5% or more of the issued share capital of the Company.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 14 June 2002 and no options have been granted since its adoption. All the outstanding options were lapsed during the year ended 31 December 2004.

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 2005.

CORPORATE GOVERNANCE

In the opinion of the Directors, 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 2005, save for the deviation from the code provisions listed below:

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. In view of the straightforwardness in the current business activities of the Group, the Board considers the present management structure is sufficient to oversee the operation of the Group. However, the Company will review the structure from time to time and in the future should it consider appropriate and necessary, the Company will make necessary arrangements to comply with the Code provision.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and **code provision A.4.2** stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following annual 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.

According to the Company's Articles of Association, one-third of the Directors for the time being shall retire from the office by rotation at each annual general meeting provided that the chairman of the board and/or the managing director of the Company shall not be subject to retirement by rotation. In addition, the three independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

The current articles of association of the Company do not comply fully with the code provisions. The Board will review the relevant articles of association and propose any amendment, if necessary, to ensure compliance with the code provisions A.4.1 and A.4.2.

Code provision B.1 provides that a remuneration committee should be established with specific written terms of reference which deal clearly with its authority and duties. The Company did not establish a remuneration committee during the six months ended 30 June 2005 and arrangements will be made to comply with the code provision as soon as possible.

The Company will from time to time review the existing policies and internal control procedures and operation to ensure adherence to the relevant requirements of the Code as necessary.

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 2005.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Wong Shing Kay, Oliver and Mr. Zheng Qing. The Audit Committee has reviewed with 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 2005.

CHANGE OF AUDITORS

The Board announces that KLL Associates CPA Limited ("KLL") resigned as auditors of the Company because of the combination of their practice with that of BDO McCabe Lo Limited which took place on 1 August 2005. For that reason, BDO McCabe Lo Limited are appointed as the new auditors of the Company following the resignation of KLL effective from 23 September 2005 and to hold office until the conclusion of the next annual general meeting of the Company.

KLL confirmed that there was no circumstances connected with their resignation, which they considered should be brought to the attention of the members or creditors of the Company or its subsidiaries.

By Order of the Board
Han Junran
Chairman

Hong Kong, 23 September 2005

INTERIM RESULTS

The Board of Directors (the "Board") of New City (Beijing) Development Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with the comparative figures for the corresponding period in 2004. The unaudited condensed consolidated financial statements have not been reviewed by the Company's auditors but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		Six months ended 30 June	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Turnover	*3*	**—**	1,966
Other income		**—**	47
Administrative expenses		**(8,480)**	(16,500)
Loss from operations	*5*	**(8,480)**	(14,487)
Finance costs	*6*	**(1,410)**	(4,929)
Loss before taxation		**(9,890)**	(19,416)
Taxation	*7*	**—**	1,084
Loss for the period		**(9,890)**	(18,332)
Attributable to:			
Equity holders of the Company		**(9,890)**	(18,355)
Minority interests		**—**	23
		(9,890)	(18,332)
Dividends	*8*	**—**	—
Loss per share *(HK cents)*			
Basic	*9*	**(3.64)**	(6.75)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

	Notes	At 30 June 2005 HK$'000 (Unaudited)	At 31 December 2004 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,870**	2,823
CURRENT ASSETS			
Property under development for sale		**1,214,751**	947,789
Prepayments and other receivables		**132,913**	127,813
Bank balances and cash		**97,285**	100,014
		1,444,949	1,175,616
CURRENT LIABILITIES			
Accounts payables	*11*	**158,327**	213,414
Accruals and other payables		**45,082**	40,067
Advances from customers		**929,907**	556,075
Land development cost payable		**26,570**	26,570
Obligations under finance leases		**383**	751
Bank borrowings		**224,299**	280,374
Other borrowings		**210,000**	210,000
		1,594,568	1,327,251
NET CURRENT LIABILITIES		**(149,619)**	(151,635)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(146,749)**	(148,812)
NON-CURRENT LIABILITIES			
Obligations under finance leases		**—**	47
Convertible bond	12	**11,774**	—
		11,774	47
		(158,523)	(148,859)
CAPITAL AND RESERVES			
Share capital		**272**	272
Reserves		**(158,795)**	(149,131)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(158,523)**	(148,859)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible bond HK$'000	Property revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Equity attributable to equity holders of the Company HK$'000
At 1 January 2005	272	20,773	4,755	–	–	–	(108)	(174,551)	(148,859)
Loss for the period	–	–	–	–	–	–	–	(9,890)	(9,890)
Issue of convertible bond	–	–	–	226	–	–	–	–	226
At 30 June 2005	272	20,773	4,755	226	–	–	(108)	(184,441)	(158,523)
At 1 January 2004	272	20,773	4,755	–	33,969	2,572	1,811	(345,997)	(281,845)
Net surplus on revaluation of properties	–	–	–	–	1,002	–	–	–	1,002
Deferred tax liabilitiy arising on revaluation of properties	–	–	–	–	(616)	–	–	–	(616)
Net gain not recognised in the consolidated income statement	–	–	–	–	386	–	–	–	386
Loss for the period	–	–	–	–	–	–	–	(18,355)	(18,355)
Realised on disposals of land and buildings	–	–	–	–	(1,249)	–	–	1,249	–
At 30 June 2004	272	20,773	4,755	–	33,106	2,572	1,811	(363,103)	(299,814)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended 30 June 2005	Six months ended 30 June 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
NET CASH FROM OPERATING ACTIVITIES	**43,682**	9,942
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(511)**	3,432
NET CASH USED IN FINANCING ACTIVITIES	**(45,900)**	(5,537)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,729)**	7,837
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**100,014**	69,181
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**97,285**	77,018
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**97,285**	77,018

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. BASIS OF PRESENTATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on a going concern basis, notwithstanding that the Group had net deficiencies in assets as at 30 June 2005.

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial assets which are stated at fair values. The accounting policies and basis of preparation adopted for the preparation of the interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2004 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are as follows:

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Convertible bond

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principle impact of HKAS 32 on the Group is in relation to convertible bond issued by the Company that contains both liability and equity components. The equity component of the convertible bond of HK$226,000 has been credited to reserves of the Group in current period. The convertible bond was issued during the current period and therefore, this change has had no material effect on the results for the prior period.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. This change has had no material effect on the results for the current or prior periods.

Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. This change has had no material effect on the results for the current or prior periods.

3. TURNOVER

The Group generated no turnover for the period. Turnover of the corresponding period represents rental income less business tax.

4. SEGMENTS INFORMATION

For management purposes, the Group is currently organised into two operating divisions — property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	Property development six months ended 30 June		Property investment six months ended 30 June		Consolidated six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**—**	—	**—**	1,966	**—**	1,966
Results						
Segment results	**—**	—	**—**	(5,025)	**—**	(5,025)
Other income					**—**	14
Unallocated corporate expenses					**(8,480)**	(9,476)
Loss from operations					**(8,480)**	(14,487)
Finance costs					**(1,410)**	(4,929)
Loss before taxation					**(9,890)**	(19,416)
Taxation					**—**	1,084
Loss for the period					**(9,890)**	(18,332)

No geographical segment information of the Group is shown as the operating business of the Group is solely carried out in Beijing, The People's Republic of China (the "PRC").

5. LOSS FROM OPERATIONS

	Six months ended 30 June 2005	Six months ended 30 June 2004
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**464**	1,348
and after crediting:		
Interest income	**—**	14

6. FINANCE COSTS

	Six months ended 30 June 2005	Six months ended 30 June 2004
	HK$'000	*HK$'000*
Interest on:		
— Bank loans and overdrafts wholly repayable within five years	**7,508**	13,663
— Other loans wholly repayable within five years	**1,287**	1,338
— Convertible bond	**120**	—
— Finance leases	**3**	61
Total borrowing costs	**8,918**	15,062
Less: Amounts capitalised	**(7,508)**	(10,133)
	1,410	4,929

7. TAXATION

	Six months ended 30 June 2005	Six months ended 30 June 2004
	HK$'000	*HK$'000*
Income tax charge	**—**	—
Land appreciation tax charge	**—**	(925)
	—	(925)
Deferred tax credit	**—**	2,009
	—	1,084

Income tax

The Company's subsidiaries operating in Hong Kong are subject to profits tax at the rate of 17.5% for the six months ended 30 June 2005 (six months ended 30 June 2004: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group has no assessable income for Hong Kong Profits Tax for the six months ended 30 June 2005 and 2004.

The group companies operating in the PRC are subject to enterprise income tax at a rate of 33% (six months ended 30 June 2004: 33%) during the period. 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 2005 and 2004.

7. 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.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2005 (six months ended 30 June 2004: HK$nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2005 is based on the net loss attributable to shareholders of HK$9,890,000 (six months ended 30 June 2004: HK$18,355,000) and the weighted average number of 271,758,000 ordinary shares in issue during the six months ended 30 June 2005 (six months ended 30 June 2004: 271,758,000 ordinary shares).

No diluted loss per share for the six months ended 30 June 2005 and 2004 has been presented as the potential ordinary shares of the Company are anti-dilutive.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$511,000 (six months ended 30 June 2004: HK$2,570,000) on acquisition of property, plant and equipment.

11. ACCOUNTS PAYABLES

The aged analysis of accounts payables as at balance sheet date is as follows:

	At 30 June 2005 *HK$'000*	At 31 December 2004 *HK$'000*
Within 3 months	**7,240**	52,856
4 - 6 months	**38,334**	4,642
7 - 9 months	**105**	5,515
10 - 12 months	**4,280**	—
Over 1 year	**108,368**	150,401
	158,327	213,414

12. CONVERTIBLE BOND

On 1 March 2005, the Company issued a convertible bond bearing interest at 3% per annum with a principal amount of HK$12 million, which is convertible into the Company's ordinary shares, at a conversion price of HK$0.30 per share. The convertible bond, if exercised in full, will be convertible into 40,000,000 ordinary shares, representing approximately 14.7% of the existing issued share capital of the Company as at the interim balance sheet date. The net proceeds from the issue of the convertible bond will be used as working capital.

13. CONTINGENT LIABILITIES

(a) In October 2002, one of the creditors of the Group filed a notice of arbitration against the PRC subsidiary holding the property for development for sale for a total amount of approximately RMB290 million, which relates to certain land development cost for the property of approximately RMB222 million and interest penalty of approximately RMB68 million. A court order against the PRC subsidiary was issued on 22 October 2002 either to freeze its bank deposits or to attach its assets for an amount up to RMB50 million. The Group has entered into a settlement agreement (the "Agreement") and rescheduled the outstanding amounts payable to the creditor. The rescheduled payment has been executed in accordance with the terms of the Agreement and therefore the directors are confident that the Group is not liable to pay the aforesaid interest penalty of approximately RMB68 million according to the Agreement.

(b) During the year ended 31 December 2002, purchaser of an unit of the Group's property under development for sale in the PRC took legal action to cancel the sale and purchase agreement of the aforesaid unit and to claim the refund of the deposits of RMB30 million paid together with interest and applied to freeze the bank balances or equivalent assets of the Group to the extent of RMB30 million. On 8 January 2003, the PRC court ordered that the Group is liable to refund the deposits together with interest to the purchaser. On 31 March 2003, the Group appealed to the court to object the decision based on the fact that the evidence provided by the purchaser are not valid. The directors of the Group, based on the opinion of the independent legal advisers, considered that the claim from the purchaser will be overruled and no provision for the loss is necessary.

(c) The Group has given guarantees to banks in respect of the loans of the amounts USD2,500,000 and RMB14,000,000 granted to Beijing New Rank Real Estate Development Co., Limited, a former subsidiary of the Group.

14. CAPITAL AND CONSTRUCTION COMMITMENTS

	At 30 June 2005 ***HK$'000***	At 31 December 2004 *HK$'000*
At the balance sheet date, the Group had the following capital and construction commitments:		
Expenditure in relation to the property under development	**280,746**	446,811

15. PLEDGE OF ASSETS

At 30 June 2005, the Group had pledged its properties under development with an aggregate net book value of approximately HK$443,925,000 (as at 31 December 2004: approximately HK$947,789,000) to secure bank loans granted and amounts payable in respect of respective land development cost totalling approximately HK$250,869,000 (as at 31 December 2004: approximately HK$306,944,000).

16. COMPARATIVE FIGURES

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