



NEW CITY (CHINA) DEVELOPMENT LIMITED

新城市(中國)建設有限公司

Stock Code: 456

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The Board of Directors (the "Board") of New City (China) Development Limited (the "Company") is pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006.

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\$12,907,000, whereas the Group had no turnover and net loss for the first half of 2005 was HK\$9,890,000. Basic loss per share for the period was HK4.75 cents (six months ended 30 June 2005: HK3.64 cents).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: nil).

BUSINESS REVIEW

During the period, the Group continued to monitor the construction progress of China Securities Plaza in the final stage.

CONSTRUCTION PROGRESS OF THE 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. Netcom is now carrying out internal decoration and installation of utility facilities work on China Securities Plaza. Assuming that Netcom carries out the interior fittings normally, it is expected that construction of China Securities Plaza will be completed and delivered to Netcom before the end of 2006 subject to fulfillment of conditions precedent as described in the agreement dated 23 December 2003 and shareholders' approval.

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

Trading in the shares has been suspended on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 December 2003 at the request of the Company pending release of an announcement in relation to a possible major transaction of the Company involving China Securities Plaza. The Company was placed into the second stage of the delisting procedures on 12 January 2005 as the Stock Exchange is concerned about whether the Company meets the sufficient assets and operations requirements under Rule 13.24 of the Listing Rules. The Company is now actively preparing further information for submission to the Stock Exchange in order to substantiate that it meets the requirements under Rule 13.24 of the Listing Rules. Trading in the shares will remain suspended pending fulfillment of any conditions which may be imposed on the Company by the Stock Exchange and the Company will make an announcement upon resumption of trading.

PROSPECT

The Board will continue to monitor the construction progress of the China Securities Plaza and ensure its completion by the end of 2006. In the meantime, the Board will focus its effort in identifying new investment projects to improve its business performance.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2006, the Group did not have any obligations under hire purchase contracts (as at 31 December 2005: approximately HK\$47,000) and the bank borrowings amounted to approximately RMB120,000,000 (equivalent to approximately HK\$115,385,000) (as at 31 December 2005: approximately RMB170,000,000 and equivalent to approximately HK\$163,462,000), that is secured, interest-bearing and repayable within one year.

Other borrowings of HK\$210,000,000 as at 30 June 2006 (as at 31 December 2005: HK\$210,000,000) are repayable within one year. The loan of HK\$165,000,000 as at 30 June 2006 (as at 31 December 2005: HK\$165,000,000) was secured on the shares in the Company held by a director and a former director was interest free before 1 July 2005 and extended the repayment date up to 31 December 2005 into two portions: (i) repayment by cash

amounting to HK\$55,000,000 was interest bearing at 10% per annum; (ii) the balance of which amounting to HK\$110,000,000 will transfer such aggregate appraisal value of property to the borrower. Other unsecured loan of HK\$45,000,000 as at 30 June 2006 (as at 31 December 2005: HK\$45,000,000) was interest bearing at 10% per annum.

As at 30 June 2006, the Group's total assets was approximately HK\$1,841,100,000 (as at 31 December 2005: approximately HK\$1,878,344,000) whereas total debts amounted to approximately HK\$337,307,000 as at 30 June 2006 (as at 31 December 2005: approximately HK\$385,328,000). The gearing ratio (total debts/total assets of the Group) was 0.18 as at 30 June 2006 (as at 31 December 2005: 0.20). As at 30 June 2006, the cash and bank balances was approximately HK\$75,762,000 (as at 31 December 2005: approximately HK\$125,904,000) and the current ratio (current assets/current liabilities) was 0.92 as at 30 June 2006 (as at 31 December 2005: 0.92).

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. As the fluctuation in exchange rates of Renminbi against Hong Kong dollars was relatively stable, the foreign exchange exposure will have no significant impact to the Group.

PLEDGE OF ASSETS

As at 30 June 2006, the Group had pledged its property under development with an aggregate net book value of approximately HK\$1,579,257,000 (as at 31 December 2005: approximately HK\$1,564,583,000) to secure bank loans granted and amounts payable in respect of respective land development cost totalling approximately HK\$142,721,000 (as at 31 December 2005: approximately HK\$190,798,000).

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 under 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) 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.
- (c) On 23 December 2003, the Group had entered into an agreement with Netcom for the construction of China Securities Plaza. Pursuant to the agreement, the construction should be completed on 30 June 2005 and its ownership should be delivered to Netcom before 30 December 2005. Relevant penalties will be required upon the late delivery of ownership as follows:
 - i. 0.03% interest per day based on money received by the Group upon the late delivery within 90 days from 30 December 2005;
 - ii. if the late delivery will be more than 90 days from 30 December 2005, Netcom will have a right to either terminate the agreement and PRC subsidiary will be required to return all money received without interest and pay damages at the rate of 10% of the money received within 30 days upon receiving notice from Netcom; or require PRC subsidiary to pay damages at 0.03% interest per day of the moneys received for the period from 30 December 2005 to the date of delivery.

Completion of the construction of the China Securities Plaza has not taken place due to the fact that Netcom has not yet completed the interior fittings work carried out by it as anticipated. The site of the China Securities Plaza was handed over to Netcom around the end of October 2005 for it to carry out such work. Based on oral consultation with PRC legal advisers, the Company therefore believes the PRC subsidiary should not be liable for any damages for non-delivery by 30 December 2005 and Netcom should not be entitled to terminate the agreement because of delay in delivery.

OTHER INFORMATION

EMPLOYEES

As at 30 June 2006, the Group has employed about 59 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 2006, 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 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 ("Mr. Han")	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 as chargors and Starry Joy Properties Investment Ltd. ("Starry Joy"), a wholly-owned subsidiary of Poly (Hong Kong) Investments Limited ("Poly HK"), as chargee dated 23 June 2003, among other things, Mr. Han 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' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than the interests disclosed above in respect of a director of the Company, the following persons 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 as chargors and Starry Joy, a wholly-owned subsidiary of Poly HK, as chargee dated 23 June 2003, NRG and Mr. Han charged their respective interests 20% and 5% of the issued share capital of the Company, representing 54,351,600 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) Mr. Lu Shu Guang is the spouse of Mr. Han, 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 under the SFO.

So far as is known to any director 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 of gross floor area of 7,000 square meters 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 2006 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 which remains in force for a period of 10 years from the date of adoption. No option has been granted during the six months ended 30 June 2006 and all the outstanding options were lapsed.

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

The Company had not redeemed any of its shares during the six months ended 30 June 2006. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2006.

CORPORATE GOVERNANCE

During the six months ended 30 June 2006, 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 2006, 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. 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. Having made specific enquiry of the Directors, the Directors have complied with the Code throughout the six months period ended 30 June 2006.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Wong Shing Kay, Oliver and Mr. Zheng Qing. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the unaudited interim financial statements for the six months ended 30 June 2006.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 18 July 2006, the name of the Company was changed from New City (Beijing) Development Limited 新城市(北京)建設有限公司 to New City (China) Development Limited 新城市(中國)建設有限公司. The Certificate of Incorporation on Change of Name and the Certificate of Registration of Change of Name of Oversea Company were issued by the Registry of Companies in the Cayman Islands on 19 July 2006 and the Registrar of Companies in Hong Kong on 24 August 2006 respectively.

By Order of the Board

Han Junran

Chairman

Hong Kong, 22 September 2006

INTERIM RESULTS

The Board of Directors (the "Board") of New City (China) Development Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	Six months ended 30 June	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	3	—	—
Other income		2	—
Administrative expenses		(7,671)	(8,480)
Loss from operations	4	(7,669)	(8,480)
Finance costs	5	(5,238)	(1,410)
Loss before taxation		(12,907)	(9,890)
Taxation	6	—	—
Loss for the period		(12,907)	(9,890)
Attributable to:			
Equity holders of the Company		(12,907)	(9,890)
Minority interests		—	—
		(12,907)	(9,890)
Dividends	7	—	—
Loss per share (HK cents)			
Basic	8	(4.75)	(3.64)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Notes	At 30 June 2006 HK\$'000 (Unaudited)	At 31 December 2005 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,131	2,550
CURRENT ASSETS			
Property under development for sale		1,579,257	1,564,583
Prepayments and other receivables		183,950	185,307
Cash and cash equivalents		75,762	125,904
		1,838,969	1,875,794
CURRENT LIABILITIES			
Trade payables	10	131,195	219,450
Accruals and other payables		159,980	155,138
Advances from customers		1,391,942	1,284,798
Obligations under finance leases		—	47
Bank borrowings		115,385	163,462
Other borrowings		210,000	210,000
		2,008,502	2,032,895
NET CURRENT LIABILITIES			
		(169,533)	(157,101)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		(167,402)	(154,551)
NON-CURRENT LIABILITIES			
Convertible bond	11	11,922	11,866
		11,922	11,866
NET LIABILITIES			
		(179,324)	(166,417)
CAPITAL AND RESERVES			
Share capital		272	272
Reserves		(179,596)	(166,689)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
		(179,324)	(166,417)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Share capital	Share premium	Contributed surplus	Convertible bond equity reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	272	20,773	4,755	226	3,134	(195,577)	(166,417)
Loss for the period	—	—	—	—	—	(12,907)	(12,907)
At 30 June 2006	272	20,773	4,755	226	3,134	(208,484)	(179,324)
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)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(1,962)	43,682
NET CASH USED IN INVESTING ACTIVITIES	(56)	(511)
NET CASH USED IN FINANCING ACTIVITIES	(48,124)	(45,900)
DECREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(50,142) 125,904	(2,729) 100,014
CASH AND CASH EQUIVALENTS AT END OF PERIOD	75,762	97,285
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	75,762	97,285

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. BASIS OF PRESENTATION

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

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 2006.

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 2005.

The HKICPA has issued a number of new and revised HKFRSs, which term collectively included HKASs and Interpretations, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2006. The Group has determined the accounting policies expected to be adopted in the preparation of the Group’s annual financial statements for the year ending 31 December 2006 on the basis of HKFRSs currently in issue, which the Group believes, do not have a significant impact on the Group’s prior year financial position and results of operations.

The new and revised HKFRSs that will be effective or are available for voluntary adoption in the annual financial statements for the year ending 31 December 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of the interim financial statements. Therefore the policies that will be applied in the Group’s financial statements for that period cannot be determined with certainty at the date of issuance of the interim financial statements. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period.

Up to the date of issue of the interim financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2006 and which have not been adopted in the interim financial statements.

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

Effective for accounting Periods beginning on or after		
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

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

3. TURNOVER

The Group generated no turnover for the period.

4. LOSS FROM OPERATIONS

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment and after crediting:	476	464
Interest income	2	—

5. FINANCE COSTS

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Interest on:		
— Bank loans and overdrafts wholly repayable within five years	4,939	7,508
— Other loans wholly repayable within five years	5,000	1,287
— Convertible bond	235	120
— Finance leases	3	3
Total borrowing costs	10,177	8,918
Less: Amounts capitalised	(4,939)	(7,508)
	5,238	1,410

6. TAXATION

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 2006 (six months ended 30 June 2005: 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 2006 and 2005.

The group companies operating in the PRC are subject to enterprise income tax at a rate of 33% (six months ended 30 June 2005: 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 2006 and 2005.

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. No provision for land appreciation tax has been made as the Group has no transfer of real properties for the six months ended 30 June 2006 and 2005.

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2006 (six months ended 30 June 2005: HK\$nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2006 is based on the net loss attributable to equity shareholders of the Company of HK\$12,907,000 (six months ended 30 June 2005: HK\$9,890,000) and the weighted average number of 271,758,000 ordinary shares in issue during the six months ended 30 June 2006 (six months ended 30 June 2005: 271,758,000 ordinary shares).

No diluted loss per share for the six months ended 30 June 2006 and 2005 has been presented as the potential ordinary shares of the Company are anti-dilutive.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$56,000 (30 June 2005: HK\$511,000) on acquisition of property, plant and equipment.

10. TRADE PAYABLES

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

	As at 30 June 2006 HK\$'000	As at 31 December 2005 HK\$'000
Within 3 months	10,170	98,995
4 - 6 months	—	11,039
7 - 9 months	28,576	7,160
10 - 12 months	11,039	21,988
Over 1 year	81,410	80,268
	131,195	219,450

11. 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.

12. 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 under 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) 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.

- (c) On 23 December 2003, the Group had entered into an agreement with Netcom for the construction of China Securities Plaza. Pursuant to the agreement, the construction should be completed on 30 June 2005 and its ownership should be delivered to Netcom before 30 December 2005. Relevant penalties will be required upon the late delivery of ownership as follows:
 - (i) 0.03% interest per day based on money received by the Group upon the late delivery within 90 days from 30 December 2005;

 - (ii) if the late delivery will be more than 90 days from 30 December 2005, Netcom will have a right to either terminate the agreement and PRC subsidiary will be required to return all money received without interest and pay damages at the rate of 10% of the money received within 30 days upon receiving notice from Netcom; or require PRC subsidiary to pay damages at 0.03% interest per day of the moneys received for the period from 30 December 2005 to the date of delivery.

Completion of the construction of the China Securities Plaza has not taken place due to the fact that Netcom has not yet completed the interior fittings work carried out by it as anticipated. The site of the China Securities Plaza was handed over to Netcom around the end of October 2005 for it to carry out such work. Based on oral consultation with PRC legal advisers, the Company therefore believes the PRC subsidiary should not be liable for any damages for non-delivery by 30 December 2005 and Netcom should not be entitled to terminate the agreement because of delay in delivery.

13. CAPITAL AND CONSTRUCTION COMMITMENTS

	As at 30 June 2006 HK\$'000	As at 31 December 2005 HK\$'000
At the balance sheet date, the Group had the following capital and construction commitments:		
Expenditure in relation to the property under development	43,812	12,867

At the balance sheet date, the Company did not have any capital commitments.

14. PLEDGE OF ASSETS

As at 30 June 2006, the Group had pledged its property under development for sale with an aggregate net book value of approximately HK\$1,579,257,000 (as at 31 December 2005: approximately HK\$1,564,583,000) to secure bank loans granted and amounts payable in respect of respective land development cost totalling approximately HK\$142,721,000 (as at 31 December 2005: approximately HK\$190,798,000).