New City (China) Development Limited

新城市（中國）建設有限公司

Stock Code : 456

Interim Report 2007

CONTENTS

INTERIM RESULTS

The Board of Directors (the "Board") of New City (China) Development Limited (the "Company") is pleased to announce the unaudited condensed financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006 as follows:—

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	**2007 HK$'000 (Unaudited)**	2006 HK$'000 (Unaudited)
TURNOVER	3	**2,074,010**	—
COST OF SALES		**(1,787,569)**	—
GROSS PROFIT		**286,441**	—
Other revenue	4	**299,817**	2
Administrative expenses		**(86,167)**	(7,671)
PROFIT/(LOSS) FROM OPERATIONS	4	**500,091**	(7,669)
Finance costs	5	**(8,623)**	(5,238)
PROFIT/(LOSS) BEFORE TAXATION		**491,468**	(12,907)
Taxation	6	**(166,331)**	—
PROFIT/(LOSS) FOR THE PERIOD		**325,137**	(12,907)
ATTRIBUTABLE TO:			
Equity holders of the Company		**325,137**	(12,907)
Minority interests		**—**	—
		325,137	(12,907)
DIVIDENDS	7	**94,600**	—
EARNINGS /(LOSS) PER SHARE (HK CENTS)			
Basic	8	**84.83**	(4.75)
Diluted	8	**66.52**	—

CONDENSED CONSOLIDATED BALANCE SHEET

At as 30 June 2007

	Notes	30.6.2007 HK$'000 (Unaudited)	31.12.2006 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**2,125**	1,992
Investment properties	10	**750,000**	—
		752,125	1,992
CURRENT ASSETS			
Property under development for sale		**—**	1,720,280
Prepayments and other receivables	11	**24,034**	185,406
Accounts receivable	12	**77,571**	—
Bank balances and cash		**37,944**	64,084
		139,549	1,969,770
CURRENT LIABILITIES			
Trade payables	13	**98,120**	183,866
Accruals and other payables		**51,798**	142,971
Advances from a customer		**—**	1,512,166
Obligations under finance lease		**73**	—
Bank borrowings	14	**90,000**	90,000
Other borrowings	15	**76,219**	210,000
Taxes payable	6	**113,007**	—
Provisions	17	**15,484**	15,484
		444,701	2,154,487
NET CURRENT LIABILITIES		**(305,152)**	(184,717)
TOTAL ASSETS LESS CURRENT LIABILITIES		**446,973**	(182,725)

CONDENSED CONSOLIDATED BALANCE SHEET

At as 30 June 2007

	Notes	30.6.2007 HK$'000 (Unaudited)	31.12.2006 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Trade payables	13	**33,679**	—
Convertible bonds	16	**63,959**	11,977
Obligations under finance leases		**274**	—
Other borrowings	15	**110,000**	—
Preference shares dividend payable	7	**94,600**	—
Taxes payable	6	**108,852**	—
		411,364	11,977
NET ASSETS/(LIABILITIES)		**35,609**	(194,702)
CAPITAL AND RESERVES			
Ordinary shares of HK$0.001 each		**272**	272
Reserves		**35,337**	(194,974)
		35,609	(194,702)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Convertible bond equity reserve HK$'000	Translation reserve HK$'000	Preferred share dividend HK$'000	Retained profit/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2007	272	20,773	4,755	—	226	7,758	—	(228,486)	(194,702)
Equity reserve of convertible bond was transferred to liabilities as the convertible bond was extended	—	—	—	—	(226)	—	—	—	(226)
Preferred share dividend declared	—	—	—	—	—	—	(94,600)	—	(94,600)
Profit for the period	—	—	—	—	—	—	—	325,137	325,137
At 30 June 2007	272	20,773	4,755	—	—	7,758	(94,600)	96,651	35,609
At 1 January 2006	272	20,773	4,755	—	226	3,134	—	(195,577)	(166,417)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	4,624	—	—	4,624
Loss for the period	—	—	—	—	—	—	—	(32,909)	(32,909)
At 30 June 2006	272	20,773	4,755	—	226	7,758	—	(228,486)	(194,702)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	2007	2006
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**490,740**	(1,962)
NET CASH USED IN INVESTING ACTIVITIES	**(450,601)**	(56)
NET CASH USED IN FINANCING ACTIVITIES	**(66,279)**	(48,124)
DECREASE IN CASH AND CASH EQUIVALENTS	**(26,140)**	(50,142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**64,084**	125,904
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**37,944**	75,762
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**37,944**	75,762

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The condensed financial statements of New City (China) 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").

b. Principal accounting policies

The condensed consolidated financial statements have been prepared on a going concern basis. Going concern principal is highly depended on a new loan of RMB500,000,000 and the extension of the Starry Joy Loan and the Tritime CB.

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and investment property 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 2006.

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 2007. 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 2007 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 2007 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 2007 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
HKAS 23	Borrowing Cost	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008

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.

c. Revenue recognition

Revenue comprises the fair values of the consideration received or receivable for the sales of properties in the ordinary course of the Group's activities, revenue is shown net of discount. Revenue is recognised as follows:

(i) Revenue from sales of properties is recognised when the significant risks and rewards of properties have been transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the condensed consolidated balance sheet as advances from a customer under current liabilities.

(ii) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

d. Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted as at the balance sheet date. Changes in fair values are recognised in the income statement.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carry amounts of assets and liabilities mainly include those related to property development activities.

(a) Current taxation and deferred taxation

The main business activities of the Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiary of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the cost of sales. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. According, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and provisions of land appreciation taxes in the period in which such determination is made.

(c) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet by independent valuers based on a market value assessment, on an existing use basis. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

3. TURNOVER

Turnover represents the total sales proceed of properties received and receivable from customer.

An analysis of turnover and other revenue is as follows:

	Six months ended 30 June	
	2007	2006
	HK$'000	HK$'000
Turnover:		
Sales of properties	**2,074,010**	—

4. PROFIT/(LOSS) FROM OPERATIONS

	Six months ended 30 June	
	2007	2006
	HK$'000	HK$'000
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**286**	476
Costs of properties sold	**1,787,569**	—
Bad debts written off	**8,834**	—
Provision for doubtful debt	**67,005**	—
and after crediting:		
Interest income	**—**	2
Gain on disposal of property, plant and equipment	**90**	—
Gain on revaluation of investment properties	**299,727**	—

5. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**5,734**	4,939
Other loans wholly repayable within five years	**5,273**	5,000
Convertible bond	**240**	235
Finance leases	**5**	3
Arrangement fee of convertible bond	**3,105**	—
Total borrowing costs	**14,357**	10,177
Less: Amounts included in costs of properties sold	**(5,734)**	—
Amounts capitalised	**—**	(4,939)
	8,623	5,238

6. TAXATION

	Six months ended 30 June	
	2007	2006
	HK$'000	HK$'000
Income tax expenses		
Hong Kong profit tax	**—**	—
PRC enterprise income tax	**62,630**	—
PRC business tax	**103,701**	—
	166,331	—
Taxation in balance sheet represent:		
— PRC enterprise income tax	**62,630**	—
Less: Payment in previous year	**(7)**	—
— PRC business tax	**103,701**	—
Less: Payment in previous year	**(27,375)**	—
— PRC land appreciation tax	**82,340**	—
— PRC salary tax	**570**	—
	221,859	—
Taxation to be paid within 1 year classified as current liabilities		
— PRC enterprise income tax	**49,472**	—
— PRC business tax	**47,972**	—
— PRC land appreciation tax	**14,993**	—
— PRC salary tax	**570**	—
	113,007	—
Taxation to be paid after 1 year classified as non-current liabilities	**108,852**	—

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 2007 (six months ended 30 June 2006: 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 2007 and 2006.

During the period, the Group's subsidiary company operating in the PRC are subject to enterprise income tax at a rate of 33% of which 30% is levied by Central Government and 3% is levied by Province respectively (six months ended 30 June 2006: 33%). Pursuant to the document (京國稅函[2002]659號) dated 22 November 2002 issued by Beijing Municipal Office, State Administration Taxation, P.R. China ("BJ Tax") (北京市國家稅務局), Beijing Zhong Zheng Real Estate Development Co., Ltd. ("BJCSB") is obligated to make a partial payment of PRC enterprise income tax of which is levied at the statutory tax rate 33% on 10% of the sales proceed received in advance from the customer which is subjected to final clearance upon the finalisation work of construction account to be performed by third party.

The Group had no significant unprovided deferred taxation as at 30 June 2007 and 30 June 2006.

7. DIVIDENDS

		Six months ended 30 June	
		2007	2006
	Note	**HK$'000**	HK$'000
Ordinary shares		**—**	—
Preference shares	(i)	**94,600**	—
		94,600	—

Note:

(i) Pursuant to the subscription agreement dated 8 May 2003, Starry Joy, holding 49% of the equity interest of Tong Sun Limited ("Tong Sun"), is entitled to a preferred dividend from Tong Sun in the sum of up to HK$94,600,000 together with repayment in full of its loan and loan from Poly (Hong Kong) Investments Limited ("Poly HK") and interest accrued thereon in priority over the preferred dividend payments to the Group by Tong Sun.

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic profit per share for the six months ended 30 June 2007 is based on the net profit after deducted preference shares dividend attributable to equity shareholders of the Company of HK$230,537,000 (six months ended 30 June 2006: Loss: HK$12,907,000) and the weighted average number of 271,758,000 ordinary shares in issue during the six months ended 30 June 2007 (six months ended 30 June 2006: 271,758,000 ordinary shares).

The calculation of the diluted profit per share for the six months ended 30 June 2007 is based on the net profit before bond interest (net of tax) and after deducting preference shares dividend attributable to equity shareholders of the Company of HK$230,777,000 and the weighted average number of 346,934,634 ordinary shares after considering the effects of converting all convertible bonds to ordinary shares upon maturity.

In last year, no diluted loss per share has been presented for the period ended 30 June 2006 as there were no diluting events existed during the period.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$419,000 (30 June 2006: HK$56,000) on acquisition of property, plant and equipment.

10. INVESTMENT PROPERTIES

	30.6.2007 **HK$'000**	31.12.2006 HK$'000
Acquired as consideration property	**450,273**	—
Fair value gain	**299,727**	—
End of period	**750,000**	—

Investment properties represents the consideration properties transferred from the buyer of China Securities Plaza as part of the proceeds. Significant risks and rewards have been transferred although legal title has not been passed.

The valuations of investment properties are performed by management at each reporting date and reviewed at least annually by external valuer. As at 30 June 2007, investment properties were revalued by Asset Appraisal Limited, an independent and professionally qualified valuer, using discounted cash flow projections.

The Group's interest in investment properties at their net book values are analysed as follows:

	30.6.2007	31.12.2006
	HK$'000	HK$'000
In the PRC, held on:		
Leases of between 10 to 50 years.	**750,000**	—

11. PREPAYMENTS AND OTHER RECEIVABLES

		30.6.2007	31.12.2006
	Note	**HK$'000**	HK$'000
Interest-free loan		**35,254**	35,254
Amount due from a minority equity owner of a subsidiary of the Group		**—**	107,000
Advance due from a minority equity owner of a subsidiary of the Group		**12,617**	12,617
Amount due from a former director		**2,460**	2,460
Temporary advances		**16,671**	25,505
Prepaid expenses and deposits		**2,287**	2,570
Amount due from a bond holder for unpaid Convertible bond	(i)	**21,750**	—
		91,039	185,406
Less: Provision for doubtful debt		**67,005**	—
		24,034	185,406

Notes:

(i) Unpaid convertible bonds is related to issuance of convertible bonds with details in note 16(iii). HK$6,000,000 has been received by the Group in July 2007.

12. ACCOUNTS RECEIVABLE

Accounts receivable represents proceeds receivable from sale of China Securities Plaza. Customers will repay according to the Sales and Purchase Agreement signed on 23 December 2003.

13. TRADE PAYABLES

The aged analysis of trade payables as at 30 June 2007 is as follows:

	30.6.2007	31.12.2006
	HK$'000	HK$'000
Within 3 months	**25,429**	73,297
4 — 6 months	**—**	—
7 — 9 months	**33,679**	—
10 — 12 months	**—**	—
Over 1 year	**72,691**	110,569
	131,799	183,866

Trade Payables of HK$33,679,000 is related to cost of construction of China Securities Plaza. Finalization of this project cost has to be done by appointed professional and completed in April 2009 and this will affect the timing of payment of construction works balance (HK$33,679,000). Therefore, such project cost is classified as non-current liabilities.

14. BANK BORROWINGS

The secured bank borrowings as at 30 June 2007 is as following:

	30.6.2007	31.12.2006
	HK$'000	HK$'000
Within 1 year	**90,000**	90,000
Over 1 year	**—**	—
	90,000	90,000

The bank borrowings are denominated in Renminbi and is bound by an agreement signed among the Company, the bank and China Network Communications Group Corporation ("CNC"). It was agreed that the total amount is repayable in two portions:

(i) RMB30,000,000 become repayable after the receipt of the eighth installment payment from CNC under the completion of transfer of legal title of China Securities Plaza;

(ii) The repayment of the remaining RMB60,000,000 will be negotiated after completion of exchange of properties between the Company and CNC.

In accordance with the opinion issued by the 北京市京元律師事務所 (the "Beijing Law Firm"), the Company currently does not have any risk of litigation from China Construction Bank regarding the CCB Loan for the reason that the Company's rights are protected by the agreements signed by between the Company and China Construction Bank.

15. OTHER BORROWINGS

	Note	**30.6.2007** HK$'000	31.12.2006 HK$'000
within 1 year:			
Overdue interest bearing loan	(i), (iii), (iv), (v)&(vi)	**71,000**	70,000
Interest bearing loan	16	**5,219**	—
Interest bearing loan from the then subscriber of the convertible bond		**—**	30,000
		76,219	100,000
After 1 year:			
Secured interest-free loan	(i), (ii)&(vi)	**110,000**	110,000

Notes:

(i) The above loans, except for an amount of HK$1,000,000 as mentioned in Notes (v), represent the loans granted to the Group pursuant to the disposal of 49% interest in Tong Sun.

(ii) As at 30 June 2007, an amount of HK$110,000,000 (2006: HK$110,000,000) is secured on the shares in the Company held by a director and a former director. It was originally interest-free and for a term of 2 years from June 2003 repayable on maturity and was to be applied exclusively to finance the working capital requirements of the property under development for sale . On 25 October 2005, a second supplemental agreement ("Second Supplemental Agreement") was signed which extended the repayment date. Pursuant to the Second Supplemental Agreement, Tong Sun agreed to transfer to Starry Joy Properties Investment Limited ("Starry Joy") such portion of the office building owned by CNC located at Xicheng District, Beijing ("Consideration Property") to be transferred to BJCSB pursuant to the agreement dated 23 December 2003, the Consideration Property at an agreed value approximately RMB450,000,000 will be transferred to BJCSB within four months after completion of the disposal of the China Securities Plaza. Loan from Starry Joy amounted HK$110,000,000 will be repaid by such portion of the Consideration Property at an agreed market valuation at repayment date.

(iii) As at 30 June 2007, an amount of HK$55,000,000 (2006: HK$55,000,000) is secured on the shares in the Company held by a director and a former director. It was originally interest-free and for a term of 2 years from June 2003 repayable on maturity and was to be applied exclusively to finance the working capital requirements of the property under development for sale. On 25 October 2005, a second supplemental agreement was signed which extended the repayment date up to 31 December 2005 and the Group is under negotiation to further extend the repayment date. Due to the extension of repayment, the balance of HK$55,000,000 became interest bearing at an interest rate of 10% per annum as from 1 July 2005. The said loan was overdue since 31 December 2005 and the management of the Group is negotiating with the creditor for the rescheduling or extension of the amounts due to the creditor.

(iv) As at 30 June 2007, an amount of HK$15,000,000 (2006: HK$15,000,000) is unsecured was originally for a term of 2 years from June 2003 and borne interest at the rate of 6% per annum. Further, it was originally repayable in one lump sum upon maturity and was to be applied to finance the general working capital and settlement of trade payable of the Group. On 25 October 2005, a supplemental facility letter was signed to extend the repayment date up to 31 December 2005 and the interest rate was revised to 10% per annum with effect from 1 July 2005. The said loan was overdue since 31 December 2005 and the management of the Group is negotiating with the creditor for the rescheduling or extension of the amounts due to the creditor.

(v) As at 30 June 2007, an amount of HK$1,000,000 is unsecured was originally for a term of 3 months from 5 February 2007 and borne interest at the rate of 9.75% per annum. The said loan was overdue since 4 May 2007 and the management of the Group is negotiating with the creditor for the rescheduling or extension of the amounts due to the creditor.

(vi) The Group's other borrowings are denominated in HKD.

16. CONVERTIBLE BONDS

The convertible bonds recognised in the balance sheet is calculated as follows:

	Note	**30.6.2007 HK$'000**	31.12.2006 HK$'000
Carrying amount at the beginning of the period		**11,977**	11,866
Interest expenses	5	**240**	471
Interest paid		**(351)**	(360)
Transfer from equity component		**226**	—
Convertible bonds issue	(ii) & (iii)	**57,086**	—
Transfer to the loan	15	**(5,219)**	—
Liability component at 30 June 2007		**63,959**	11,977

Notes:

(i) On 1 March 2005, the Company issued a convertible bond bearing interest at 3% per annum with a principal amount of HK$12,000,000 ("2005 Convertible Bond"), which is convertible into the Company's ordinary shares at a conversion price of HK$0.30 per share. The convertible bond matures two years from the issue date. On 1 March 2007, such convertible bond was extended in the amount of approximately HK$7,500,000, which is convertible into the Company's ordinary shares at a conversion price of HK$0.138 per share and bearing interest of the prime lending rate from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar deposits (the "Prime Rate"). On 17 August 2007, the Company receive an intention letter from Tritime Holdings Limited for agreeing to extend the maturity date of convertible bond to 28 February 2009.

(ii) As at 31 December 2006, an amount of HK$30,000,000 were unsecured, bearing interest of the Prime Rate plus 4% per annum and represented the consideration of the convertible bond received in advance. Such balance has been transferred to convertible bond together with the arrangement fee and interest accrued on 14 June 2007 at the amount of HK$33,403,150. The convertible bond is convertible into the Company's ordinary shares at a conversion price of HK$0.138 per share. On 21 August 2007, the Company receive an intention letter from Crown Champion Investments Limited ("Crown Champion") for agreeing to extend the maturity date of convertible bond to 28 February 2009.

(iii) On 28 June 2007, issuance of another convertible bond at the amount of HK$23,055,000 was completed. The convertible bond is convertible into the Company's ordinary shares at a conversion price of HK$0.138 per share. It will bear interest of the Prime Rate plus 4% per annum. On 21 August 2007, the Company receive an intention letter from Crown Champion for agreeing to extend the maturity date of convertible bond to 28 February 2009. At the balance sheet date, consideration at the amount of HK$21,750,000 is still unpaid by the subscriber and is included under other receivables.

(iv) All the convertible bonds will be matured in August 2007. Therefore, the equity component of the convertible bond was immaterial and the whole amount was treated as liabilities.

17. PROVISIONS

The amount represents the provision for the claim from 北京太陽紅投資諮詢有限公司 ("Beijing Tai Yang Hong") an independent third party. On 19 January 2006, the Beijing Arbitration Committee made an arbitration award in favor of Beijing Tai Yang Hong that the agreement dated 6 June 2003 for the purchase of the entire 12th Floor of the China Securities Plaza entered into between Beijing Tai Yang Hong and BJCSB, the 51% indirect owned subsidiary of the Group be cancelled and that the sum of approximately RMB14,000,000 being refund of the purchase price paid and RMB800,000 being damages be paid by BJCSB to Beijing Tai Yang Hong. The amount of HK$15,480,000 was provided in the financial statements and the management has considered the level of provision for any damages and claims made in this respect is sufficient.

18. CONTINGENT LIABILITIES

(a) 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.

(b) On 23 December 2003, the Group had entered into an agreement with CNC 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 CNC before 30 December 2005. Relevant penalties will be required upon the late delivery of ownership as follows:

0.03% interest per day based on money received by the Group upon the late delivery within 12 months from the day of risk and reward of property which have been transferred on 25 December 2006.

(c) On 19 January 2006, the Beijing Arbitration Committee made an arbitration award in favor of Beijing Tai Yang Hong that the agreement dated 6 June 2003 for the purchase of the entire 12th Floor of the China Securities Plaza entered into between Beijing Tai Yang Hong and BJCSB, the 51% indirect owned subsidiary of the Group be cancelled and that the sum of approximately RMB14,000,000 being refund of the purchase price paid and RMB800,000 being damages be paid by BJCSB to Beijing Tai Yang Hong. BJCSB has applied to the People's Court in Beijing for stay of enforcement of such award.

19. OPERATING LEASE COMMITMENTS

At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	30.6.2007	31.12.2006
	HK$'000	HK$'000
Within one year	**1,062**	1,961
In second to fifth years, inclusive	**—**	81
	1,062	2,042

20. 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. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assess exchange risks.

21. RELATED PARTY TRANSACTIONS

Pursuant to agreement signed in 2004 by BJCSB and Guozheng Economic Development Company Limited ("Guozheng"), a joint venture partner for development China Securities Plaza, for buy back of 7,000 square meters of China Securities Plaza from Guozheng at a consideration of RMB109,060,000 of which was included as cost of sale of properties.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF NEW CITY (CHINA) DEVELOPMENT LIMITED

INTRODUCTION

We have reviewed the condensed interim financial statements set out on pages 2 to 23, which comprise the condensed consolidated balance sheet of New City (China) Development Limited as of 30 June 2007 and the related condensed consolidated income statements, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial statements in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to express a conclusion on this interim financial statements based on our review and our opinion solely to you, as a body, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2007 is not prepared, in all material respect, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

C & F CPA Limited
Certified Public Accountants
Lau Po Ming, Peter
Practising Certificate Number: P2732
Rm. 201, 2/F., Two Grand Tower,
625 Nathan Road, Kowloon,
Hong Kong
27 August 2007

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

During the six-month period under review, the Group generated turnover and net profit for the period amounted to approximately HK$2,074,010,000 and HK$325,137,000 respectively, whereas the Group had no turnover and net loss for the first half of 2006 was HK$12,907,000.

DIVIDEND

In accordance with the supplemental agreement to the subscription agreement dated 8 May 2003, a preferred dividend of HK$94,600,000 was declared. Apart from this, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

BUSINESS REVIEW

During the period, the sale of China Securities Plaza is deemed to have been completed. It is planned to lease out the consideration property in order to generate rental income in future.

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

Trading in the shares has been suspended on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 December 2003 at the request of the Company pending release of an announcement in relation to a major transaction of the Company involving China Securities Plaza. The Company was placed into the second stage of the delisting procedures on 12 January 2005 as the Stock Exchange is concerned about whether the Company meets the sufficient assets and operations requirements under Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). 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

Seeing the growing demand for office leases in the Central Business District and that the consideration property is of A class standard, the Company currently plans to lease out the parking spaces together with the office building of the consideration property. The Company believes that this will generate additional business opportunity to the Company. Furthermore, the Board is in negotiation with some of shareholders of the Company and independent financial institutions for certain fund raising proposal 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 2007, the Group had obligations under hire purchase contracts of approximately HK$347,000 (as at 31 December 2006: nil) and the bank borrowings amounted to approximately RMB90,000,000 (equivalent to approximately HK$90,000,000) (as at 31 December 2006: approximately RMB90,000,000 and equivalent to approximately HK$90,000,000), that is secured and interest-bearing.

The loan of HK$165,000,000 as at 30 June 2007 (as at 31 December 2006: 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$15,000,000 as at 30 June 2007 (as at 31 December 2006: HK$15,000,000) was interest bearing at 10% per annum. The loan of HK$5,219,000 as at 30 June 2007 (as at 31 December 2006: nil) was interest bearing at the rate equal to the Prime Rate plus 4%. And, the short term loan of HK$1,000,000 as at 30 June 2007 (as at 31 December 2006: nil) was interest bearing at the rate equal to Prime Rate plus 2%.

As at 30 June 2007, the Group's total assets was approximately HK$891,674,000 (as at 31 December 2006: approximately HK$1,971,763,000) whereas total debts amounted to approximately HK$276,219,000 as at 30 June 2007 (as at 31 December 2006: approximately HK$300,000,000). The gearing ratio (total debts/ total assets of the Group) was 0.31 as at 30 June 2007 (as at 31 December 2006: 0.15). As at 30 June 2007, the cash and bank balances was approximately HK$37,944,000 (as at 31 December 2006: approximately HK$64,085,000) and the current ratio (current assets/ current liabilities) was 0.31 as at 30 June 2007 (as at 31 December 2006: 0.91).

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. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assess exchange risks.

PLEDGE OF ASSETS

As at 30 June 2007, the Group had pledged its properties under development with an aggregate net book value of approximately HK$1,631,959,000 (as at 31 December 2006: approximately HK$1,720,280,000) to secure bank loans granted approximately HK$90,000,000 (as at 31 December 2006: approximately HK$90,000,000).

OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2007, 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 2007, 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 and Code provision A.4.2. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance the provisions of the Listing Rules whenever necessary.

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

EMPLOYEES

As at 30 June 2007, the Group has employed about 58 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

As at 30 June 2007, 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 2007, 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 2007 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 2007 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 2007. Neither the Company nor its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30 June 2007.

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 2007.

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 2007.

By Order of the Board
Han Junran
Chairman

Hong Kong, 3 August 2007