

**NEW CITY (BEIJING) DEVELOPMENT LTD:
ANOTHER WRIT FALLS INTO THE LAP OF CHAIRMAN HAN JUN RAN**

Despite their being a standstill agreement in respect of the major debts of publicly listed New City (Beijing) Development Ltd (Code: 456, Main Board, The Stock Exchange of Hongkong Ltd), it has not prevented a landlord of a subsidiary from suing for \$HK954,240.

Ceroilfood Finance Ltd has just issued legal proceedings against Treasure Star International Ltd, a wholly owned subsidiary of New City (Beijing), claiming unpaid rent on its premises from April 22, 2003 until October 21, 2003.

The total amount of money, being claimed with regard to Units 7, 8 and 9 on the 33rd Floor, Office Tower, Convention Plaza, Number One, Harbour Road, the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), is \$HK954,240, but Ceroilfood Finance, also, wants to see the back of its corporate tenant.

It is alleged, in Action Number 3866, filed in the High Court of the HKSAR, that Treasure Star entered into a tenancy agreement with Ceroilfood Finance on March 27, 2002 whereby it was agreed that Treasure Star would rent the property at Convention Plaza for a period of 2 years, commencing October 22, 2002.

The rent was said to have been fixed at \$HK159,040 per month, exclusive of Government rent, rates and management fees.

It was specified that the property would be used for commercial purposes, only, it is alleged in the Statement of Claim, attached to the Writ of Summons.

But it is alleged that, since April 22, 2003, Treasure Star has not paid rent on the property – and the landlord is not very happy with this subsidiary of New City (Beijing).

In June this year, the Chairman of New City (Beijing), Mr Han Jun Ran, announced that a Master Standstill Agreement had been entered into between Beijing Zhong Zheng Real Estate Development Company Ltd, a wholly owned subsidiary, and China Construction Bank and Beijing Finance Street Holding Company Ltd.

The terms of this Master Standstill Agreement included, inter alia, that all proceedings, claims, demands and other assertions, and all arbitrations applications, court proceedings and other legal actions be stayed.

The Auditors of New City (Beijing), Deloitte Touche Tohmatsu, disclaimed the validity of the accounts of the company for the Financial Year, ended December 31, 2002, stating, inter alia:

'However, the Group is dependent upon the continued support of its bankers and creditors. As explained in note 26 to the financial statements, the Group has defaulted in respect of the repayment of certain bank loans totalling approximately HK\$92 million and such amounts have become repayable on demand. The remaining bank borrowings of approximately HK\$246 million are due for repayment between August 2003 and December 2004. Moreover, certain creditors of the Group have taken legal action to recover overdue balances amounting to approximately HK\$509 million. Certain of these bankers and creditors have applied to the court in Beijing to

freeze certain land and buildings, investment properties and a portion of property under development for sale and bank balances of the Group. ...

'Because of the significance of the possible effect of the limitation in evidence available to us and because of the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2002 and of the loss and cash flows of the Group for the year then ended

'In respect alone of the limitation on our work relating to the prepayments and other receivables, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.'

Deloitte Touche Tohmatsu signed off on its Report of May 20, 2003, but, since then, Peregrine Capital Ltd has sued New Rank International Ltd, another subsidiary of New City (Beijing), for about \$HK320,237 in respect of an alleged breach of an agreement.

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