NAM FONG INTERNATIONAL HOLDINGS LIMITED

南方國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1176)

2008 RESULTS ANNOUNCEMENT
AND
RESUMPTION OF TRADING

The board ("Board") of directors ("Directors") of Nam Fong International Holdings Limited (the "Company") announces the audited consolidated final results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008 together with the comparative figures for the previous year as follows:—

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Turnover	2	**10,849**	12,254
Rental outgoings		**(4,619)**	(4,912)
Gross profit		**6,230**	7,342
Other income		**383**	11,355
Loss on disposal of investment properties		**—**	(32,035)
Fair value losses on investment properties		**(328)**	(16,941)
Administrative expenses		**(15,411)**	(13,156)
Other operating expenses		**(20,129)**	(4,115)
Loss from operations		**(29,255)**	(47,550)
Share of profits of jointly controlled entities		**16,255**	6,533
Loss on disposal of jointly controlled entities		**(603)**	—
(Loss on disposal of a subsidiary)/ Gain on disposal of subsidiaries		**(8,969)**	49,795
(Loss)/Profit before tax		**(22,572)**	8,778
Income tax	3	**(1,424)**	(1,117)
(Loss)/Profit for the year	4	**(23,996)**	7,661
Basic (loss)/earnings per share	6	**(1.47) cents**	0.55 cents

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Non-current assets			
Property, plant and equipment		**63**	41
Investment properties		**136,300**	181,622
Properties under development		**75,379**	7,696
Goodwill		**—**	4,520
Investments in jointly controlled entities		**—**	73,630
Deposit for acquisition of land use rights		**—**	10,684
Prepayments for acquisition of investment properties		**58,163**	—
Prepayments for removal and relocation costs		**—**	21,000
		269,905	299,193
Current assets			
Accounts receivable	*7*	**2,905**	1,080
Consideration receivables	*8*	**151,041**	66,073
Amount due from a jointly controlled entity		**—**	125,815
Deposit for renovation, electrical and mechanical systems		**41,303**	—
Prepayments, deposits and other receivables		**499**	781
Bank and cash balances		**179**	2,186
		195,927	195,935
Current liabilities			
Accruals and other payables		**9,077**	12,893
Current tax liabilities		**573**	1,117
		9,650	14,010
Net current assets		**186,277**	181,925
Total assets less current liabilities		**456,182**	481,118
Non-current liabilities			
Deferred tax liabilities		**4,101**	3,791
NET ASSETS		**452,081**	477,327
Capital and reserves			
Share capital		**163,200**	163,200
Reserves		**288,881**	314,127
TOTAL EQUITY		**452,081**	477,327

Notes:

1. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced considering the potential impact of these new HKFRSs but is not yet in a position to state whether they will have a material impact on its results of operations and financial position.

2. **TURNOVER AND SEGMENT INFORMATION**

(a) Primary reporting format - business segments

The Group is organised into two main business segments:

Property sales — property development and sales

Property rental — property investment and property rental activities

(b) Secondary reporting format - geographical segments

Over 90% of the Group's revenue and assets are derived from customers and operations based in the People's Republic of China (the "PRC") and accordingly, no further analysis of the Group's geographical segments is disclosed.

Primary reporting format — business segments

	Property sales		Property rental		Corporate and unallocated		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
External revenue	**—**	—	**10,849**	12,254	**—**	—	**10,849**	12,254
Results								
Segment results	**—**	—	**6,230**	7,342	**—**	—	**6,230**	7,342
Other income	**—**	—	**—**	8,772	**383**	2,583	**383**	11,355
Loss on disposal of investment properties	**—**	—	**—**	(32,035)	**—**	—	**—**	(32,035)
Fair value losses on investment properties	**—**	—	**(328)**	(16,941)	**—**	—	**(328)**	(16,941)
Other expenses	**(5,611)**	(2,099)	**(15,290)**	(2,537)	**(14,639)**	(12,635)	**(35,540)**	(17,271)
Loss from operations							**(29,255)**	(47,550)
Share of profits of jointly controlled entities	**16,255**	6,533	**—**	—	**—**	—	**16,255**	6,533
Loss on disposal of jointly controlled entities	**(603)**	—	**—**	—	**—**	—	**(603)**	—
(Loss on disposal of a subsidiary)/Gain on disposal of subsidiaries	**—**	49,795	**(8,969)**	—	**—**	—	**(8,969)**	49,795
(Loss)/Profit before tax							**(22,572)**	8,778
Income tax							**(1,424)**	(1,117)
(Loss)/Profit for the year							**(23,996)**	7,661
Assets								
Segment assets	**184,646**	170,110	**280,672**	249,146	**514**	2,242	**465,832**	421,498
Investments in jointly controlled entities	**—**	73,630	**—**	—	**—**	—	**—**	73,630
							465,832	495,128
Liabilities								
Segment liabilities	**1,543**	218	**5,172**	9,196	**7,036**	8,387	**13,751**	17,801
Other information								
Capital expenditure	**36**	32	**—**	—	**—**	4	**36**	36
Depreciation	**12**	—	**—**	—	**4**	11	**16**	11
Impairment of goodwill	**4,520**	—	**—**	—	**—**	—	**4,520**	—
Impairment of prepayments for acquisition of investment properties	**—**	—	**13,546**	—	**—**	—	**13,546**	—
Other receivables written off	**—**	—	**540**	—	**—**	—	**540**	—

3. INCOME TAX

	2008	2007
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**1,114**	1,117
Deferred tax		
PRC Enterprise Income Tax		
Current year	**110**	—
Effect of change in effective tax rate	**200**	—
	310	—
	1,424	1,117

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate to 25% for domestic and foreign enterprises. On 6 December 2007, the State Council of the PRC issued implementation regulation of the new tax law. The new tax law was effective from 1 January 2008.

Subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at 25% (2007: 33%) based on existing legislation, interpretation and practices in respect thereof.

According to the new PRC enterprise income tax law and the relevant PRC issued implementation regulation, with effect from 1 January 2008, the Group is subject to PRC withholding income tax of 10% on the gross rental income (2007: 10% on the gross rental income after deducting 5% business tax on the gross rental income).

4. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2008	2007
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit	**700**	950
— Others	**170**	380
	870	1,330
Claims and surcharge	**—**	1,959
Depreciation	**16**	11
Direct operating expenses of investment properties that generated rental income	**4,240**	2,957
Direct operating expenses of investment properties that did not generate rental income	**379**	1,955
Exchange loss	**4,056**	—
Operating lease rental in respect of land and buildings	**2,594**	2,360
Other receivables written off	**540**	—
Staff costs including directors' emoluments		
— Salaries and allowances	**5,028**	3,096
— Retirement benefit scheme contributions	**118**	48
	5,146	3,144

5. DIVIDENDS

The Directors do not recommend the payment of any dividend (2007: nil) in respect of the year.

6. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the year of approximately HK$23,996,000 (2007: profit for the year of approximately HK$7,661,000) divided by the weighted average number of ordinary shares of approximately 1,632,000,000 (2007: 1,384,592,000) in issue during the year.

There were no dilutive potential shares during the years ended 31 December 2008 and 2007. Therefore, no diluted (loss)/earnings per share have been presented.

7. ACCOUNTS RECEIVABLE

The Group's accounts receivable, representing rental receivable from tenants, are due on presentation of invoices.

The aging analysis of accounts receivable, based on the invoice date, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**2,043**	540
4 to 6 months	**862**	540
	2,905	1,080

The above accounts receivable are past due at the balance sheet date for which the Group has not provided for impairment loss since the balances were either fully settled subsequent to the balance sheet date or sufficient rental deposits were held as collateral over the balances. The Group holds a rental deposit as collateral from each tenant.

8. CONSIDERATION RECEIVABLES

(a) Included in the consideration receivables is an amount of approximately HK$109,041,000 due from Hopeson Holdings Limited ("Hopeson"), a wholly-owned subsidiary of Hopson Development Holdings Limited, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), representing the outstanding consideration receivable on the disposal of the Group's jointly controlled entities.

This consideration receivable is past due by four months up to 31 December 2008 whereas the Group has not provided for impairment loss as the parent company of Hopeson has good credit rating in the industry and the amount is still considered recoverable. The Group does not hold any collateral over this balance. Subsequent to the balance sheet date, approximately 62% of the amount due is recovered.

(b) Included in the consideration receivable is an amount of approximately HK$42,000,000 due from Wang Guan Hua derived from the disposal of the Group's subsidiary, NF Liwan Plaza Limited ("NF Liwan").

This consideration receivable is past due by two months up to 31 December 2008, however, the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amount is still considered recoverable. This consideration receivable is secured by all issued shares of NF Liwan. In addition, original title documents of certain properties of NF Liwan are in the Group's custody.

BUSINESS REVIEW

The Group is principally engaged in property development, property investment and property rental activities in the PRC.

Property Investment

The Group's major property investment is certain floors in Royal Mediterranean Hotel, with a total gross floor area of approximately 6,098 square meters, which is located at Tianhe Road, Tianhe District, Guangzhou, the PRC. Such investment generates a recurring rental income of approximately HK$680,000 per month.

Another property investment is certain units in Liwan Plaza, with a total gross floor area of approximately 12,878 square meters, which is located at Shang Xia Jiu Road, Liwan District, Guangzhou, the PRC. As Announced on 25 April 2008, the Group has disposed its subsidiary, Nam Fong Liwan Plaza Limited ("NF Liwan") which only asset were the certain units of Liwan Plaza. Such disposal was completed in October 2008.

During 2008, the Group prepaid acquisition costs of twelve shop units at Jiang Bian Road, Meizhou City, Guangdong Province, the PRC, with a total gross floor area of approximately 2,384 square meters and the levels 1 to 9 of the accessional building, the tricorn region besides the River View Hotel at Jiang Bian Road, Meizhou City, Guangdong Province, the PRC, with a total gross floor area of approximately 12,898 square meters as the Group's another property investment.

Property Development

As at 31 December 2008, the Group's core property development project is Holiday Bay Chaohu Phase I ("Chaohu I"), which is located at Zhongmiao Town, Chaohu City, Anhui Province, the PRC, with a site area of approximately 111,595 square meters, within which the planned gross floor area is approximately 169,500 square meters. Chaohu I will be phase one of the development project with a comprehensive mixed use community comprising retail and residential. It is estimated by the Group that the development of Chaohu I will commence in the third quarter of 2009, with the pre-sale commence at end of 2009 and the whole will complete by the fourth quarter of 2010.

Another property development project is 50% interest in Jiangnan Nam Fong Garden Phase II ("Jiangnan Garden II"), is located at Chang Gang Zhong Road, Guangzhou, the PRC. As announced on 19 March 2008, the Group has disposed its remaining 50% interest in Trisum Investment Limited ("Trisum") which only asset was the development project. Such disposal was completed in September 2008.

Prospect

After rapid growth for so many years, the PRC economy has slowed down due to the impact of the global financial crisis. PRC made major adjustments to its macro-control policies by adopting active fiscal policies and moderately loose monetary policies, aiming to maintain steady economic growth, mainly by increasing domestic demand. Under the government's proactive fiscal policies and moderately loose monetary policies, the stimulus package will be beneficial for the recovery and development of the property market in PRC. Moreover, the local PRC residents having higher income levels, the demand for quality residential housing in prime areas and at reasonable prices is expected to escalate further. The Group is confident about the long-term development of the mainland PRC property market.

Besides the development project of Chaohu I and investment of certain floors in Royal Mediterranean Hotel and certain property units at Jiang Bian Road, Meizhou City, the Group has exerted great efforts in enhancing and expanding its property investment and development business.

Based on the Group's extensive experience in the property market in the PRC, the Group will continue to explore quality properties with a view to expanding its land bank should suitable opportunities arise.

Capitalizing on the prime opportunities arising from the ever-booming real estate market, the management team of the Group is now seeking every opportunity for more extensive cooperation. It is expected that the Group will soon stride into a stage of rapid development.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover and segmental information

Rental income

The Group's turnover represents rental income generated. Rental income decreased by 12.2% to approximately HK$10.8 million in 2008 from approximately HK$12.3 million in 2007. The decrease in rental income was mainly due to the disposal of the property investment in Liwan Plaza in 2008.

Gross profit

Gross profit decreased by 15.1% to approximately HK$6.2 million in 2008 from approximately HK$7.3 million in 2007, mainly due to the decrease in rental income received.

Other income

Other income decreased by 96.5% to approximately HK$0.4 million in 2008 from approximately HK$11.4 million in 2007, mainly due to there were exchange gain and excess of fair value of net assets acquired over cost of acquisition of a subsidiary in 2007.

Other operating expenses

Other operating expenses increased by 390% to approximately HK$20.1 million in 2008 from approximately HK$4.1 million in 2007, primarily attributable to the increase in the impairments of goodwill and prepayments for acquisition of investment properties during the year.

(Loss)/Profit before tax

The Group recorded a loss before tax of approximately HK$22.6 million in 2008 whereas a profit before tax of approximately HK$8.8 million was reported in 2007 mainly due to a drop in revenue from rental income generated, decrease in the gain on disposal of subsidiaries and cumulative effect of the foregoing.

Income tax

Income tax increased by 27.3% to approximately HK$1.4 million in 2008 from approximately HK$1.1 million in 2007, primarily attributable to the increase in deferred tax in 2008.

Liquidity and capital resources

Cash position

As at 31 December 2008, the Group's bank and cash balances amounted to approximately HK$0.2 million.

Borrowings, charges on group assets and gearing ratio

The Group had no borrowings as at 31 December 2008 and the gearing ratio as at 31 December 2008, expressed as total borrowing over the total equity was NIL (2007: NIL%).

FOREIGN EXCHANGE RATE

The Group conducts its business almost exclusively in RMB except that certain receipts of sales proceeds and the borrowings are in HKD. The conversion of RMB into HKD or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HKD dollar and other foreign currencies may fluctuate and is affected by factors such as changes in China's political and economic conditions. The Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide the hedging policy required against the possible foreign exchange risk that may arise.

STAFF AND REMUNERATION POLICIES

The Group had approximately 40 employees in Hong Kong and the PRC for the year. They are remunerated according to the job nature, market conditions, individual performance and qualifications. Other staff benefits include year end bonus.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group adopted the Model Code for Securities Transactions by Directors (the "Code"), contained in Appendix 10 of the Listing Rules. Special enquiry has been made of all Directors, and Directors have confirmed that they have complied with the required standards set out in the Code throughout the year ended 31 December 2008.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008.

Deviations from the Code on Corporate Governance Practices and remedies:

The Company does not fully comply with code provisions A.2.1 and A.4.2 in Appendix 14.

Under code provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board has chairman to provide leadership to the Board in terms of establishing policies and business directions and monitor the daily operation of the Group. The Company is currently looking for a suitable person to be responsible for the daily management of the Company's business as a whole as a remedy for such deviation.

Under code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. Since the articles of association of the Company provide that all Directors (except chairman) shall be subject to retirement by rotation, the Company did not comply with this provision, the Company is considering to amend the articles of association of the Company to remedy the situation.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

Scope limitation — Prior year audit scope limitation affecting corresponding figures

As previously explained in our report dated 16 May 2008 on the Group's financial statements for the year ended 31 December 2007, we were not provided with sufficient evidence to enable us to assess as to whether the loss on disposal of the investment properties included in the consolidated income statement of the Group and the related amounts disclosed in the notes to the financial statements in respect of the disposal of the investment properties for the year ended 31 December 2007 were free from material misstatements. We qualified our opinion on the Group's financial statements for the year ended 31 December 2007 in respect of this scope limitation accordingly.

Any adjustments that might have been found necessary in respect of the above would have had a consequential impact on the Group's results for the year ended 31 December 2007 and the related disclosures thereof for the year ended 31 December 2007.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to obtain sufficient evidence concerning the corresponding figures mentioned in the "Basis for qualified opinion" paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors. The committee has reviewed the accounting principles and practice adopted by the Group and discussed with the management regarding auditing, internal control and financial reporting matters including the review of the Company's audited results for the year ended 31 December 2008.

APPRECIATION

The Board would like to take opportunity to thank the shareholders, the management and the staff members for their dedication and support.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares ("Shares") of the Company has been suspended with effect from 9:30 a.m. on 4 May 2009 pending the issue of this final results announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 12 May 2009.

For and on behalf of the Board
Tong Shi Jun
Chairman

Hong Kong, 11 May 2009

As at the date hereof, the Board of Directors of the Company comprises Mr. Tong Shi Jun (Chairman), Mr. Zhao Lishen, Mr. Chiu Kong, Ms. Huang Ling and Ms. Zhu Jun as executive Directors and Mr. Yuen Wai Ho, Mr. Chen Song Sheng and Mr. Chou Sing Hong as independent non-executive Directors.