

## FINANCIAL HIGHLIGHTS

Turnover	HK\$23,477,000	Up 19.32%
Profit from operations	HK\$13,632,000	Up 55.83%
Profit attributable to shareholders	HK\$5,635,000	Up 5.11%
Consolidated net assets	HK\$194,828,000	Up 136.47%
Bank balances and cash	HK\$120,242,000	
Bank balances and cash per share (based on total issued share capital of 292,600,000 shares)	HK\$0.41	
Current ratio	1.66	
Gearing ratio	56.63%	
Borrowings to equity ratio	27.21%	
Basic earnings per share	2.50 HK cents	

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the six months ended 30th June, 2002, the Group recorded a turnover of approximately HK\$23,477,000, representing an increase of approximately 19.32% in comparison to the corresponding period in 2001. Turnover included the sales of land and sales of developed properties amounted to approximately HK\$1,907,000 (2001: Nil ) and HK\$21,570,000 (2001: HK\$19,675,000), which mainly contributed by the sales of developed properties of Fanjin Garden and Fortune Garden in Ningbo and Changchun Haoyuan in Changchun.

Profit from operations for the six months ended 30th June, 2002 was approximately HK\$13,632,000, representing an increase of approximately 55.83% in comparison to the corresponding period in 2001.

Profit attributable to shareholders for the period ended 30th June, 2002 was approximately HK\$5,635,000, representing an increase of approximately 5.11% in comparison to the corresponding period in 2001.

The steady growth in turnover and profit attributable to shareholders was mainly a result of continuous growth of the People's Republic of China (the "PRC")'s economy as well as the PRC's property market.

Since the Group is principally engaged in property development and, the timing for the recognition of turnover depends on the sales program and completion schedule for each project.

For the past three year ended 31st December, 1999, 2000 and 2001, turnover of the Group attributable to the sales in the second half of the year accounted for approximately 99%, 89% and 92%.

### **MARKET REVIEW**

Fast economic growth in the PRC has resulted in continuous rise in income and thus pursuing higher living standards. Coupled with the PRC government's housing reform which encourages private property ownership, relaxation of mortgage terms and extending mortgage repayment periods, demand for quality residential housing has been rapidly increased, especially in fast growing cities, such as Changchun, Ningbo, Shanghai and Qingdao.

According to statistics from 長春市統計局 (Changchun Statistics Bureau), 寧波市統計局 (Ningbo Statistics Bureau), 上海市統計局 (Shanghai Statistics Bureau) and 青島市統計局 (Qingdao Statistics Bureau), there was growth in GDP of 13.5%, 12.9%, 10% and 14.5% in comparison to the corresponding period of first half year of 2001. By comparison with the GDP growth in the PRC for the first half year of 2002 of 7.8%, the GDP growth in Changchun, Ningbo, Shanghai and Qingdao was ahead by 5.7%, 5.1%, 2.2% and 6.7% respectively.

In addition, 國房景氣指數 (The Prosperity Index of the National Real Estate Development Industry) showed a consistent growing trend in the first half year of 2002. And it is expected that such growing trend will be maintained in the second half of the year.

### **LISTED SUCCESSFULLY**

The Group was listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) successfully on 4th June, 2002. With the exercise of the over-allotment option of 12,600,000 additional shares, total proceeds and net proceeds from the initial public offer was approximately HK\$82.6 million and HK\$62.6 million respectively.

The directors believe the listing of the Group in the Stock Exchange has strengthened the Group’s position in the PRC’s property development market as well as its capital base.

### **USE OF PROCEEDS**

The Group has placed 82,600,000 shares of HK\$1.00 each (together with the over-allotment of 12,600,000 shares) on 29th May, 2002. As at 31st August, 2002, the net proceeds after deduction of related expenses were approximately HK\$62.6 million and approximately HK\$ 38.1 million has been utilised for the development of various projects and working capital of the Group. The balance of approximately HK\$24.5 million was placed into short term fixed deposit and savings account and will be used for the Group’s business in accordance with the plan.

### **PROJECTS TO BE COMPLETED IN SECOND HALF OF 2002**

Approximately 47,000 sq.m. of Changchun Haoyuan (high-class residential complex) in Changchun is expected to be completed by the end of 2002. At present, construction is approximately 80% completed. And pre-sales have already commenced in third quarter of 2002.

Property market price in Shanghai has increased notably. To cater for the rising demand for high quality property in Shanghai, the Group has started to develop Shanghai project in June 2002. With land area of approximately 67,843 sq.m., the site will be developed as a high-class residential development comprising 73 luxury villas and relevant facilities. At present, the construction is approximately 50% completed and is expected to be completed by the end of 2002. The pre-sales are expected to commence in October 2002.

With substantial increase in completion of property development and the persistent strong demand in the PRC property market, the Group expects it will bring turnover and profit contribution from sales of properties in the second half of the year.

## **FINANCIAL REVIEW**

### **Net assets**

As at 30th June, 2002, the Group recorded total assets and total liabilities of approximately HK\$528,090,000 and HK\$299,075,000 respectively. The Group's net assets as at 30th June, 2002 increased by approximately 136.47% to approximately HK\$194,828,000 as compared to approximately HK\$82,389,000 as at 31st December, 2001.

### **Liquidity**

The Group had total bank balances and cash of approximately HK\$120,242,000 as at 30th June, 2002 as compared with HK\$54,215,000 as at 31st December, 2001. As at 30th June, 2002, the current ratio was 1.66 as compared with 1.23 as at 31st December, 2001. The gearing ratio was 56.63% as at 30th June, 2002 as compared with 74.65% as at 31st December, 2001. The bank borrowings to equity was recorded at 27.21% as at 30th June, 2002 as compared with 47.18% as at 31st December, 2001.

### **Pledge of assets**

As at 30th June, 2002, leasehold land included in properties under development of the Group with an aggregate carrying value of approximately HK\$31,665,000 were pledged to bank to secure a bank loan of approximately HK\$18,868,000 granted to the Group.

### **Interest rate and currency exposure**

Bank facilities are arranged on both medium and short-term bases and are geared to the Group's funding needs. All bank borrowings are arranged on a floating rate basis. Management will closely monitor the Group's exposure to interest rate risks and appropriate hedging products will be utilised, if considered necessary, to minimize the Group's exposure to interest rate fluctuations. The Group has no significant exposure to currency risk.

### **Use of capital and funding**

Capital of the Company and accumulated profits of the Group will continue to be put to good use to develop the Group's business. The Group has adequate capital resources for funding its ongoing operations and further expansion.

## **CHANGES IN GROUP COMPOSITION**

There is no acquisition and disposal of subsidiary during the six months ended 30th June, 2002.

## **STAFF**

As at 30th June, 2002, the Group employed approximately 68 full time staffs in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market price while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidised educational and training programmes as well as share option scheme.

## **OUTLOOK**

On 4th September, 2002, a wholly owned subsidiary of the Group, China Fair Land (Qingdao) Limited (“China Fair Qingdao”), entered into a joint venture contract with 中國青島廣廈房地產實業總公司 (the “Qingdao partner”), which is owned by Qingdao Land Administration Bureau 青島市國土局, to establish a joint venture company, Qingdao Zhenghuiguangsha Real Estate Development Co, Ltd. 青島正輝廣廈房地產開發有限公司 (the “Qingdao JV”) in Qingdao, PRC. The registered capital of the Qingdao JV is RMB20 million. The Qingdao JV will be owned as to 70% by China Fair Qingdao and 30% by the Qingdao partner. And the Qingdao JV will be engaged in redevelopment of villas in 小魚山 (Xiaoyushan) in Qingdao (the “Xiaoyushan Project”). Total site area for the whole project is approximately 400,000 sq.m. and will be developed as a large-scale luxury residential/commercial composite development. Qingdao is an important coastal city in China with a population of approximately 6.9 million. As the only city hosting the 2008 Olympic Games outside Beijing, Qingdao will take full advantage of this great opportunity to make further development in both construction and economy of the city.

By adding the site area in the Xiaoyushan Project in Qingdao to the Group’s present land bank in Changchun, Ningbo and Shanghai, the total site area and land bank held for future development by the Group will be increased to approximately 1 million sq.m. The directors expect this could maintain the Group’s development in the next 3 to 5 years.

And it is the strategy of the Group to continue look for potential and quality sites/land in fast growing cities to replenish its land bank and to diversify its investment and increase its geographical coverage in potential cities in the PRC.

With steady economic growth in Mainland China over the past few years, strong purchasing power has been accumulated. It results in rising demand for ownership of residential property, especially high quality residential housing. Such growth in residential property market has been further spurred by the PRC government's housing reform and relaxation of mortgage terms and repayment periods.

In addition, the PRC's entry into the World Trade Organisation ("WTO") and the hosting of Olympic Games in 2008 is expected to attract more foreign investments in the PRC. The expected increase in business activities will bring promising growth in property market in the PRC, especially in fast growing cities like Changchun, Ningbo, Shanghai and Qingdao.

The Group, with its experienced and visionary team since 1989 in the PRC, its prominent joint venture partners in the PRC, its customized strategies which cater for local market characteristics, people oriented and effective management policies, its extensive and well established reputation is expected to benefit from prosperous property market growth in the PRC.

## **INDEPENDENT REVIEW REPORT**

### **TO THE DIRECTORS OF CHINA FAIR LAND HOLDINGS LIMITED**

正輝中國集團有限公司

#### **Introduction**

We have been instructed by China Fair Land Holdings Limited (the “Company”) to review the interim financial report set out on pages 8 to 19.

#### **Directors’ responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

#### **Review work performed**

We conducted our review in accordance with the Statement of Auditing Standards No. 700 “Engagements to review interim financial reports” (“SAS 700”) issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2002.

Without modifying our review conclusion, we draw to your attention that the comparative condensed income statement, the comparative condensed consolidated cash flow statement and comparative condensed consolidated statement of changes in equity for the six months ended 30th June, 2001 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
17th September, 2002

**CONDENSED CONSOLIDATED INCOME STATEMENT***FOR THE SIX MONTHS ENDED 30TH JUNE, 2002*

		<b>1.1.2002</b>	1.1.2001
		<b>to</b>	to
		<b>30.6.2002</b>	30.6.2001
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover	3	<b>23,477</b>	19,675
Cost of sales		<b>(7,420)</b>	(13,405)
Gross profit		<b>16,057</b>	6,270
Gain on disposal of investment in a property development project		<b>—</b>	8,813
Other revenue		<b>2,811</b>	597
Distribution costs		<b>(1,049)</b>	(616)
Administrative expenses		<b>(4,187)</b>	(6,316)
Profit from operations		<b>13,632</b>	8,748
Finance costs		<b>(1,852)</b>	(2,171)
Profit before taxation		<b>11,780</b>	6,577
Taxation	5	<b>(4,559)</b>	—
Profit before minority interests		<b>7,221</b>	6,577
Minority interests		<b>(1,586)</b>	(1,216)
Net profit for the period		<b>5,635</b>	5,361
Earnings per share			
- basic (HK cents)	7	<b>2.50</b>	2.55



## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2002

		<b>30.6.2002</b>	31.12.2001
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Non-current assets</b>			
Investment properties		13,458	13,458
Property, plant and equipment	8	8,458	8,723
Properties under development		91,552	126,531
		<u>113,468</u>	<u>148,712</u>
<b>Current assets</b>			
Properties under development		113,867	52,587
Properties held for sale		98,713	103,456
Property sale receivable	9	24,578	33,163
Debtors, deposits and prepayments		56,184	53,778
Balance receivable on sale of investment in a property development project		1,038	7,642
Bank balances and cash		120,242	54,215
		<u>414,622</u>	<u>304,841</u>
<b>Current liabilities</b>			
Customers' deposits received		10,999	10,581
Creditors and accrued charges	10	116,358	127,658
Amount due to an intermediate holding company		2,477	—
Amount due to a director		—	5,190
Amounts due to related companies		2,205	2,062
Amounts due to minority interests		8,791	10,577
Taxation payable		55,469	52,818
Bank borrowings		53,019	38,868
		<u>249,318</u>	<u>247,754</u>
<b>Net current assets</b>		<u>165,304</u>	<u>57,087</u>
<b>Total assets less current liabilities</b>		<u>278,772</u>	<u>205,799</u>
<b>Minority interests</b>		<u>34,187</u>	<u>32,601</u>
<b>Non-current liabilities</b>			
Amount due to ultimate holding company		—	39,015
Loans from minority interests		30,185	28,747
Long term payables		19,572	23,047
		<u>49,757</u>	<u>90,809</u>
		<u>194,828</u>	<u>82,389</u>
<b>Represented by:</b>			
Share capital		29,260	50
Reserves		165,568	82,339
		<u>194,828</u>	<u>82,389</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2002**

	Share capital	Share premium	Special reserve	Investment property revaluation reserve	Goodwill	Translation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January, 2001	50	—	—	7,369	(7,669)	—	60,979	60,729
Net profit for the period	—	—	—	—	—	—	5,361	5,361
As at 30th June, 2001	50	—	—	7,369	(7,669)	—	66,340	66,090
Exchange differences arising on translation of operations outside Hong Kong not recognised in income statement	—	—	—	—	—	468	—	468
Interim dividend paid	—	—	—	—	—	—	(20,000)	(20,000)
Net profit for the period	—	—	—	—	—	—	35,831	35,831
As at 31st December, 2001	50	—	—	7,369	(7,669)	468	82,171	82,389
Arising from the Group Reorganisation	(50)	—	50	—	—	—	—	—
Arising from the Group Reorganisation	—	—	44,205	—	—	—	—	44,205
Issue of shares upon the Group Reorganisation	111	—	(111)	—	—	—	—	—
Capitalisation issue	20,889	—	(20,889)	—	—	—	—	—
Issue of shares through initial public offering	8,260	74,340	—	—	—	—	—	82,600
Share issue expenses	—	(20,001)	—	—	—	—	—	(20,001)
Net profit for the period	—	—	—	—	—	—	5,635	5,635
As at 30th June, 2002	<u>29,260</u>	<u>54,339</u>	<u>23,255</u>	<u>7,369</u>	<u>(7,669)</u>	<u>468</u>	<u>87,806</u>	<u>194,828</u>

The paid-up capital as at 31st December, 2001 shown in the audited condensed consolidated balance sheet represented the aggregate amount of the nominal value of the issued share capital of the Company's subsidiaries before the Group Reorganisation.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2002*

	<b>1.1.2002</b>	1.1.2001
	<b>to</b>	to
	<b>30.6.2002</b>	30.6.2001
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash (outflow) inflow from operating activities	<b>(19,581)</b>	28,674
Net cash inflow from investing activities	<b>6,586</b>	8,994
Net cash inflow (outflow) from financing activities	<b>79,022</b>	(642)
	<hr/>	<hr/>
Increase in cash and cash equivalents	<b>66,027</b>	37,026
Cash and cash equivalents at the beginning of the period	<b>54,215</b>	16,497
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period		
Bank balances and cash	<b>120,242</b>	53,523
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2002*

**1. GROUP REORGANISATION AND BASIS OF PREPARATION**

The Company was incorporated in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda (as amended). Its ultimate holding company is Future Opportunity Limited, incorporated in the British Virgin Islands.

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group on 15th May, 2002. Details of the Group Reorganisation are set out in Appendix VI of the prospectus dated 22nd May, 2002 issued by the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, its combined income statement for the six months ended 30th June, 2001 and combined balance sheet as at 31st December, 2001 have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice (“SSAP”) 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants.

The combined income statement and combined cash flow statement of the Group for the six months ended 30th June, 2001 have been prepared as if the current group structure had been in existence since 1st January, 2001. The combined balance sheet of the Group as at 31st December, 2001 has been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence as at that date. All material intra-group transactions and balances have been eliminated on combination.

The unaudited condensed consolidated financial statements have been prepared in accordance with SSAP 25 “Interim financial reporting” and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the accountants' report set out in Appendix I of the prospectus dated 22nd May, 2002 issued by the Company except in the current period, the Company has adopted, for the first time, the following new and revised SSAPs:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The new and revised standards have introduced revised disclosure requirements which have been adopted in the condensed consolidated financial statements. Comparative amounts for prior period have been restated in order to achieve a consistent presentation. The adoption of the above standards has had no significant effect on the results for the current or prior accounting periods.

### 3. SEGMENT INFORMATION

#### Business segments

	<b>1.1.2002 to 30.6.2002 HK\$'000</b>	1.1.2001 to 30.6.2001 HK\$'000
Turnover		
Sales of developed properties	<b>21,570</b>	19,675
Sales of land	<b>1,907</b>	—
	<u><b>23,477</b></u>	<u>19,675</u>
Result		
Sales of developed properties	<b>14,451</b>	5,654
Sales of land	<b>557</b>	—
	<u><b>15,008</b></u>	<u>5,654</u>
Gain on disposal of investment in a property development project	—	8,813
Interest income	<b>297</b>	110
Unallocated corporate expenses	<b>(1,673)</b>	(5,829)
	<u><b>13,632</b></u>	<u>8,748</u>
Profit from operations	<b>13,632</b>	8,748
Finance costs	<b>(1,852)</b>	(2,171)
	<u><b>11,780</b></u>	<u>6,577</u>
Profit before taxation	<b>11,780</b>	6,577
Taxation	<b>(4,559)</b>	—
	<u><b>7,221</b></u>	<u>6,577</u>
Profit before minority interests	<b>7,221</b>	6,577
Minority interests	<b>(1,586)</b>	(1,216)
	<u><b>5,635</b></u>	<u>5,361</u>

#### Geographical segments

All of the Group's business activities were carried out in the PRC, accordingly, geographical segmental information has not been presented.

#### **4. DEPRECIATION**

During the period, depreciation of approximately HK\$283,000 (2001: HK\$307,000) was charged in respect of the Group's property, plant and equipment.

#### **5. TAXATION**

The charge represents the PRC income tax calculated at 33% on the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising from or derived in Hong Kong.

No provision for Land Value-Added Tax ("LVAT") has been made in the financial statements for the periods ended 30th June, 2002 and 2001, respectively, as the directors consider that the Group is unlikely to receive demands from the tax authorities in the PRC for payment of the LVAT for the sales of land and developed properties during the periods. LVAT for the period ended 30th June, 2002 which would otherwise be payable amounted to approximately HK\$1,591,000 (2001: HK\$1,145,000).

No provision for deferred taxation has been made in respect of the period as the amount involved is insignificant.

#### **6. DIVIDEND**

The directors do not recommend the payment of any interim dividend for both periods.

#### **7. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the unaudited consolidated net profit for the period of approximately HK\$5,635,000 for the six months ended 30th June, 2002 (2001: HK\$5,361,000) and on the weighted average number of 225,059,669 shares (2001: 210,000,000). The weighted average number of shares in issue has been calculated on the assumption that 210,000,000 shares were deemed to have been issued on 1st January, 2001.

No diluted earnings per share have been presented as the Company did not have any dilutive potential ordinary shares during the periods.

#### **8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately HK\$18,000 (2001: HK\$58,000) on acquisition of property, plant and equipment.

## 9. PROPERTY SALE RECEIVABLE

An aged analysis of the Group's property sale receivable is as follows:

	<b>30.6.2002</b>	31.12.2001
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within three months	<b>7,841</b>	11,315
Four months to one year	<b>10,961</b>	12,368
Between one to two years	<b>2,449</b>	8,679
Over two years	<b>3,327</b>	801
	<u><b>24,578</b></u>	<u>33,163</u>

Under the Group's current credit policy on sales of developed properties, individual customer has to fully settle the purchase consideration before the Group transfers the title of the property to the customers.

For sales of land, individual customer has to substantially settle the purchase consideration before the Group transfers the title of the land to the customers.

## 10. CREDITORS AND ACCRUED CHARGES

An aged analysis of the Group's trade creditors, included in the creditors and accrued charges, is as follows:

	<b>30.6.2002</b>	31.12.2001
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within three months	<b>2,545</b>	335
Four months to one year	<b>395</b>	2,873
Over one year	<b>10,544</b>	13,203
	<u><b>13,484</b></u>	<u>16,411</u>



## 11. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

		<b>1.1.2002</b>	1.1.2001
		<b>to</b>	to
		<b>30.6.2002</b>	30.6.2001
<i>Notes</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>CONTINUING TRANSACTIONS:</b>			
Interest paid to			
	中國房地產開發總公司寧波分公司 (China State Real Estate Development Corporation Ningbo Branch) ("Ningbo CSREDC")	(i) <b>99</b>	129
	Interest paid to Geyung (Real Estates) Company Limited	(ii) <b>52</b>	134
	Interest paid to		
	長春市城市基礎設施建設開發公司 ("Changchun JV Partner")	(iii) <b>362</b>	326
	Interest paid to Min Xin Properties Limited	(iv) <b>1,076</b>	904
	Rental paid to Chance Fair International Development Limited ("Chance Fair International")	(v) <b>223</b>	201
<b>DISCONTINUED TRANSACTIONS:</b>			
	Reimbursement of interest paid by Chance Fair International on behalf of a subsidiary of the Company to a third party	(vi) <b>—</b>	4,211
	Net consideration on transfer of the entire equity interest in Shanghai Chance Fair Real Estate Development Co., Ltd. ("Shanghai Chance Fair") from Chance Fair International to the Group	(vii) <b>—</b>	<b>24,523</b>

*Notes:*

- (i) Ningbo CSREDC holds a 25% equity interest in Ningbo Tuozhan Real Estate Development Co., Ltd. (“Ningbo Tuozhan”), a non wholly-owned subsidiary of the Company. The interest paid was charged at interest rates of 6.99% and 5.31% per annum on the loan advanced to Ningbo Tuozhan for the periods ended 30th June, 2001 and 2002, respectively.
- (ii) Geyung (Real Estates) Company Limited holds a 37.5% equity interest in Ningbo Tuozhan. The interest paid was charged at interest rates of 6.99% and 5.31% per annum on the loan advanced to Ningbo Tuozhan for the periods ended 30th June, 2001 and 2002, respectively.
- (iii) Changchun JV Partner holds a 5% equity interest in Changchun Changxin International Real Estate Development Co., Ltd. (“CCCX Real Estate”), a non wholly-owned subsidiary of the Company. The interest paid was charged at interest rate of 10% per annum on the loan advanced to CCCX Real Estate.
- (iv) Min Xin Properties Limited holds a 20% equity interest in CCCX Real Estate. The interest paid was charged at interest rate of 10% per annum on the loan advanced to CCCX Real Estate.
- (v) The Company entered into a sub-tenancy agreement with Chance Fair International, an intermediate holding company of the Company, on 22nd May, 2001 pursuant to which the intermediate holding company agreed to sub-lease a portion of the office premises to the Company for a term commencing from 1st January, 2001 to 19th May, 2002 (both days inclusive) at a monthly rental of HK\$40,176 exclusive of other charges.
- (vi) The amount represented the reimbursement of interest paid by the intermediate holding company on behalf of a subsidiary of the Company to a third party in respect of the loan advanced by that third party to finance the purchase of a piece of land in Shanghai, the PRC. The loan from this third party was fully repaid during the year ended 31st December, 2001. The reimbursement of interest paid by the intermediate holding company was determined on actual cost basis.
- (vii) On 13th April, 2001, the intermediate holding company transferred its entire equity interest in Shanghai Chance Fair to the Group at cost with a net consideration of approximately HK\$24,523,000.

The directors are of the opinion that the above transactions were carried out in the ordinary course of the Group’s business.

## **12. CONTINGENT LIABILITIES**

As at 30th June, 2002, the Group provided guarantees of approximately HK\$732,000 (31st December, 2001: HK\$48,140,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted.

## OTHER INFORMATION

### Directors' interest in shares

None of the Directors, chief executives or their associates had any interest in the issued share capital of the Company or any of its associated corporations, as defined in Section 29 of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance").

### Directors' right to acquire shares or debentures

No share options were granted to the Directors at the date of this interim report. Other than in connection with the Group reorganisation in preparation for the Company's initial public offering, at no time during the period was the Company or its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Substantial shareholders

As at 30th June, 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of Company	Number of shares	Percentage of shareholding
International Offshore Development Limited ( <i>Note 1</i> )	182,000,000	62.2%
Chance Fair International Development Limited ( <i>Note 2</i> )	182,000,000	62.2%
Future Opportunity Limited ( <i>Note 3</i> )	182,000,000	62.2%
Centre Trustees (C.I.) Limited	182,000,000	62.2%

Save as disclosed above, no person, other than the Directors whose interests are set out above, had registered an interest in the share capital of the Company as at 30th June, 2002 that was required to be recorded under Section 16(1) of the SDI Ordinance.

*Notes:*

1. International Offshore Development Limited (“International Offshore”), a company incorporated in the British Virgin Islands (the “BVI”) and a wholly-owned subsidiary of Chance Fair International Development Limited, owned the shares and its entire issued share capital of which is ultimately interested by Centre Trustees (C.I.) Limited as trustee under a discretionary trust (the “Trust”), the discretionary objects of which include the family members of Mr. So Pang Gen.
2. Chance Fair International Development Limited is wholly-owned subsidiary of Future Opportunity Limited, a company incorporated in the BVI.
3. Future Opportunity Limited is beneficially owned by the Trust.

**Purchase, sale or redemption of shares**

The Company’s shares were listed on the Stock Exchange on 4th June, 2002. During the period from 4th June, 2002 to 30th June, 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

**Code of best practice**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2002, except for Guideline 7 that Independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company’ annual general meeting in accordance with the Company’s Articles of Association.

**Audit committee**

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises three independent non-executive Directors, Mr. Hui Yip Wing, David, Mr. Kee Wah Sze and Mr. Ku Siu-Fung, Stephen. The audit committee has reviewed the unaudited condensed consolidated interim accounts for the six months ended 30th June, 2002 of the Group with the management.

By Order of the Board  
**So Pang Gen**  
*Chairman*

Hong Kong, 17th September, 2002