



CHINA FAIR LAND HOLDINGS LIMITED

正輝中國集團有限公司*

(Incorporated in the Bermuda with limited liability)



* For identification only

Interim Report 2003

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FINANCIAL HIGHLIGHTS

| | Six month ended 30 June, | | |
|-------------------------------------|--------------------------|-------------------------|-----------------|
| | 2003 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> | <i>Change %</i> |
| Turnover | | | |
| Sales of developed properties | 67,777 | 21,570 | 214.22 |
| Sales of land | 12,389 | 1,907 | 549.66 |
| Total turnover | 80,166 | 23,477 | 241.47 |
| Profit from operations | 17,210 | 13,632 | 26.25 |
| Profit attributable to shareholders | 9,232 | 5,635 | 63.83 |
| Basic earnings per share | 3.16 cents | 2.50 cents | 26.40 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th June, 2003, the Group recorded a turnover of approximately HK\$80,166,000, representing an increase of approximately 241.47% in comparison to the corresponding period in 2002. Turnover included the sales of land and sales of developed properties amounted to approximately HK\$12,389,000 (2002: HK\$1,907,000) and HK\$67,777,000 (2002: HK\$21,570,000) respectively, which mainly contributed by the sales of developed properties of Fanjin Garden and Fortune Garden in Ningbo, Changchun Haoyuan in Changchun and Village Garden in Shanghai.

Profit attributable to shareholders for the period ended 30th June, 2003 was approximately HK\$9,232,000, representing an increase of approximately 63.83% in comparison to the corresponding period in 2002.

The strong growth in turnover and profit attributable to shareholders for the first half of the year 2003 was mainly the results of sales of Village Garden in Shanghai. Village Garden was launched in December 2002 and the sales are recorded satisfactory for the six months ended 30th June, 2003 despite the outbreak of Severe Acute Respiratory Syndrome (“SARS”) during the period from March to June 2003. This performance is expected to continue in the second half of the year. The sale of land is one of main source of income for the Group and it performed well in the first half of the year. This strategy will be continued in the near future in order to increase cash flow and to expand the business. The Xiaoyushan project in Qingdao is currently in the stage of planning and several development proposals have been submitted to the local authority for studying and approval. This project would be our main focus in the next few years.

The construction of first phase of Fenghua project in Ningbo is scheduled to be commenced by the end of 2003 and will be developed as a high class residential development with a total GFA of approximately 15,000 sq.m.

MARKET REVIEW

For the first half of the year 2003, the income for citizens in the People’s Republic of China (the “PRC”) continues fast growth, the disposable income per capita in cities is RMB4,301, a increase of 8.4% in comparison to the corresponding period in 2002. According to the statistics released by government, the investment and total sales in residential property increased 26.4% and 43.9% respectively in comparison to the corresponding period in 2002. According to National Bureau of Statistics of China, 國房景氣指數 (The “Booming

Index of National Real Estate”) was 107.04 for June, 2003, representing an increase of 2.39 points in comparison to the corresponding period in 2002. It also turned around the falling trend since March 2003. The PRC property market is picking up the growth trend after the outbreak of SARS.

FINANCIAL REVIEW

Net assets

As at 30th June, 2003, the Group recorded total assets and total liabilities of approximately HK\$499,782,000 and HK\$244,817,000 respectively. The Group had net assets as at 30th June, 2003 approximately HK\$215,278,000 as compared to approximately HK\$214,824,000 as at 31st December, 2002. The Group’s net assets remain steady growth after a final dividend of 3 HK cents per share for the year ended 31st December, 2002 was paid.

Liquidity and financial ratios

The Group had total bank balances and cash of approximately HK\$56,240,000 as at 30th June, 2003 as compared with HK\$68,657,000 as at 31st December, 2002. The decrease is due to the payment of final dividend and repayment of bank loans. As at 30th June, 2003, the current ratio was 1.82 as compared with 1.7 as at 31st December, 2002. The gearing ratio was 48.98% as at 30th June, 2003 as compared with 53.84% as at 31st December, 2002. The bank borrowings to equity was recorded at 10.08% as at 30th June, 2003 as compared with 19.76% as at 31st December, 2002.

Borrowings

The Group had interest bearing borrowings of approximately HK\$64,796,000 as at 30th June, 2003 (31st December, 2002: HK\$83,501,000), representing a decrease of approximately 22.4% over the amount as at 31st December, 2002 owing to repayment of bank loans as maturity. All borrowings were denominated in Renminbi (“RMB”). Approximately 33.49% of the borrowings is repayable within one year and the rest representing the loans from minority shareholders, which will not be demanded for repayment within one year, have no fixed terms of repayment. All borrowings are used to finance property development projects of the Group and there is no seasonality of borrowing requirements for the Group.

Foreign currency exposure

Although significant portions of the Group’s borrowings, turnover and construction costs are primarily denominated in RMB, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the RMB. The Directors also consider that there will be sufficient cash resources denominated in both HK\$ and RMB for the repayment of its borrowings. During the period under review, the Group did not use any financial instrument for hedging purposes and the Group did not have hedging instrument outstanding as at 30th June, 2003.

MATERIAL ACQUISITION AND DISPOSAL

There is no material acquisition and disposal of subsidiary and assets during the six months ended 30th June, 2003.

STAFF

As at 30th June, 2003, 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

The outbreak of SARS in the second quarter of 2003 causes temporarily adverse effect on the economy and domestic consumption power as well as the property market in the PRC. The People's Bank of China also issued a circular in June 2003 to impose stricter limits on housing credit to minimize financial risks in the real estate sector. Such temporary adjustments may slightly drop temperature in the PRC booming property market in short run. However, according to a circular released by the State Council in August 2003, which detailing ways to maintain sustainable growth in the property market while confirm its positive contribution to the domestic economic, the Group believes that the PRC government is focusing on efforts to promote the property market's healthy growth and the Group remains optimistic about the prospect of the PRC property market. The entry into the WTO, a Vivendi Universal theme park planned to open in Shanghai in 2006, the hosting of Olympic Games in 2008 and Shanghai EXPO in 2010 will stimulate the PRC economic growth in the long run. Strong demand for quality residential and commercial property is expected in the coming years. The Group continues to place great emphases on land bank replenishment in Changchun, Ningbo, Qingdao and Shanghai in order to build residential units for sale and anticipate appreciation in land value.

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**Deloitte
Touche
Tohmatsu**

INDEPENDENT REVIEW REPORT

TO THE BOARD OF 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 7 to 16.

DIRECTORS’ RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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’s 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, 2003.

Deloitte Touche Tohmatsu

19th September, 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months ended 30th June, 2003

| | Notes | 1.1.2003 to 30.6.2003 HK\$'000 (Unaudited) | 1.1.2002 to 30.6.2002 HK\$'000 (Unaudited) |
|-------------------------------------|-------|--|--|
| Turnover | 3 | 80,166 | 23,477 |
| Cost of sales | | (52,449) | (7,420) |
| Gross profit | | 27,717 | 16,057 |
| Other operating income | | 1,344 | 2,811 |
| Distribution costs | | (1,491) | (1,049) |
| Administrative expenses | | (10,360) | (4,187) |
| Profit from operations | | 17,210 | 13,632 |
| Finance costs | | (3,128) | (1,852) |
| Profit before taxation | | 14,082 | 11,780 |
| Taxation | 5 | (5,502) | (4,559) |
| Profit before minority interests | | 8,580 | 7,221 |
| Minority interests | | 652 | (1,586) |
| Profit attributable to shareholders | | 9,232 | 5,635 |
| Earnings per share | | | |
| — basic (HK cents) | 7 | 3.16 | 2.50 |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2003

| | Notes | 30.6.2003 HK\$'000 (Unaudited) | 31.12.2002 HK\$'000 (Audited and restated) |
|--|-------|--------------------------------------|---|
| Non-current assets | | | |
| Investment properties | | 13,585 | 13,585 |
| Property, plant and equipment | 8 | 10,645 | 10,693 |
| Properties under development | | 114,738 | 99,409 |
| | | 138,968 | 123,687 |
| Current assets | | | |
| Properties under development | | 27,049 | 18,954 |
| Properties held for sale | | 175,814 | 229,760 |
| Property sale receivable | 9 | 63,438 | 68,671 |
| Debtors, deposits and prepayments | | 38,273 | 42,994 |
| Bank balances and cash | | 56,240 | 68,657 |
| | | 360,814 | 429,036 |
| Current liabilities | | | |
| Customers' deposits received | | 3,703 | 2,161 |
| Creditors and accrued charges | 10 | 97,771 | 127,264 |
| Amount due to an intermediate holding company | | 5,030 | 7,464 |
| Amounts due to minority shareholders | | 1,550 | 5,807 |
| Taxation payable | | 68,922 | 66,553 |
| Bank borrowings | | 21,698 | 42,453 |
| | | 198,674 | 251,702 |
| Net current assets | | 162,140 | 177,334 |
| Total assets less current liabilities | | 301,108 | 301,021 |
| Minority interests | | 39,687 | 40,339 |
| Non-current liabilities | | | |
| Deferred taxation liabilities | | 3,045 | 3,045 |
| Loans from minority shareholders | | 43,098 | 41,048 |
| Long term payables | | — | 1,765 |
| | | 46,143 | 45,858 |
| | | 215,278 | 214,824 |
| Capital and reserves | | | |
| Share capital | | 29,260 | 29,260 |
| Reserves | | 186,018 | 185,564 |
| Shareholders' funds | | 215,278 | 214,824 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months ended 30th June, 2003

| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Investment property revaluation reserve HK\$'000 | Leasehold land and building revaluation reserve HK\$'000 | Goodwill HK\$'000 | Translation reserve HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|-----------------------------|---|---|----------------------|---------------------------------|---------------------------------|-------------------|
| As at 1st January, 2002 | | | | | | | | | |
| — as originally stated | 50 | — | — | 7,369 | — | (7,669) | 468 | 82,171 | 82,389 |
| — prior period adjustment (Note 2) | — | — | — | — | — | — | — | (2,432) | (2,432) |
| — as restated | 50 | — | — | 7,369 | — | (7,669) | 468 | 79,739 | 79,957 |
| Arising from the group reorganisation ("Group Reorganisation") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") | (50) | — | 44,255 | — | — | — | — | — | 44,205 |
| Issue of shares upon the Group Reorganisation | 111 | — | (111) | — | — | — | — | — | — |
| Issue of shares to the public | 8,260 | 74,340 | — | — | — | — | — | — | 82,600 |
| Share issue expenses | — | (20,001) | — | — | — | — | — | — | (20,001) |
| Capitalisation issue | 20,889 | (20,889) | — | — | — | — | — | — | — |
| Net profit for the period | — | — | — | — | — | — | — | 5,635 | 5,635 |
| As at 30th June, 2002 | 29,260 | 33,450 | 44,144 | 7,369 | — | (7,669) | 468 | 85,374 | 192,396 |
| Surplus arising on revaluation at the balance sheet date and total gains not recognised in the consolidated income statement | — | — | — | 127 | 649 | — | — | — | 776 |
| Deferred tax liability arising on revaluation of land and buildings | — | — | — | — | (214) | — | — | (42) | (256) |
| Net profit for the period | — | — | — | — | — | — | — | 21,908 | 21,908 |
| As at 31st December, 2002 | | | | | | | | | |
| — as restated | 29,260 | 33,450 | 44,144 | 7,496 | 435 | (7,669) | 468 | 107,240 | 214,824 |
| Dividend paid | — | — | — | — | — | — | — | (8,778) | (8,778) |
| Net profit for the period | — | — | — | — | — | — | — | 9,232 | 9,232 |
| As at 30th June, 2003 | 29,260 | 33,450 | 44,144 | 7,496 | 435 | (7,669) | 468 | 107,694 | 215,278 |

The share capital as at 1st January, 2002 shown in the consolidated balance sheet represented the aggregate amount of the nominal value of the issued share capital of the Company's subsidiaries prior to the Group Reorganisation.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months ended 30th June, 2003

| | 1.1.2003 to 30.6.2003 <i>HK\$'000</i> <i>(Unaudited)</i> | 1.1.2002 to 30.6.2002 <i>HK\$'000</i> <i>(Unaudited)</i> |
|--|--|--|
| Net cash inflow (outflow) from operating activities | 21,995 | (19,581) |
| Net cash (outflow) inflow from investing activities | (238) | 6,586 |
| Net cash (outflow) inflow from financing activities | (34,174) | 79,022 |
| (Decrease) increase in cash and cash equivalents | (12,417) | 66,027 |
| Cash and cash equivalents at the beginning of the period | 68,657 | 54,215 |
| Cash and cash equivalents at the end of the period | | |
| Bank balances and cash | 56,240 | 120,242 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months ended 30th June, 2003

1. General and Basis of Preparation

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

The interim financial report has been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and leasehold land and buildings.

In the current period, the Company has adopted the revised SSAP 12 "Accounting for income taxes" for the first time. This revised SSAP has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements, which have been adopted in the condensed financial statements.

The principal effect of the implementation of revised SSAP 12 is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. Revised SSAP 12 requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exception. Comparative amounts for prior period have been restated accordingly. As a result of the adoption of revised SSAP 12, the opening balance of accumulated profits at 1st January, 2003 has been decreased by HK\$2,474,000 (1st January, 2002: HK\$2,432,000). The balances of the Group's leasehold land and building revaluation reserve and minority interests at 1st January, 2003 have been decreased by HK\$214,000 and HK\$357,000, respectively (1st January, 2002: nil).

Other than the above, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2002.

3. Segment Information

Business segments

| | 1.1.2003 to 30.6.2003 <i>HK\$'000</i> | 1.1.2002 to 30.6.2002 <i>HK\$'000</i> |
|-------------------------------------|--|--|
| Turnover | | |
| Sales of developed properties | 67,777 | 21,570 |
| Sales of land | 12,389 | 1,907 |
| | 80,166 | 23,477 |
| Result | | |
| Sales of developed properties | 20,413 | 14,451 |
| Sales of land | 5,813 | 557 |
| | 26,226 | 15,008 |
| Other operating income | 1,344 | 2,811 |
| Unallocated corporate expenses | (10,360) | (4,187) |
| Profit from operations | 17,210 | 13,632 |
| Finance costs | (3,128) | (1,852) |
| Profit before taxation | 14,082 | 11,780 |
| Taxation | (5,502) | (4,559) |
| Profit before minority interests | 8,580 | 7,221 |
| Minority interests | 652 | (1,586) |
| Profit attributable to shareholders | 9,232 | 5,635 |

Geographical segments

All of the Group's business activities were carried out in the People's Republic of China (the "PRC"), accordingly, geographical segmental information has not been presented.

4. Depreciation

During the period, depreciation of approximately HK\$286,000 (2002: HK\$283,000) was charged in respect of the Group's property, plant and equipment.

5. **Taxation**

The charge represents the PRC enterprise income tax calculated at 33% (2002: 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 for both periods.

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 profit attributable to shareholders of approximately HK\$9,232,000 for the six months ended 30th June, 2003 (2002: HK\$5,635,000) and on the 292,600,000 (2002: weighted average number of 225,059,669) shares in issue during the period.

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

8. **Additions To Property, Plant And Equipment**

During the period, the Group spent approximately HK\$238,000 (2002: HK\$18,000) on acquisition of property, plant and equipment.

9. **Property Sale Receivable**

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

| | 30.6.2003 <i>HK\$'000</i> | 31.12.2002 <i>HK\$'000</i> |
|--------------------------|------------------------------|-------------------------------|
| Within three months | 34,471 | 60,801 |
| Four months to one year | 25,731 | 4,176 |
| Between one to two years | 2,574 | 3,308 |
| Over two years | 662 | 386 |
| | 63,438 | 68,671 |

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 trade creditors, included in the creditors and accrued charges, is as follows:

| | 30.6.2003 <i>HK\$'000</i> | 31.12.2002 <i>HK\$'000</i> |
|-------------------------|------------------------------|-------------------------------|
| Within three months | — | 8,790 |
| Four months to one year | 25,069 | 33,348 |
| Over one year | 12,293 | 13,136 |
| | 37,362 | 55,274 |

11. Related Party Transactions

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

| | <i>Notes</i> | 1.1.2003 to 30.6.2003 <i>HK\$'000</i> | 1.1.2002 to 30.6.2002 <i>HK\$'000</i> |
|--|--------------|--|--|
| 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>(i)</i> | — | 99 |
| Interest paid to Geyung (Real Estates) Company Limited | <i>(ii)</i> | 54 | 52 |
| Interest paid to 長春市城市基礎設施建設 開發公司 ("Changchun JV Partner") | <i>(iii)</i> | 401 | 362 |
| Interest paid to Min Xin Properties Limited | <i>(iv)</i> | 1,652 | 1,076 |
| Rental paid to Chance Fair International Development Limited ("Chance Fair International") | <i>(v)</i> | 174 | 223 |

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 5.31% and 5.85% per annum on the loan advanced to Ningbo Tuozhan for the periods ended 30th June, 2002 and 2003, 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 5.31% and 5.85% per annum on the loan advanced to Ningbo Tuozhan for the periods ended 30th June, 2002 and 2003, 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 for both of the periods ended 30th June, 2002 and 2003.
- (v) The Company entered into a sub-tenancy agreement with an intermediate holding 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. The sub-tenancy agreement was renewed for a term commencing from 20th May, 2002 to 19th May, 2003 (both dates inclusive) and 20th May, 2003 to 19th May, 2004 (both dates inclusive) at a monthly rental of approximately HK\$31,000 and HK\$25,000, respectively, exclusive of other charges.

The directors are of the opinion that the above transactions were carried out in the ordinary course of the Group's business and on terms similar to those applicable to transactions with unrelated parties.

12. Pledge of Assets

At the balance sheet date, the Group pledged its properties under development and properties held for sales to a bank in the PRC to secure the credit facilities of approximately HK\$21,698,000 (2002: HK\$28,302,000). The aggregate carrying value of the properties under development and properties held for sales at 30th June, 2003 pledged amounted to approximately HK\$54,290,000 (2002: HK\$90,551,000).

13. Contingent Liabilities

As at 30th June, 2003, the Group provided guarantees of approximately HK\$37,717,000 (2002: HK\$25,337,000) 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.

The State Administration of Tax in the PRC promulgated in July 2002 a circular to all local tax authorities requiring them to levy land appreciation tax on property developers. In the opinion of the directors, after consulting the Group's PRC tax consultants and meeting with the officials responsible for land appreciation tax of the local tax authorities of the relevant cities in which the Group has property development projects, the Group is unlikely to receive demands from the local tax authorities for the payment of land appreciation tax in respect of sales of land and developed properties for the period commencing from 1st January, 2001, the date on which the exemption period lapsed. The Group has not, however, been able to secure written confirmations from the relevant local tax authorities, but the directors consider that there is a small possibility that land appreciation tax might be levied. Against these backgrounds, no provisions for land appreciation tax have been made in these condensed financial statements. Should such levies take place, then land appreciation tax amounts to approximately HK\$42,795,000 for the period from 1st January, 2001 to 30th June, 2003 (2002: HK\$21,692,000 for the period from 1st January, 2001 to 30th June, 2002) has to be provided for in these condensed financial statements.

DIRECTORS AND CORPORATE INFORMATION

Board of Directors

Mr. So Pang Gen (*Chairman and managing director*)

Mr. Lam Hon-Keung, Keith (*Deputy-Chairman*)

Mr. Su Bangyuan (*Executive director*)

Mr. Choi Dun Woo (*Executive director*)

Mr. Hui Yip Wing, David (*Independent non-executive director*)

Mr. Kee Wah Sze (*Independent non-executive director*)

Mr. Ku Siu-Fung, Stephen (*Independent non-executive director*)

Company Secretary

Ms. Hui Wai Man, Shirley

Principal Bankers

The Bank of East Asia, Limited

Bank of China (Hong Kong) Ltd.

Industrial and Commercial Bank of China

Auditors

Deloitte Touche Tohmatsu

Registered Office

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

Principal Office in Hong Kong

Unit 1101, 11th Floor

Tower Two

Lippo Centre

89 Queenway

Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Corporate Services limited

Rosebank Centre

11 Bermudiana Road

Pembroke, Bermuda

Hong Kong principal Share Registrar and Transfer Office

Standard Registrars Limited

28/F, BEA Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

At 30th June, 2003, the interests of the Directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Part XV of the Securities and Futures Ordinance, were as follows:

Ordinary share of the Company

| Name of Director | Nature of interest | Number of shares |
|-----------------------------------|--------------------|------------------|
| Mr. So Pang Gen (<i>Note 1</i>) | Other interest | 182,470,000 |

Note:

- Such interests in the shares are held by a company ultimately controlled by a trust under which Mr. So Pang Gen is the settlor.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the following interests of 5% 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 Part XV of the Securities and Futures Ordinance:

| Name of Company | Number of shares | Percentage of shareholding |
|---|------------------|----------------------------|
| International Offshore (<i>Note 1</i>) | 182,470,000 | 62.36% |
| Chance Fair International Development Limited (<i>Note 2</i>) | 182,470,000 | 62.36% |
| Future Opportunity Limited (<i>Note 3</i>) | 182,470,000 | 62.36% |
| Centre Trustees (C.I.) Limited | 182,470,000 | 62.36% |

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, 2003 that was required to be recorded under Part XV of the Securities and Futures 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.

SHARE OPTIONS SCHEME

The Company’s share option scheme (the “Scheme”), was adopted pursuant to a resolution passed on 15th May, 2002 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued shares of the Company from time to time. During the period under review, no options have been granted under the Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements for the six months ended 30th June, 2003 of the Group with the management.

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 Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30th June, 2003, 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’s annual general meeting in accordance with the Company’s Articles of Association.

By Order of the Board
So Pang Gen
Chairman

Hong Kong, 19th September, 2003