



WINFOONG INTERNATIONAL LIMITED

榮 豐 國 際 有 限 公 司

(Incorporated in Bermuda with limited liability)

**2005 INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2005**

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BOARD OF DIRECTORS

Executive directors:

Cheong Pin Chuan, Patrick
Cheong Kim Pong
Cheong Sim Eng

Independent non-executive directors:

Chan Yee Hoi, Robert
Kan Fook Yee
Lai Hing Chiu, Dominic

Non-executive director:

Lim Ghee

RESULTS

The Board of Directors of Winfoong International Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2005 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		Unaudited six months ended 30 June	
		2005	2004
	Notes	HK\$ '000	HK\$ '000
Revenue	2	24,832	20,862
Cost of sales		(10,212)	(7,379)
Gross profit		14,620	13,483
Other revenue		161	1,222
Operating and administrative expenses		(15,013)	(14,653)
Reversal of provision/(provision) for impairment of properties held for sale		19,563	(4,417)
Profit/(loss) from operating activities before employee share option benefits		19,331	(4,365)
Employee share option benefits		(8,911)	–
Profit/(loss) from operating activities	3	10,420	(4,365)
Finance costs	4	(8,467)	(4,895)
Share of loss of an associate		(1,351)	(112)
Profit/(loss) before tax		602	(9,372)
Income tax credit/(expense)	5	806	(183)
Profit/(loss) for the period		1,408	(9,555)
Attributable to:			
Equity holders of the Company		1,439	(9,541)
Minority interest		(31)	(14)
		1,408	(9,555)
Earnings/(loss) per share – Basic	6	0.10 cents	(0.64cents)
– Diluted	6	0.10 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2005

		Unaudited 30 June 2005	Audited 31 December 2004 (Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Properties, plants and equipment	8	2,557	52,355
Investment properties	9	1,800,640	1,800,640
Property held for future development		80,000	80,000
Interest in an associate		357,874	373,159
Available-for-sale financial assets	10	3,310	3,688
Pledged bank balances and time deposits		3,357	4,191
Deferred tax assets		1,353	986
		<hr/>	<hr/>
		2,249,091	2,315,019
Non-current assets held for sale	11	64,141	–
		<hr/>	<hr/>
		2,313,232	2,315,019
Current assets			
Properties held for sale	12	88,570	74,653
Inventories		233	251
Trade and other receivables	13	18,158	20,810
Other current assets		623	623
Cash and cash equivalents		3,873	882
		<hr/>	<hr/>
		111,457	97,219
Total assets		<hr/> <hr/>	<hr/> <hr/>
		2,424,689	2,412,238
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	14	74,620	74,620
Reserves		1,528,908	1,517,123
		<hr/>	<hr/>
		1,603,528	1,591,743
Minority interest		3,049	3,052
Total equity		<hr/>	<hr/>
		1,606,577	1,594,795
Non-current liabilities			
Interest-bearing bank loans	15	488,855	526,899
Deferred income		5,583	5,583
Deferred tax liabilities		219,216	219,397
		<hr/>	<hr/>
		713,654	751,879
Current liabilities			
Trade and other payables	16	48,496	18,393
Interest-bearing bank loans	15	41,513	32,722
Tax payable		14,449	14,449
		<hr/>	<hr/>
		104,458	65,564
Total liabilities		<hr/>	<hr/>
		818,112	817,443
Total equity and liabilities		<hr/> <hr/>	<hr/> <hr/>
		2,424,689	2,412,238

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2005*

	Unaudited six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	30,721	(2,992)
NET CASH INFLOW FROM INVESTING ACTIVITIES	1,523	2,610
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	<u>(29,253)</u>	<u>1,363</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,991	981
Cash and cash equivalents at beginning of period	<u>882</u>	<u>3,673</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>3,873</u></u>	<u><u>4,654</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,873	4,418
Time deposits	<u>–</u>	<u>236</u>
	<u><u>3,873</u></u>	<u><u>4,654</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Equity attributable to equity holders of the Company												
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Land and building revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Financial asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Employee share-based payment reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Minority interest (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2005, as previously reported	74,620	196,873	121	618,098	12,177	1,245,819	-	145,549	-	(34,454)	(349,160)	3,052	1,812,795
Negative goodwill included in the carrying amount of interest in an associate credited to retained earnings	-	-	-	-	-	-	-	(145,549)	-	-	145,549	-	-
Revaluation surplus in prior years transferred to retained earnings	-	-	-	-	-	(1,245,819)	-	-	-	-	1,245,819	-	-
Deferred tax arising from change in fair value of investment properties	-	-	-	-	-	-	-	-	-	-	(218,000)	-	(218,000)
At 1 January 2005, as restated	74,620	196,873	121	618,098	12,177	-	(145,549)	-	-	(34,454)	1,173,368	3,052	1,594,795
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	1,439	(31)	1,408
Employees share option benefits	-	-	-	-	-	-	-	-	8911	-	-	-	8911
Surplus on revaluation of land and building	-	-	-	-	14,454	-	-	-	-	-	-	-	14,454
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	464	-	-	-	-	464
Share of movement in reserve of an associate	-	-	-	-	-	-	-	-	-	(13,535)	-	-	(13,535)
Exchange realignment	-	-	-	-	-	-	-	-	-	52	-	28	80
At 30 June 2005	74,620	196,873	121	618,098	26,631	-	-	464	8911	(147,857)	825,647	3,049	1,606,577

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2005

	Equity attributable to equity holders of the Company												
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Land and building revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Financial asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Employee share-based payment reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Minority interest (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2004	74,620	196,873	121	618,098	-	713,720	-	145,549	-	(152,966)	(571,510)	34,159	1,227,664
Loss for the period	-	-	-	-	-	-	-	-	-	-	(9,541)	(14)	(9,555)
Revaluation surplus realized on disposal of a subsidiary	-	-	-	-	(50)	-	-	-	-	-	-	-	(50)
Share of movement in reserve of an associate	-	-	-	-	-	-	-	-	185	-	-	-	185
Exchange realignment	-	-	-	-	-	-	-	-	-	(2,085)	-	7	(2,078)
At 30 June 2004	74,620	196,873	121	618,098	-	713,670	-	145,549	-	(154,866)	(381,051)	3,152	1,216,166

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2005

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee. These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") no. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and the basis of preparation used in the preparation of these interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2004 except that the Group has in the current period applied, for the first time, the following new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005.

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS-INT 21	Income Taxes-Recovery of Revalued Non-Depreciable Assets

HKAS 1 affects certain presentation in the income statement, balance sheet and statement of changes in equity, whilst HKFRS 5 requires a separate classification of non-current assets as held for sale if certain criteria are met.

The adoption of HKAS 16 and HKAS 17 does not have significant effect on the Group. The land and building components of the Group's leasehold properties for self-use cannot be separated, such lease is accounted for as a finance lease and the Group has adopted the revaluation model under HKAS 16.

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options of approximately HK\$8,911,000 at grant date on 18 January 2005 is charged to the income statement at the date of vest which is the same as the grant date.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for negative goodwill. Prior to this, negative goodwill was credited to equity as a capital reserve in relation to an acquisition of an associate and share of associate's negative goodwill pursuant to transitional provisions. Following the adoption of HKFRS 3, HKAS 36 and HKAS 38, negative goodwill arising from prior years' acquisition and share of associate's negative goodwill aggregated to approximately HK\$145,549,000 was derecognised by way of a corresponding adjustment to the opening retained earnings at 1 January 2005.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 December 2004, investments of the Group were classified into long term and short term investments. The long term investments are stated at cost less any impairment losses whilst the short term investments are stated at their fair values with changes taken to the income statement.

Following the adoption of HKAS 32 and HKAS39, the long term investments are classified as available-for-sale financial assets measured at fair value. The change in fair value is taken to financial asset revaluation reserve in equity.

The adoption of HKAS 40 has resulted in a change in the accounting policy for the Group's investment property. Changes in valuation of the investment property were previously dealt with in an investment property revaluation reserve. Following the adoption of HKAS 40, all changes in valuation of the investment property would be recognized in the income statement.

Pursuant to the transitional provisions of HKAS 40, the opening balance of investment property revaluation reserve amounted to approximately HK\$1,245,819,000 as at 1 January 2005 is transferred to the opening retained earnings as of the same date.

The adoption of HKAS-INT 21 has resulted in a change in accounting policy relating to deferred taxation of the Group's investment property. Prior to this, deferred tax arising from the revaluation of investment property was calculated on the basis that the property was held for sale. In accordance with the provision of HKAS-INT 21, the deferred tax arising from the revaluation of the property should be recalculated as if the investment property is held through use and charged to the income statement. Consequently, the deferred tax liability of approximately HK\$218,000,000 resulting from the aforementioned investment property revaluation reserve is recognised as of 1 January 2005 with the corresponding charge to the opening retained earnings.

The effect of changes in accounting policies on the condensed consolidated income statement are as follows:

	Effect of adopting HKFRS 2 <i>HK\$'000</i>	Total effect on adoption of HKFRSs and HKASs <i>HK\$'000</i>
For the six months ended 30 June 2005 (Unaudited)		
Increase in employee share option benefits and decrease in profit	(8,911)	(8,911)
Decrease in basic earnings per share	(0.60 cents)	(0.60 cents)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

The effect of changes in accounting policies on the condensed consolidated balance sheet are as follows:

	Effect of adopting					Total effect on adoption of HKFRSs and HKASs	HKFRSs and HKASs adopted	
	Previous accounting policies	HKAS 40	HKFRS 2	HKFRS 3, HKASs 36 and 38	HKASs 32 and 39			HKAS-INT 21
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
At 1 January 2005 (Unaudited)								
Deferred tax liabilities	1,397	-	-	-	-	218,000	218,000	219,397
Investment property revaluation reserve	1,245,819	(1,245,819)	-	-	-	-	(1,245,819)	-
Capital reserve	145,549	-	-	(145,549)	-	-	(145,549)	-
Retained earnings/(accumulated losses)	<u>(349,160)</u>	<u>1,245,819</u>	<u>-</u>	<u>145,549</u>	<u>-</u>	<u>(218,000)</u>	<u>1,173,368</u>	<u>824,208</u>
At 30 June 2005 (Unaudited)								
Interest in an associate	357,410	-	-	-	464	-	464	357,874
Deferred tax liabilities	1,216	-	-	-	-	218,000	218,000	219,216
Investment property revaluation reserve	1,245,819	(1,245,819)	-	-	-	-	(1,245,819)	-
Financial asset revaluation reserve	-	-	-	-	464	-	464	464
Capital reserve	145,549	-	-	(145,549)	-	-	(145,549)	-
Employee share-based payment reserve	-	-	8,911	-	-	-	8,911	8,911
Retained earnings/(accumulated losses)	<u>(338,810)</u>	<u>1,245,819</u>	<u>(8,911)</u>	<u>145,549</u>	<u>-</u>	<u>(218,000)</u>	<u>1,164,457</u>	<u>825,647</u>

2. SEGMENT INFORMATION

Segment information is presented on a primary segment reporting basis by business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) Property investment and management;
- (b) Property construction and development; and
- (c) Horticultural services.

The operations outside Hong Kong contributed less than 10% of turnover and less than 10% of consolidated operating profit/(loss).

Intersegment sales and transfers are transacted at terms agreed between parties with reference to third party prices.

Business segments

The following tables present revenue, profit/(loss) for the Group's business segments for the six months ended 30 June:

	Property investment and management	Property construction and development	Horticultural services	Corporate and others	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>2005 (Unaudited)</i>						
Segment revenue:						
Sales to external customers	17,953	5,350	1,529	-	-	24,832
Intersegment sales	1,938	1,192	-	-	(3,130)	-
Other revenue	-	-	-	144	-	144
Total revenue	<u>19,891</u>	<u>6,542</u>	<u>1,529</u>	<u>144</u>	<u>(3,130)</u>	<u>24,976</u>
Segment results	<u>24,131</u>	<u>98</u>	<u>207</u>	<u>(10,903)</u>	<u>(3,130)</u>	10,403
Interest income						<u>17</u>
Profit from operating activities						10,420
Finance costs						(8,467)
Share of loss of an associate	(1,351)					<u>(1,351)</u>
Profit before tax						602
Income tax credit						<u>806</u>
Profit for the period						<u>1,408</u>

2. SEGMENT INFORMATION (continued)

Business segments (continued)

	Property investment and management	Property construction and development	Horticultural services	Corporate and others	Eliminations	Consolidated
2004 (Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	17,704	1,637	1,521	-	-	20,862
Intersegment sales	2,347	2,522	-	-	(4,869)	-
Other revenue	376	-	-	842	-	1,218
Total revenue	<u>20,427</u>	<u>4,159</u>	<u>1,521</u>	<u>842</u>	<u>(4,869)</u>	<u>22,080</u>
Segment results	<u>3,255</u>	<u>(2,247)</u>	<u>172</u>	<u>(680)</u>	<u>(4,869)</u>	<u>(4,369)</u>
Interest income						4
Loss from operating activities						(4,365)
Finance costs						(4,895)
Share of loss of an associate	(112)					(112)
Loss before tax						(9,372)
Income tax expense						(183)
Loss for the period						<u>(9,555)</u>

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Unaudited six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Depreciation	627	668
Cost of properties sold	5,828	1,850
Profit on disposal of listed investments	-	(172)
Dividends from unlisted investments	(44)	(183)
Loss on disposal of fixed assets	6	6
Provision for impairment of long term unlisted investments	-	12
Rental income, gross of HK\$17,762,000 (2004: HK\$17,264,000)		
less outgoings of HK\$4,174,000 (2004: HK\$5,329,000)	(13,588)	(11,935)
Interest income	(17)	(4)
	<u>(13,588)</u>	<u>(11,935)</u>

4. FINANCE COSTS

	Unaudited six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank loans	8,467	4,895

5. INCOME TAX

	Unaudited six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Tax attributable to Company and its subsidiaries:		
Deferred	(548)	–
Share of tax attributable to an associate:		
Elsewhere	(258)	183
Tax (credit)/charge for the period	(806)	183

No Hong Kong profits tax has been provided as the Company and its subsidiaries either has no assessable profits arising in Hong Kong or has available tax losses brought forward from prior years to offset against current year estimated assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the period of HK\$1,439,000 (2004: loss of HK\$9,541,000) and the weighted average number of 1,492,410,986 (2004: 1,492,410,986) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings per share for the six months ended 30 June 2005 has not been presented as the exercise of share options does not have a material dilutive effect on the basic earnings per share.

Diluted loss per share for the six months ended 30 June 2004 has not been presented as the effect of any dilution is anti-dilutive.

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2005 (2004: Nil).

8. PROPERTIES, PLANTS AND EQUIPMENT

	Unaudited <i>HK\$'000</i>
At 1 January 2005	52,355
Additions	527
Disposal	(11)
Surplus on revaluation of land and building	14,454
Depreciation	(627)
Transfer to non-current assets held for sale (<i>Note 11</i>)	(64,141)
	<hr/>
At 30 June 2005	2,557
	<hr/> <hr/>

9. INVESTMENT PROPERTIES

The fair value of the investment properties was estimated by the directors.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 June 2005 <i>HK\$'000</i>	Audited 31 December 2004 <i>HK\$'000</i>
Unlisted equity investments, at cost	6,626	6,626
Less: Provision for impairment	(3,726)	(3,348)
	<hr/>	<hr/>
	2,900	3,278
	<hr/>	<hr/>
Unlisted debentures, at cost	410	410
	<hr/>	<hr/>
	3,310	3,688
	<hr/> <hr/>	<hr/> <hr/>

11. NON-CURRENT ASSETS HELD FOR SALE

	Unaudited <i>HK\$'000</i>
Transfer from fixed assets (<i>Note 8</i>) and at 30 June 2005	64,141
	<hr/> <hr/>

12. PROPERTIES HELD FOR SALE

	Unaudited <i>HK\$'000</i>
At 1 January 2005	74,653
Disposal	(5,646)
Reversal of provision for impairment, net	19,563
	<hr/>
At 30 June 2005	88,570
	<hr/> <hr/>

13. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
Trade receivables		
Current	441	809
1-3 months	99	48
4-6 months	32	17
7-12 months	–	49
	<u>572</u>	<u>923</u>
Prepayments	951	1,085
Loan receivables	–	8
Tax reserve certificate	14,449	14,449
Deposits and other debtors	1,848	4,007
Retention money receivable	338	338
	<u>18,158</u>	<u>20,810</u>

The Group's trade receivables are normally invoiced with credit terms of 30 to 60 days of issuance.

14. SHARE CAPITAL

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.05 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,492,410,986 ordinary shares of HK\$0.05 each	<u>74,620</u>	<u>74,620</u>

15. INTEREST-BEARING BANK LOANS

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
Bank loans, secured	530,368	559,621
Less: Portion classified as current liabilities	(41,513)	(32,722)
	<u>488,855</u>	<u>526,899</u>
Long term portion		
Bank loans are repayable:		
Within one year	41,513	32,723
In the second year	131,477	121,077
In the third to fifth years, inclusive	281,129	148,786
Beyond five years	76,249	257,035
	<u>530,368</u>	<u>559,621</u>

16. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
Trade payables		
Current	36	129
1-3 months	12	38
4-6 months	84	44
7-12 months	52	90
Over 1 year	2,061	2,014
	<u>2,245</u>	<u>2,315</u>
Accruals	2,152	1,719
Sales deposits received	30,186	-
Other deposits received	5,946	6,727
Retention money payables	3,391	3,639
Other liabilities	4,576	3,993
	<u>48,496</u>	<u>18,393</u>

17. EMPLOYEE SHARE-BASED PAYMENT RESERVE

- (a) During the period, options to subscribe for 53,040,000 shares were granted under the Company's share option scheme adopted on 15 April 2002 to directors and staff on 18 January 2005 which are exercisable between 18 January 2005 and 14 April 2012 at an exercise price of HK\$0.377 per share.
- (b) No option has been exercised during the period.
- (c) According to the Dividend Adjusted Black-Scholes Option Pricing Model, the details of the share options granted during the period are as follows:

Date of grant	Number of shares issuable under options granted	Option value <i>HK\$'000</i>	Closing price at date of grant <i>HK\$</i>	Risk free rate (being the yield of 10-year government bond)	Expected volatility <i>note (i)</i>	Expiration of options	Expected ordinary dividend <i>note (ii)</i>
18 January 2005	53,040,000	8,911	0.365	2.4%	62%	14 April 2012	0%

- (i) The volatility is estimated based on the historical price of the Company in the past 3.5 years.
- (ii) Estimated based on the Company's past dividend yield and dividend policy.
- (iii) Dilution effect is expected to be offset by expected net proceed upon exercise.
- (d) Had all the outstanding share options been fully exercised on 30 June 2005, the Group would have received proceeds of HK\$19,996,080. The market value of the shares issued based on the closing price of HK\$0.530 per share on that date would have been HK\$28,111,200. The directors and staff concerned under the scheme would have made a gain of HK\$0.153 per share or, in aggregate, HK\$8,115,120.

18. CONTINGENT LIABILITIES

- (a) As at 30 June 2005, the Company had given unconditional guarantees to banks to secure loan facilities available to subsidiaries to the extent of approximately HK\$555 million (31 December 2004: HK\$604 million). The extent of such facilities utilised by the subsidiaries amounted to approximately HK\$530 million (31 December 2004: HK\$560 million).
- (b) As at 30 June 2005, the Group had given corporate guarantees to banks for issuing letters of indemnity to a third party in respect of contracts undertaken by certain subsidiaries, and to indemnify the repayment of certain mortgage loans. The total amount of the guarantees was approximately HK\$5.4 million (31 December 2004: HK\$5.4 million).

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits. As at 30 June 2005, the Group had total future minimum lease receivables under non-cancelable operating leases with its tenants falling due as follows:

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
Within one year	12,665	16,882
In the second to fifth years, inclusive	87	579
	<u>12,752</u>	<u>17,461</u>

(b) As lessee

The Group leases certain of its properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms of 2 years. As at 30 June 2005, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
Within one year	453	656
In the second to fifth years, inclusive	22	248
	<u>475</u>	<u>904</u>

20. COMMITMENTS

As at 30 June 2005, the Group had the following commitments:

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
Capital commitments contracted for	<u>1,170</u>	<u>1,170</u>

21. COMPARATIVE FIGURES

Due to the adoption of new HKFRSs and HKASs for the current period, the accounting treatment and presentation of certain items on the financial statements have been revised to comply with the new requirements. Accordingly, certain figures have been adjusted to reserves as of 1 January 2005. Also, certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

During the period, the Group continues to engage in property related businesses and provision of horticultural services. The increase in turnover was due to the increase in the revenue from the business segment of property construction and development.

The Group recorded net profit of approximately HK\$1.4 million in the period. The turn from loss to profit was mainly attributable to the reversal of provision made for the Group's properties held for sale of approximately HK\$19.6 million. Despite the decrease in bank loan, interest expense increased by approximately HK\$3.6 million due to increase in interest rate. The Group's result was also affected by the recognition of share-based benefits of approximately HK\$8.9 million on adoption of the new Hong Kong Financial Reporting Standard no. 2.

In March 2005, the Group entered into agreement for the sale of 8/F, 9 Queen's Road, Central for a consideration of approximately HK\$150.9 million. The transaction will be completed in September 2005 and will result in the transfer of land and building revaluation reserve of approximately HK\$26.6 million to retained earnings. The proceeds will be used to repay bank borrowings.

The net asset value of the Group per share as at 30 June 2005 was approximately HK\$1.08 based on the 1,492,410,986 shares issued.

The Group will continue to capture investment and development opportunities in Hong Kong.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report. The Group has no exposure to foreign exchange rate fluctuations except for the interest in an associate in Singapore which is held as long term investment. The Group's borrowings are denominated in Hong Kong dollars and arranged on a floating rate basis.

The Group's working capital requirements are met by recurring cash flows from the investment properties portfolios and committed undrawn credit facilities. Majority of the Group's borrowings matures in or after 2010. As at 30 June 2005, the outstanding bank loan amounted approximately HK\$530.4 million. These loan facilities were secured by the Group's properties. The end of period gearing ratio based on bank loans less cash and bank balances to total equity was approximately 33% (31 December 2004: 35%). The Company has provided guarantees in respect of bank facilities made available to subsidiaries totaling approximately HK\$562.8 million.

DIRECTORS' INTERESTS

At 30 June 2005, the interests and short positions of directors and chief executive in shares, underlying shares and debentures of the Company and its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

(i) *Long positions in shares and underlying shares of the Company*

Name of director	Type of interest and number of shares		Total	Percentage
	Corporate	Family		
Cheong Pin Chuan, Patrick	602,645,787	3,397,000	606,042,787	41%
Cheong Kim Pong	602,645,787	–	602,645,787	40%
Cheong Sim Eng	602,645,787	–	602,645,787	40%

Note: These directors were deemed to have corporate interests in the shares in the Company by virtue of their beneficial interests in the shares in Hong Fok Corporation Limited ("HFC"), a substantial shareholder of the Company. The 602,645,787 shares represented the same interests and were duplicated amongst these directors.

(ii) *Options to subscribe for ordinary shares of the Company*

Name of director	Number of share options			Exercise price HK\$
	At 1 January 2005	At 30 June 2005	Exercise period	
Cheong Pin Chuan, Patrick	–	13,260,000	18 January 2005 to 14 April 2012	0.377
Cheong Kim Pong	–	13,260,000	18 January 2005 to 14 April 2012	0.377
Cheong Sim Eng	–	13,260,000	18 January 2005 to 14 April 2012	0.377
	–	<u>39,780,000</u>		

DIRECTORS' INTERESTS (continued)

(iii) Long positions in shares of an associated corporation-HFC

Name of director	Type of interests and number of shares held				Total	Percentage
	Personal	Family	Corporate Note (a)	Other Note (b)		
Cheong Pin Chuan, Patrick	5,163,140	1,125,300	94,098,912	121,336,000	221,723,352	36.98%
Cheong Kim Pong	2,571,980	503,000	94,098,912	121,336,000	218,509,892	36.44%
Cheong Sim Eng	60,279,000	207,000	27,921,512	121,336,000	209,743,512	34.98%

Notes:

- (a) These shares were beneficially held by a number of companies in which the directors had beneficial interests.
- (b) These shares were beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of the Company. The directors are deemed to have interests in the shares in HFC by virtue of their direct and indirect interests in the Company.

Save as disclosed above, as at 30 June 2005, none of the directors and the chief executive of the Company were under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the sections headed "Directors' interests" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company's 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 AND OTHER PERSONS' INTERESTS

At 30 June 2005, the following persons (not being directors or chief executive of the Company) had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Notes	Number of shares held			Percentage
		Direct	Indirect	Total	
HFL International Consortium Limited ("HFL")		555,202,784	–	555,202,784	37%
Hong Fok Enterprises Limited ("HFE")	(i)	–	555,202,784	555,202,784	37%
Hong Fok Investment Holding Company, Limited ("HFIH")	(ii)	47,443,003	555,202,784	602,645,787	40%
HFC	(iii)	–	602,645,787	602,645,787	40%
Barragan Trading Corp.		285,312,566	–	285,312,566	19%
Praise Time Co Limited		136,000,000	–	136,000,000	9%

Notes:

- (i) HFE was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFL, did in the issued share capital of the Company by virtue of HFE's interest in HFL.
- (ii) HFIH was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFE, did in the issued share capital of the Company by virtue of HFIH's interest in HFE. In addition, HFIH was directly interested in approximately 3.0% of the issued share capital of the Company.
- (iii) HFC was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFIH, did in the issued share capital of the Company by virtue of HFC's interests in HFIH.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period.

CORPORATE GOVERNANCE

The Board will review its corporate governance practices and propose any amendment, if necessary, to ensure compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the Listing Rules.

ON BEHALF OF THE BOARD

Cheong Pin Chuan, Patrick

Chairman

Hong Kong
12 August 2005