



CHINA FAIR LAND HOLDINGS LIMITED

正輝中國集團有限公司\*

*(Incorporated in the Bermuda with limited liability)*

INTERIM REPORT

2005

*\*For identification only*



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## Financial Highlights

	Six month ended 30 June		
	2005	2004	Change %
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover			
Property sales	27,086	31,292	(13.4)
Land sales	35,491	—	n/a
Rental income from investment properties	6,479	—	n/a
Total turnover	69,056	31,292	120.7
Profit before taxation	43,484	12,305	253.4
Profit attributable to shareholders	20,530	8,200	150.4
Basic earnings per share	7.02 cents	2.80 cents	150.4

## Management Discussion and Analysis

### Business Review

For the six months ended 30th June, 2005, the Group recorded a turnover of approximately HK\$69,056,000, representing an increase of approximately 120.7% in comparison to the corresponding period in 2004. The significant increase was due to the rental income of approximately HK\$6,479,000 from the investment properties included in turnover for the first time and the sales of land amounted to approximately HK\$35,491,000 (2004: Nil). Besides, turnover included the sales of developed properties amounted to approximately HK\$27,086,000 (2004: HK\$31,292,000), which mainly contributed by the sales of developed properties of Prosperous Age Garden in Ningbo and Changchun Haoyuan in Changchun.

## Management Discussion and Analysis *(Continued)*

### **Business Review** *(Continued)*

Profit attributable to shareholders for the period ended 30th June, 2005 was approximately HK\$20.5 million, representing an increase of approximately 150.4% in comparison to the corresponding period in 2004. In compliance with the new HKASs and HKFRSs, the Group's investment properties were revalued with a net surplus after deferred tax and minority interests of approximately HK\$8.5 million included in the profit attributable to shareholders. The value of the Group's investment properties increased by 7.5 times during the period under review, mainly contributed by an addition of the industrial property in Changchun which are stated at cost, was HK\$106.6 million based on the valuation conducted by an independent valuer as at 30th June, 2005. Excluded this net surplus from revaluation, the Group's profit attributable to shareholders was approximately HK\$12 million, an increase of approximately HK\$3.8 million or 46.3% (2004: HK\$8.2 million).

The industrial property in Changchun generated rental income of HK\$6.4 million during the period under review. Pursuant to a lease agreement between a subsidiary of the Group and the lessee for a term of 15 years, the lessee shall pay a total rental amount of approximately HK\$189 million to the Group's subsidiary for the lease period.

## Management Discussion and Analysis *(Continued)*

### Business Review *(Continued)*

On 21st June, 2005, a wholly-owned subsidiary of the Company, namely, China Fair Land (Changchun) Limited (the "Purchaser"), entered into the Agreement with Changchun Urban Infrastructures Construction Development Corporation (長春市城市基礎設施建設開發公司) (the "Vendor"), for the purchase of the 5% equity interests in the Changchun Changxin International Real Estate Development Co., Ltd. (長春長信國際房地產開發有限公司) (the "Changchun Joint Venture"). The consideration of HK\$5.7 million (Rmb 6 million) was agreed and settled between the Purchaser and Vendor on normal commercial terms. A goodwill expense of HK\$487,000 was arisen owing to this acquisition. The intention of the acquisition of the above-mentioned 5% equity interest in Changchun Joint Venture had already expressed in the Prospectus when initial public listing in June, 2002. The Board believes that the acquisition facilitates better management of the Group's property development projects in Changchun.

Prosperous Age Garden was launched in December 2004 and the sales are recorded satisfactory that approximately 70% of salesable area was sold at the end of 30th June, 2005. Besides, the construction of 江北 project in Ningbo has commenced in July, 2005. This project will be developed as commercial properties with a total GFA of approximately 33,000 sq.m. and is scheduled to be completed by the end of 2006.

### Market Review

In the first half of 2005, the GDP growth in the PRC recorded 9.5%. According to the statistics released by government, the investment in fixed assets increased 27.1% in comparison to the corresponding period in 2004, in which the investment in properties grew 25.3%. The PRC government has implemented the macroeconomic-control measures since early 2004. The measures were initially succeeded in halting overheated growth in the economy while avoiding a drastic downturn and in stepping to maintain a healthy and sustainable development of the PRC property market.

## Financial Review

### Net assets and equity attributable to equity holders

As at 30th June, 2005, the Group recorded total assets and total liabilities of approximately HK\$637,344,000 and HK\$300,760,000 respectively. The Group had net assets as at 30th June, 2005 approximately HK\$336,584,000 as compared to approximately HK\$316,442,000 (restated) as at 31st December, 2004. As at 30th June, 2005, the equity attributable to equity holders was approximately HK\$263,147,000 as compared with HK\$245,543,000 (restated) as at 31st December, 2004. The Group's net assets and equity attributable to equity holders remain steady growth after a final dividend of 1 HK cents per share for the year ended 31st December, 2004 was declared.

### Liquidity and financial ratios

The Group had total bank balances and cash of approximately HK\$65,931,000 as at 30th June, 2005 as compared with HK\$88,010,000 as at 31st December, 2004. As at 30th June, 2005, the current ratio was 2.12 as compared with 2.07 (restated) as at 31st December, 2004. The gearing ratio was 47.2% as at 30th June, 2005 as compared with 49.8% (restated) as at 31st December, 2004. The bank borrowings to equity was recorded at 31.2% as at 30th June, 2005 as compared with 30.0% (restated) as at 31st December, 2004.

### Borrowings

The Group had interest bearing borrowings of approximately HK\$82.1 million as at 30th June, 2005 (31st December, 2004: HK\$73.7 million), representing an increase of approximately 11.4% over the amount as at 31st December, 2004. Borrowings were denominated in Renminbi ("RMB") and Hongkong dollar ("HK\$"). Approximately 23.0% of the borrowings is repayable within one year and the rest representing the bank loans of HK\$63.2 million.

## **Financial Review** *(Continued)*

### **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, 2005.

### **Financial Policy**

The Group continued to handle financial risks in a prudent manner and is actively adopting corporate management standards at international level in order to ensure maximum protection for the interests of shareholders.

### **Staff**

As at 30th June, 2005, the Group employed approximately 86 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.

### **Material Acquisition and Disposal**

Other than the acquisition of an additional 5% equity interests in the Changchun Joint Venture, there is no material acquisition and disposal of subsidiary and assets during the six months ended 30th June, 2005.

### **Outlook**

The economy of the PRC has achieved soft-landing as the overheating investment cooling down gradually, while maintained the momentum of sustained growth. Furthermore, the aggregate economic volume of the PRC has been planned to increase by two folds by 2020. The directors expect that the property market in the PRC will sustain a positive growth, benefiting from the economy growth and the increase in GDP.

## Independent Review Report

# Deloitte.

## 德勤

**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 8 to 24.

### Respective responsibilities of directors and auditors

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. 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" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the 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, 2005.

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong

23rd September, 2005



**Condensed Consolidated Income Statement***For The Six Months Ended 30th June, 2005*

		1.1.2005 to 30.6.2005 <i>Notes</i> <i>HK\$'000</i> (Unaudited)	1.1.2004 to 30.6.2004 <i>HK\$'000</i> (Unaudited) (Restated)
Turnover	4	69,056	31,292
Cost of sales		(29,651)	(19,287)
Gross profit		39,405	12,005
Other operating income		1,314	617
Land demolishing and compensation income		—	7,249
Management fee income		—	4,725
Gain on change in fair value of investment properties		17,001	—
Distribution costs		(779)	(915)
Administrative expenses		(10,803)	(10,888)
Finance costs		(2,654)	(488)
Profit before taxation		43,484	12,305
Taxation	6	(15,132)	(1,902)
Profit for the period		28,352	10,403
Attributable to:			
Equity holders of the parent		20,530	8,200
Minority interests		7,822	2,203
Profit for the period		28,352	10,403
Earnings per share			
— basic (HK cents)	8	7.02	2.80

**Condensed Consolidated Balance Sheet**

At 30th June, 2005

	<i>Notes</i>	30.6.2005 <i>HK\$'000</i> (Unaudited)	31.12.2004 <i>HK\$'000</i> (Audited) (Restated)
<b>Non-current assets</b>			
Investment properties	9	120,727	14,123
Property, plant and equipment	9	30,121	31,683
Prepaid lease payments		2,671	2,697
		<b>153,519</b>	<b>48,503</b>
<b>Current assets</b>			
Properties under development		81,021	139,870
Properties held for sale		172,296	190,766
Property sale receivable	10	55,065	61,399
Other debtors, deposits and prepayments		109,460	101,300
Prepaid lease payments		52	52
Bank balances and cash		65,931	88,010
		<b>483,825</b>	<b>581,397</b>
<b>Current liabilities</b>			
Customers' deposits received		10,142	2,557
Creditors and accrued charges	11	94,394	140,078
Amount due to an intermediate holding company		15,047	9,637
Amounts due to minority shareholders		206	852
Amount due to a related company		584	707
Dividend payable		2,926	—
Taxation payable		85,954	82,896
Bank borrowings	12	18,868	44,431
		<b>228,121</b>	<b>281,158</b>

**Condensed Consolidated Balance Sheet (Continued)**

At 30th June, 2005

	Notes	30.6.2005 HK\$'000 (Unaudited)	31.12.2004 HK\$'000 (Audited) (Restated)
<b>Net current assets</b>		255,704	300,239
<b>Total assets less current liabilities</b>		409,223	348,742
<b>Non-current liabilities</b>			
Bank borrowings	12	63,234	29,245
Deferred taxation liabilities		9,405	3,055
		72,639	32,300
<b>Net assets</b>		336,584	316,442
<b>Capital and reserves</b>			
Share capital		29,260	29,260
Reserves		233,887	216,283
<b>Equity attributable to equity holders of the parent</b>		263,147	245,543
<b>Minority interests</b>		73,437	70,899
<b>Total equity</b>		336,584	316,442

## Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended 30th June, 2005

	Attributable to equity holders of the parent											
			Investment							Minority		Total
	Share	Share	Special	revaluation	revaluation	Goodwill	Translation	Accumulated	Total	interests		
	capital	premium	reserve	reserve	reserve	reserve	reserve	profits	HK\$'000	HK\$'000		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
As at 1st January, 2004												
As originally stated	29,260	33,450	44,144	5,211	551	(7,669)	468	133,463	238,878	39,345	278,223	
Effects of changes in accounting policies	—	—	—	—	(89)	—	—	(120)	(209)	(334)	(543)	
As restated	29,260	33,450	44,144	5,211	462	(7,669)	468	133,343	238,669	39,011	277,680	
Profit for the period	—	—	—	—	—	—	—	8,200	8,200	2,203	10,403	
Dividend paid	—	—	—	—	—	—	—	(8,778)	(8,778)	—	(8,778)	
As at 30th June, 2004	29,260	33,450	44,144	5,211	462	(7,669)	468	132,765	238,091	41,214	279,305	
Surplus on revaluation of properties	—	—	—	255	491	—	—	—	746	819	1,565	
Deferred taxation liability arising on revaluation of properties	—	—	—	(84)	(23)	—	—	—	(107)	(38)	(145)	
Net income recognised directly in equity	—	—	—	171	468	—	—	—	639	781	1,420	
Profit for the period	—	—	—	—	—	—	—	6,813	6,813	20,244	27,057	
Total recognised income and expenses for the period	—	—	—	171	468	—	—	6,813	7,452	21,025	28,477	

**Condensed Consolidated Statement of Changes in Equity (Continued)***For The Six Months Ended 30th June, 2005*

	Attributable to equity holders of the parent										
			Investment							Minority	
	Share	Share	Special	revaluation	revaluation	Goodwill	Translation	Accumulated	Total	interests	Total
	capital	premium	reserve	reserve	reserve		reserve	profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Capital contributions by minority shareholders	–	–	–	–	–	–	–	–	–	11,203	11,203
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	943	943
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	(3,486)	(3,486)
As at 31st December, 2004	29,260	33,450	44,144	5,382	930	(7,669)	468	139,578	245,543	70,899	316,442
As at 1st January, 2005											
As originally stated	29,260	33,450	44,144	5,382	1,813	(7,669)	468	140,066	246,914	72,742	319,656
Effects of changes in accounting policies	–	–	–	(5,382)	(883)	7,669	–	(2,775)	(1,371)	(1,843)	(3,214)
As restated	29,260	33,450	44,144	–	930	–	468	137,291	245,543	70,899	316,442
Acquisition of additional interest in a subsidiary (Note)	–	–	–	–	–	–	–	–	–	(5,284)	(5,284)
Profit for the period	–	–	–	–	–	–	–	20,530	20,530	7,822	28,352
Dividend paid	–	–	–	–	–	–	–	(2,926)	(2,926)	–	(2,926)
As at 30th June, 2005	29,260	33,450	44,144	–	930	–	468	154,895	263,147	73,437	336,584

*Note:* During the period, the Group has acquired additional 5% of equity interest from one of the minority shareholders of the subsidiary.

**Condensed Consolidated Cash Flow Statement***For The Six Months Ended 30th June, 2005*

	1.1.2005 to 30.6.2005 <i>HK\$'000</i> (Unaudited)	1.1.2004 to 30.6.2004 <i>HK\$'000</i> (Unaudited)
Net cash inflow from operating activities	9,136	24,744
Net cash used in investing activities		
Purchase of property, plant and equipment	(119)	(830)
Purchase of investment properties	(38,879)	—
	(38,998)	(830)
Net cash from financing activities		
New bank loans raised	34,989	65,094
Repayment of bank loans	(26,563)	(81)
Acquisition of additional interest in a subsidiary	(5,284)	—
Net repayment to minority interests	(646)	(28,898)
Advance from an intermediate holding company	5,410	223
Net repayment to a related company	(123)	—
	7,783	36,338
(Decrease) increase in cash and cash equivalents	(22,079)	60,252
Cash and cash equivalents at the beginning of the period	88,010	35,746
Cash and cash equivalents at the end of the period		
Bank balances and cash	65,931	95,998

## Notes to the Condensed Financial Statements

*For The Six Months Ended 30th June, 2005*

### 1. 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 condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost basis except for certain financial instruments, investment properties and leasehold land and buildings, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of 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 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The change in presentation has been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

**2. Principal accounting policies** *(Continued)*

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1st January, 2005 (see note 3 for financial impact).

***Owner-occupied leasehold interest in land***

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact).



**2. Principal accounting policies** *(Continued)***Investment properties**

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 has been transferred to the Group's accumulated profits (see note 3 for the financial impact).

**3. Summary of the effects of the changes in accounting policies**

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	1.1.2005 to 30.6.2005 HK\$'000	1.1.2004 to 30.6.2004 HK\$'000
Gain on change in fair value of investment properties	17,001	—
Amortisation of prepaid lease payments included in administrative expense	(26)	(26)
<b>Increase (decrease) in profit for the period</b>	<b>16,975</b>	<b>(26)</b>
Minority interests	13	13

### 3. Summary of the effects of the changes in accounting policies (Continued)

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

	31.12.2004	Adjustments	31.12.2004	Adjustments	1.1.2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Originally stated)		(Restated)		(Restated)
Balance sheet items					
Property, plant and equipment					
equipment	39,623	(7,940)	31,683	—	31,683
Prepaid lease payments	—	2,749	2,749	—	2,749
Deferred taxation liabilities	(5,032)	1,977	(3,055)	—	(3,055)
Total effects on assets and liabilities					
	34,591	(3,214)	31,377	—	31,377
Accumulated profits					
Goodwill	140,066	(488)	139,578	(2,287)	137,291
Investment property revaluation reserve	(7,669)	—	(7,669)	7,669	—
Leasehold land and building revaluation reserve	5,382	—	5,382	(5,382)	—
Minority interests	1,813	(883)	930	—	930
Total effects on equity					
Minority interests	—	70,899	70,899	—	70,899
	139,592	69,528	209,120	—	209,120
	72,742	(72,742)	—	—	—
	212,334	(3,214)	209,120	—	209,120

### 3. Summary of the effects of the changes in accounting policies (Continued)

The financial effects of the application of the new HKFRSs to the Group's equity at 1st January, 2004 are summarised below:

	As originally stated HK\$'000	Adjustments HK\$'000	As restated HK\$'000
Accumulated profits	133,463	(120)	133,343
Land and building revaluation reserve	551	(89)	462
Minority interests	—	39,011	39,011
<b>Total effects on equity</b>	<b>134,014</b>	<b>38,802</b>	<b>172,816</b>
Minority interests	39,345	(39,345)	—
	<b>173,359</b>	<b>(543)</b>	<b>172,816</b>

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS — Int 4	Determining whether an Arrangement Contains a Lease
HKFRS — Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

**4. Segment Information*****Business segments***

	1.1.2005 to 30.6.2005 <i>HK\$'000</i>	1.1.2004 to 30.6.2004 <i>HK\$'000</i> (Restated)
<b>Turnover</b>		
Sales of developed properties	27,086	31,292
Sales of land	35,491	—
Rental income from investment properties	6,479	—
	<b>69,056</b>	<b>31,292</b>
<b>Result</b>		
Sales of developed properties	7,837	11,090
Sales of land	24,494	—
Rental income from investment properties	6,295	—
	<b>38,626</b>	<b>11,090</b>
Other operating income	1,314	617
Land demolishing and compensation income	—	7,249
Management fee income	—	4,725
Gain on change in fair value of investment properties	17,001	—
Unallocated corporate expenses	(10,803)	(10,888)
Finance costs	(2,654)	(488)
Profit before taxation	43,484	12,305
Taxation	(15,132)	(1,902)
Profit for the period	<b>28,352</b>	<b>10,403</b>

**5. Depreciation**

During the period, depreciation of approximately HK\$1,681,000 (1.1.2004 to 30.6.2004: HK\$322,000) was charged in respect of the Group's property, plant and equipment.

**6. Taxation**

	1.1.2005 to 30.6.2005 <i>HK\$'000</i>	1.1.2004 to 30.6.2004 <i>HK\$'000</i>
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The taxation charge comprises:

PRC Enterprise Income Tax		
— Current period	(8,782)	(2,920)
— Overprovision in prior years	—	1,018
	<hr/>	<hr/>
	(8,782)	(1,902)
Deferred taxation charge	(6,350)	—
	<hr/>	<hr/>
	(15,132)	(1,902)
	<hr/> <hr/>	<hr/> <hr/>

The PRC Enterprise Income Tax is calculated at rates applicable to respective subsidiaries.

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.

**7. Dividend**

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

**8. Earnings per share**

The calculation of the basic earnings per share is based on the unaudited consolidated profit attributable to equity holders of the Company of approximately HK\$20,530,000 for the six months ended 30th June, 2005 (1.1.2004 to 30.6.2004: HK\$8,200,000) and 292,600,000 shares in issue for both periods.

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

**9. Additions to investment properties and property, plant and equipment**

During the period, the Group transferred approximately HK\$50,724,000 (2004: nil) from properties under development to its investment properties. In addition, the Group also spent approximately HK\$38,879,000 (2004: nil) to complete the final stage of construction work for its investment properties located in the PRC for rental purposes. The Group's investment properties were fair-valued by Chesterton Petty Limited, a firm of international property consultant, at 30th June, 2005. The resulting increase in fair value of investment properties of HK\$17,001,000 has been recognised directly in the income statement.

During the period, the Group spent approximately HK\$119,000 (2004: HK\$830,000) on acquisition of property, plant and equipment.

**10. Property sale receivable**

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

	30.6.2005 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
Within three months	16,855	43,431
Three months to one year	25,422	4,480
Between one to two years	8,499	12,100
Over two years	4,289	1,388
	<hr/>	<hr/>
	55,065	61,399

**10. Property sale receivable (Continued)**

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.

**11. Creditors and accrued charges**

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

	30.6.2005 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
Within three months	544	75,669
Three months to one year	36,173	1,042
Over one year	9,016	9,995
	<hr/> 45,733	<hr/> 86,706

**12. Bank borrowings**

During the six months ended 30th June, 2005, the net increase in borrowings amounted to HK\$8,426,000 (2004: HK\$65,013,000). The loans are repayable within 5 years and majority of which bear interest at prevailing market rates. The funds raised will be used to finance progress payments for properties under development.

**13. Related party transactions**

	1.1.2005 to 30.6.2005 <i>HK\$'000</i>	1.1.2004 to 30.6.2004 <i>HK\$'000</i>
Rental paid to Chance Fair International Development Limited("Chance Fair International") (Note)	198	164

**13. Related party transactions** *(Continued)*

*Note:*

The Group entered into a sub-tenancy agreement with Chance Fair International, an intermediate holding company, on 22nd May, 2001 pursuant to which Chance Fair International agreed to sub-lease a portion of the office premises to the Group. The sub-tenancy agreement was renewed for a term commencing from 20th May, 2003 to 19th May, 2004 (both dates inclusive) and 20th May, 2004 to 19th May, 2006 (both dates inclusive) at a monthly rental of approximately HK\$25,000 and HK\$32,000, respectively, exclusive of other charges.

The directors are of the opinion that the above transactions were carried out in accordance with the terms of the relevant agreement governing such transaction.

**14. Pledge of assets**

At the balance sheet date, the Group pledged its properties held for sales and an investment property to banks in the PRC and Hongkong respectively to secure the credit facilities of approximately HK\$83,102,000 (2004: HK\$73,584,000). The aggregate carrying value of the properties held for sales and the investment property at 30th June, 2005 pledged amounted to approximately HK\$66,000,000 and HK\$106,604,000 (2004: HK\$69,919,000 and HK\$nil), respectively.

**15. Contingent liabilities**

At 30th June, 2005, the Group had provided guarantees of approximately HK\$1,541,000 (2004: HK\$13,198,000) 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.



**15. Contingent liabilities** *(Continued)*

The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No. 938 on 2nd August, 2004, to strengthen levy of 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, land appreciation tax will not be made in respect of properties already completed in certain cities, and for other cities, land appreciation is calculated according to certain deemed rates assessed by the local tax bureau. Accordingly, full provisions for land appreciation tax have not been made in the financial statements. The Group has not, however, been able to secure written confirmations from the relevant local tax authorities, but the directors consider that there is only a small possibility that land appreciation tax might be levied.

Under the Implementation Regulations on the Provisional Regulations of the PRC on land appreciation tax promulgated on 13th December, 1993, all added value from transfer of real estate in the PRC from 1st January, 1994 is subject to land appreciation tax at progressive rates up to 60 per cent. Based on the Circular issued by the Ministry of Finance of the PRC on 27th January, 1995, an exemption to land appreciation tax is applicable to those property development contracts signed before 1st January, 1994, or those related project proposals approved before 1st January, 1994 and whose capital for the development has been injected according to the contract. The exemption to land appreciation tax in respect of the first transfer of real estate expired on 31st December, 1998. On 24th December, 1999, the Ministry of Finance of the PRC issued a circular to further extend the exemption period of land appreciation tax from 1st January, 1999 to 31st December, 2000. The directors of the Company consider that, after taking into consideration of the opinion obtained from its legal advisors in the PRC and other professional advisors, and the results of discussions with local tax authorities in the PRC, the Group is eligible for the application of the exemption to land appreciation tax for the sales of land and developed properties before 31st December, 2000. Should such levies take place, then land appreciation tax amounting to approximately HK\$67,525,000 for the period from 1st January, 2001 to 30th June, 2005 (2004: HK\$67,285,000 for the period from 1st January, 2001 to 30th June, 2004) has to be provided for in these 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. Choi Dun Woo  
*(Executive director)*
- Mr. Su Bangyuan  
*(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

Citic Ka Wah Bank Limited  
Bank of China (Hong Kong) Ltd.  
Bank of China

### Auditors

Deloitte Touche Tohmatsu

## Registered Office

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

## Principal Office in Hong Kong

Unit 1101, 11th Floor  
Tower Two  
Lippo Centre  
89 Queensway  
Hong Kong

## Principal Share Registrar and Transfer Office

Butterfield Fund Services  
(Bermuda) 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, HK

**Stock Code: 169**

## Other Information

### Directors' Interests in Securities

As at 30th June, 2005, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. So Pang Gen	Held by discretionary trust*	182,470,000	62.36%

\* These shares are held by International Offshore Development Limited, a company incorporated in the British Virgin Islands. Chance Fair International Development Limited ("China Fair International"), a company incorporated in Hong Kong is the beneficial owner of the entire issued share capital of International Offshore Development Limited. Future Opportunity Limited, a company incorporated in the British Virgin Islands, is the beneficial owner of the entire issued share capital of Chance Fair International Development Limited. Trustcorp Limited, a company incorporated in the Island of Jersey, Channel Islands which holds all the issued share capital of Future Opportunity Limited as trustee under a discretionary trust, the discretionary trust objects of which include the family members of Mr. So Pang Gen.

### **Substantial Shareholders**

As at 30th June, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that the director and his associated corporations stated under the paragraph headed "Directors' interests in securities" is the only substantial shareholder of the Company.

### **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, 2005 of the Group with the management.

### Corporate Governance

In the opinion of the Board, 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 (the "Listing Rules") during the six months ended 30th June, 2005, except the following deviations:

1. The 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 bye-laws.
2. Code Provision A.2.1 — this Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The position of the Chairman of the Board is currently held by Mr. So Pang Gen, and the Company does not have any chief executive officer. As such, the roles of chairman and chief executive officer are performed by the same person. The Board considers that this structure is beneficial to the Company as it enables the Company to make prompt and efficient decisions. The Board comprises of experienced and high calibre individuals who meet regularly to discuss issues and make decisions on transactions that are material in nature to the Company. Hence, the operations of the Board ensure the balance of power and authority. The corporate governance principles of the Company emphasize a quality Board and accountability to all shareholders.

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

Hong Kong, 23rd September, 2005