NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. Basis of preparation and accounting policies

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and methods of computation used in the preparation of the interim financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31 December 2004 except for the new adoption of HKFRSs and HKASs as disclosed in note 2 below.

2. Impact of new/revised HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements.

HKAS	1	Presentation of Financial Statement
HKAS	17	Leases
HKAS	28	Investments in Associates
HKAS	31	Interests in Joint Ventures
HKAS	36	Impairment of Assets
HKAS	38	Intangible Assets
HKFRS	3	Business Combinations
HKFRS	5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int	3	Revenue – Pre-completion Contracts for the Sale of Development Properties

(a) The adoption of HKAS 1, 28, 31 and HKFRS 5 do not result in substantial changes to the Group's accounting policies. In summary, these HKASs and HKFRSs affect certain presentation in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity, and disclosure to the financial statements.

2. **Impact of new/revised HKFRSs and HKASs** *(continued)*

(b) In previous periods, owner-occupied leasehold land and buildings were included in fixed assets and measured using the cost model. In the current period, the Group has applied HKAS 17. 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. However, as the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as fixed assets.

(c) The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in changes in accounting policies in impairment of assets and goodwill. Prior to this, goodwill was:

- amortised on the straight-line basis over its estimated economic useful life of 5 to 20 years; and
- assessed for impairment at each balance sheet date.

In accordance with the provision of HKFRS 3:

- the Group ceased amortization of goodwill from 1 January 2005;
- accumulated amortization as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- from the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there are indication of impairment.

As a result of the adoption of HKFRS 3, HKAS 36 and HKAS 38, the goodwill amortization of approximately HK$1.8 million has not been recognized in the consolidated income statement for the six months ended 30 June 2005.

(d) Previously, the Group applied the stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties. In the current period, the Group has, for the first time, applied Hong Kong Interpretation 3 which clarifies that the use of stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties is not appropriate. Under Hong Kong Interpretation 3, revenue arising from pre-completion contracts for the sale of development properties are recognised only when all the criteria specified in paragraph 14 of HKAS 18 Revenue are met. The Group has elected to apply the requirements of Hong Kong Interpretation 3 to pre-completion contracts for the sale of development properties entered into on or after 1 January 2005. Accordingly, no prior period figures have been restated.

3. Segment information

(a) Business segments

The Group's primary format for reporting segment information is business segments:

	Continuing operations										Discontinued operation		Consolidated	
	Property development		Investment holding		Resort operation		Agricultural operation		Sub-total		Skiing resort			
	Six months ended 30 June													
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Segment revenue:														
Sales to external customers	**-**	8,424	**-**	–	**-**	299	**224**	378	**224**	9,101	**-**	47	**224**	9,148
Other revenue	**102**	1,344	**1**	–	**-**	2	**-**	–	**103**	1,346	**-**	–	**103**	1,346
Total	**102**	9,768	**1**	–	**-**	301	**224**	378	**327**	10,447	**-**	47	**327**	10,494
Segment results	**(12,986)**	(433)	**(8,846)**	(19,311)	**(997)**	(732)	**6**	123	**(22,823)**	(20,353)	**(587)**	(3,398)	**(23,410)**	(23,751)
Interest income									**15**	286	**-**	–	**15**	286
Loss from operating activities									**(22,808)**	(20,067)	**(587)**	(3,398)	**(23,395)**	(23,465)
Gain on disposal of a subsidiary									**-**	–	**6,187**	–	**6,187**	–
Finance costs									**(2,697)**	(2,112)	**-**	–	**(2,697)**	(2,112)
Share of results of associates									**-**	(345)	**-**	–	**-**	(345)
Loss before taxation									**(25,505)**	(22,524)	**5,600**	(3,398)	**(19,905)**	(25,922)
Taxation									**-**	263	**-**	–	**-**	263
Loss for the period									**(25,505)**	(22,261)	**5,600**	(3,398)	**(19,905)**	(25,659)

3. Segment information *(continued)*

(b) Geographical segments

	Hong Kong		Mainland China		Consolidated	
	Six months ended 30 June					
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Segment revenue:						
Sales to external customers	**–**	–	**224**	9,148	**224**	9,148
Other revenue	**1**	–	**102**	1,346	**103**	1,346
Total	**1**	–	**326**	10,494	**327**	10,494
Segment results	**(8,846)**	(12,151)	**(14,549)**	(11,314)	**(23,395)**	(23,465)

4. Loss from operating activities

Loss from operating activities has been arrived at after charging/(crediting):

	Six months ended	
	30.6.2005 HK$'000	30.6.2004 HK$'000
Amortisation of goodwill arising on acquisition of associates	**–**	1,766
Depreciation of fixed assets	**2,054**	4,899
Provision against a legal claim	**1,500**	9,987
Provision for compensation	**10,222**	–
Interest income	**(15)**	(286)
Provision for doubtful debts written back	**–**	(1,309)

5. Finance costs

	Six months ended 30.6.2005 HK$'000	Six months ended 30.6.2004 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**2,669**	2,085
Interest on finance leases	**28**	27
	2,697	2,112

6. Taxation

No provision for Hong Kong Profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period (30.6.2004: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for tax is required for the Group's jointly-controlled entity and associates as no assessable profits were earned by the jointly-controlled entity and associates during the period (30.6.2004: Nil).

	Six months ended 30.6.2005 HK$'000	Six months ended 30.6.2004 HK$'000
Deferred tax		
Continuing operations	**–**	(263)
Discontinued operation	**–**	–
	–	(263)

7. Discontinued operation

On 13 August 2003, the Company entered into a sale and purchase agreement ("2003 Agreement") with Heilongjiang Hong Xing Real Estate Development Company Limited (黑龍江宏興房地產發展有限公司) (the "2003 Purchaser"), under which the 2003 Purchaser were to purchase 20% of the capital of Fairyoung (Heilongjiang) Industry Company Limited ("HLJ"), a wholly-owned subsidiary which was engaged in skiing operation, for a consideration of RMB9 million (approximately HK$8.5 million) with an option to acquire the remaining 80% of the capital of HLJ for a consideration of RMB29.2 million (approximately HK$27.5 million) within a one-year period until 12 August 2004. The 2003 Purchaser paid the consideration of RMB9 million, however, the documentation for the transfer of the 20% issued capital had not been completed. In addition, the 2003 Purchaser had not exercised the said option by 12 August 2004. Pursuant to the 2003 Agreement, if the 2003 Purchaser did not exercise the option to purchase the remaining 80% of the issued capital of HLJ, the 2003 Purchaser could return the 20% of the issued capital of HLJ to the Company and the Company had to return the consideration of RMB 9 million to the 2003 Purchaser.

7. Discontinued operation *(continued)*

On 4 February 2005, the Company entered into a new sale and purchase agreement (the "2005 Agreement") with Linking Sun Development Limited (the "2005 Purchaser") and the 2003 Purchaser. Pursuant to the 2005 Agreement, the 2005 Purchaser shall purchase the entire issued capital of HLJ for a total consideration of RMB1 (approximately HK$0.94) and the assumption by the 2005 Purchaser of the Company's liability in relation to HLJ's obligation to return RMB9 million (approximately HK$8.5 million) to the 2003 Purchaser as a result of the revocation of the 2003 Agreement and of the Company's responsibility to repay to the 2003 Purchaser an amount of RMB1 million (approximately HK$0.94 million), representing the expenses incurred by the 2003 Purchaser in the course of performing the 2003 Agreement. Details of the disposal were set out in the Company's announcement dated 31 March 2005. The disposal was completed on 31 March 2005, on which date control of HLJ passed to the 2005 Purchaser. Accordingly the skiing resort operation segment was reported as discontinued operation for the six months ended 30 June 2005 and a gain on disposal of HK$6,187,000 was recognised in the consolidated income statement for the period then ended.

The results of the discontinued operation for the interim reporting period were as follows:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Turnover	**–**	47
Cost of sales	**–**	(7)
Administrative expenses	**(587)**	(3,438)
	(587)	(3,398)
Gain on disposal of a subsidiary constituting the discontinued operation	**6,187**	–
Profit/(loss) before taxation	**5,600**	(3,398)
Taxation	**–**	–
Profit/(loss) for the period	**5,600**	(3,398)

7. Discontinued operation *(continued)*

The net assets of the discontinued operation at the date of disposal were as follows:

	HK$'000
Fixed assets	20,530
Debtors, deposits and prepayment	233
Inventories	44
Cash and bank balances	16
Creditors, accruals and other payables	(13,833)
Short-term bank loans	(4,686)
	2,304
Gain on disposal	6,187
Total consideration	8,491
Satisfied by:	
Assumption of the Company's liability	8,491
Cash	–
	8,491

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of HLJ:

	HK$'000
Cash consideration of RMB 1	–
Cash and cash equivalents disposal of	(16)
	(16)

HLJ did not make any significant contribution to the cash flows of the Group during the period.

8. Dividend

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2005 (30.6.2004: Nil).

9. Loss per share

From continuing and discontinued operations

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the loss for the period attributable to the equity holders of the Company of HK$19,787,000 (30.6.2004: HK$25,525,000) and on the weighted average of 3,010,410,504 (30.6.2004: 3,010,410,504) ordinary shares in issue during the period.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Loss for the period attributable to equity holders of the Company	**(19,787)**	(25,525)
Less: Profit/(loss) for the period from discontinued operation	**5,600**	(3,398)
Loss for the purpose of calculating the basic loss per share from continuing operations	**(25,387)**	(22,127)

The denominators used are the same as those detailed above for the basic loss per share.

From discontinued operation

Basic earnings per share for discontinued operation is 0.186 cent (30.6.2004: basic loss per share of 0.113 cent) based on the profit for the period from discontinued operation of HK$5,600,000 (30.6.2004: loss of HK$3,398,000). The denominators used are the same as those detailed above for the basic loss per share.

10. Movements in properties under development

During the period, the Group spent approximately HK$3,508,000 on the construction of its properties under development.

11. Trade receivables

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to two to three months. Credit limits were set for customers. The aging analysis of such debtors is as follows:

	30.6.2005 **HK$'000**	31.12.2004 HK$'000
Within 3 months	**–**	11
More than 6 months and less than 1 year	**1**	–
	1	11

12. Trade payables

An aged analysis of the trade payables is as follows:

	30.6.2005 **HK$'000**	31.12.2004 HK$'000
Within 3 months	**–**	3,906
More than 3 months but less than 6 months	**1,745**	5,936
More than 6 months but less than 1 year	**9,842**	1,647
More than 1 year but less than 2 years	**1,647**	12,739
More than 2 years	**20,483**	7,744
	33,717	31,972

13. Due to a major shareholder

	30.6.2005 **HK$'000**	31.12.2004 HK$'000
Loans	**17,898**	14,217
Accrued interest	**801**	453
Current account	**2,780**	1,700
	21,479	16,370

The loans are unsecured and repayable within one year. The major shareholder ceased to charge interest on the loans for the period from 30 June 2003 to 20 April 2004. Upon entering into the second supplement loan agreement with the major shareholder on 21 April 2004, the loans are bearing interest at 5% per annum.

14. Bank loans and finance lease payable

During the period, the Group repaid bank loans and finance lease payable of HK$5,804,000 and HK$580,000 respectively.

15. Provision for compensation

A wholly owned subsidiary of the Company incorporated in Mainland China (the "Subsidiary") entered into contracts for pre-sale of commodity properties developed by the Subsidiary ("Pre-sale Contracts") with the buyers in 2003 and 2004. According to the terms of Pre-sale Contracts, if the above properties cannot be handed over to the buyers on or before 31 December 2004, the buyers of the properties are eligible to claim a compensation of 0.02% per day on the deposits paid as from 1 January 2005 until the hand over of the properties. As the above properties are still under development as at 30 June 2005 and total claims from buyers for delay in handing over of properties amounting to approximately HK$480,000 had been received up to the date of approval of the financial statements, provision for compensation in accordance with the terms of Pre-sale Contracts of development properties amounting to HK$10,222,000 was made in the current period.

16. Provision for legal claims

The movement of the provision is as follows:

	30.6.2005 **HK$'000**	31.12.2004 HK$'000
Balance brought forward	**29,929**	1,698
Provision for the period		
– Guarantee issued by the Company (i)	**–**	12,125
– Compensation to a buyer of properties (ii)	**–**	9,434
– Indemnity of a personal guarantee (iii)	**–**	4,717
– Compensation for breach of pre-sale agreement (iv)	**–**	3,304
– Overdue interest on trade payable (v)	**–**	349
– Consultancy fee claimed (vi)	**1,500**	–
	31,429	31,627
Repayment during the current period (i)	**(1,510)**	–
Settlement made (vii)	**–**	(1,698)
Balance carried forward	**29,919**	29,929

16. Provision for legal claims *(continued)*

(i) In January 2003, the Company received a writ from a court in Mainland China alleging that based on a guarantee granted by the Company to a company incorporated in Mainland China (the "Plaintiff") in respect of a loan made by the Plaintiff to a wholly owned subsidiary incorporated in Mainland China (the "Borrower") of the Company in 1998, the Company was obliged to repay the Plaintiff the loan principal and all unpaid interest amounting to approximately RMB12,842,000 (approximately HK$12,125,000) as the Borrower was deregistered in November 1999. The Company filed a defence against the claim in January 2003 and a judgment in favour of the Company was granted by the court in Mainland China in March 2004. However, the Plaintiff appealed to the Beijing People's Supreme Court thereafter the defence was rejected by the Supreme Court and a judgment in favour of the Plaintiff was made in June 2004. Therefore, a provision of approximately RMB12,842,000 (approximately HK$12,125,000) was made in 2004. The Group had repaid RMB1,600,000 (approximately HK$1,510,000) to the Plaintiff during the period.

(ii) A wholly owned subsidiary incorporated in Mainland China of the Company ("Subsidiary") entered into an agreement for pre-sale of commodity properties developed by the Subsidiary ("Pre-sale Agreement") with an independent third party (the "Buyer") in Mainland China on 12 July 2002 for a consideration of RMB20,000,000 (approximately HK$18,868,000). The Subsidiary later entered into a buy-back agreement ("Buy-back Agreement") with the Buyer on 22 July 2002 whereby the Subsidiary has an option to buy-back the above mentioned properties at a premium of 5.841% within 12 months from the date of the Pre-sale Agreement. Before the expiry of the option, the Subsidiary exercised the option and paid a total sum of RMB21,168,200 (approximately HK$19,970,000) to the Buyer. However, the Buyer breached the Buy-back Agreement and refused to revert the properties. Therefore, the Subsidiary lodged a claim against the Buyer in Mainland China. A judgment was delivered on 25 August 2004, the court ordered that both the Pre-sale Agreement and Buy-back Agreement were void and the Subsidiary should make a compensation of RMB10,000,000 (approximately HK$9,434,000) to the Buyer. The directors, after consulting with a lawyer, believe that the Subsidiary has valid grounds to appeal against the decision, therefore, the Group made an appeal on 14 September 2004. For prudence purpose, the directors made a provision of approximately HK$9,434,000 for the compensation in 2004. On 11 August 2005, the appeal was quashed by the court and the original judgment was upheld.

16. Provision for legal claims *(continued)*

(iii) On 6 March 2003, the Group completed the disposal of 4 subsidiaries (the "Subsidiaries"). In December 2003, the buyer of the Subsidiaries made a claim against the Company and alleged that based on a guarantee issued by a former director of the Company at the time that the Subsidiaries were disposed of, the Company would be liable to compensate the buyer at 50% of the net liabilities of the Subsidiaries exceeding RMB20 million, up to a maximum of RMB5 million. The claim as made by the Buyer was rejected by the court on 22 May 2004. However, the Company was served with a writ by a former director of the Company (the "Plaintiff") on 1 September 2004, alleging that based on an undertaking made by the Company in favour of the Plaintiff on 12 December 2002, the Company would be liable to indemnify the Plaintiff for any loss incurred by him upon the granting of his personal guarantee to the Buyer. As a result of his personal guarantee, a judgement was made by a court in Mainland China against the Plaintiff to the effect that he had to compensate the Buyer a total sum of RMB5 million in August 2004. The Plaintiff in turn claimed the same amount against the Company. On 5 November 2004, a judgement was made by a court whereby the Company should pay a compensation of RMB5,000,000 (approximately HK$4,717,000) to the Plaintiff, therefore, a provision of RMB5,000,000 (approximately HK$4,717,000) was made in 2004. On 21 December 2004, the Company has made an appeal against the judgement in a supreme court in the Mainland China. The appeal was quashed by the court and the original judgment was upheld on 18 July 2005. The Company has, after seeking legal advice, filed application for review of the appeal in the Supreme Court of the Fujian Province on 23 August 2005. If the application was approved, it will result in re-trial of the case.

(iv) In January 2004, a subsidiary of the Group (the "Subsidiary") signed a pre-sale agreement (the "Pre-sale Agreement") with a buyer (the "Buyer") to sell 25 units of properties in Shanghai for a total of approximately RMB50 million and a deposit of approximately RMB20 million was received by the Subsidiary. However, the Buyer was unable to arrange bank finance to pay the balance of consideration of approximately RMB30 million. As such, the Buyer informed the Subsidiary to terminate the Pre-sale Agreement and refund the deposit received by the Subsidiary. The Subsidiary had not refunded the deposits but demanded the Buyer to pay the balance of consideration. As a result, the Buyer commenced legal action against the Subsidiary. On 11 November 2004, a judgment in favour of the Buyer was made by a court in Mainland China. According to the judgement, the Subsidiary is required to refund the deposits of approximately RMB20 million and accrued interest of approximately RMB3,502,000 (approximately HK$3,304,000) to the Buyer. The Subsidiary lodged an appeal to the Shanghai People's Supreme Court. On 24 February 2005, the Supreme Court confirmed the judgment made by the court on 11 November 2004. Therefore, a provision of RMB3,502,000 (approximately HK$3,304,000) was made in 2004.

16. Provision for legal claims *(continued)*

(v) A subsidiary of the Group in Mainland China received a claim of overdue interest on late payments made by the subsidiary to a supplier. On 6 December 2004, a judgment in favour of the supplier was made by a court in Shanghai. Therefore, a provision of approximately RMB370,000 (approximately HK$349,000) was made in 2004.

(vi) In May 2004, the Company was served with a writ by a company claiming an amount of HK$2,300,000, allegedly consultancy service fee owed by the Company. The Company filed a defence on 19 June 2004. Taking into account the costs in litigation and further legal advice, the Group settled the claim with the plaintiff by agreeing to pay a sum of HK$1,500,000, therefore, a provision of the same amount was made in the current period.

(vii) In 2003, a contractor filed a claim against a subsidiary. The contractor claimed that the subsidiary had not refunded a contracting deposit of RMB2,000,000 paid by the contractor in conjunction with tendering construction project. The Group was negotiating for a settlement with the contractor by payment of not more than RMB1.8 million (approximately HK$1,698,000), therefore, a provision of RMB1.8 million (approximately HK$1,698,000) was made in 2003. During 2004, the Group settled the claim by payment of RMB1.8 million (approximately HK$1,698,000).

17. Share capital

	Number of shares	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2005 and 30 June 2005	4,000,000,000	400,000
Issued and fully paid:		
At 1 January 2005 and 30 June 2005	3,010,410,504	301,041

18. Related party transactions

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

	30.6.2005 ***HK$'000***	30.6.2004 *HK$'000*
(i) Management fee paid to the major shareholder	**1,080**	600
(ii) Loan interest expenses paid to the major shareholder	**348**	68

18. Related party transactions *(continued)*

(i) On 26 February 2004, the Company entered into an agreement with the major shareholder whereby the major shareholder shall assist the Company by seconding staff members to manage and advise on the Company's development. The amount of management fee is based on the number and seniority of the staff being seconded to the Company and is subject to approval by the board of directors at the end of each month. The term of the agreement is one year from the agreement date and the aggregate management fee payable under the agreement is capped at HK$5,000,000 per annum or HK$416,000 per month.

On 8 September 2005, the Company signed a supplemental agreement with the major shareholder pursuant to which the management fee is limited to a maximum of HK$291,667 per month or HK$3,500,000 per annum and the term of the agreement is one year with retrospective from 26 February 2005.

(ii) On 18 November 2002, the Company entered into a loan agreement with the major shareholder. Under the terms of the loan agreement, the major shareholder shall grant the Company loan facilities up to a maximum of HK$9,000,000 for a period of 12 months. The loans are unsecured and bearing interest at 5% per annum.

On 6 December 2002, the Company entered into a supplemental loan agreement with the major shareholder. Under the terms of the supplemental loan agreement, the major shareholder shall grant the Company loan facilities up to a maximum of HK$25,020,000 for a period of 12 months. The loans are unsecured and bearing interest at 5% per annum.

On 21 April 2004, the Company entered into a second supplemental loan agreement with the major shareholder to replace the above mentioned loan agreement and supplemental loan agreement. Under the terms of the second supplemental loan agreement, the major shareholder shall grant the Company loan facilities up to a maximum of HK$18,000,000 for a period of 12 months. The loans are unsecured and bearing interest at 5% per annum.

19. Contingent liabilities

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
i) Guarantees given to banks in respect of mortgage loans made to the purchasers of the Group's properties under development	**193,679**	193,679

ii) As mentioned in note 15 to the financial statements, according to the terms of the pre-sale contracts of commodity properties, the buyers of the properties are eligible to claim a compensation of 0.02% per day on deposits paid until the hand over of the properties. As the date of hand over cannot be determined up to the date of approval of the financial statements, other than the provision for compensation as made in the current period, the Company is unable to quantify its financial effect after 30 June 2005.

20. Capital commitments

	30.6.2005 **HK$'000**	31.12.2004 HK$'000
Properties under development:		
Authorised and contracted for	**64,587**	25,425
Authorised, but not contracted for	**31,189**	7,567
	95,776	32,992

21. Post balance sheet events

i) On 18 July 2005, a subsidiary of the Company (the "Subsidiary") entered into a loan agreement with a fellow subsidiary of the major shareholder (the "Lender"). Under the terms of the loan agreement, the Lender shall grant the Subsidiary loan facilities up to a maximum of RMB25,000,000 (approximately HK$23,585,000) for a period of 12 months. The loan is unsecured and bearing interest at 6.58% per annum.

ii) As regards a loan agreement with a major shareholder (per Note 18(ii) above), the Company entered into a third supplemental loan agreement with the major shareholder on 1 September 2005. Under the terms of the third supplemental loan agreement, the major shareholder shall grant the Company loan facilities up to a maximum of HK$5,000,000 for a period of 12 months. The loans are unsecured and bearing interest at prime rate per annum.

iii) On 9 September 2005, a subsidiary of the Company (the "subsidiary") served a writ on a former chairman (also a former director) of the Company, Mr. Chan Boon Ning, John ("Mr. Chan") claiming an amount of HK$67,000,000, being the personal guarantee given by Mr. Chan on the recoverability of long term deposits made by the subsidiary, via intermediaries, to certain companies established in Mainland China (the "PRC companies") in 1998. The amount paid is refundable and was intended to be used to finance investment projects of the Group. Neither the intended investment projects at that moment have crystallized, nor the deposits been refunded by either the PRC companies or Mr. Chan since payment in 1998 and a full provision of HK$67,000,000 was made by the Group in 2001.

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2005 (30.6.2004: Nil).

REVIEW AND PROSPECTS

The Group recorded a loss attributable to shareholders of HK$19.8 million for the six months ended 30 June 2005, representing a decrease of 22% over the same period of 2004. As of 30 June 2005, the net assets of the Group were HK$53 million (31.12.2004: HK$73 million).

REVIEW AND PROSPECTS *(continued)*

The period under review was difficult to the Group and the turnover from our principal operations was minimal. The sharp decrease in the turnover is mainly for two reasons. First, less units were available for sale during the period since there had been some delay in the development of the Fairyoung Building project due to shortage of funds. Second, the Group has for the first time applied Hong Kong Interpretation 3 as issued by the HKICPA and as such some revenue recognition had been deferred.

As an investment holding company mainly engaged in property investment and development, in recent years the Company's revenue and working capital inflow has heavily relied on the revenue from one of its major subsidiaries, ie. Fairyoung (Shanghai) Properties Limited. In the period under review, the austerity measures in the PRC were still in force and had affected the Group's borrowing power for its PRC property developments. The shortage of funds has slowed down the progress of development of the Fairyoung Building project and has in turn affected the availability for sale of the shopping mall and carparks. This has also affected the proper development of the Company's shopping mall project in Harbin.

Despite these difficulties, the Board has been continuing to work hard to maintain the group's business, operations and assets. The Group has obtained financial assistance from of Zhuhai Gree Group Corporation, one of its substantial shareholders, on normal commercial terms. With this support the Group's property projects have resumed their proper development pace. It is expected that the remaining parts of the Fairyoung Building, ie. the shopping mall and carparks, and the shopping mall in Harbin will be available for sale in early 2006. By then the Group's revenue and cash flow will hopefully be substantially improved.

The board has now focused on stabilizing the operations of the Group, minimizing risks from historical transactions and planning ahead in a progressive yet prudent way to explore growth potentials from existing and new operations so as to improve the Group's profitability and shareholders' return.

ASSETS AND LIABILITIES

As at 30 June 2005, the Group had total liabilities of about HK$282,278,000, of which HK$29,753,000 were other loans repayable within one year, HK$932,000 were bank loans overdue and HK$23,000 were other loans repayable after one year. During the period, the Group settled bank loan and other loans of HK$5,804,000 and HK$580,000 respectively.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENT

As at 30 June 2005, the current assets and current liabilities of the Group were HK$254,189,000 and HK$282,238,000 respectively. The bank loans and other borrowings amounted to HK$52,187,000.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENT *(continued)*

As at 30 June 2005, main charges on assets of the Group included HK$140,000 on fixed assets, HK$28,700,000 on properties under development and bank balances of HK$120,000.

As at 30 June 2005, capital commitments mainly consisted of the construction costs for the Fairyoung Building project and Harbin project amounting to approximately HK$96,000,000.

The Group's assets/liabilities ratio is calculated on its total liabilities divided by total tangible assets. As at 30 June 2005, the Group's assets/liabilities ratio was 0.83, as compared with 0.78 at the end of the previous year.

The Board believes that the Group's cash holding, liquid asset value, future revenue and available facilities from a major shareholder will be sufficient to fund its capital expenditure and meet its working capital requirements.

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

HUMAN RESOURCES

Employees' remuneration is determined in accordance with the nature of their duties and remains competitive under current market situation. The Group has participated in the Mandatory Provident Fund Scheme.

DIRECTORS' INTERESTS

As at 30 June 2005, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

Name of Director	*Note*	Type of Interests	No. of Shares
Ms. Wong Lin Chooi	*1*	Family	421,637,963
Mr. Lam Wai Kit		Personnal	6,700,000

Note 1: Ms. Wong Lin Chooi is deemed to have a family interest in the said shares held by her husband, Mr. Chan Boon Ning, John.

DIRECTORS' INTERESTS *(continued)*

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position as at 30 June 2005.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30 June 2005 so far as is known to the Directors, the persons/companies (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

		No. of ordinary shares of HK$0.10 each				
Name of shareholder	*Note*	Family interests	Personal interests	Corporate interests	Total	Shareholding percentage
Gree Group (HK) Ltd.	*1*	–	–	723,970,000	723,970,000	24.05%
Angklong Ltd.	*2*	–	–	379,053,963	379,053,963	12.59%
Mr. Chan Boon Ning, John	*3*	–	42,584,000	379,053,963	421,637,963	14.01%
Ms. Wong Lin Chooi	*4*	421,637,963	–	–	421,637,963	14.01%
Jiuzhou Development Co. Ltd.				180,094,000	180,094,000	5.98%

Note 1: *Mr. Chen Yuanhe and Mr. Zhang Fan, in the capacity as nominees of Zhuhai Gree Group Corporation, hold 51% and 49% respectively of the issued share capital of Gree Group (HK) Ltd. and hence they are deemed to be interested in all 723,970,000 Shares by virtue of their respective shareholdings in Gree Group (HK) Ltd.*

Zhuhai Gree Group Corporation, by virtue of its shareholding through Gree Group (HK) Ltd., is deemed to be interested in the said Shares.

Mr. Lu Junsi and Mr. Kuang Yong, respectively executive director and ex-executive director of the Company, are employees of Zhuhai Gree Group Corporation. Another executive director of the Company Mr. Su Xixiong is an employee of Gree Group (HK) Ltd.

Note 2: *As disclosed by Maxwick Investment Ltd. on 19 March 2002, Angklong Ltd. had charged 422,133,000 Shares to Maxwick Investment Ltd., a company which is 99.99% owned by Ms. Leong On Kei, Angela. Thus, Ms. Leong On Kei, Angela is deemed to be interested in the said 422,133,000 Shares, representing 14.02% of the issued share capital of the Company as at the Latest Practicable Date. The shareholding of Angklong Ltd. was subsequently reduced to 379,053,963 Shares. An executive director of the Company Ms. Wong Lin Chooi is a director of Angklong Ltd.*

Note 3: *Mr. Chan Boon Ning, John, who holds the entire issued share capital of Harrio Assets Ltd., which in turn holds the entire issued share capital of Angklong Ltd., is deemed to be interested in the 379,053,963 Shares, which were held by Anklong Ltd.*

Note 4: *Ms. Wong Lin Chooi is deemed to have a family interest in the said Shares held by her husband, Mr. Chan Boon Ning, John.*

SUBSTANTIAL SHAREHOLDERS' INTEREST *(continued)*

Save for the interests disclosed above, the Directors are not aware of any other person being interested in 5% of more of the issued share capital of the Company as at 30 June 2005.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2005, except for certain deviations as follows:

1. **Appointments, Re-election and Removal of Directors**

   Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The Independent Non-executive Directors ("INEDs") of the Company had no fixed term of office during the period, but all of them are subject to the relevant provisions of the Bye-laws ("Bye-laws") of the Company or any other applicable laws whereby they shall vacate or retire from their office. According to the Bye-laws, at each annual general meeting ("AGM") of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no Director holding office as executive chairman or as a managing director should be subject to retirement by rotation or taken into account in determining the Directors to retire. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following AGM and would then be eligible for re-election at the meeting.

2. **Committees**

   Code Provision B.1.1 stipulates that a remuneration committee should be established with specific written terms of reference which deal clearly with its authority and duties. Code Provision C.3.3 stipulates that the terms of reference of the audit committee should include, as a minimum, those specific duties as set out in the respective provisions.

   The Company does not have a remuneration committee and the audit committee of the Company does not have specific terms of reference in full compliance with Code Provision C.3.3. However, the Company is considering setting up a remuneration committee and in the process of formulating specific written terms of reference for the audit committee which are of no less exacting terms than those stipulated in Code Provision C.3.3.

CORPORATE GOVERNANCE *(continued)*

3. Meetings

In the period under review, the Company had convened only one regular Board meeting, for which only a prior notice of seven days had been given, while pursuant to Code Provision A.1.3, a prior notice of at least 14 days should be given of a regular Board meeting. The Company will make its best effort to ensure full compliance in this regard in future.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for the Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

AUDIT COMMITTEE REVIEW

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three INEDs of the Company. The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Group and the unaudited interim financial reports for the six months ended 30 June 2005. However, the Audit Committee has not undertaken detailed independent audit checks.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2005.

By Order of the Board
Lu Junsi
Chairman

Hong Kong, 23 September 2005