

Multifield

Multifield International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0898)

2006
Interim Report

INTERIM RESULTS

The Board of Directors of Multifield International Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 (the “period”), together with the unaudited comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	For the six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
TURNOVER	2	87,228	1,230,673
Cost of sales		<u>(11,790)</u>	<u>(1,128,681)</u>
Gross profit		75,438	101,992
Other revenue and gains	2	27,807	7,424
Administrative expenses		(18,258)	(42,620)
Other operating expenses, net		—	(8,344)
Finance costs	4	<u>(17,399)</u>	<u>(8,485)</u>
PROFIT BEFORE INCOME TAX	5	67,588	49,967
Income tax	6	<u>(9,965)</u>	<u>(7,525)</u>
PROFIT FOR THE PERIOD		<u>57,623</u>	<u>42,442</u>
ATTRIBUTABLE TO			
Equity holders of the Company		40,789	31,008
Minority interests		16,834	11,434
		<u>57,623</u>	<u>42,442</u>
BASIC EARNINGS PER SHARE	7	<u>0.98 cents</u>	<u>0.74 cents</u>
INTERIM DIVIDEND PER SHARE	8	<u>Nil</u>	<u>Nil</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	<i>Notes</i>	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		15,754	16,072
Prepaid land lease payments		480	484
Investment properties		2,659,640	2,672,840
Available-for-sale financial assets		143,355	11,023
		<hr/>	<hr/>
Total non-current assets		2,819,229	2,700,419
CURRENT ASSETS			
Properties held for sale		281,851	281,851
Prepayments, deposits and other receivables		36,721	17,357
Financial assets at fair value through profit or loss		166,191	102,058
Income tax recoverable		1,164	1,164
Trade receivables	9	9,324	9,233
Inventories		2,141	2,341
Pledged deposits	10	8,148	25,463
Cash and cash equivalents	10	164,130	192,776
		<hr/>	<hr/>
Total current assets		669,670	632,243
		<hr/>	<hr/>
TOTAL ASSETS		3,488,899	3,332,662
LESS: CURRENT LIABILITIES			
Deposits received		50,033	45,878
Interest-bearing borrowings		148,096	66,314
Trade payables	11	1,349	1,908
Accrued expenses and other payables		109,025	44,604
Income tax payable		109,704	101,640
		<hr/>	<hr/>
		418,207	260,344
		<hr/>	<hr/>
NET CURRENT ASSETS		251,463	371,899
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,070,692	3,072,318
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2006

	<i>Notes</i>	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
LESS: NON-CURRENT LIABILITIES			
Interest-bearing borrowings		687,698	727,736
Due to a director	12	—	17,634
Deferred income tax liabilities		395,116	395,116
		<hr/>	<hr/>
Total non-current liabilities		1,082,814	1,140,486
		<hr/>	<hr/>
Net assets		1,987,878	1,931,832
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	13	41,804	41,804
Reserves		1,233,294	1,192,505
		<hr/>	<hr/>
Minority interests		1,275,098	1,234,309
		712,780	697,523
		<hr/>	<hr/>
Total equity		1,987,878	1,931,832
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006	2005
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at 1 January:		
As previous reported as equity	1,931,832	1,001,214
As previous reported separately as minority interest	—	667,025
	<u>1,931,832</u>	<u>1,668,239</u>
Opening adjustments	—	89,614
As restated	<u>1,931,832</u>	<u>1,757,853</u>
Changes in equity during the period		
Profit for the period	57,623	42,442
Dividend declared	—	(13,586)
Exchange difference	(1,577)	(613)
	<u>56,046</u>	<u>28,243</u>
Total recognised income and expense for the period	<u>56,046</u>	<u>28,243</u>
Total equity at 30 June	<u><u>1,987,878</u></u>	<u><u>1,786,096</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006	2005
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	43,406	87,274
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(94,585)	(40,587)
NET CASH INFLOW FROM FINANCING ACTIVITIES	22,533	156,225
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(28,646)	202,912
Cash and cash equivalents at beginning of period	192,776	83,468
CASH AND CASH EQUIVALENTS AT END OF PERIOD	164,130	286,380
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	164,130	286,380

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 31 December 2005 or 1 January 2006. The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ²
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS ³
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

The interim results are unaudited, but have been reviewed by the Audit Committee which is of the opinion that such financial statements complied with the applicable accounting standards, and that adequate disclosures have been made.

2. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the aggregate of the invoiced value of goods sold, after allowance for returns and trade discounts, and the total amounts received and receivable from the provision of serviced apartment and property management services and rental income, net of PRC business taxes, from property letting, after elimination of all significant intra-group transactions.

An analysis of turnover, other revenue and gains is as follows:

	For the six months ended 30 June	
	2006	2005
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Turnover		
Rental income from property letting	74,806	77,222
Serviced apartment and property management	7,953	5,705
Trading of steel	—	1,143,393
Manufacturing and trading of electronic products	4,469	4,353
	<u>87,228</u>	<u>1,230,673</u>
Other revenue and gains		
Interest income	8,043	1,881
Gain on disposal of financial assets at fair value through profit or loss	9,380	1,342
Dividend income from listed investments	2,292	1,399
Fair value gains, net		
Financial assets at fair value through profit or loss	6,990	—
Others	1,102	2,802
	<u>27,807</u>	<u>7,424</u>

3. SEGMENT INFORMATION

The analysis of the geographical segments and business segments of the operation of the Group during the period is as follows:

(a) Geographical segments

	Hong Kong		Elsewhere in the PRC		Thailand		Corporate and others		Consolidated	
	For the six months ended 30 June									
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	21,052	18,940	66,176	68,340	—	1,143,393	—	—	87,228	1,230,673
Segment results	5,992	5,883	58,227	40,197	—	10,545	—	—	64,219	56,625
Other revenue and gains									27,807	7,424
Unallocated expenses									(7,039)	(5,597)
Finance costs									(17,399)	(8,485)
Profit before income tax									67,588	49,967
Income tax									(9,965)	(7,525)
Profit for the period									57,623	42,442

(b) Business segments

	Property Investment		Provision of serviced apartment and property management services		Steel trading		Electronic products		Corporate and others		Consolidated	
	For the six months ended 30 June											
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	74,806	77,222	7,953	5,705	—	1,143,393	4,469	4,353	—	—	87,228	1,230,673
Segment result	67,607	50,674	1,776	131	—	10,545	(1,103)	(1,280)	(1,141)	(3,445)	67,139	56,625

4. FINANCE COSTS

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	2,560	7,212
Interest on bank loans wholly repayable after five years	14,839	1,273
	17,399	8,485

5. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived at after charging the following:

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Cost of inventories sold of owned assets	3,012	1,117,032
Depreciation	639	505
Amortisation of land lease payments	4	64
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	6,079	5,570
	<u>6,079</u>	<u>5,570</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current tax		
Charge for the period	9,965	7,525
Overprovision in prior years	—	—
Total tax charge for the period	<u>9,965</u>	<u>7,525</u>

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period attributable to equity holders of the Company for the period of approximately HK\$40,789,000 (2005: HK\$31,008,000) and the weighted average number of 4,180,371,092 (2005: 4,180,371,092) shares in issue during the period under review.

Diluted earnings per share for the six months ended 30 June 2006 and 2005 have not been disclosed as no diluting events existed during both periods.

8. INTERIM DIVIDEND PER SHARE

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2006 (2005: Nil).

9. TRADE RECEIVABLES

	As at 30 June 2006 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2005 <i>(Audited)</i> <i>HK\$'000</i>
Trade receivables	14,514	14,423
Provision for bad debts	(5,190)	(5,190)
	<u>9,324</u>	<u>9,233</u>

An aged analysis of trade receivables is as follows:

	As at 30 June 2006 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2005 <i>(Audited)</i> <i>HK\$'000</i>
Aged:		
1 - 3 months	5,491	4,548
4 - 6 months	42	884
Over 6 months	3,791	3,801
	<u>9,324</u>	<u>9,233</u>

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rental in order to secure any default in their rental payments.

The Group's trading terms with steel customers are mainly on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2006 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2005 <i>(Audited)</i> <i>HK\$'000</i>
Cash and bank balances	71,301	38,016
Time deposits	92,643	154,760
	<u>163,944</u>	<u>192,776</u>
Pledged deposits	8,148	25,463
	<u>172,092</u>	<u>218,239</u>

11. TRADE PAYABLES

	As at 30 June 2006 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2005 <i>(Audited)</i> <i>HK\$'000</i>
Accounts payables	1,349	1,908

An aged analysis of accounts payables at the balance sheet date is as follows:

	As at 30 June 2006 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2005 <i>(Audited)</i> <i>HK\$'000</i>
1 - 3 months	1,066	1,530
4 - 6 months	62	114
Over 6 months	221	264
	<u>1,349</u>	<u>1,908</u>

12. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is not repayable within one year.

13. SHARE CAPITAL

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Authorised:		
50,000,000,000 (2005: 50,000,000,000) shares of HK\$0.01	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
4,180,371,092 (2005: 4,180,371,092) shares of HK\$0.01	<u>41,804</u>	<u>41,804</u>

Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, other employees, adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The Scheme became effective on 27 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the Scheme is 400,052,632, which is equivalent to 10% of the issued share capital of the Company as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's share at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date at offer of the share options and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options have been granted, exercised, lapsed or cancelled since the establishment of the Scheme.

13. SHARE CAPITAL (continued)

The following share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were outstanding during the period:

Name Category of participant	Date of grant of share options	Exercise price of share options HK\$	Number of share options				At 30 June 2005	Exercise period of share options
			At 1 January 2005	Granted during the period	Lapsed during the period	Exercised during the period		
Directors								
Lau Chi Yung, Kenneth	7 February 1998	0.112	19,500,000	—	—	—	19,500,000	7 February 1998 to 6 February 2008
Others								
Tsang Pak Chung, Eddy	7 February 1998	0.112	19,500,000	—	—	—	19,500,000	7 February 1998 to 6 February 2008
Leung Wei San, Saskia	7 February 1998	0.112	19,500,000	—	—	—	19,500,000	7 February 1998 to 6 February 2008
			<u>58,500,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>58,500,000</u>	

No share options of Oriental Explorer Holdings Limited were granted, exercised, cancelled or lapsed during the year.

14. CAPITAL COMMITMENTS

As at balance sheet date, the Group had capital commitments in respect of the following:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Contracted but not provided for:		
Interest in a subsidiary	<u>109,000</u>	<u>—</u>

15. RELATED PARTY TRANSACTIONS

During the period, a subsidiary sold finished goods of HK\$2,286,000 (2005: HK\$1,625,000) to and purchased raw materials and parts of HK\$675,000 (2005: HK\$561,000) from a related company of Alpha Japan Limited, the minority shareholder of a subsidiary of the Group. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group (in respect of the sales), and offered by a related company of Alpha Japan Limited to its third party customers (in respect of the purchases).

16. CONTINGENT LIABILITIES

The Company had guarantees amounting to HK\$836,000,000 (2005: HK\$728,023,000) given to banks for the banking facilities which had been fully utilised at the balance sheet date, granted by the banks to certain subsidiaries.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved and authorised for issue by the Board of Directors on 15 September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to focus principally on its core business of property investment. During the first half of 2006, the Group maintained a steady growth and recorded net profit of approximately HK\$57.6 million, an increase of 35% as compared with the corresponding period of 2005.

PROPERTY INVESTMENT

Shanghai

During the first half of 2006, the property markets throughout China and in Shanghai have been developing in a healthy pace following the ongoing implementation of the macro economic measures. The Group's Shanghai serviced apartment chain, operating under the name "Windsor Renaissance", has already built up a market niche in Shanghai and continuously contributed a strong return of investment with consistently high occupancy rate of approximately 90%. At present, a portfolio of around 400 serviced apartments and villas are under our management.

Hong Kong

The Group received stable gross rental revenue of approximately HK\$16 million (2005: HK\$15 million) from such properties in Hong Kong during the first half of 2006. Indeed, the occupancy rate was quite satisfactory.

Disposal of property

In light of the encouraging performance of the Hong Kong economy and the Hong Kong property market during the first half of the year, the Management had a view that it was an opportunity for the Group to yield a favourable return from realization of part of the Hong Kong properties. On 15 May 2006, the Group disposed of the property of Multifield Building at North Point, Hong Kong for a consideration of HK\$329 million. The disposal was completed on 8 August 2006 and the expected gain accrued to the Group upon completion was approximately HK\$26.8 million. The net sale proceeds of approximately HK\$326.8 million would be used to provide funding for the Group's development projects on hand and contemplated and to further strengthen the liquidity assets mix and the overall financial position of the Group.

Acquisition of a property project development company in Zhuhai, PRC

The Group remains interested in its long term property development strategy in the PRC despite the recent introduction of macro economic measures to regulate property activities. On 12 June 2006, the Group acquired a land area of approximately 36,808 square meters in Zhuhai, PRC for a consideration of approximately RMB134 million (equivalent to approximately HK\$129 million) by acquisition of a 100% equity interest of a property project development company in Zhuhai. The land would be redeveloped for commercial purposes upon completion of the demolition and removal of existing constructions thereon.

The Management believed that the acquisition would present a good opportunity for the Group to strengthen its business in the field of property development in the PRC. For the first half of 2006, Guangdong province reported a GDP of RMB1,141.68 billion, representing an increase of 14.4% over the same period of last year. Therefore, the Management has the confidence that the development of the land will bring reasonable profit to the Group.

STEEL TRADING

The Group did not engage in steel trading during the period under review since the management adopted a prudent approach to minimize the risk exposure of steel prices which fluctuated significantly. The management forecasted that the second-half of 2006 would still be a hard time for international steel market and accordingly, much more effort has to be devoted to explore business opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 30 June 2006, the Group had outstanding bank loans amounting to approximately HK\$836 million, which were secured by legal charges on certain investment properties and properties held for sale in Hong Kong and Shanghai. As at 30 June 2006, among the total outstanding bank borrowings, HK\$148 million are repayable within one year, HK\$688 are repayable in the second year. The Group's cash and bank balances and short term bank deposits as at 30 June 2006 amounted to approximately HK\$172 million. The Group's gearing ratio as at 30 June 2006 was approximately 30% based on the total bank borrowings of approximately HK\$836 million and the aggregate of the shareholders' funds, minority interests and total bank borrowings of approximately HK\$2,824 million.

PERSONNEL

As at 30 June 2006, the Group had a total of 480 employees, of whom 450 were based in the PRC and 30 in Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECTS

In Hong Kong, the fundamentals of the Hong Kong economy have remained solid and stable despite the volatility of the stock market. The gross domestic product for Hong Kong in the first quarter of 2006 was 8.2% higher than that of 2005. Demand continued to outstrip supply in office sector, pushing up rents and occupancy rates in commercial districts. The Group will continue to enhance its investment portfolio through its progressive yet steady growth strategy, with a focus on seeking for appropriate good investment opportunities.

According to the latest figures from the PRC government, investment for real estate development in Shanghai in the first half of 2006 amounted to RMB58.326 billion, an increase by 0.4%, but the percentage increase was down by 15.1% compared to the corresponding period in last year. This revealed that after experiencing a year of macro economic measures, the real estate market in Shanghai became stable, and implied a retuning domestic demand. Indeed, we feel very optimistic about our service apartment chain operation in Shanghai, as we have already established a firm footing and a strategic presence in Shanghai to deliver solid performance in this sector of business.

In the second half of 2006, the Group will continue to carry out research and analysis on the impact of the macro economic measures on the PRC property market in order to further enhance effective project execution. The Group will under the principle of prudence carefully while actively identify development projects that have potential for development, and put much effort on identifying new development projects opportunities and high quality land banks for future growth in the Pearl River Delta, PRC.

We strongly believe that the Group has laid a solid foundation for transforming itself into an integrated real estate operator that develops and leases offices, residential and shopping malls.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 June 2006, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of the Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

Long position in the Company's ordinary shares:

Name of director	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Mr Lau Chi Yung, Kenneth	Corporate	<u>2,685,515,712</u>	<u>64.24</u>

The above shares are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr Lau Chi Yung, Kenneth and his family.

Long position in shares and underlying shares of the associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Number of shares/ Shares/ Equity derivatives	Equity derivatives held	Capacity and nature of interest	Percentage of associated corporation's issued share capital
Mr Lau Chi Yung, Kenneth	Oriental Explorer Holdings Limited	Company's subsidiary	Ordinary shares	1,020,268,999	Corporate	56.68
			Share options	19,500,000	Directly beneficially owned	N/A

The interest of Mr Lau Chi Yung, Kenneth in the shares of Oriental Explorer Holdings Limited are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr Lau Chi Yung, Kenneth and his family.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors and chief executives had registered an interest in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At the balance sheet date, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interest required to be kept by the Company pursuant to section 336 of the SFO:-

	Notes	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Power Resources Holdings Limited	(a)	Through a controlled corporation	2,685,515,712	64.24
Lucky Speculator Limited	(a)	Directly beneficially owned	2,195,424,000	52.52
Desert Prince Limited	(a)	Directly beneficially owned	490,091,712	11.72
Choi Koon Shum Jonathan	(b)	Through a controlled corporation	281,665,344	6.74
Lam William Ka Chung	(c)	Through a controlled corporation	281,665,344	6.74
Lam Wong Yuk Sin Mary	(c)	Through a controlled corporation	281,665,344	6.74
Kingsway International Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Innovation Assets Limited	(d)	Through a controlled corporation	281,665,344	6.74
World Developments Limited	(d)	Through a controlled corporation	281,665,344	6.74
SW Kingsway Capital Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Kingsway China Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Festival Development Limited	(d)	Through a controlled corporation	281,665,344	6.74
Opal Dragon Investments Limited	(d)	Directly beneficially owned	281,665,344	6.74

Notes:

- Power Resources Holdings Limited was deemed to have a beneficial interest in 2,685,575,712 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and Desert Prince Limited, the wholly-owned subsidiaries, which held shares in the Company.
- Mr. Choi Koon Shum Jonathan, who beneficially own or control approximately 48.18% of and in the issued share capital of Kingsway International Holdings Limited ("Kingsway International") and is deemed (by virtue of the SFO) to be interested in shares in, or debenture of, the subsidiaries of Kingsway International.
- Mrs. Lam Wong Yuk Sin Mary and her spouse, Mr. Lam William Ka Chung, who together beneficially own or control approximately 40% of and in the issued share capital of Kingsway International and are deemed (by virtue of the SFO) to be interested in the shares in, or debenture of, the subsidiaries of Kingsway International.
- Kingsway International was deemed to have beneficial interests in 281,665,344 ordinary shares of the Company by virtue of its indirect interests through Innovation Assets Limited, World Developments Limited, SW Kingsway Capital Holdings Limited, Kingsway China Holdings Limited and Festival Development Limited and Opal Dragon Investments Limited ("Opal"). Opal is directly held shares in the Company.

Save as disclosed above, no person, other than the directors and chief executives of the Company, whose interest are set out in the section "Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASES, SALES OR REDEMPTIONS OF THE COMPANY'S LISTED SECURITIES

During the period, there were no purchases, sales or redemptions of the Company's listed securities by the Company or by any of its subsidiaries.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006.

- (a) Under the code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal 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.

Non-executive directors do not have a specific term of appointment and under the Bye-laws of the Company, at each general meeting, 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 by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant Bye-laws, if necessary, in order to ensure compliance with the Code on Corporate Governance Practices.

- (b) Under the code provision of A.2, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company does not at present have any officer with the title of “chief executive officer”. Mr Lau Chi Yung, Kenneth is the chairman and managing director of the Company. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company’s code of conduct of dealings in securities of the Company by the directors. Based on specific enquiry of the Company’s directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

BOARD OF DIRECTORS

As at the date of this report, the Company’s executive directors include Mr Lau Chi Yung, Kenneth and Mr Lau Michael Kei Chi; and independent non-executive directors include Mr Choy Tak Ho, Mr Lee Siu Man, Ervin and Mr Wong Yim Sum.

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 15 September 2006