



CHINA FAIR LAND HOLDINGS LIMITED

正輝中國集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 169

INTERIM REPORT

2006

* for identification only

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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)

Audit Committee

Mr. Hui Yip Wing, David

(Chairman of Audit Committee)

Mr. Kee Wah Sze

Mr. Ku Siu-Fung, Stephen

Remuneration Committee

Mr. Kee Wah Sze

(Chairman of Remuneration Committee)

Mr. Ku Siu-Fung, Stephen

Mr. Hui Yip Wing, David

Nomination Committee

Mr. Ku Siu-Fung, Stephen

(Chairman of Nomination Committee)

Mr. Kee Wah Sze

Mr. Hui Yip Wing, David

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 3604B, 36th 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, HM 08 Bermuda

Hong Kong Principal Share Registrar and Transfer Office

Standard Registrars Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

Stock Code: 169

Financial Highlights

	Six month ended 30th June,		
	2006	2005	Change %
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover			
Property sales	22,595	27,086	(16.6)
Land sales	—	35,491	(100.0)
Rental income from investment properties	8,237	6,479	27.1
Total turnover	30,831	69,056	(55.4)
Profit before taxation	5,166	43,484	(88.1)
Profit attributable to equity holders	2,361	20,530	(88.5)
Basic earnings per share	0.81 cents	7.02 cents	(88.5)

Management Discussion and Analysis

Business Review

For the six months ended 30th June, 2006, the Group's turnover amounted to HK\$30,831,000, representing a decrease of 55.4% as compared to the corresponding period in 2005. Included in the turnover were sales of developed properties and rental income from investment properties, which were mainly derived from the sales of Prosperous Age Garden and Changchuan Haoyuan, the developed properties in Ningbo and Changchun respectively. Profit attributable to equity holders for the period ended 30th June, 2006 was approximately HK\$2,361,000, representing a decrease of 88.5% as compared to the corresponding period in 2005. Excluded the net effect from revaluation in fair value of investment properties, the Group's profit attributable to equity holders was approximately HK\$2.8 million, a decrease of approximately HK\$9.2 million or 76.7% (2005: HK\$12 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.

With approximately 85% of the saleable area sold as at 30th June, 2006, the sales of Prosperous Age Garden in Ningbo were satisfactory. Besides, the foundation works of a commercial property project in Jiangbei, Ningbo were currently completed. The project involves the development of a commercial property with a total gross floor area of approximately 33,000 square meters and is expected to be completed in 2007. Recently, the Group also acquired a piece of land for residential use in Ningbo with an area of approximately 43,000 square meters, which will be used for future development.

Market Review

The GDP of the PRC has been growing at 10.9% during the first half of 2006. According to the statistics announced by the government, investment in fixed assets increased by 31.3% as compared with 2005, and among which investments in real estates increased by 24.2%. As the entire economy, and in particular the real estates market, experienced subsistent expansion, the PRC government has gradually implemented measures to control land transfer, property development and sale during the first half year, with the objective of increasing the housing supply and confining the hiking property price, which in turn would enhance stable development of the real estates market in the PRC.

Management Discussion and Analysis (Continued)

Financial Review

Net assets and equity attributable to equity holders

As at 30th June, 2006, the Group recorded total assets and total liabilities of approximately HK\$596,438,000 and HK\$259,775,000 respectively. The Group had net assets as at 30th June, 2006 approximately HK\$336,663,000 as compared to approximately HK\$336,176,000 as at 31st December, 2005. As at 30th June, 2006, the equity attributable to equity holders was approximately HK\$266,163,000 as compared with HK\$266,694,000 as at 31st December, 2005.

Liquidity and financial ratios

The Group had total bank balances and cash of approximately HK\$30,789,000 as at 30th June, 2006 as compared with HK\$49,402,000 as at 31st December, 2005. As at 30th June, 2006, the current ratio was 1.74 as compared with 1.77 as at 31st December, 2005. The gearing ratio was 43.6% as at 30th June, 2006 as compared with 45.8% as at 31st December, 2005. The bank borrowings to equity was recorded at 18.0% as at 30th June, 2006 as compared with 25.9% as at 31st December, 2005.

Borrowings

The Group had interest bearing borrowings of approximately HK\$48 million as at 30th June, 2006 (31st December, 2005: HK\$69 million), representing a decrease of approximately 30.4% over the amount as at 31st December, 2005. Borrowings were denominated in Renminbi ("RMB") and Hongkong dollar ("HK\$"). Approximately 70.9% of the borrowings is repayable within one year and the rest representing the bank loans of HK\$14 million.

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, 2006.

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.

Material Acquisition and Disposal

There is no material acquisition and disposal of subsidiary and assets during the six months ended 30th June, 2006.

Employees and Remuneration Policies

As at 30th June, 2006, the Group employed approximately 86 full time staffs in 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. During the period under review, no shares options were granted to the Directors. No options were exercised by the Directors during the period under review. There were 2,480,000 outstanding shares options granted to the Directors as at 30th June, 2006. The total number of shares available for issue under the Company's share option scheme as the date of this report is 4,050,000, representing approximately 1.4% of the issued share capital of the Company as at that date.

Outlook

With the implementation of a new series of macroeconomic adjustment policies, investments in the real estates market in the PRC will be slowed down. Benefiting from the robust economic growth, the Directors believe that property markets in the second- and third-tier cities will continue to prosper. The Group will continue to look for new projects in cities such as Ningbo so as to ensure sustainable business development.

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 21.

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 and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial reports 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 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, 2006.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26th September, 2006

Condensed Consolidated Income Statement

For the Six Months Ended 30th June, 2006

	Notes	1.1.2006 to 30.6.2006 HK\$'000 (Unaudited)	1.1.2005 to 30.6.2005 HK\$'000 (Unaudited)
Turnover	3	30,831	69,056
Cost of sales		(15,423)	(29,651)
Gross profit		15,408	39,405
Other income		877	1,314
Compensation income for cancellation of properties purchase		3,846	—
Change in fair value of investment properties		(807)	17,001
Selling and marketing expenses		(1,227)	(779)
Administrative expenses		(11,160)	(10,803)
Finance costs		(1,771)	(2,654)
Profit before taxation		5,166	43,484
Taxation	5	(1,843)	(15,132)
Profit for the period		<u>3,323</u>	<u>28,352</u>
Attributable to:			
Equity holders of the Company		2,361	20,530
Minority interests		962	7,822
		<u>3,323</u>	<u>28,352</u>
Earnings per share			
— Basic (HK cents)	7	<u>0.81</u>	<u>7.02</u>
— Diluted (HK cents)		<u>0.81</u>	<u>7.02</u>

Condensed Consolidated Balance Sheet

At 30th June, 2006

	Notes	30.6.2006 HK\$'000 (Unaudited)	31.12.2005 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	149,489	150,296
Property, plant and equipment	8	35,945	38,332
Available-for-sale investment	9	1,923	—
Prepaid lease payments		4,733	4,776
		<hr/> 192,090 <hr/>	<hr/> 193,404 <hr/>
Current assets			
Properties under development		102,316	90,150
Properties held for sale		127,883	141,208
Trade receivables	10	38,914	32,658
Other debtors, deposits and prepayments		104,360	113,188
Prepaid lease payments		86	86
Bank balances and cash		30,789	49,402
		<hr/> 404,348 <hr/>	<hr/> 426,692 <hr/>
Current liabilities			
Customers' deposits received		948	982
Creditors and accrued charges	11	102,123	111,584
Amount due to a director		—	74
Amount due to an intermediate holding company		23,324	17,406
Amounts due to minority shareholders		1,606	2,580
Amount due to a related company		9	463
Dividend payable		2,926	—
Taxation payable		67,478	68,305
Bank borrowings — amount due within one year	12	34,038	39,423
		<hr/> 232,452 <hr/>	<hr/> 240,817 <hr/>

Condensed Consolidated Balance Sheet (Continued)

At 30th June, 2006

	Notes	30.6.2006 HK\$'000 (Unaudited)	31.12.2005 HK\$'000 (Audited)
Net current assets		<u>171,896</u>	<u>185,875</u>
Total assets less current liabilities		<u>363,986</u>	<u>379,279</u>
Non-current liabilities			
Bank borrowings — amount due after one year	12	13,988	29,546
Deferred taxation liability		<u>13,335</u>	<u>13,557</u>
		<u>27,323</u>	<u>43,103</u>
Net assets		<u>336,663</u>	<u>336,176</u>
Capital and reserves			
Share capital		29,260	29,260
Reserves		<u>236,903</u>	<u>237,434</u>
Equity attributable to equity holders of the Company		<u>266,163</u>	266,694
Minority interests		<u>70,500</u>	<u>69,482</u>
Total equity		<u>336,663</u>	<u>336,176</u>

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30th June, 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Leasehold property revaluation reserve	Translation reserve	Share option reserve	Accumulated profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January, 2005	29,260	33,450	44,144	930	468	—	137,291	245,543	70,899	316,442
Profit for the period and total recognised profit for the period	—	—	—	—	—	—	20,530	20,530	7,822	28,352
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	(5,284)	(5,284)
Dividend	—	—	—	—	—	—	(2,926)	(2,926)	—	(2,926)
As at 30th June, 2005	<u>29,260</u>	<u>33,450</u>	<u>44,144</u>	<u>930</u>	<u>468</u>	<u>—</u>	<u>154,895</u>	<u>263,147</u>	<u>73,437</u>	<u>336,584</u>
As at 1st January, 2006	<u>29,260</u>	<u>33,450</u>	<u>44,144</u>	<u>992</u>	<u>3,711</u>	<u>313</u>	<u>154,824</u>	<u>266,694</u>	<u>69,482</u>	<u>336,176</u>
Surplus arising on revaluation of properties	—	—	—	50	—	—	—	50	83	133
Deferred taxation liability arising on revaluation of properties	—	—	—	(16)	—	—	—	(16)	(27)	(43)
Net income recognised directly in equity	—	—	—	34	—	—	—	34	56	90
Profit for the period	—	—	—	—	—	—	2,361	2,361	962	3,323
Total recognised profit for the period	—	—	—	34	—	—	2,361	2,395	1,018	3,413
Dividend	—	—	—	—	—	—	(2,926)	(2,926)	—	(2,926)
As at 30th June, 2006	<u>29,260</u>	<u>33,450</u>	<u>44,144</u>	<u>1,026</u>	<u>3,711</u>	<u>313</u>	<u>154,259</u>	<u>266,163</u>	<u>70,500</u>	<u>336,663</u>

The special reserve of the Group represents the aggregate of share premium of the Company's subsidiaries and the excess of the nominal value of the shares issued by the Company over the nominal value of the issued share capital of the subsidiaries acquired prior to the group reorganisation in 2002.

Condensed Consolidated Cash Flow Statement

For the Six Months Ended 30th June, 2006

	Six months ended 30th June,	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	<u>(352)</u>	<u>9,136</u>
Investing activities		
Interest received	190	—
Purchase of property, plant and equipment	(1)	(119)
Purchase of investment properties	—	(38,879)
Acquisition of available-for-sale investment	<u>(1,923)</u>	<u>—</u>
Net cash used in investing activities	<u>(1,734)</u>	<u>(38,998)</u>
Financing activities		
Dividend paid to minority shareholders of a subsidiary	(1,466)	—
New bank loans raised	—	34,989
Repayment of bank loans	(20,943)	(26,563)
Acquisition of additional interest in a subsidiary	—	(5,284)
Advances from (repayment to) minority shareholders	492	(646)
Advance from an intermediate holding company	5,918	5,410
Repayment to a related company	(454)	(123)
Repayment to a director	<u>(74)</u>	<u>—</u>
Net cash (used in) from financing activities	<u>(16,527)</u>	<u>7,783</u>
Net decrease in cash and cash equivalents	(18,613)	(22,079)
Cash and cash equivalents at 1st January	<u>49,402</u>	<u>88,010</u>
Cash and cash equivalents at 30th June		
Bank balances and cash	<u>30,789</u>	<u>65,931</u>

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30th June, 2006

1. Basis of Preparation

The Company was incorporated in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Future Opportunity Limited, incorporated in the British Virgin Islands and its immediate holding company is Chance Fair International Development Limited, incorporated in Hong Kong.

The condensed consolidated 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. Significant Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005. For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006.

2. Significant Accounting Policies (Continued)

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) *Financial guarantee contracts* which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to 1st January, 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognized when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated realisably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 *Revenue*.

In relation to a financial guarantee granted to a bank over the repayment of mortgage loans by customers in note 15, the adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The directors of the Company are in the process of making an assessment on the potential impact of these standard, amendment and interpretations and so far concluded that the application of these standard, amendment 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 ¹
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK(IFRIC) — INT 8	Scope of HKFRS 2 ³
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives ⁴

2. Significant Accounting Policies (Continued)

The Group acts as the issuer of the financial guarantee contracts (Continued)

- 1 Effective for annual periods beginning on or after 1st January, 2007.
- 2 Effective for annual periods beginning on or after 1st March, 2006.
- 3 Effective for annual periods beginning on or after 1st May, 2006.
- 4 Effective for annual periods beginning on or after 1st June, 2006.

3. Segment Information

Business segments

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Sales of developed properties	22,595	27,086
Sales of land	—	35,491
Rental income from investment properties	8,236	6,479
	<u>30,831</u>	<u>69,056</u>
Result		
Sales of developed properties	10,443	7,837
Sales of land	—	24,494
Rental income from investment properties	6,777	23,296
	<u>17,220</u>	55,627
Other income	877	1,314
Unallocated corporate expenses	(11,160)	(10,803)
Finance costs	(1,771)	(2,654)
	<u>5,166</u>	43,484
Taxation	(1,843)	(15,132)
	<u>3,323</u>	<u>28,352</u>
Profit for the period	<u>3,323</u>	<u>28,352</u>

4. Depreciation

During the period, depreciation in respect of the Group's property, plant and equipment of approximately HK\$2,521,000 (1.1.2005 to 30.6.2005: HK\$1,681,000) was charged to income statement.

5. Taxation

Six months ended 30th June,	
2006	2005
<i>HK\$'000</i>	<i>HK\$'000</i>

The taxation charge comprises:

The People's Republic of China (the "PRC")

Enterprise Income Tax

— Current period

(2,108)	(8,782)
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Deferred taxation credit (charge)

265	(6,350)
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<u>(1,843)</u>	<u>(15,132)</u>
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The PRC Enterprise Income Tax for current period is calculated at the rated 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.

6. Dividend

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

7. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

Six months ended 30th June,	
2006	2005
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit for the period attributable to equity holders of

The Company for the purposed of basic and
diluted earnings per share

<u>2,361</u>	<u>20,530</u>
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7. Earnings Per Share (Continued)

	Number of shares	
	2006	2005
Weighted average number of shares for the purposes of basic earnings per share	292,600,000	292,600,000
Effect of dilutive potential ordinary shares — share options	<u>659,302</u>	<u>—</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><u>293,259,302</u></u>	<u><u>292,600,000</u></u>

8. Investment Properties and Property, Plant and Equipment

The fair value of the Group's investment properties and revalued amount of the Group's leasehold properties were determined by Savills Valuation and Professional Limited, a firm of international property consultants, at 30th June, 2006. The resulting decrease in fair value of investment properties of HK\$807,000 has been charged directly in the income statement. The Group's share of revaluation surplus of approximately HK\$50,000 has been credited to the leasehold property revaluation reserve.

During the period, there was no significant acquisition and disposal of investment properties and property, plant and equipment.

9. Available-For-Sale Investment

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Unlisted equity security, at cost	<u><u>1,923</u></u>	<u><u>—</u></u>

The above unlisted investment represents investment in unlisted equity security issued by a private entity incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

10. Trade Receivables

An aged analysis of the trade receivable is as follows:

	30.6.2006 HK\$'000	31.12.2005 <i>HK\$'000</i>
Within three months	5,256	4,226
Three months to one year	9,917	14,820
Between one to two years	12,933	7,211
Over two years	10,808	6,401
	38,914	32,658

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. The outstanding unsettled balances are repayable on demand.

11. Creditors and Accrued Charges

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

	30.6.2006 HK\$'000	31.12.2005 <i>HK\$'000</i>
Within three months	—	341
Three months to one year	199	318
Over one year	41,540	49,437
	41,739	50,096

12. Bank Borrowings

During the current period, the Group obtained new bank loans amounting to Nil (six months ended 30th June, 2005: HK\$34,989,000) and repaid bank loans of HK\$20,943,000 (six months ended 30th June, 2005: HK\$26,563,000). The loans bear interest at 5.49% to 6.77%.

13. Related Party Transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Rental paid to an intermediate holding company	<u>159</u>	<u>198</u>

Note:

The Group entered into a sub-tenancy agreement with the intermediate holding company, on 22nd May, 2001 pursuant to which the intermediate holding company agreed to sub-lease a portion of the office premises to the Group. The sub-tenancy agreement was renewed for a term commencing from 2nd May, 2004 to 22nd May, 2005 (both dates inclusive) and 22nd May, 2005 to 21st 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.

The remuneration of the directors and other members of key management during the period are as follows:

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Short-term benefits	<u>1,668</u>	<u>1,664</u>

The remuneration of the directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

14. Pledge of Assets

At the balance sheet date, the Group pledged certain of its properties held for sales and an investment property to banks to secure the credit facilities of approximately HK\$48,027,000 (2005: HK\$68,969,000). The aggregate carrying value of the properties held for sales and the investment property at 30th June, 2006 pledged amounted to approximately HK\$31,878,000 (2005: HK\$46,017,000) and HK\$115,769,000 (2005: HK\$116,346,000), respectively.

15. Contingent Liabilities

At 30th June, 2006, the Group had provided guarantees of approximately HK\$15,806,000 (31.12.2005: HK\$15,394,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted.

The State Administration of 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\$65,790,000 for the period from 1st January, 2001 to 30th June, 2006 (2005: HK\$65,790,000 for the period from 1st January, 2001 to 31st December, 2005) has to be provided for in these financial statements.

16. Operating Lease Commitments

At the balance sheet date, the Group were committed to make the following minimum lease payments under non-cancellable operating leases with average lease terms of 2 years which fall due as follows:

	30.6.2006 <i>HK\$'000</i> (Unaudited)	31.12.2005 <i>HK\$'000</i> (Audited)
Rented premises		
Within one year	1,060	173
In the second year	842	173
	1,902	346
Office equipment		
Within one year	11	11
In the second year	2	8
	13	19

Other Information

Directors' Interests in Securities

As at 30th June, 2006, 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. 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, 2006, 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 shares options were granted to the Directors. No options were exercised by the Directors during the period under review. There were 2,480,000 outstanding shares options granted to the Directors as at 30th June, 2006. The total number of shares available for issue under the Company's share option scheme as the date of this report is 4,050,000, representing approximately 1.4% of the issued share capital of the Company as at that date.

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, 2006 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, 2006, 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.

Corporate Governance *(Continued)*

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, 26th September, 2006