



NAM FONG INTERNATIONAL HOLDINGS LIMITED

南方國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1176)

INTERIM REPORT 2006

The Directors of Nam Fong International Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2006 \$'000 (Unaudited)	2005 \$'000 (Unaudited)
Turnover	2,3	39,591	49,809
Cost of properties sold and rental outgoings		(14,978)	(57,083)
Gross profit/(loss)		24,613	(7,274)
Other revenue	3	238	57,502
Selling expenses		—	—
Administrative expenses		(5,325)	(7,562)
Other net operating (expenses)/income	4	(23,794)	21,504
Provision for claims		—	92,130
(Loss)/profit from operations		(4,268)	156,300
Finance costs		(330)	323
(Loss)/profit before taxation	5	(4,598)	156,623
Taxation	6	—	(10,555)
Net (loss)/profit attributable to shareholders		(4,598)	146,068
Basic (loss)/earnings per share	7	(0.34 cents)	10.74 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

(Expressed in Hong Kong dollars)

	Note	30 June 2006 \$'000 (Unaudited)	31 December 2005 \$'000 (Audited)
Non-current assets			
Fixed assets		323	335
Investment properties		379,912	448,100
Land lease premium	8	81,415	80,475
Properties held for/under development	9	272,771	271,054
Deferred tax assets		11,627	11,627
Total non-current assets		746,048	811,591
Current assets			
Inventory of completed properties	10	3,773	3,724
Accounts receivables	11	26,949	1,884
Prepayments, deposits and other receivables		39,844	4,047
Land lease premium		1,973	1,969
Cash and bank balances		831	530
Total current assets		73,370	12,154
Current liabilities			
Current portion of accounts payables	12	117,297	116,567
Accruals and other payables		280,072	284,041
Short-term borrowings	13	11,451	11,451
Taxation payable	6	14,830	14,830
Total current liabilities		423,650	426,889
Net current liabilities		(350,280)	(414,735)
Total assets less current liabilities		395,768	396,856
Non-current liabilities			
Non-current portion of accounts payable	12	(68,498)	(68,498)
		(68,498)	(68,498)
Net assets		327,270	328,358
Capital and reserves			
Share capital		136,000	136,000
Reserves		191,270	192,358
Total equity	14	327,270	328,358

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Investment Property revaluation reserve \$'000	Reserve on merger accounting \$'000	Capital reserve \$'000	Exchange fluctuation reserve \$'000	Accumulated losses \$'000	Total \$'000
<i>(Unaudited)</i>								
At 1 January 2005	136,000	906,000	165,301	(101,922)	14,326	(3,598)	(1,162,578)	(46,471)
Opening balance adjustments under HKFRSs								
Adoption of HKFRS 3	—	—	—	—	(14,326)	—	14,326	—
Adoption of HKAS 40	—	—	(165,301)	—	—	—	165,301	—
As restated	136,000	906,000	—	(101,922)	—	(3,598)	(982,951)	(46,471)
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	—	(161)	—	(161)
Net profit the period	—	—	—	—	—	—	146,068	146,068
At 30 June 2005 (as restated)	<u>136,000</u>	<u>906,000</u>	<u>—</u>	<u>(101,922)</u>	<u>—</u>	<u>(3,759)</u>	<u>(836,883)</u>	<u>99,436</u>
At 1 January 2006	136,000	906,000	—	(101,922)	—	(47,633)	(564,087)	328,358
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	—	3,510	—	3,510
Net loss for the period	—	—	—	—	—	—	(4,598)	(4,598)
At 30 June 2006	<u>136,000</u>	<u>906,000</u>	<u>—</u>	<u>(101,922)</u>	<u>—</u>	<u>(44,123)</u>	<u>(568,685)</u>	<u>327,270</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash outflow from operating activities	(553)	(33,345)
Net cash (outflow)/inflow from investing activities	(2,656)	52,316
Net cash outflow from financing activities	—	(18,776)
(Decrease)/increase in cash and cash equivalents	(3,209)	195
Effect of foreign exchange rates	3,510	(161)
Cash and cash equivalents at 1 January	530	85
Cash and cash equivalents at 30 June	<u>831</u>	<u>119</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	<u>831</u>	<u>119</u>
	<u>831</u>	<u>119</u>

NOTES TO THE ACCOUNTS

1. Basis of preparation

(a) Going concern

As at 30 June 2006, the Group had other borrowings together with relevant interest of approximately HK\$14,009,000. The directors have been (i) in negotiations with new or existing bankers and third parties with a view to obtaining new facilities and/or renewals of the existing facilities granted to the Group; and (ii) closely monitoring the disposal of properties to raise funds.

The directors have considered the liquidity of the Group in light of the above and the funding requirements of the Group for the foreseeable future. The directors expect that the existing business and raising fund arrangements will generate sufficient cash flow to meet its financial obligations and liabilities and funding requirements for the development of the Group's property projects. Accordingly, the financial statements have been prepared on a going concern basis.

(b) Others

This interim financial report is unaudited, but has been reviewed by the audit committee. The interim financial report has been prepared in accordance with the requirements of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations (collectively, "new HKFRSs") which are effective for accounting periods commencing on or after 1 December 2005 or 1 January 2006 respectively.

This interim financial report has been prepared, for the first time, in accordance with those HKFRSs issued and effective as at the time of preparing this information (September 2006). The adoption of new HKFRSs had no material effect on how the results for the current and/or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

Potential impact arising from the recently issued HKFRS

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

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

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

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

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

2. Turnover

Turnover comprises gross proceeds from sales of properties and rental income less sales tax.

3. Turnover, revenues and segment information

(a) Turnover and revenues

	Six months ended 30 June	
	2006 \$'000 (Unaudited)	2005 \$'000 (Unaudited)
Turnover		
Proceeds from sales of properties		
— investment properties	22,701	32,935
Rental income	16,890	16,874
	39,591	49,809
Other revenue		
Reversal of unclaimed dividends	—	25,024
Waiver of bank loan	—	12,501
Waiver of construction contracts	—	16,670
Others	238	3,307
	238	57,502

NOTES TO THE ACCOUNTS (Cont'd)

3. Turnover, revenues and segment information (Cont'd)

(b) Segment information

A segmental analysis of the Group's principal activities is as follows:

	Property sales Six months ended 30 June		Property rental Six months ended 30 June		Total Six months ended 30 June	
	2006 \$'000 (Unaudited)	2005 \$'000 (Unaudited)	2006 \$'000 (Unaudited)	2005 \$'000 (Unaudited)	2006 \$'000 (Unaudited)	2005 \$'000 (Unaudited)
By principal activity						
TURNOVER						
External revenue	<u>22,701</u>	<u>32,935</u>	<u>16,890</u>	<u>16,874</u>	<u>39,591</u>	<u>49,809</u>
RESULTS						
Segment result	<u>(15,237)</u>	<u>88,031</u>	<u>16,045</u>	<u>13,804</u>	<u>808</u>	<u>101,835</u>
Other revenue					<u>238</u>	<u>62,027</u>
Unallocated corporate expenses					<u>(5,314)</u>	<u>(7,562)</u>
Finance costs					<u>(330)</u>	<u>323</u>
(Loss)/profit before tax					<u>(4,598)</u>	<u>156,623</u>
Taxation					<u>—</u>	<u>(10,555)</u>
Net (loss)/profit attributable to shareholders					<u>(4,598)</u>	<u>146,068</u>
	30 June	31 December	30 June	31 December	30 June	31 December
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS						
Segment assets	<u>454,890</u>	<u>370,174</u>	<u>363,374</u>	<u>452,373</u>	<u>818,264</u>	<u>822,547</u>
Unallocated corporate Assets					<u>1,154</u>	<u>1,198</u>
Consolidated total Assets					<u>819,418</u>	<u>823,745</u>
LIABILITIES						
Segment liabilities	<u>449,219</u>	<u>330,696</u>	<u>14,117</u>	<u>20,912</u>	<u>463,336</u>	<u>351,608</u>
Unallocated corporate Liabilities					<u>28,812</u>	<u>143,779</u>
Consolidated total Liabilities					<u>492,148</u>	<u>495,387</u>
OTHER INFORMATION						
Capital expenditure					<u>—</u>	<u>340</u>
Depreciation					<u>12</u>	<u>36</u>

No geographical analysis is shown as all the Group's assets, liabilities, turnover and loss from operations are derived from activities in the People's Republic of China (the "PRC").

4. Other net operating (expenses)/income

	Six months ended 30 June	
	2006 \$'000 (Unaudited)	2005 \$'000 (Unaudited)
Gain on disposal of investments in subsidiaries	<u>—</u>	<u>20,448</u>
Written back of provision for doubtful debts	<u>—</u>	<u>1,056</u>
Loss on disposal of investment properties	<u>(11,281)</u>	<u>—</u>
Impairment loss on investment properties	<u>(12,513)</u>	<u>—</u>
	<u>(23,794)</u>	<u>21,504</u>

In 2001, the Group sold certain shops premises in zone 3A of gross floor area of approximately 5,400 square metre (Property 3A) and zone 3C of gross floor area of approximately 5,300 square metre (Property 3C) of Liwan Plaza, Guangzhou, PRC to an independent third party. The buyer, however, failed to make full payment to the Group and an appeal was lodged to the Court. Subsequent to March 2006, the Group reached an agreement with the buyer that the Property 3C was regarded as a completed sale transaction at paid amount which incurred a loss of disposal of HK\$11,281,000. Whereas the Property 3A was returned to the Group which was sold to an independent third party at HK\$30,000,000, the transaction shall be completed in September 2006 which incurred an impairment loss of HK\$12,513,000.

NOTES TO THE ACCOUNTS (Cont'd)

5. (Loss)/Profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cost of properties sold	14,133	54,013
Interest on borrowings	330	329
Waiver of interest expenses	—	(652)
	330	(323)
Depreciation charges	12	20
Provision of claims	—	(92,130)
	—————	—————

6. Taxation

- (a) No provision for Hong Kong profits tax is required since there is no assessable profit for the period and the Group's income is derived from sources outside Hong Kong, which is not liable to Hong Kong profits tax. (30 June 2005: Nil)
- (b) The Group is subject to the enterprise income tax rate of 33% on the assessable profit for the period in accordance with the income tax law of the PRC.
- (c) Based on the information available, the directors considered that the taxation of the Group at 30 June 2006 was adequately provided for in the financial statements.

7. (Loss)/Earnings per share

(a) *Basic earnings per share*

The calculation of the basic earnings per share is based on the net loss for the period of approximately HK\$4,598,000 (30 June 2005: profit of approximately HK\$146,068,000) and on 1,360,000,000 (30 June 2005: 1,360,000,000) ordinary shares in issue during the period.

(b) *Diluted earnings per share*

Diluted earnings per share is not presented because there were no dilutive potential ordinary shares in existence for the six months ended 30 June 2006 and 2005 respectively.

8. Land lease premium

	At 30 June	At 31 December
	2006	2005
	\$'000	\$'000
	(Unaudited)	(Audited)
Net book value		
— Effect of adopting HKAS 17	83,187	82,821
Amortisation and transfer to Properties held for/under development	(1,973)	(1,969)
Exchange realignment	2,174	1,592
	—————	—————
Net book value	83,388	82,444
Current portion including in current assets	(1,973)	(1,969)
	—————	—————
Non-current portion including in non-current assets	81,415	80,475
	—————	—————

NOTES TO THE ACCOUNTS (Cont'd)

9. Properties held for/under development

- (a) All the properties held for/under development are located in the PRC.
- (b) Properties held for/under development relate to the acquisition of the land use rights for a number of land sites within the Guangdong Province with total carrying value of HK\$272,771,000 (30 June 2005: HK\$307,226,000). The status of the major property development projects in Guangzhou is as follows:

Pursuant to the terms of the purchase agreements regarding the aforesaid property development projects refer to in above, unless the costs of which are settled and the projects completed within a scheduled period, the land sites will be treated as idle sites which could result in forfeiture of payments made to the vendors, termination of the purchase agreements and late payments penalties. In addition, the vendors could take legal action againsts the Group for compensation. As at 30 June 2006, the total carrying value of these projects was HK\$272,771,000 (30 June 2005: HK\$307,226,000). The idle sites may be repossessed by the vendors, but an extension of the expiring schedule could be granted by the signing of supplementary agreements with the vendors with compensation payments. On 10 December 2005, the Group entered into supplementary agreements with the vendors pursuant to which the scheduled period for settlement of the costs in extended to 31 December 2008.

10. Inventory of completed properties

The carrying amount of inventory of completed properties held for sales carried at net realizable value was approximately HK\$3,773,000 (31 December 2005: approximately HK\$3,724,000). They are located in the PRC with medium lease term.

11. Accounts receivable

The ageing analysis of accounts receivable as at 30 June 2006 is as follows:—

	At 30 June 2006 \$'000 (Unaudited)	At 31 December 2005 \$'000 (Audited)
Within 3 months	25,043	1,738
4 - 6 months	—	352
7 - 12 months	—	215
Over 1 year	8,162	5,763
	<u>33,205</u>	<u>8,068</u>
Less: Provision for doubtful debts	(6,256)	(6,184)
	<u>26,949</u>	<u>1,884</u>

12. Accounts payable

The ageing analysis of accounts payable as at 30 June 2006 is as follows:—

	At 30 June 2006 \$'000 (Unaudited)	At 31 December 2005 \$'000 (Audited)
7 - 12 months	—	—
Over 1 year	117,297	116,567
Non-current portion	68,498	68,498
	<u>185,795</u>	<u>185,065</u>

NOTES TO THE ACCOUNTS (Cont'd)

13. Short-term borrowings

Short-term borrowings comprise:

	At 30 June 2006 \$'000 (Unaudited)	At 31 December 2005 \$'000 (Audited)
Other loans	<u>11,451</u>	<u>11,451</u>
Analysed as:		
Secured	9,000	9,000
Unsecured	<u>2,451</u>	<u>2,451</u>
	<u>11,451</u>	<u>11,451</u>

14. Shareholders' equity

There was no movement in the share capital of the Company during the period under review. On 7 April 2006, the Company entered into a subscription agreement with Zhang Suqian, an independent third party of the Company. Pursuant to the subscription agreement, Zhang Suqian agreed to subscribe for 272,000,000 Shares of the Company at HK\$0.10 per share. The subscription was not yet completed as at the date of this interim report for the six months ended 30 June 2006. Details of the subscription agreement were set out in the Company's announcement dated 12 April 2006.

	Share premium \$'000	Investment property revaluation reserve \$'000	Reserve on merger accounting \$'000	Capital reserve \$'000	Exchange fluctuation reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2005	906,000	165,301	(101,922)	14,326	(3,598)	(1,162,578)	(182,471)
Opening balance adjustments under HKFRSs							
Adoption of HKFRS 3	—	—	—	(14,326)	—	14,326	—
Adoption of HKAS 40	—	(165,301)	—	—	—	165,301	—
As restated	<u>906,000</u>	<u>—</u>	<u>(101,922)</u>	<u>—</u>	<u>(3,598)</u>	<u>(982,951)</u>	<u>(182,471)</u>
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	(161)	—	(161)
Net profit for the period	—	—	—	—	—	146,068	146,068
At 30 June 2005 (as restated)	<u>906,000</u>	<u>—</u>	<u>(101,922)</u>	<u>—</u>	<u>(3,759)</u>	<u>(836,883)</u>	<u>(36,564)</u>
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	(43,874)	—	(43,874)
Net profit for the period	—	—	—	—	—	272,796	272,796
At 31 December 2005 (audited)	<u>906,000</u>	<u>—</u>	<u>(101,922)</u>	<u>—</u>	<u>(47,633)</u>	<u>(564,087)</u>	<u>192,358</u>
At 1 January 2006	906,000	—	(101,922)	—	(47,633)	(564,087)	192,358
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	3,510	—	3,510
Net loss for the period	—	—	—	—	—	(4,598)	(4,598)
At 30 June 2006 (Unaudited)	<u>906,000</u>	<u>—</u>	<u>(101,922)</u>	<u>—</u>	<u>(44,123)</u>	<u>(568,685)</u>	<u>191,270</u>

15. Capital commitments

As at 30 June 2006, the Group had capital commitments not provided for in these financial statements as follows:

	At 30 June 2006 \$'000 (Unaudited)	At 31 December 2005 \$'000 (Audited)
Capital commitments in respect of construction in progress — contracted but not provided for	<u>—</u>	<u>241,613</u>

NOTES TO THE ACCOUNTS (Cont'd)

16. Material contingent liabilities

- (a) The Group has executed guarantees to bank for mortgage facilities granted to first buyers of certain properties of the Group in the PRC. The utilized amounts of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group at the balance sheet date amounted to approximately HK\$51,804,000 (31 December 2005: HK\$51,804,000).

On 16 June 2006, the Group and the bank entered into a settlement agreement pursuant to which the bank agreed to accept HK\$21,500,000 ("Settlement Account") as full and final settlement of the Group's liabilities under the guarantees. The Settlement Amount is payable by 5 instalments by 30 June 2007. The bank is entitled to recover from the Group the balances of loans plus relevant expenses if the Group defaults on payment of the Settlement Amount.

- (b) A subsidiary of the Group was sued by a contractor for default payments of approximately HK\$17,357,000 (31 December 2005: HK\$17,357,000) in relation to construction work carried out in one of the property development projects in Guangzhou. The Group counter-claimed against the contractor for inferior construction work performed on that site. The litigation is in the process of finalisation, pending the decision from court in Guangzhou.

The Directors are of the opinion that the outcome of the litigations and claims mentioned in (b) above will not have a material adverse effect on the Group and no provision has therefore been made for possible additional interest or legal costs and consequential damages in the financial statements.

Save as disclosed above, neither the Company nor any members of the Group are engaged in any litigation or arbitration of material importance and, so far as the directors are aware, no litigation or arbitration of material importance is pending or threatened against any members of the Group.

INTERIM DIVIDEND

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

1. Property Investment

The Group's major property investment remained at Liwan Plaza, with a gross floor area of approximately 49,517 square meter, which is located at Shang Xia Jiu Road, Liwan District, Guangzhou, the People's Republic of China (the "PRC"). During the period ended 30 June 2006, the proceeds from the sale of investment properties at Liwan Plaza amounted to approximately HK\$22,701,000.

2. Property Development

Jiangnan Nam Fong Garden — Phase II

This property is located at No.168-170 Changgang Zhong Road, Henan, Guangzhou. The site area is 24,455 square meter. First phase of the project comprises of three 9-storey residential buildings had been completed and sold. Phase two of the project will have three 26-storey residential towers above a four-storey commercial podium and a car park at basement level. The Group has received approval to start construction work.

Yue Xiu Plaza

This project comprises approximately 19,440 square meter of office, 53,595 square meter of residential, 17,185 square meter retail and 11,368 square meter of car parking space. Construction work for the first ten floors of Yue Xiu Plaza, representing the basement car park and the commercial podium, has been completed.

Financial Review

The Group report a turnover of HK\$39,591,000 (30 June 2005: HK\$49,809,000) and consolidated net (loss)/profit attributable to shareholders amounted to HK\$4,598,000 (30 June 2005: profit of approximately HK\$146,068,000) for the period ended 30 June 2006. As the results for the six months ended 30 June 2005 were unaudited, Shareholders are suggested to refer to the Annual Report of the Company for the year ended 31 December 2005 for the audited results for the full year ended 31 December 2005.

As at 30 June 2006, the total borrowings of the Group amounted to approximately HK\$11,451,000 and the gearing ratio (calculated as the ratio of total borrowings to shareholders' funds) was 3.9%, as compared to the respective total borrowings and gearing ratio of approximately HK\$11,451,000 and 3.5% as at 31 December 2005.

Since the cash or cash equivalents held, borrowings, revenue and expenses of the Group are denominated in either Hong Kong dollars or Chinese Renminbi or United States dollars, the Group does not anticipate any material foreign exchange exposure. There was neither foreign currency hedging activity nor financial instrument for hedging purposes during the period.

Prospects

In response to the rapid increase in property prices caused by the increase in real estate speculation and investment, the PRC Government implemented a series of control measures to discourage speculation in the property market. In the opinion of the Board, the effect of these measures has not yet been fully reflected in the market, and will increase the uncertainty of the market.

The Board has initiated a review of the Group's property investment in Liwan Plaza with a view of improving the yield generated from this property.

As mentioned in the last annual report, the Board is studying the possibility of developing phase II of the Jiangnan Nam Fong Garden jointly with other party. I hope to be in a position to report to you the progress of the discussion later this year.

Construction work for the first ten floors of Yue Xiu Plaza, representing the basement car park and the commercial podium, has been completed. Design for the residential portion of the project is behind schedule leading to a delay in this project. However, I believe with a better design the project will bring to the Group a higher return in future.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, the Group had approximately 80 (31 December 2005: approximately 80) employees in Hong Kong and the PRC. They are remunerated according to the job nature, market conditions, individual performance and qualifications. Other staff benefits include share option scheme and year end bonus.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2006, none of the directors and chief executive of the Company had, under Part XV of the Securities and Futures Ordinance, nor were they taken to or deemed to have under such provisions of the Securities and Futures Ordinance, any interests in the shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance or any interests which are required to be 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 in the Listing Rules.

ARRANGEMENT TO PURCHASE SHARES

Under the share option scheme, the directors may, at their discretion, offer an option to any director or employee of the Company or any subsidiary to subscribe for shares of the Company, subject to the terms and conditions of the scheme.

During the period under review, no option was granted to or exercised under the share option scheme.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, in addition to the interests disclosed above in respect of the directors, the register of substantial shareholders kept under section 336 of the Securities and Futures Ordinance showed that the Company had been notified of the following substantial shareholders' interests being 5% or more of the issued share capital of the Company:

Name of Shareholders	Number of ordinary shares	Percentage of issued share capital
Great Capital Holdings Limited ("GCH")	429,162,000 <i>Note(1)</i>	31.56%
Sinowin Enterprises Limited ("Sinowin")	405,280,000 <i>Note(2)</i>	29.80%
Campiche Management Limited	68,205,210	5.02%

Note:

- (1) GCH had pledged a total of 264,162,000 shares of the Company to secure banking facilities for the group companies of GCH.
- (2) The entire issued share capital of Sinowin is beneficially owned by Mr. Hung Ka Faat.

Save as disclosed above, so far as are known to the directors, the Company has not been notified of any interest in the issued share capital of the Company required to be recorded under section 336 of the Securities and Futures Ordinance as at 30 June 2006.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 June 2006.

Subsequent to the period end, on 20 September 2006, Nam Fong Liwan Plaza Limited, a wholly owned subsidiary of the Company, entered into a sales and purchase agreement with an independent third party to dispose to such independent third party its entire interest in 廣州穗南房產發展有限公司 (Guangzhou Suinan Property Development Limited) (the "PRC JV"), a sino-foreign co-operative joint venture enterprise established in the PRC and is a subsidiary of the Company for a total cash consideration of HK\$10,000,000. Prior to the disposal, the Company had interests in all assets and liabilities of the PRC JV and the entire results of the PRC JV had been consolidated into the accounts of the Company. Details of the disposal were set out in the Company's announcement dated 27 September 2006.

CODE ON CORPORATE GOVERNANCE

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

The Company does not fully comply with code provisions A.2.1, A.4.1 and A.4.2 in Appendix 14. Under code provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title "chief executive officer". The Board has chairman and deputy chairman who provide leadership to the Board in terms of establishing policies and business directions.

Under code provision A.4.1, independent non-executive director should be appointed for a specific term and subject to re-election. Under code provision A.4.2, 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. All the independent non-executive directors of the Company are not appointed for a specific terms. All directors (except for the chairman) are subject to rotation in annual general meeting pursuant to the Company's Articles of Association.

In respect of the above, the Company is considering the matters in order to ensure compliance with code provisions A.2.1, A.4.1. and A.4.2. in due course.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Upon enquiry of the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2006.

AUDIT COMMITTEE

The Company has Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The interim results for the six months ended 30 June 2006 have been reviewed by the Audit Committee.

SHAREHOLDERS' MEETING

The Company's Annual General Meeting was held on 20 September 2006 during which all the resolutions set out in the Company's Notice of Annual General Meeting dated 29 August 2006 were passed.

By Order of the Board
Tong Shi Jun
Chairman

Hong Kong, 27 September 2006