



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 2007

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(Financial figures in this interim report are expressed in HK\$ unless otherwise stated)

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CORPORATE CALENDAR OF EVENTS

1 January 2007

Rectified the previous non-compliance matters

10 January 2007

Completed the disposal of entire interest in a subsidiary

27 January 2007

Settled all overdue borrowings and gearing level was reduced

29 March 2007

Further extended the long stop date in relation to the subscription of new shares of 272,000,000 under the general mandate

4 April 2007

Changed company secretary and appointed qualified accountant with a view to strengthening the operational capability

25 June 2007

Established the Company's website to ensure effective dissemination of the updated news and information to stakeholders

28 June 2007

Transferred 50% shareholding interest in a subsidiary to Hong Long Group to reduce future capital commitment and enhance working capital position

17 July 2007

Fully and finally settled all indebtedness due to Nanyang Commercial Bank, Limited ("NCB") and the relevant contingent liabilities were discharged

8 August 2007

Disposed certain investment properties at Liwan Plaza

14 September 2007

Changed independent non-executive director to improve corporate governance and enhance internal control function

* For identification purposes only



FINANCIAL HIGHLIGHTS

The board of Directors (“Board”) of Nam Fong International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 as follows:

	Six months ended 30 June		Change %
	2007 \$'000 (Unaudited)	2006 \$'000 (Unaudited)	
RESULTS			
Turnover — rental income	6,677	16,890	(60.5)
Gross profit	4,030	13,704	(70.6)
Operating expenses	4,554	5,697	20
Fair value loss on investment properties	(20,400)	(12,513)	(63)
Gain on disposal of a subsidiary	7,599	—	N/A
Net loss for the period	(13,321)	(4,598)	(189.7)
Loss per share	(0.98 cents)	(0.34 cents)	(1.32 cents)
	At 30 June 2007 \$'000 (Unaudited)	At 31 December 2006 \$'000 (Audited)	Change %
KEY BALANCE SHEET ITEMS			
Total assets	494,031	645,653	(23.5)
Total liabilities	74,360	213,556	65.2
Total equity	419,671	432,097	(2.9)

As described in the “CORPORATE CALENDAR OF EVENTS” above, the Group has undertaken a series of actions to enhance the Group’s financial position, including placing of shares, disposal of non-performing subsidiary, settlement of indebtedness and repayment of borrowings. As a result of the disposal of a non-performing subsidiary, settlement of indebtedness and repayment of all outstanding borrowings, the Group’s total liabilities dropped evidently by 65.2% from approximately HK\$213.6 million to approximately HK\$74.4 million. The Group recorded a fall in turnover by 60.5% and an increase in net loss for the review period by 189.7% due to the disposal of the non-performing subsidiary which held certain investment properties and a fair value loss of approximately HK\$20.4 million was reported as employment of fair value model for investment properties. Accordingly, if excluding the non-operating fair value loss, the Group would turn around from net loss of approximately HK\$13.3 million to net profit of approximately HK\$7.1 million mainly attributable by the gain on disposal of a subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in property development, property investment and property rental activities in the People’s Republic of China (“PRC”).

Property Development

During the period under review, the Group completed the disposal of the entire interest in a then subsidiary, Nam Fong Guangzhou Plaza Limited (“NF GZ Plaza”), the holding company of 廣州市秀南房地產開發有限公司 Guangzhou Xiunan Property Development Company Limited* (“Xiunan”) which sole asset is a development project, namely, the Yue Xiu Plaza with pending litigations.

As announced on 29 June 2007, the Group transferred to Hong Long Group 50% shareholding interest in a subsidiary, Trisum Investment Limited (“Trisum”), the holding company of 廣州建南房產發展有限公司 Guangzhou Jiannan House Property Development Company Limited* (“Jiannan”) which only asset is Jiangnan Garden II. The completion took place in August 2007.

Jiangnan Garden II comprises four 30-storey towers including a 3-storey commercial podium, 27-storey residential units and a 3-storey car park at basement level with an expected total gross floor area of approximately 105,766 sq.m.. Following completion of the transfer, the Group could leverage on the expertise and experience of Hong Long Group and prioritize its every efforts on joint development of Jiangnan Garden II as its primary development project. The Group believes that the construction shall be commenced in October 2007, after completion for pre-sales at end of 2008, the Group will have increased its revenue and profits notably and will have a strong financial position to continue as one of the leading property developers in the PRC market in the long run.

Property Investment

Apart from the property development project, the Group’s main property investment is certain units at Liwan Plaza, with a gross floor area of about 29,408 sq.m.. During the period under review, such units generate a recurring rental income of approximately RMB1.1 million per month.

On 8 August 2007, the Group entered into a disposal agreement with 廣州穗南房產發展有限公司 Guangzhou Suinan Property Development Company Limited* (“Suinan”) to dispose of several units at Liwan Plaza, with a gross floor area of approximately 16,530 sq.m.. Such disposal is expected to be completed by end of September 2007, details of which are described in note 8 to the condensed consolidated financial statements. Thereafter, the Group will retain certain units of about 12,878 sq.m. for long term investment purposes and such units will produce monthly rental income of approximately RMB0.5 million.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Outlook

Besides Liwan Plaza, the Group has continued to explore and evaluate certain property investment projects in the PRC with a view of enhancing recurring revenue base and securing a firm and steady cash inflow position for the Group. The Board firmly believes that, subject to further negotiations, should the Group identify any quality property investment project, disclosure and announcement shall be made in accordance with the Listing Rules where appropriate.

FINANCIAL REVIEW

Turnover

The Group's turnover represents rental income generated. For the period under review, rental income amounted to approximately HK\$6.7 million (30 June 2006: approximately HK\$16.9 million), a drop by 60.5% as a result of the disposal of Suinan which held certain investment properties in the corresponding period in 2006.

Gross Profit

Gross profit decreased by 70.6% to approximately HK\$4 million in the current period from approximately HK\$13.7 million in the last period mainly due to the fall in rental income received during the period.

Fair Value Loss on Investment Properties

The fair value model was adopted consistently when accounting for investment properties since the last period, whereby such properties were recorded at their fair values as determined by an independent professional valuer and a fair value loss of approximately HK\$20.4 million (30 June 2006: approximately HK\$12.5 million) was reported.

Operating Expenses

A fall in operating expenses by 20% to approximately HK\$4.6 million in the current period from approximately HK\$5.7 million in the last period was mainly due to the decrease in legal and professional fee during the period.

Disposal of a Subsidiary

Saved as described in the paragraph under "BUSINESS REVIEW" above, the subsidiary disposed of during the period under review contributed about approximately HK\$96.6 million to the Group's net operating cash inflow and a gain on disposal of approximately HK\$7.6 million was recognised. Details of which are set out in note 14 to the condensed consolidated financial statements.

Liquidity and Financial Resources

Net current liabilities improved dramatically and reduced to approximately HK\$10.9 million as at 30 June 2007 (31 December 2006: approximately HK\$17.5 million). The improvement was primarily due to the settlement of indebtedness and other borrowings during the period under review. As at 30 June 2007, the Group's bank and cash balances amounted to approximately HK\$3.2 million (31 December 2006: approximately HK\$8.2 million).

Employees and Remuneration Policies

The success of the Group heavily relies on the performance and commitment of all its employees. They are remunerated in accordance with the job nature, market conditions, individual performance and qualifications. Other staff benefits include year end bonus. As at 30 June 2007, the Group had approximately 40 employees (31 December 2006: 40 employees) in Hong Kong and the PRC.

Borrowings, Charges on Group's Assets and Gearing Ratio

As at 30 June 2007, the Group had no borrowings and none of the Group's assets were pledged (31 December 2006: the Group had short-term borrowings together with accrued interest of approximately HK\$10 million which was secured by the investment properties of the Group with carrying amount of approximately HK\$15.5 million). Accordingly, the gearing ratio as at 30 June 2007, as expressed as total borrowings over the total equity, was NIL (31 December 2006: 2.31%).

Exposures to Foreign Exchange Rates Fluctuations

The Group conducts its business either in HK\$, RMB or USD, as such, cash and cash equivalents, borrowings, revenue and expenses of the Group are denominated in either HK\$ or RMB or USD. The value of RMB against HK\$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. However, the Group considers that the effect of the exposure of the Group to foreign exchange risk is minimal and does not anticipate any material foreign exchange exposure. There was neither foreign currency hedging activity nor financial instrument for hedging purposes during the period under review.

Contingent Liabilities

As at the close of business on 30 June 2007, the Group had outstanding unguaranteed and unsecured indebtedness of approximately HK\$4.5 million representing the outstanding amount due to NCB under a settlement agreement entered into by the Group with NCB on 16 June 2006. Details of which are set out in note 15 to the condensed consolidated financial statements.

PROSPECTS

As mentioned in "BUSINESS REVIEW" above, the Group entered into agreements to transfer 50% equity interest in Trisum and to dispose of certain investment properties as set forth in the Company's circulars dated 20 July and 29 August 2007 respectively. The aggregate net proceeds from these transactions amounted to approximately HK\$172.6 million, which will not only improve the Group's liquidity position but also equip the Group with readily available funds to invest in quality property investment projects once acquisition targets are identified.

Looking ahead, the Group believes that the PRC economy will continue to grow fast in the coming years and the standards of living of its people will continue to improve, this would lead to higher levels of consumer spending and hence increases the demand for quality retail and residential properties in prime areas with good transportation network and in large cities, particularly in the Guangdong Province. The property prices are also expected to escalate further as a result of keen demand. The Group expects that, upon completion and sales of the properties in Jiangnan Garden II together with an improvement in rental level, there will have a sustained growth in turnover in the near future.

The Group will exert great efforts in bracing up its role as one of the leading property developers in the PRC market and create value to shareholders, and also improve corporate transparency and image of the Group.



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT For the six months ended 30 June 2007

	Note	Six months ended 30 June	
		2007 \$'000 (Unaudited)	2006 \$'000 (Unaudited)
Turnover			
Rental outgoings	3,4	6,677 (2,647)	16,890 (3,186)
Gross profit		4,030	13,704
Other income		4	238
Fair value loss on investment properties		(20,400)	(12,513)
Operating expenses		(4,554)	(5,697)
Loss from operations		(20,920)	(4,268)
Finance costs		—	(330)
Gain on disposal of a subsidiary		7,599	—
Loss before tax	5	(13,321)	(4,598)
Income tax	6	—	—
Net loss for the period		(13,321)	(4,598)
Basic loss per share	7	(0.98 cents)	(0.34 cents)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the six months ended 30 June 2007

	(Unaudited)						
	Share capital \$'000	Share premium \$'000	Reserve on merger accounting \$'000	Exchange fluctuation reserve \$'000	Exchange fluctuation reserve relating to a disposal group classified as held for sale \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2006	136,000	906,000	(101,922)	(47,633)	—	(564,087)	328,358
Translation differences	—	—	—	3,510	—	—	3,510
Net loss for the period	—	—	—	—	—	(4,598)	(4,598)
At 30 June 2006	136,000	906,000	(101,922)	(44,123)	—	(568,685)	327,270
At 1 January 2007	136,000	906,000	(101,922)	(3,630)	(332)	(504,019)	432,097
Translation differences	—	—	—	563	—	—	563
Released on disposal of a subsidiary	—	—	—	—	332	—	332
Net loss for the period	—	—	—	—	—	(13,321)	(13,321)
At 30 June 2007	136,000	906,000	(101,922)	(3,067)	—	(517,340)	419,671

Note:

(a) **Reserve on merger accounting**

The reserve on merger accounting was set up upon the share swap for the Company to acquire its subsidiaries.

(b) **Exchange fluctuation reserve**

The exchange fluctuation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2007

	30 June 2007 \$'000 (Unaudited)	31 December 2006 \$'000 (Audited)
Non-current assets		
Property, plant and equipment	12	18
Investment properties	8 177,600	198,000
Properties under development	9 243,121	242,000
Prepayment for construction contract	9,855	9,600
Total non-current assets	430,588	449,618
Current assets		
Prepayments, deposits and other receivables	60,199	3,805
Bank and cash balances	3,244	8,218
Assets of a disposal group classified as held for sale	—	184,012
Total current assets	63,443	196,035
Current liabilities		
Accounts payables	11 31,947	36,595
Accruals and other payables	42,413	72,312
Short-term borrowings	12 —	9,000
Current tax liabilities	—	305
Liabilities associated with assets of a disposal group classified as held for sale	—	95,344
Total current liabilities	74,360	213,556
Net current liabilities	(10,917)	(17,521)
NET ASSETS	419,671	432,097
Capital and reserves		
Share capital	13 136,000	136,000
Reserves	283,671	296,097
TOTAL EQUITY	419,671	432,097

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2007

	Six months ended 30 June 2007 \$'000 (Unaudited)	2006 \$'000 (Unaudited)
Net cash outflow from operating activities	(32,510)	(553)
Net cash inflow/(outflow) from investing activities	35,973	(2,656)
Net cash outflow from financing activities	(9,000)	—
Decrease in cash and cash equivalents	(5,537)	(3,209)
Effect of foreign exchange rates	563	3,510
Cash and cash equivalents at 1 January	8,218	530
Cash and cash equivalents at 30 June	3,244	831
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	3,244	831
	3,244	831



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 30 June 2007

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Room 1901, 19th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The principal activities of the Group are property development, property investment and property rental activities in the PRC.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

At 30 June 2007, the Group had net current liabilities of approximately HK\$10.9 million (31 December 2006: approximately HK\$17.5 million). The Directors have considered the liquidity of the Group in light of the above and funding requirements of the Group for the foreseeable future. The Directors are of the opinion that the Group will have sufficient working capital for its present requirements after completion of the transactions of transfer of 50% shareholding interest in Trisum and disposal of the investment properties. Appropriately, the condensed consolidated financial statements have been prepared on a going concern basis.

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 ("Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at their fair values. The accounting policies adopted are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2006, except as described below.

In the current 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 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2006.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations. The Directors of the Company concluded that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	Group and treasury shares transaction ²
HK(IFRIC) – INT 12	Service concession arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

3. TURNOVER

Turnover represents rental income generated during the period.

4. SEGMENT INFORMATION

(i) Primary reporting format — business segments

The Group is organised into two main business segments:

Property sales	—	property development and sales
Property rental	—	property investment and property rental activities

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2007

4. SEGMENT INFORMATION (continued)

(ii) Secondary reporting format — geographical segments

Over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

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

	Property sales		Property rental		Corporate and unallocated		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
TURNOVER								
External revenue	—	—	6,677	16,890	—	—	6,677	16,890
RESULT								
Segment result	—	—	4,030	13,704	—	—	4,030	13,704
Other income	—	—	—	—	4	238	4	238
Fair value loss	—	—	—	—	—	—	—	—
on investment properties	—	—	(20,400)	(12,513)	—	—	(20,400)	(12,513)
Operating expenses	—	—	(920)	(1,221)	(3,634)	(4,476)	(4,554)	(5,697)
Loss from operations	—	—	—	—	—	—	(20,920)	(4,268)
Finance costs	—	—	—	—	—	—	—	(330)
Gain on disposal of a subsidiary	—	—	7,599	—	—	—	7,599	—
Loss before tax	—	—	—	—	—	—	(13,321)	(4,598)
Income tax	—	—	—	—	—	—	—	—
Net loss for the period	—	—	—	—	—	—	(13,321)	(4,598)
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS								
Segment assets	254,855	260,937	183,905	198,875	55,271	1,829	494,031	461,641
Assets of a disposal group classified as held for sale	—	184,012	—	—	—	—	—	184,012
Consolidated total assets	—	—	—	—	—	—	494,031	645,653
LIABILITIES								
Segment liabilities	33,198	37,841	8,409	7,489	32,753	72,882	74,360	118,212
Liabilities associated with assets of a disposal group classified as held for sale	—	95,344	—	—	—	—	—	95,344
Consolidated total liabilities	—	—	—	—	—	—	74,360	213,556
OTHER INFORMATION								
Capital expenditure	—	—	—	—	—	—	—	—
Depreciation	—	—	—	5	8	24	8	29
Reversal of impairment losses on properties under development	—	56,886	—	—	—	—	—	56,886



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2007

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Six months ended 30 June	
	2007 \$'000 (Unaudited)	2006 \$'000 (Unaudited)
Auditor's remuneration		
— Statutory audit	375	375
— Others	100	390
	475	765
Depreciation	8	12
Interest on borrowings	—	330
Operating lease rentals in respect of land and buildings	682	666
Staff costs (excluding directors' emoluments)		
— Salaries and allowances	517	522
— Retirement benefit scheme contribution	16	14
	533	536

6. INCOME TAX

- 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 2006: Nil).
- 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.
- Based on the information available, the Directors considered that the taxation of the Group at 30 June 2007 was adequately provided for in the financial statements.

7. LOSS 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\$13.3 million (30 June 2006: loss of approximately HK\$4.6 million) and on 1,360,000,000 (30 June 2006: 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 2007 and 2006 respectively.

8. INVESTMENT PROPERTIES

At 30 June 2007, all of the Group's investment properties, situated in Guangzhou, the PRC, are held under medium-term lease. The investment properties held under operating lease for rental purposes are measured using the fair value model. The fair value of the Group's investment properties at 30 June 2007 was based on the open market value basis, by reference to market evidence of recent transactions for similar properties, appraised by an independent qualified professional valuer. A fair value loss of approximately HK\$20.4 million was recorded for the six months ended 30 June 2007.

During the period under review, certain investment properties amounted to approximately HK\$102 million, the legal titles of which were frozen by the PRC court in respect of Suinan's financial disputes with the Taxation Bureau of Guangzhou City and a creditor. After assessing the legal implications, the Group entered into a disposal agreement to dispose of these properties to Suinan for a cash consideration of HK\$70 million, details of which are set out in the Company's circular dated 29 August 2007.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2007

9. PROPERTIES UNDER DEVELOPMENT

The properties under development at 30 June 2007 are located in Guangzhou, the PRC. A land use rights certificate was granted whereby the Group has the land use rights over the property for a term of 70 years for residential part and 40 years for commercial part commencing from 15 August 1996. The construction work is expected to commence in October 2007. At 30 June 2007, the Group's outstanding land premium payable in relation to the land use rights amounted to approximately RMB27 million.

10. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable, based on the invoice date, is as follows:

	At 30 June 2007 \$'000 (Unaudited)	At 31 December 2006 \$'000 (Audited)
Within 3 months	—	—
4 — 6 months	—	—
7 — 12 months	—	—
Over 1 year	—	—
	—	—
Less: Allowance for receivables	—	—
	—	—
	<u>—</u>	<u>—</u>

11. ACCOUNTS PAYABLES

	At 30 June 2007 \$'000 (Unaudited)	At 31 December 2006 \$'000 (Audited)
The amounts comprise:		
— Current	31,947	36,595
— Non-current	—	—
	<u>31,947</u>	<u>36,595</u>

The aging analysis of accounts payables, based on the invoice date, is as follows:

	At 30 June 2007 \$'000 (Unaudited)	At 31 December 2006 \$'000 (Audited)
Over 1 year	<u>31,947</u>	<u>36,595</u>

12. SHORT-TERM BORROWINGS

Short-term borrowings comprise:

	At 30 June 2007 \$'000 (Unaudited)	At 31 December 2006 \$'000 (Audited)
Other loan	<u>—</u>	<u>9,000</u>
Analysed as:		
Secured	—	9,000
Unsecured	—	—
	<u>—</u>	<u>9,000</u>

The short-term borrowings were fully repaid in January 2007.



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2007

13. SHARE CAPITAL

	At 30 June 2007 \$'000 (Unaudited)	At 31 December 2006 \$'000 (Audited)
Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 1,360,000,000 ordinary shares of HK\$0.10 each	<u>136,000</u>	<u>136,000</u>

On 7 April 2006, the Company and Zhang Suqian, an independent investor, entered into a subscription agreement in respect of the subscription of 272,000,000 ordinary shares of HK\$0.10 each. The subscription has not yet been completed at 30 June 2007. Pursuant to a supplemental agreement dated on 29 March 2007, the long stop date was extended to 30 September 2007 and it is expected that a further extension will be required.

14. DISPOSAL OF A SUBSIDIARY

During the period under review, the Group completed the disposal of entire interest in NF GZ Plaza.

Saved as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2007.

15. CONTINGENT LIABILITIES

The Group executed guarantees to NCB for mortgage facilities granted to first buyers of certain properties developed and sold by the Group in the PRC. The total amount of such facilities utilised by the first buyers and covered by the Group's guarantees was approximately HK\$51.8 million.

On 16 June 2006, the Group and NCB entered into a settlement agreement pursuant to which NCB agreed to accept HK\$21.5 million as full and final settlement of the Group's obligations under the guarantees. The sum is payable by 5 instalments up to 30 June 2007. At 30 June 2007, the outstanding balance of the sum (included in accruals and other payables) was reduced to HK\$4.5 million. The outstanding balance was fully repaid subsequently in July 2007.

Save as aforesaid, apart from the intra-group liabilities and normal accounts payables, the Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities as at 30 June 2007.

16. LEASE COMMITMENTS

At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2007 \$'000 (Unaudited)	At 31 December 2006 \$'000 (Audited)
Within one year	1,333	1,298
In the second to fifth years inclusive	<u>1,576</u>	<u>1,026</u>
	<u>2,909</u>	<u>2,324</u>

Operating lease payments represent rentals payable by the Group for certain of its offices.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2007

17. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions and balances with its related parties:

(a) **Key management personnel compensation**

The key management personnel of the Group comprises all Directors and the emoluments of them amounted to approximately HK\$0.4 million (30 June 2006: approximately HK\$0.5 million).

(b) **Balances with related parties**

Included in accruals and other payables are amounts in total of approximately HK\$0.5 million (31 December 2006: approximately HK\$0.2 million) representing accrued Directors' emoluments due to the Company's Directors. The accrued Directors' emoluments are unsecured, interest-free and will be settled in cash.

18. EVENTS AFTER THE BALANCE SHEET DATE

On 29 June 2007, the Group entered into a share transfer agreement with Hong Long Group to dispose of its 50% shareholding interest in a subsidiary, Trisum at a consideration of RMB100 million. Trisum and its subsidiary, Jiannan are engaged in the property development. The transaction was completed after the period end.

On 8 August 2007, the Board announced that the Group entered into a disposal agreement with Suinan, pursuant to which the Group agreed to sell and Suinan agreed to buy certain property units at Liwan Plaza of a gross floor area of 16,530 sq.m. for a total consideration of HK\$70 million. The disposal was expected to complete by the end of September 2007.

Saved as disclosed in notes 14 and 15 above, the Group did not have any other significant events took place subsequent to the balance sheet date.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the new and revised requirements of HKFRSs and conform to the current period's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

OTHER INFORMATION

BOARD OF DIRECTORS

Mr. Zhao Lishen and Ms. Huang Ling were successfully re-elected by the shareholders at the 2007 annual general meeting. On 14 September 2007, Mr. Yuen Wai Ho was appointed as independent non-executive director for a term of two years in replacement of Ms. Wang Li Yun who resigned from directorship. A list of Directors is available on the Company's corporate website at www.ilinkfin.net/nam_fong.

COMMITTEES

Lists of committee members are available on the Company's corporate website at www.ilinkfin.net/nam_fong.

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2007 (30 June 2006: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2007, none of the Directors and the chief executive of the Company had or was deemed to have any interests and short positions in the shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted, either directly or indirectly at any time during the period under review.



PURCHASE, SALES 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Number of ordinary shares held	Percentage of issued shares 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%

Notes:

- (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 SFO as at 30 June 2007.

CORPORATE GOVERNANCE

The Company has Chairman to provide leadership to the Board in terms of establishing policies and business directions and monitor the daily operation of the Group. The Company is currently looking for a suitable person to be responsible for the daily management of the Company's business as a whole as a remedy for such deviation. In addition, the chairman of the Company in his capacity as a Director is not subject to retirement by rotation by shareholders as governed by section 87 (1) of the Bye-laws of the Company. Save as disclosed in this paragraph in respect of non-compliance of the provisions A2.1 and A4.2, the Company fully complied with all the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Main Board Listing Rules, and where practicable, adopted the recommended best practices throughout the review period.

COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code. Upon specific enquiry by the Company, all Directors confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2007.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors of the Company. The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2007, which is of opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

For and on behalf of the Board
Nam Fong International Holdings Limited
Tong Shi Jun
Chairman

Hong Kong, 24 September 2007