



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 2007
REPORT

* for identification only

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CORPORATE INFORMATION

Board of Directors

Mr. So Pang Gen
(Chairman and managing director)
Mr. Choi Dun Woo *(Executive director)*
Mr. Su Bangyuan *(Executive director)*
Mr. Chim Kim Lun, Ricky
(Executive director)
Mr. Yong Kai Man *(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

Grant Thornton

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office in Hong Kong

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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 months ended 30 June		
	2007 HK\$'000	2006 HK\$'000	Change %
Turnover			
Sales of developed properties	13,888	22,595	(38.5)
Rental income from property letting	8,943	8,236	8.6
Total turnover	22,831	30,831	(26.0)
Loss on change in fair value of investment properties	510	807	(36.8)
Operating profit	21,470	6,937	209.5
Profit before income tax	20,803	5,166	302.7
Profit attributable to equity holders of the Company	2,869	2,361	21.5
Basic earnings per share	HK0.98 cents	HK0.81 cents	21.0
Diluted earnings per share	HK0.97 cents	HK0.81 cents	19.8

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2007, the Group's turnover amounted to HK\$22,831,000 representing a decrease of 26.0% as compared to the corresponding period in 2006. Included in the turnover were sales of developed properties and rental income from property letting, which were mainly derived from the sales of Prosperous Age Garden and the investment properties in Ningbo and Changchun respectively. Profit attributable to equity holders of the Company for the period ended 30 June 2007 was approximately HK\$2,869,000, representing an increase of 21.5% as compared to the corresponding period in 2006. The increase is mainly due to a compensation income of HK\$20,884,000 for return of land use rights from Government in Ningbo.

The investment properties in Changchun generated rental income of HK\$7.7 million (2006: HK\$6.7 million), representing an increase of 14.9%, during the period under review. The increase is mainly due to the rental adjustment based on the final construction cost of the investment properties under the lease agreement between a subsidiary of the Group and the lessee.

The construction of a commercial property project, temporarily named as姚江新都 in Jiangbei, Ningbo is currently in progress. The project involves the development of a commercial property with a total gross floor area of approximately 47,000 sq.m. and is expected to be completed in 2008 and launched for sale by the mid of 2008. A piece of land in Jiangbei, Ningbo with site area approximately 44,698 sq.m. was acquired in last year. This project, temporarily named as Wonderful Garden (盛世嘉苑), will be developed as a large scale residential property project with GFA approximately 67,000 sq.m. The construction of Wonderful Garden has been commenced and is expected to be completed by the end of 2008.

SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 17 September 2007 pending the release of an announcement in relation to a proposed very substantial acquisition.

FINANCIAL REVIEW

Net assets and equity attributable to equity holders

As at 30 June 2007, the Group recorded total assets and total liabilities of approximately HK\$649,649,000 and HK\$321,607,000 respectively. The Group had net assets as at 30 June 2007 approximately HK\$328,042,000 as compared to approximately HK\$310,306,000 as at 31 December 2006. As at 30 June 2007, the equity attributable to equity holders of the Company was approximately HK\$264,454,000 as compared with HK\$256,919,000 as at 31 December 2006.

Liquidity and financial ratios

The Group had total bank and cash balances of approximately HK\$25,691,000 as at 30 June 2007 as compared with HK\$17,030,000 as at 31 December 2006. As at 30 June 2007, the current ratio was 1.5 as compared with 1.3 as at 31 December 2006. The gearing ratio was 49.5% as at 30 June 2007 as compared with 51.7% as at 31 December 2006. The bank borrowings to equity attributable to the Company's equity holders was recorded at 13.6% as at 30 June 2007 as compared with 15.6% as at 31 December 2006.

Borrowings

The Group had interest bearing borrowings of approximately HK\$36 million as at 30 June 2007 (31 December 2006: HK\$40 million), representing a decrease of approximately 10.0% over the amount as at 31 December 2006. Borrowings were denominated in both Renminbi ("RMB") and Hong Kong dollar ("HK\$"). Approximately 38.9% of the borrowings is repayable within one year and the rest representing the bank loans of HK\$22 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 30 June 2007.

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 are no material acquisition and disposal of subsidiary and assets during the six months ended 30 June 2007.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed approximately 70 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.

OUTLOOK

The macroeconomic adjustment policies have no unfavorable effects on the PRC economy, the GDP growth of the PRC is 11.5% for the first half of 2007. The PRC strong economic growth will remain strong support to the property market in PRC. The Group will continue to look for new projects in PRC cities so as to ensure sustainable business development.

INDEPENDENT REVIEW REPORT**TO THE BOARD OF DIRECTORS OF CHINA FAIR LAND HOLDINGS LIMITED***(Incorporated in Bermuda with limited liability)*

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton 
均富會計師行

Introduction

We have reviewed the interim financial report set out on pages 9 to 22 which comprise the condensed consolidated balance sheet of China Fair Land Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review, 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Grant Thornton

Certified Public Accountants
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Hong Kong

27 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue	4	22,831	30,831
Cost of sales		(8,713)	(15,423)
Gross profit		14,118	15,408
Other income	4	20,971	4,723
Loss on change in fair value of investment properties		(510)	(807)
Selling expenses		(60)	(1,227)
Administrative expenses		(13,049)	(11,160)
Operating profit		21,470	6,937
Finance costs		(667)	(1,771)
Profit before income tax		20,803	5,166
Income tax expense	7	(9,080)	(1,843)
Profit for the period		11,723	3,323
Attributable to:			
Equity holders of the Company		2,869	2,361
Minority interests		8,854	962
Profit for the period		11,723	3,323
Earnings per share for profit attributable to the equity holders of the Company during the period	9		
— Basic (HK cents)		0.98	0.81
— Diluted (HK cents)		0.97	0.81

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2007

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	153,710	154,220
Property, plant and equipment	10	40,707	36,668
Prepaid lease payments		4,832	4,877
Available-for-sale financial assets	11	2,000	2,000
Deferred tax assets		15,174	20,004
		216,423	217,769
Current assets			
Properties under development		181,856	170,055
Properties held for sale		116,012	124,639
Account receivables	12	26,915	32,857
Prepayments, deposits and other receivables		82,439	80,205
Prepaid lease payments		90	90
Due from related companies		223	63
Cash at banks and in hand		25,691	17,030
		433,226	424,939
Current liabilities			
Account payables	13	28,229	35,209
Customers' deposits received, accrued expenses, other payables and provisions	14	163,271	160,020
Due to a director		27	27
Due to an intermediate holding company		10,160	10,016
Due to minority shareholders		3,147	6,642
Provision for tax	15	68,670	66,490
Bank borrowings	16	13,988	39,988
		287,492	318,392

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)**as at 30 June 2007*

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Net current assets		145,734	106,547
Total assets less current liabilities		362,157	324,316
Non-current liabilities			
Bank borrowings	16	22,000	—
Deferred tax liabilities		12,115	14,010
		34,115	14,010
Net assets		328,042	310,306
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		29,575	29,260
Reserves		234,879	227,659
		264,454	256,919
Minority interests		63,588	53,387
Total equity		328,042	310,306

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

	Attributable to equity holders of the Company									Minority interests	Total equity	
	Share capital	Share premium	Capital reserve	Special reserves	Property, plant and equipment revaluation reserve	Translation reserve	Share option reserve	Retained profits	Proposed final dividends			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2006	29,260	33,450	—	44,144	992	3,711	313	151,898	2,926	266,694	69,482	336,176
Surplus arising on revaluation of leasehold properties	—	—	—	—	50	—	—	—	—	50	83	133
Deferred tax liabilities arising on revaluation of leasehold 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 income and expense for the period	—	—	—	—	34	—	—	2,361	—	2,395	1,018	3,413
Dividends paid	—	—	—	—	—	—	—	—	(2,926)	(2,926)	—	(2,926)
At 30 June 2006 (unaudited)	29,260	33,450	—	44,144	1,026	3,711	313	154,259	—	266,163	70,500	336,663
At 1 January 2007	29,260	33,450	7,324	44,144	1,734	11,265	308	129,434	—	256,919	53,387	310,306
Surplus arising on revaluation of leasehold properties	—	—	—	—	4,690	—	—	—	—	4,690	1,834	6,524
Deferred tax liabilities arising on revaluation of leasehold properties	—	—	—	—	(1,171)	—	—	—	—	(1,171)	(459)	(1,630)
Effect of decrease in tax rate	—	—	—	—	13	—	—	—	—	13	(28)	(15)
Net income recognised directly in equity	—	—	—	—	3,532	—	—	—	—	3,532	1,347	4,879
Profit for the period	—	—	—	—	—	—	—	2,869	—	2,869	8,854	11,723
Total recognised income and expense for the year	—	—	—	—	3,532	—	—	2,869	—	6,401	10,201	16,602
Exercise of share options	315	1,063	—	—	—	—	(244)	—	—	1,134	—	1,134
At 30 June 2007 (unaudited)	29,575	34,513	7,324	44,144	5,266	11,265	64	132,303	—	264,454	63,588	328,042

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

	For the six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	14,952	(352)
Net cash generated from/(used in) investing activities	86	(1,734)
Net cash used in financing activities	(6,377)	(16,527)
Net increase/(decrease) in cash and cash equivalents	8,661	(18,613)
Cash and cash equivalents at 1 January	17,030	49,402
Cash and cash equivalents at 30 June	25,691	30,789
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	25,691	30,789

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Fair Land Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Bermuda. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”).

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 SEHK and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties and leasehold properties which are measured at fair values. From 1 January 2007, the Group has adopted all the new and amended standards and interpretations (“New HKFRSs”) issued by the HKICPA which are first effective on 1 January 2007 and relevant to the Group. The adoption of the New HKFRSs did not result in significant changes in the Group’s accounting policies. Save as the above, the principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2006.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early adopted the following new and amended standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards or interpretations will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) — INT 11	Group and Treasury Share Transactions ²
HK(IFRIC) — INT 12	Service Concession Arrangements ³
HK(IFRIC) — INT 13	Customer Loyalty Programmes ⁴
HK(IFRIC) — INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction 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

⁴ Effective for annual periods beginning on or after 1 July 2008

4. REVENUE AND OTHER INCOME

Revenue and other income of the Group during the period are as follows:

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue from the Group's principal activities		
Property letting	8,943	8,236
Sales of developed properties	13,888	22,595
	22,831	30,831
Other income		
Bank interest income	86	190
Compensation received on return of land use rights to the PRC government	20,884	—
Compensation received on termination (net of costs incurred) of a property development project	—	3,846
Exchange gains	—	591
Others	1	96
	20,971	4,723

5. SEGMENT INFORMATION
Primary reporting segment — business segment

The Group's principal activities are property letting, sales of land use rights and sales of developed properties. These three business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

For the six months ended 30 June 2007 (Unaudited)

	Property letting <i>HK\$'000</i>	Sales of land use rights <i>HK\$'000</i>	Sales of developed properties <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue	8,943	—	13,888	22,831
Segment results	8,857	—	26,085	34,942
Unallocated income				87
Unallocated expenses				(13,559)
Operating profit				21,470
Finance costs				(667)
Profit before income tax				20,803
Income tax expense				(9,080)
Profit for the period				11,723

5. SEGMENT INFORMATION (Continued)

Primary reporting segment — business segment

For the six months ended 30 June 2006 (Unaudited)

	Property letting HK\$'000	Sales of land use rights HK\$'000	Sales of developed properties HK\$'000	Group HK\$'000
Revenue	8,236	—	22,595	30,831
Segment results	6,777	—	10,443	17,220
Unallocated income				877
Unallocated expenses				(11,160)
Operating profit				6,937
Finance costs				(1,771)
Profit before income tax				5,166
Income tax expense				(1,843)
Profit for the period				3,323

Secondary reporting segment — geographical segments

All of the Group's revenue for both periods was generated in the People's Republic of China, excluding Hong Kong and Macau (the "PRC") and over 90% (2006: over 90%) of the Group's segment assets were located in the PRC. Accordingly, no geographical segment information is presented.

6. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$2,485,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: HK\$2,521,000) was charged to the condensed consolidated income statement in respect of the Group's property, plant and equipment.

During the period, amortisation of HK\$45,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: HK\$43,000) was charged to the condensed consolidated income statement in respect of the Group's prepaid lease payments.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising from or derived in Hong Kong for both periods. The PRC Enterprise Income Tax and PRC Land Appreciation Tax are calculated at rates applicable to respective subsidiaries.

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Current tax		
The PRC Enterprise Income Tax for current period	6,355	2,108
The PRC Land Appreciation Tax ("LAT") for current period	1,435	—
	7,790	2,108
Deferred tax		
Credited for current period	(147)	(265)
Attributable to change in tax rate	1,437	—
	1,290	(265)
Total income tax expense	9,080	1,843

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

8. DIVIDENDS

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

9. EARNINGS PER SHARE**(a) Basic**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$2,869,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: HK\$2,361,000) and on the weighted average of 293,472,044 (six months ended 30 June 2006: 292,600,000) ordinary shares in issue during the period.

(b) Diluted

The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$2,869,000 (six months ended 30 June 2006: HK\$2,361,000) and the weighted average number of 293,472,044 (six months ended 30 June 2006: 292,600,000) ordinary shares in issue during the period plus the weighted average number of 3,107,956 (six months ended 30 June 2006: 659,302) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The fair value of the Group's investment properties and leasehold properties were determined by Savills Valuation and Professional Services Limited, a firm of independent qualified professional surveyors, at 30 June 2007. The decrease in fair value of investment properties of approximately HK\$510,000 (six months ended 30 June 2006: HK\$807,000) has been charged to the consolidated income statement. The Group's share of revaluation surplus on leasehold properties of approximately HK\$4,690,000 (six months ended 30 June 2006: HK\$50,000) has been credited to the property, plant and equipment revaluation reserve.

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

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Unlisted investment, at cost	2,000	2,000

The investment represents the Group's interest in unlisted equity holding in 中國房地產開發集團投資有限公司 (the "Investee"), a company established in the PRC. The Group held a 2% effective equity interest in the Investee. The investment has no fixed maturity date.

12. ACCOUNT RECEIVABLES

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Account receivables	29,031	34,973
Less: Provision for impairment of account receivables	(2,116)	(2,116)
	26,915	32,857

An aged analysis of the net account receivables is as follows:

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Within three months	2,051	5,831
Four months to one year	4,278	4,534
Between one to two years	5,706	12,920
Over two years	14,880	9,572
	26,915	32,857

There is no concentration of credit risk with respect to account receivables, as the Group has a large number of customers.

13. ACCOUNT PAYABLES

The aging analysis of account payables as at 30 June 2007 is as follows:

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Within three months	5	366
Four months to one year	—	—
Over one year	28,224	34,843
	28,229	35,209

14. CUSTOMERS' DEPOSITS RECEIVED, ACCRUED EXPENSES, OTHER PAYABLES AND PROVISIONS

Included in the balances were accrued LAT of approximately HK\$62,054,000 as at 30 June 2007 (31 December 2006: HK\$60,617,000).

15. PROVISION FOR TAX

The balances represented the provision for PRC Enterprise Income Tax as at the balance sheet dates.

16. BANK BORROWINGS

During the current period, the Group obtained new bank loans amounting to HK\$22,000,000 (six months ended 30 June 2006: Nil) and repaid bank loans of HK\$26,000,000 (six months ended 30 June 2006: HK\$20,943,000). The loans bear interest at 6.30% to 6.77% as at 30 June 2007.

Bank loans of the Group are secured by the pledge of certain of the investment properties and properties under development of the Group. The aggregate carrying value of the investment properties and properties under development at 30 June 2007 pledged amounted to approximately HK\$118,600,000 (31 December 2006: HK\$119,500,000) and HK\$32,987,000 (31 December 2006: HK\$25,776,000) respectively.

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Rental expenses paid to an intermediate holding company	—	159

The Group entered into a sub-tenancy agreement with an intermediate holding company on 22 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 22 May 2004 to 21 May 2005 (both dates inclusive) and 22 May 2005 to 21 May 2006 (both dates inclusive) at a monthly rental of approximately HK\$32,000, exclusive of other charges. The agreement has been expired in 2006.

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

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Short term employee benefits	1,682	1,668

18. FINANCIAL GUARANTEE CONTRACTS

At 30 June 2007, the Group provided guarantees of approximately HK\$15,806,000 (31 December 2006: HK\$16,030,000) 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. At the balance sheet date, no provision for the Group's obligation under these guarantee contracts have been made as the directors considered that it was not probable that the repayment of the loan would be in default.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2007, 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*	65,470,000	22.14%

- * 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 Development Limited. 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 30 June 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interest required to be kept by the Company pursuant to Section 336 of SFO:

Long Positions:

Name	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Golden Mount Limited (<i>Note 1</i>)	82,000,000	27.73%
International Offshore Development Limited (<i>Note 2</i>)	65,470,000	22.14%

Notes:

- Golden Mount Limited is a company incorporated in the BVI and is beneficially owned by Mr. Chim Pui Chung, who is the father of Mr. Chim Kim Lun, Ricky (Executive director). Golden Mount Limited became a substantial shareholder of the Company on 31 May 2007.
- International Offshore Development Limited is a company incorporated in the BVI and is wholly owned by Chance Fair International Development Limited, a company incorporated in Hong Kong, which in turned is owned by Future Opportunity Limited, a BVI company. Trustcorp Limited, a company incorporated in the Island of Jersey, Channel Islands, holds all the issued shares of Future Opportunity Limited as trustee under a discretionary trust, objects of which are family members of Mr. So Pang Gen, Chairman of the Company.

Save as disclosed above, as at 30 June 2007, no person, other than the director and his associated corporations stated under the paragraph headed "Directors' interests in securities" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of SFO.

SHARE OPTIONS SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 15 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 or staffs. 1,950,000 options were exercised by the Directors and 1,200,000 options were exercised by the staffs during the period under review. There were 530,000 and 300,000 outstanding shares options granted to the Directors and staffs respectively as at 30 June 2007. The total number of shares available for issue under the Company's share option scheme as the date of this report is 250,000, representing approximately 0.1% 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 was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, Mr. Hui Yip Wing, David (Chairman), Mr. Kee Wah Sze and Mr. Ku Siu Fung, Stephen.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The interim results of the Group for the Period have not been audited, but have been reviewed by the Company's auditors, Grant Thornton. The interim results have been reviewed by Audit Committee.

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, 2007, 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.

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, 27 September 2007