



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 2008

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

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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 2008 as follows:

	Six months ended 30 June		Change
	2008	2007	
	\$'000	\$'000	%
	(Unaudited)	(Unaudited)	
RESULTS			
Turnover — rental income	4,763	6,677	-29%
Gross profit	3,812	4,030	-5%
Fair value loss on investment properties	(6,481)	(20,400)	-68%
Share of profits of jointly controlled entities	7,540	—	N/A
Gain on disposal of subsidiaries	—	7,599	-100%
Loss for the period	(7,821)	(13,321)	-41%
Basic loss per share	(0.48 cents)	(0.98 cents)	(0.50 cents)
<hr/>			
	At 30 June	At 31 December	Change
	2008	2007	
	\$'000	\$'000	%
	(Unaudited)	(Audited)	
KEY BALANCE SHEET ITEMS			
Total assets	604,184	495,128	22%
Total liabilities	120,830	17,801	579%
Total equity	483,354	477,327	1%

* For identification purposes only



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 has interests in two property development projects, one is 50% interest in Jiangnan Nam Fong Garden Phase II ("Jiangnan Garden II") development project and the other is Holiday Bay Chaohu Phase I ("Chaohu I") development project.

Jiangnan Garden II is located at Chang Gang Zhong Road, Guangzhou, the PRC, which will comprise 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 square meters. On 5 March 2008, the Group entered into an agreement with the purchaser to dispose of its 50% interest in Trisum Investment Limited ("Trisum") which sole asset is such development project. The disposal has completed at the date of this report.

Chaohu I, being the Group's core development project, which is located at Zhongmiao Town, Chaohu City, Anhui Province, the PRC, with a site area of approximately 111,595 square meters, within which the planned gross floor area is approximately 150,000 square meters. Chaohu I will be phase one of the development project with a comprehensive mixed use community comprising office, hotel, retail and residential.

Property Investment

During the period under review, the Group's major property investments are certain units in Liwan Plaza, with a total gross floor area of approximately 12,878 square meters, which is located at Shang Xia Jiu Road, Liwan District, Guangzhou, the PRC. On 24 April 2008, the Group entered into an agreement with the purchaser to dispose of entire interest in Nam Fong Liwan Plaza Limited ("NF Liwan") which only asset were such certain units in Liwan Plaza. The disposal has not completed at the date of this report.

Another property investments are certain floors in Royal Mediterranean Hotel, with a total gross floor area of approximately 6,098 square meters, which is located at southern side of Zhongshan Da Road, Shi Pai, Tianhe, Guangzhou, the PRC. Such property has started to generate stable monthly rental income.

Outlook

In the coming year, the Group intends to retain its certain floors in Royal Mediterranean Hotel and will focus on the development of Chaohu I development project.

Apart from the above investment properties, on 11 March 2008, the Group entered into two agreements with the vendor to acquire certain property units in Meizhou City, Guangdong Province, the PRC as the Group's investment properties with a view to enhancing the revenue stream of the Group. The acquisitions have not completed at the date of this report.

FINANCIAL REVIEW

Turnover

The Group's turnover represents rental income generated. For the period under review, rental income amounted to approximately HK\$4.8 million (30 June 2007: approximately HK\$6.7 million), a drop by 29% as a result of the disposal of certain investment properties in Liwan Plaza during the third quarter of 2007.

Gross Profit

Gross profit decreased by 5% to approximately HK\$3.8 million in the current period from approximately HK\$4 million in the last period mainly due to the fall in rental income received.

Fair Value Loss on Investment Properties

The fair value model was adopted consistently when accounting for investment properties, whereby such properties were recorded at their fair values as determined by an independent professional valuer and a fair value loss of approximately HK\$6.5 million (30 June 2007: approximately HK\$20.4 million) was reported.

Liquidity and Financial Resources

Net current assets increased to approximately HK\$292.3 million as at 30 June 2008 (31 December 2007: approximately HK\$181.9 million). As at 30 June 2008, the Group's bank and cash balances amounted to approximately HK\$79.9 million (31 December 2007: approximately HK\$2.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

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 2008, the Group had approximately 40 employees (31 December 2007: 40 employees) in Hong Kong and the PRC.

Borrowings and Charges on Group's Assets

As at 30 June 2008, the Group had no borrowings and none of the Group's assets were pledged (31 December 2007: Nil).

Exposures to Foreign Exchange Rates Fluctuations

The Group conducts its business almost exclusively in RMB except that certain receipts of sales proceeds are in HK\$. The conversion of RMB into HK\$ or other foreign currencies has been based on the rates set by the People's Bank of China. 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 2008 and 31 December 2007, the Group did not have any significant contingent liabilities.

PROSPECTS

Besides the development project of Chaohu I and investment of certain floors in Royal Mediterranean Hotel, the Group has exerted great efforts in enhancing and expanding its property investment and development business. Based on the Group's extensive experience in the property market in the PRC, the Group will continue to explore quality properties with a view to expanding its land bank should suitable opportunities arise.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June	
		2008 \$'000 (Unaudited)	2007 \$'000 (Unaudited)
Turnover	3,4	4,763	6,677
Rental outgoings		(951)	(2,647)
Gross profit		3,812	4,030
Other income		12,233	4
Fair value loss on investment properties		(6,481)	(20,400)
Other expenses		(24,449)	(4,554)
Loss from operations		(14,885)	(20,920)
Share of profits of jointly controlled entities		7,540	—
Gain on disposal of subsidiaries		—	7,599
Loss before tax	5	(7,345)	(13,321)
Income tax	6	(476)	—
Loss for the period		(7,821)	(13,321)
Basic loss per share	7	(0.48 cents)	(0.98 cents)



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2008

(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 2007	136,000	906,000	(101,922)	(3,630)	(332)	(504,019)	432,097
Translation differences	—	—	—	563	—	—	563
Net income recognized directly in equity	—	—	—	563	—	—	563
Loss for the period	—	—	—	—	—	(13,321)	(13,321)
Total recognized income and expense for the period	—	—	—	563	—	(13,321)	(12,758)
Released on disposal of subsidiaries	—	—	—	—	332	—	332
At 30 June 2007	136,000	906,000	(101,922)	(3,067)	—	(517,340)	419,671
At 1 January 2008	163,200	906,000	(101,922)	6,407	—	(496,358)	477,327
Translation differences	—	—	—	4,888	—	—	4,888
Share of reserve movement of jointly controlled entities	—	—	—	8,960	—	—	8,960
Net income recognized directly in equity	—	—	—	13,848	—	—	13,848
Loss for the period	—	—	—	—	—	(7,821)	(7,821)
At 30 June 2008	163,200	906,000	(101,922)	20,255	—	(504,179)	483,354

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 2008

		30 June 2008 \$'000 (Unaudited)	31 December 2007 \$'000 (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		77	41
Investment properties	8	132,674	181,622
Properties held for development	9	45,959	7,696
Goodwill		4,520	4,520
Investments in jointly controlled entities		—	73,630
Deposit for acquisition of land use rights		—	10,684
Prepayments for removal and relocation costs		—	21,000
Other receivable		11,569	—
		194,799	299,193
Current assets			
Accounts receivable	10	1,162	1,080
Consideration receivable		—	66,073
Investments in jointly controlled entities held for sale	11	90,131	—
Amount due from a jointly controlled entity		125,815	125,815
Prepayments, deposits and other receivables		33,420	781
Bank and cash balances		79,891	2,186
Assets of a disposal group classified as held for sale	12	78,966	—
		409,385	195,935
Current liabilities			
Accounts payable	13	4,353	—
Accruals and other payables		101,229	12,893
Current tax liabilities		155	1,117
Liabilities associated with assets of a disposal group classified as held for sale	12	11,302	—
		117,039	14,010
Net current assets		292,346	181,925
Total assets less current liabilities		487,145	481,118
Non-current liabilities			
Deferred tax liabilities		3,791	3,791
NET ASSETS		483,354	477,327
Capital and reserves			
Share capital	14	163,200	163,200
Reserves		320,154	314,127
TOTAL EQUITY		483,354	477,327

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)***CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
For the six months ended 30 June 2008

	Six months ended 30 June	
	2008 \$'000 <i>(Unaudited)</i>	2007 \$'000 <i>(Unaudited)</i>
Net cash generated from (used in) operating activities	60,138	(32,510)
Net cash generated from investing activities	26,901	35,973
Net cash used in financing activities	—	(9,000)
Net increase (decrease) in cash and cash equivalents	87,039	(5,537)
Effect of foreign exchange rate changes	(9,319)	563
Cash and cash equivalents as 1 January	2,186	8,218
Cash and cash equivalents at 30 June	79,906	3,244
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	79,891	3,244
Bank and cash balances included in assets of a disposal group classified as held for sale	15	—
	79,906	3,244

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 30 June 2008

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

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 2007, 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 2008. 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 2007.

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 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combination ²
HKFRS 8	Operating Segments ¹

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

² Effective for annual periods beginning on or after 1 July 2009

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 2008

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:

	Six months ended 30 June							
	Property sales		Property rental		Corporate and unallocated		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Turnover								
External revenue	—	—	4,763	6,677	—	—	4,763	6,677
Results								
Segment results	—	—	3,812	4,030	—	—	3,812	4,030
Other income	2	—	12,231	—	—	4	12,233	4
Fair value losses on investment properties	—	—	(6,481)	(20,400)	—	—	(6,481)	(20,400)
Other expenses	(897)	—	(724)	(920)	(22,828)	(3,634)	(24,449)	(4,554)
Loss from operations							(14,885)	(20,920)
Gain on disposal of subsidiaries	—	—	—	7,599	—	—	—	7,599
Share of profits of jointly controlled entities	7,540	—	—	—	—	—	7,540	—
Loss before tax							(7,345)	(13,321)
Income tax							(476)	—
Loss for the period							(7,821)	(13,321)
Assets								
Segment assets	278,342	254,855	154,862	183,905	1,883	55,271	435,087	494,031
Investments in jointly controlled entities held for sale	90,131	—	—	—	—	—	90,131	—
Assets of a disposal group classified as held for sale	—	—	78,966	—	—	—	78,966	—
Consolidated total assets							604,184	494,031
Liabilities								
Segment liabilities	—	33,198	9,932	8,409	99,596	32,753	109,528	74,360
Liabilities associated with assets of a disposal group classified as held for sale	—	—	11,302	—	—	—	11,302	—
Consolidated total liabilities							120,830	74,360
Other information								
Capital expenditure	36	—	—	—	—	—	36	—
Depreciation	—	—	—	—	2	8	2	8

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2008

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Six months ended 30 June	
	2008 \$'000 (Unaudited)	2007 \$'000 (Unaudited)
Auditor's remuneration		
— Statutory audit	584	375
— Others	170	100
	754	475
Depreciation	2	8
Operating lease rentals in respect of land and buildings	1,638	682
Staff costs (excluding directors' emoluments)		
— Salaries and allowances	1,272	517
— Retirement benefit scheme contribution	20	16
	1,292	533

6. INCOME TAX

- No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both periods.
- Subsidiaries with operations in the PRC are subject to PRC Enterprise Income Tax ("EIT") at 10% to 33% (30 June 2007: 10% to 33%).
- Based on the information available, the Directors considered that the taxation of the Group at 30 June 2008 was adequately provided for in the financial statements.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$7.8 million (30 June 2007: loss of approximately HK\$13.3 million) and on 1,632,000,000 (30 June 2007: 1,360,000,000) ordinary shares in issue during the period.

(b) Diluted loss per share

Diluted loss per share is not presented because there were no dilutive potential ordinary shares in existence for the six months ended 30 June 2008 and 2007 respectively.

8. INVESTMENT PROPERTIES

At 30 June 2008, all the Group's investment properties, situated in Guangzhou, the PRC, are held under medium-term leases. 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 2008 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\$6.5 million was recorded for the six months ended 30 June 2008 (30 June 2007: HK\$20.4 million).

9. PROPERTIES HELD FOR DEVELOPMENT

The properties held for development at 30 June 2008 represent lease prepayment for land use rights of two pieces of land at Zhongmiao Town, Chaohu City, Anhui Province, the PRC, with a site area of approximately 111,595 square meters. The land sites shall be developed as a comprehensive mixed use community comprising office, hotel, retail and residential.



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2008

10. ACCOUNTS RECEIVABLE

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

	At 30 June 2008 \$'000 (Unaudited)	At 31 December 2007 \$'000 (Audited)
Within 3 months	1,162	540
4 — 6 months	—	540
7 — 12 months	—	—
Over 1 year	—	—
	1,162	1,080
Less: Allowance for receivables	—	—
	1,162	1,080

11. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES HELD FOR SALE

On 5 March 2008, the Group entered into a disposal agreement to dispose of its remaining 50% equity interests in the jointly controlled entities together with the debts due to the Group of approximately HK\$125.8 million at a total consideration of approximately RMB257.4 million. The disposal has completed at the date of this report.

Details of the jointly controlled entities at 30 June 2008 are as follows:

Name	Business structure	Place of incorporation or registration/operation	Percentage of ownership interest/voting power/profit sharing	Principal activities
Trisum	Limited liability company	Hong Kong	50%	Investment holding
Guangzhou Jiannan House Property Development Company Limited	Limited liability company	PRC	50%	Property development

The summarised unaudited financial information in respect of the Group's share of the assets and liabilities of its jointly controlled entities are accounted for using the equity method is as follows:

	\$'000
Current assets	2,136
Non-current assets	323,606
Current liabilities	(145,480)
Net assets	180,262
Group's share of net assets	90,131

12. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 24 April 2008, the Group entered into a disposal agreement to dispose of its entire 100% equity interest in a subsidiary, NF Liwan and the amount due to the Group of not more than approximately HK\$112.7 million at a total consideration of HK\$60 million. The disposal has not completed at the date of this report. The assets and liabilities attributable to NF Liwan have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2008

12. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

The major classes of assets and liabilities (unaudited) of the disposal group classified as held for sale as at 30 June 2008 are as follows:

	\$'000
Investment properties	77,661
Prepayment, deposits and other receivables	1,290
Bank and cash balances	15
Total assets of a disposal group classified as held for sale	78,966
Accruals and other payables	9,863
Current tax liabilities	1,439
Total liabilities associated with assets of a disposal group classified as held for sale	11,302

13. ACCOUNTS PAYABLE

	At 30 June 2008 \$'000 (Unaudited)	At 31 December 2007 \$'000 (Audited)
The amounts comprise:		
— Current	4,353	—
— Non-current	—	—
	4,353	—

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

	At 30 June 2008 \$'000 (Unaudited)	At 31 December 2007 \$'000 (Audited)
Within 3 months	—	—
4 — 6 months	4,353	—
7 — 12 months	—	—
Over 1 year	—	—
	4,353	—

14. SHARE CAPITAL

	Number of shares	\$'000
Authorised:		
At 31 December 2007 and 30 June 2008		
Ordinary shares of HK\$0.10 each	2,000,000,000	200,000
Issued and fully paid:		
At 31 December 2007 and 30 June 2008		
Ordinary shares of HK\$0.10 each	1,632,000,000	163,200

15. MATERIAL ACQUISITIONS AND DISPOSALS

On 11 March 2008, the Group entered into sale and purchase agreements to acquire certain properties in Meizhou City, Guangdong Province, the PRC at a consideration of approximately RMB61.5 million. The transaction has not been completed up to the date of this report.

Saved as disclosed in notes 11 and 12 and the above, the Group had no material acquisitions or disposals during the period under review.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2008

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2008 and 31 December 2007.

17. LEASE COMMITMENTS

At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2008 \$'000 (Unaudited)	At 31 December 2007 \$'000 (Audited)
Within one year	2,023	2,596
In the second to fifth years inclusive	122	854
	2,145	3,450

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

18. 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\$0.5 million (30 June 2007: approximately HK\$0.4 million).

(b) Balances with related parties

Included in accruals and other payables are amounts in total of approximately HK\$0.4 million (31 December 2007: approximately HK\$0.5 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.

19. EVENTS AFTER THE BALANCE SHEET DATE

The Group did not have any significant events took place subsequent to the balance sheet date.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2008, 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 2008, 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 Division 2 and 3 of Part XV of the SFO:

Name of shareholders	Note	Nature of interest	Total	Approximate percentage or attributable percentage of shareholdings (Note 3)
Great Capital Holdings Limited ("GCH")	1	Beneficial owner	429,162,000 (L)	26.30%
Mr. Hung Ka Faat	2	Interest of a controlled corporation	405,280,000 (L)	24.83%
Sinowin Enterprises Limited ("SEL")	2	Beneficial owner	405,280,000 (L)	24.83%
Access Achievement Limited	2	Person having security interest in Shares	405,280,000 (L)	24.83%
Hong Long Holdings Limited	2	Person having security interest in Shares	405,280,000 (L)	24.83%
Zhang Suqian		Beneficial owner	262,000,000 (L)	16.05%

(L) Long position

Notes:

- (1) 264,162,000 Shares out of 429,162,000 Shares have been pledged by GCH to secure banking facilities for the group companies of GCH.
- (2) Mr. Hung Ka Faat beneficially owns and controls SEL. All of the Shares have been pledged by SEL to Access Achievement Limited, a wholly-owned subsidiary of Hong Long Holdings Limited, both of them are deemed to have interest in the capacity of person having security interest in the 405,280,000 Shares by virtue of the SFO.
- (3) For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,632,000,000 Shares in issue.

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 2008.

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 2008.

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 2008, 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, 2 September 2008

