



WINFOONG INTERNATIONAL LIMITED

榮 豐 國 際 有 限 公 司

(Incorporated in Bermuda with limited liability)

2007 INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

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BOARD OF DIRECTORS

Executive directors:

Cheong Pin Chuan, Patrick
Cheong Kim Pong
Cheong Sim Eng

Independent non-executive directors:

Chan Yee Hoi, Robert
Kan Fook Yee
Lai Hing Chiu, Dominic

Non-executive director:

Lim Ghee

RESULTS

The Board of Directors of Winfoong International Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Unaudited six months ended 30 June	
	Notes	2007 HK\$'000	2006 HK\$'000
Turnover	2	12,860	13,552
Cost of sales		(3,086)	(4,809)
Gross profit		9,774	8,743
Valuation gains on investment property		6,007	–
Other revenue		233	339
Other net income		1,056	–
Operating and administrative expenses		(18,899)	(17,606)
Loss from operating activities		(1,829)	(8,524)
Finance costs	3	(11,024)	(12,339)
Share of loss of an associate		(28,537)	(7,136)
Loss before taxation	4	(41,390)	(27,999)
Income tax	5	(1,090)	–
Loss for the period		(42,480)	(27,999)
Attributable to:			
Equity shareholders of the Company		(42,480)	(27,999)
Minority interests		–	–
		(42,480)	(27,999)
Basic loss per share	6	(2.85 cents)	(1.88 cents)

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 June 2007*

		Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
ASSETS			
Non-current assets			
Fixed assets			
Investment properties	8	2,004,268	1,994,320
Other property, plant and equipment	9	4,390	4,685
Interests in leasehold land held for own use under operating leases		458	464
		<u>2,009,116</u>	<u>1,999,469</u>
Interest in an associate		587,316	612,771
Pledged bank deposits		515	912
Other financial assets	10	2,445	2,600
		<u>2,599,392</u>	<u>2,615,752</u>
Current assets			
Inventories		12,736	12,728
Trade and other receivables	11	10,033	8,097
Tax recoverable		83	83
Cash and cash equivalents		2,179	4,342
		<u>25,031</u>	<u>25,250</u>
Total assets		<u><u>2,624,423</u></u>	<u><u>2,641,002</u></u>
EQUITY AND LIABILITIES			
Share capital	12	74,620	74,620
Reserves		1,769,640	1,809,670
Total equity attributable to equity shareholders of the Company		1,844,260	1,884,290
Minority interests		–	–
Total equity		<u>1,844,260</u>	<u>1,884,290</u>
Non-current liabilities			
Bank borrowings	13	493,750	396,234
Deferred income		5,511	5,582
Deferred tax liabilities		251,790	250,700
		<u>751,051</u>	<u>652,516</u>
Current liabilities			
Trade and other payables	14	17,712	22,305
Bank borrowings	13	11,400	81,891
		<u>29,112</u>	<u>104,196</u>
Total liabilities		<u>780,163</u>	<u>756,712</u>
Total equity and liabilities		<u><u>2,624,423</u></u>	<u><u>2,641,002</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Equity attributable to equity shareholders of the Company										
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Share-based compensation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total Equity (Unaudited) HK\$'000
At 1 January 2007	74,620	196,873	121	618,098	(102,892)	8,911	832	1,087,727	1,884,290	-	1,884,290
Loss for the period	-	-	-	-	-	-	-	(42,480)	(42,480)	-	(42,480)
Transfer to retained profits on cancellation of share options	-	-	-	-	-	(8,911)	-	8,911	-	-	-
Change in fair value of available-for-sale securities	-	-	-	-	-	-	345	-	345	-	345
Share of movements in reserve of an associate	-	-	-	-	3,133	-	20	-	3,153	-	3,153
Exchange difference on translation of financial statement of overseas subsidiaries	-	-	-	-	(1,048)	-	-	-	(1,048)	-	(1,048)
At 30 June 2007	<u>74,620</u>	<u>196,873</u>	<u>121</u>	<u>618,098</u>	<u>(100,807)</u>	<u>-</u>	<u>1,197</u>	<u>1,054,158</u>	<u>1,844,260</u>	<u>-</u>	<u>1,844,260</u>
At 1 January 2006	74,620	196,873	121	618,098	(143,777)	8,911	519	937,195	1,692,560	-	1,692,560
Loss for the period	-	-	-	-	-	-	-	(27,999)	(27,999)	-	(27,999)
Share of movements in reserve of an associate	-	-	-	-	27,005	-	40	-	27,045	-	27,045
Exchange difference on translation of financial statement of overseas subsidiaries	-	-	-	-	(84)	-	-	-	(84)	-	(84)
At 30 June 2006	<u>74,620</u>	<u>196,873</u>	<u>121</u>	<u>618,098</u>	<u>(116,856)</u>	<u>8,911</u>	<u>559</u>	<u>909,196</u>	<u>1,691,522</u>	<u>-</u>	<u>1,691,522</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Unaudited six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Net cash used in operating activities	(15,865)	(13,722)
Net cash (used in)/generated from investing activities	(3,647)	23
Net cash generated from financing activities	17,349	19,553
Net (decrease)/increase in cash and cash equivalents	(2,163)	5,854
Cash and cash equivalents at 1 January	4,342	3,615
Cash and cash equivalents at 30 June	<u>2,179</u>	<u>9,469</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. SIGNIFICANT ACCOUNTING POLICIES

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2007 annual financial statements as follows.

In the current interim period, a number of new standards, amendments and interpretations have been issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2007.

The following new standards, amendments to standards and interpretations which are relevant to Group's operations are mandatory for financial year ending 31 December 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of new/revised HKAS 1 (Amendment) and HKFRS 7 did not result in significant changes to the Group's accounting policies applied on these financial statements for the periods presented.

The following new standards, amendments to standards and interpretations have been issued but are not effective for year ending 31 December 2007 and have not been early adopted by the Group:

HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but is not in a position to state whether these new standards, amendments and interpretations would have a significant impact on the Group's results of operations and financial position.

The preparation of an interim report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

Notwithstanding that the Group had net current liabilities as at 30 June 2007, the directors are of the opinion that the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to adequate committed undrawn credit facilities available to the Group.

The directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, it is appropriate that this interim financial report should be prepared on going concern basis and do not include any adjustments that would be required should that Group fail to continue as a going concern.

2. SEGMENT INFORMATION

Segment information is presented on a primary segment reporting basis by business segment because it is more relevant to the Group's internal financial reporting.

The Group comprises the following main business segments:

Property investment and management: the leasing of properties to generate rental income and to gain from the appreciation in the properties' value in the long term, and the provision of building management services.

Property construction and development: the development, construction and sale of properties, and project management.

Horticultural services: the provision of horticultural services.

The operations outside Hong Kong contributed less than 10% of turnover and less than 10% of consolidated operating loss.

2. SEGMENT INFORMATION (Continued)

	Property investment and management <i>HK\$'000</i>	Property construction and development <i>HK\$'000</i>	Horticultural services <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2007 (Unaudited)						
Revenue from external customers	11,208	90	1,562	–	–	12,860
Inter-segment sales	360	2,729	4	(3,093)	–	–
Other revenue from external customers	135	15	–	–	–	150
Total	<u>11,703</u>	<u>2,834</u>	<u>1,566</u>	<u>(3,093)</u>	<u>–</u>	<u>13,010</u>
Segment result	<u>13,577</u>	<u>3,337</u>	<u>84</u>	<u>(3,093)</u>	<u>(15,817)</u>	(1,912)
Unallocated operating income and expenses						83
Loss from operating activities						(1,829)
Finance costs						(11,024)
Share of loss of an associate	(28,537)					(28,537)
Income tax						(41,390)
						(1,090)
Loss for the period						<u>(42,480)</u>

2. SEGMENT INFORMATION (Continued)

	Property investment and management <i>HK\$'000</i>	Property construction and development <i>HK\$'000</i>	Horticultural services <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2006 (Unaudited)						
Revenue from external customers	10,339	1,680	1,533	-	-	13,552
Inter-segment sales	360	3,680	14	(4,054)	-	-
Other revenue from external customers	-	188	-	-	59	247
Total	<u>10,699</u>	<u>5,548</u>	<u>1,547</u>	<u>(4,054)</u>	<u>59</u>	<u>13,799</u>
Segment result	<u>4,680</u>	<u>3,581</u>	<u>136</u>	<u>(4,054)</u>	<u>(12,959)</u>	(8,616)
Unallocated operating income and expenses						92
Loss from operating activities						(8,524)
Finance costs						(12,339)
Share of loss of an associate	(7,136)					(7,136)
						(27,999)
Income tax						-
Loss for the period						<u>(27,999)</u>

3. FINANCE COSTS

	Unaudited six months ended 30 June	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans	12,708	12,339
Less: borrowing costs capitalised into investment property for development*	<u>(1,684)</u>	<u>-</u>
	<u>11,024</u>	<u>12,339</u>

* The borrowing costs capitalised were borrowed at a rate of 4.67% – 5.25% per annum.

4. LOSS BEFORE TAXATION

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

	Unaudited six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Depreciation and amortisation	567	296
Cost of properties sold	–	1,728
Loss on disposal of fixed assets	–	28
Rentals receivable from investment property less direct outgoing of HK\$2,761,000 (2006: HK\$2,832,000)	(8,277)	(7,269)
Interest income	(83)	(92)
	<u> </u>	<u> </u>

5. INCOME TAX

	Unaudited six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Deferred taxation	<u>1,090</u>	<u>–</u>

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the period.

6. LOSS PER SHARE

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of HK\$42,480,000 (2006: HK\$27,999,000) for the period and the weighted average of 1,492,410,986 (2006: 1,492,410,986) ordinary shares in issue during the period.

(b) *Diluted loss per share*

Diluted loss per share is not shown because there was no dilutive potential ordinary shares in existence as at the balance sheet date.

Diluted loss per share for the six months ended 30 June 2006 has not been presented as the exercise of share options does not have a material dilutive effect on the basic loss per share.

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. INVESTMENT PROPERTIES

The fair value of the investment properties was estimated by the directors.

The Group leases out investment property under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease at renegotiated terms. Lease payments are usually reviewed every year to reflect market rentals. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within one year	<u>5,473</u>	<u>6,437</u>

9. OTHER PROPERTIES, PLANTS AND EQUIPMENT

	Unaudited HK\$'000
At 1 January 2007	4,685
Additions	266
Depreciation	<u>(561)</u>
At 30 June 2007	<u>4,390</u>

10. OTHER FINANCIAL ASSETS

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Available-for-sale equity securities, at fair value	1,955	1,610
Loan receivable	<u>490</u>	<u>990</u>
	<u>2,445</u>	<u>2,600</u>

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
Trade debtors		
Within 1 month	401	561
After 1 month but within 3 months	196	171
More than 3 months but less than 12 months	—	6
	<hr/>	<hr/>
	597	738
Prepayments, deposits and other receivables	9,098	7,021
Retention money receivable	338	338
	<hr/>	<hr/>
	<u>10,033</u>	<u>8,097</u>

The Group's trade and other receivables are due within 60 days from the date of billing.

12. SHARE CAPITAL

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.05 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,492,410,986 ordinary shares of HK\$0.05 each	<u>74,620</u>	<u>74,620</u>

Subsequent to 30 June 2007 on 25 July 2007, pursuant to the capital reorganisation described in note 18, the authorised share capital of the Company was increased to HK\$150,000,000 by the creation of an additional 1,000,000,000 new shares of HK\$0.05 each ranking pari passu with the then existing shares in all respect.

Subsequent to 30 June 2007 on 1 August 2007, pursuant to the agreement described in note 18, the Company issued 900,000,000 new shares of HK\$0.05 each, credited as fully paid in consideration for the acquisition, through a wholly owned subsidiary, of 100% interests in the issued share capital of Goldease Investments Limited ("Goldease").

13. BANK BORROWINGS, SECURED

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Repayable within 1 year or on demand classified under current liabilities	11,400	81,891
Repayable:		
After 1 year but within 2 years	11,400	22,745
After 2 years but within 5 years	482,350	314,848
After 5 years	–	58,641
After 1 year as classified under non-current liabilities	493,750	396,234
	<u>505,150</u>	<u>478,125</u>

14. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Trade creditors		
Within 1 month	46	30
After 1 month but within 3 months	64	10
After 3 months but within 6 months	15	16
After 6 months but within 12 months	21	15
Over 1 year	1,871	1,822
	2,017	1,893
Deposits received	3,461	3,630
Retention money payables	2,045	2,040
Other liabilities and accrued charges	10,189	14,742
	<u>17,712</u>	<u>22,305</u>

15. EQUITY SETTLED SHARE-BASED TRANSACTIONS

No share option has been granted or exercised during the six months ended 30 June 2007 (2006: no option has been granted or exercised). On 18 June 2007 and 19 June 2007, the Company entered into deeds of cancellation with holders of the Company's share options to cancel an aggregate of 53,040,000 outstanding share options. As at 30 June 2007, there was no share options of the Company outstanding.

16. COMMITMENTS

- (a) Capital commitments outstanding as at 30 June 2007 not provided for were as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Contracted for	<u>32,910</u>	<u>13,498</u>

- (b) The total future minimum lease payments under non-cancellable operating leases in respect on office properties and office equipment are payable as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within 1 year	2,744	2,744
After 1 year but within 5 years	<u>2,456</u>	<u>3,798</u>
	<u>5,200</u>	<u>6,542</u>

The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

Significant leasing arrangements in respect of land and buildings classified as being held under finance leases are described in note 8.

17. CONTINGENT LIABILITIES

- (a) At 30 June 2007, the Company had given unconditional guarantees to banks to secure loan facilities available to subsidiaries to the extent of approximately HK\$974 million (31 December 2006: HK\$658 million). The extent of such facilities utilised by the subsidiaries amounted to approximately HK\$505 million (31 December 2006: HK\$478 million).
- (b) At 30 June 2007, the Company had given corporate guarantees to a bank for issuing letters of indemnity to third parties amounting to approximately HK\$402,000 (31 December 2006: HK\$402,000).

18. SUBSEQUENT EVENTS

Subsequent to 30 June 2007, capital reorganisation, group reorganisation and acquisition of subsidiaries were undertaken by the Group. Further details of these transactions are set out in the circular of the Company dated 30 June 2007.

Capital reorganisation

Pursuant to the capital reorganisation:

- (i) the authorised share capital of the Company was increased as set out in note 12; and
- (ii) on 1 August 2007, the entire amount standing to the credit of the share premium account of the Company was cancelled with the credit arising from such share premium cancellation being applied for the purpose of the distribution in species described below and the remaining balance of such credit (if any) credited to the contributed surplus account of the Company.

Group reorganisation

Pursuant to the group reorganisation completed on 1 August 2007, the Company distributed the entire interest held by it in Hong Fok Land International Limited (“HF Land”).

After the distribution:

- (i) the Group principally engages in the holding of the redevelopment project at 38 Conduit Road in Hong Kong and the provision of horticultural services; and
- (ii) HF Land and its subsidiaries principally engages in the holding of (a) the properties at 15 and 17 Magazine Gap Road in Hong Kong; (b) certain properties in the People’s Republic of China; and (c) an approximately 20.2% interest in Hong Fok Corporation Limited (“HFC”).

Acquisition of subsidiaries

During the period on 25 May 2007, the Group has entered into a conditional agreement with HFC, an associate of the Company at the date of the agreement, to acquire the entire equity interest in Goldease and its subsidiaries (collectively the “Goldease Group”). Goldease Group is principally engaged in property development, and its principal assets are properties in Singapore.

The details of assets acquired and liabilities assumed as at the acquisition date were as follows:

	Pre-acquisition carrying amounts <i>HK\$'000</i>	Fair value adjustments <i>HK\$'000</i>	Recognised values on acquisitions <i>HK\$'000</i>
Fixed assets	729	–	729
Development properties	162,350	(12,589)	149,761
Trade and other receivables	5,918	–	5,918
Cash and cash equivalents	680	–	680
Bank loans	(70,460)	–	(70,460)
Trade and other payables	(6,301)	–	(6,301)
Amounts due to related companies	(182,504)	–	(182,504)
Share of net identifiable assets and liabilities	<u>(89,588)</u>	<u>(12,589)</u>	(102,177)
Add: Amount due from Goldease Group			182,504
Goodwill on acquisition			<u>33,673</u>
Consideration paid			<u>114,000</u>

Pursuant to the agreement, the consideration has to be settled by cash of S\$4.7 million (equivalent to approximately HK\$24.0 million) and the remaining S\$17.6 million (equivalent to approximately HK\$90.0 million) by allotment and issue to HFC of 900 million new shares of the Company. The agreement was completed on 1 August 2007. After completion of the agreement, HFC's interest in the Company has increased from 40.4% to 62.8%. The cash portion was settled by the Group's existing banking facilities.

BUSINESS REVIEW

During the period, the Group continues to engage in property related businesses and provision of horticultural services. The decrease in turnover was mainly due to the decrease in revenue from disposal of development properties.

The Group recorded net loss of approximately HK\$42.5 million in the period despite of the recognition of valuation gains on investment properties, net of deferred tax of approximately HK\$4.9 million. The increase in loss was mainly attributable to the increase in share of loss of an associate of approximately HK\$21.4 million which was mainly due to provision for deferred tax liability on investment property valuation gains on adoption of new financial reporting standards in Singapore the effect of which has exceeded the increase in profit from disposal of development properties and reversal of provision for impairment of development properties.

The net asset value of the Group per share as at 30 June 2007 was approximately HK\$1.24 based on the 1,492,410,986 shares issued. Subsequent to 30 June 2007 and as set out in note 18, the Group has completed a capital reorganisation, group reorganisation and the acquisition of Goldease Group on 1 August 2007 and has only retained the business of the redevelopment project at 38 Conduit Road in Hong Kong and the provision of horticultural services while enlarged by the business of the Goldease Group.

As at 30 June 2007, the Group had a total of 62 employees. Employees are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to individual's performance. In addition, the Group provides social security benefits to its staff such as mandatory provident fund scheme in Hong Kong and the pension scheme in the PRC.

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report. The Group has no exposure to foreign exchange rate fluctuations except for the interest in an associate in Singapore which is held as long term investment. The Group's borrowings are denominated in Hong Kong dollars and arranged on a floating rate basis.

The Group's working capital requirements are met by recurring cash flows from the investment properties portfolios and committed undrawn credit facilities. As at 30 June 2007, the outstanding bank loan was approximately HK\$505 million. These loan facilities were secured by the Group's properties. The end of period gearing ratio based on bank loans less cash and bank balances to equity was approximately 27% (31 December 2006: 25%). The Company has provided guarantees in respect of bank facilities made available to subsidiaries totaling approximately HK\$974 million.

The following is the maturity profile of the Group's bank borrowings as of 30 June 2007:

Withing 1 year	2%
After 1 year but within 2 years	2%
After 2 years but within 5 years	96%
	<hr/>
	100%

The foundation work of the redevelopment of 38 Conduit Road has commenced and is expected to complete in the year. The redevelopment is currently expected to complete by the end of 2009.

Following the completion of the group reorganisation and acquisition of Goldease Group, revenue of the Group will mainly comprise rental income generated from and sale proceeds of the properties of Goldease Group and revenue from provision of horticultural services.

DIRECTORS' INTERESTS

At 30 June 2007, the interests and short positions of directors and chief executive of the Company in shares, underlying shares and debentures of the Company and its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

(i) *Long positions in shares and underlying shares of the Company*

Name of director	Type of interest and number of shares held		Total	Percentage
	Corporate (Note (a))	Personal/Family		
Cheong Pin Chuan, Patrick	602,645,787	3,397,000	606,042,787	40.6%
Cheong Kim Pong	602,645,787	–	602,645,787	40.4%
Cheong Sim Eng	602,645,787	–	602,645,787	40.4%
Cheong Hooi Kheng (Note (b))	602,645,787	2,000,000	604,645,787	40.5%

Notes:

- (a) These directors were deemed to have corporate interests in the shares in the Company by virtue of their beneficial interests in the shares in Hong Fok Corporation Limited ("HFC"), a substantial shareholder of the Company. The 602,645,787 shares represented the same interests and were duplicated amongst these directors.
- (b) Ms. Cheong Hooi Kheng's directorship is alternate to Madam Lim Ghee.

(ii) *Long positions in shares of an associated corporation, HFC*

Name of director	Personal	Type of interests and number of shares held			Total	Percentage
		Family (Note (a))	Corporate (Note (b))	Other		
Cheong Pin Chuan, Patrick	5,163,140	1,125,300	94,598,912	121,336,000	222,223,352	37.1%
Cheong Kim Pong	2,571,980	503,000	94,598,912	121,336,000	219,009,892	36.5%
Cheong Sim Eng	62,182,000	207,000	28,421,512	121,336,000	212,146,512	35.4%
Cheong Hooi Kheng (Note (c))	9,534,820	–	–	121,336,000	130,870,820	21.8%
Lim Ghee (Note (d))	–	–	–	121,336,000	121,336,000	20.2%

Notes:

- (a) These shares were beneficially held by a number of companies in which the directors had beneficial interests.
- (b) These shares were beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of the Company. Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng are deemed to have interests in the shares in HFC by virtue of their direct and indirect interests in the Company.
- (c) Ms. Cheong Hooi Kheng's directorship is alternate to Madam Lim Ghee.
- (d) These shares were beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of the Company. Madam Lim Ghee, a director of the Company, was deemed to have control in the shares of HFC held indirectly by the Company.

DIRECTORS' INTERESTS (continued)

Save as disclosed above, as at 30 June 2007, none of the directors and the chief executive of the Company were under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

On 18 June 2007 and 19 June 2007, deeds of cancellation were entered into with holders of share options of the Company to cancel an aggregate of 53,040,000 outstanding share options. As at 30 June 2007, there was no share options of the Company outstanding.

Apart from the above and as disclosed in note 15 to the interim report, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

At 30 June 2007, the following persons (not being directors or chief executive of the Company) had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Note	Number of shares held			Percentage
		Direct	Indirect	Total	
HFL International Consortium Limited ("HFL")		555,202,784	-	555,202,784	37.2%
Hong Fok Enterprises Limited ("HFE")	(a)	-	555,202,784	555,202,784	37.2%
Hong Fok Investment Holding Company, Limited ("HFIH")	(b)	47,443,003	555,202,784	602,645,787	40.4%
Hong Fok Corporation Limited ("HFC")	(c)	-	602,645,787	602,645,787	40.4%
Barragan Trading Corp.		285,312,566	-	285,312,566	19.1%
Praise Time Co Limited		136,000,000	-	136,000,000	9.1%

Notes:

- HFE was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFL, did in the issued share capital of the Company by virtue of HFE's interest in HFL.
- HFIH was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFE, did in the issued share capital of the Company by virtue of HFIH's interest in HFE. In addition, HFIH was directly interested in approximately 3.0% of the issued share capital of the Company.
- HFC was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFIH, did in the issued share capital of the Company by virtue of HFC's interests in HFIH.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 30 June 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules with the following deviations:

- (i) Under Code A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheong Pin Chuan, Patrick is both the Chairman of the board, as well as the Group's chief executive officer ("CEO")/managing director. Given the size and that the Company's and the Group's current business operations and administration have been relatively stable and straightforward, the board is satisfied that one person is able to effectively discharge the duties of both positions. However, going forward, the board will review from time to time, the need to separate the roles of the Chairman and the CEO if the situation warrants it.
- (ii) Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors of the Company are not appointed for a specific term although they are subject to retirement and rotation and re-election at the annual general meeting under the Company's Bye-laws and except for the chairman of the board and/or the managing director of the Company, each director is effectively appointed under an average term of three years.
- (iii) Under Code B.1, a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

The board does not have a remuneration committee. The board conducts an informal assessment of the individual director's contribution. No director decides his or her own remuneration.

- (iv) Under Code C.3.3, the audit committee should have the duties to be primary responsible for making recommendation to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor.

The recommendation on the appointment, reappointment and removal of the external auditor, and to approve the remuneration of the external auditors, and any questions of resignation or dismissal of that auditor of the Company is made by the board to the audit committee for approval.

ON BEHALF OF THE BOARD

Cheong Pin Chuan, Patrick
Chairman

Hong Kong
14 August 2007