IMPORTANT

If you are in doubt as to any aspect of the Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hong Fok Land International Limited**, you should at once hand this Composite Offer Document and the accompanying Form of Acceptance and Transfer to the purchaser or the transferee, or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

This Composite Offer Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the provisions of which form part of the terms of the offer contained herein.

YORKWIN INVESTMENTS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

HONG FOK LAND INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Financial adviser to Yorkwin Investments Limited

集團 滙富 KingswayGroup

Financial adviser to Hong Fok Land International Limited

SOMERLEY LIMITED

CONDITIONAL PARTIAL OFFER FOR THE SHARES IN HONG FOK LAND INTERNATIONAL LIMITED BY KINGSWAY FINANCIAL SERVICES GROUP LIMITED ON BEHALF OF YORKWIN INVESTMENTS LIMITED BEING A WHOLLY-OWNED SUBSIDIARY OF HONG FOK CORPORATION LIMITED

Independent financial adviser to the Disinterested HF Land Shareholders

Hercules

Hercules Capital Limited

A letter from Hercules containing its advice to the Disinterested HF Land Shareholders in respect of the Offer is set out on pages 21 to 33 of this Composite Offer Document.

The procedures for acceptance and settlement of the Offer contained herein are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the Offer should be received by the Transfer Agent (Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) by no later than 4:00 p.m. on Friday, 14 September 2007 (the First Closing Date).

24 August 2007

CONTENTS

	2007
Opening date of the Offer	Friday, 24 August
Latest time for acceptance of the Offer	4:00 p.m. on Friday, 14 September
First Closing Date *(Note (i))*	Friday, 14 September
Announcement of the results of the Offer posted on the Stock Exchange's website under Winfoong and the SFC's website	By 7:00 p.m. on Friday, 14 September
Announcement of the results of the Offer re-published in the newspapers	Monday, 17 September
Final Closing Date, assuming the Offer becomes or is declared unconditional on 14 September 2007 *(Note (i))*	Friday, 28 September
Posting of HF Land Share certificates and/or cheque, certificates for the Bond and the Winfoong Shares to the HF Land Shareholders	Monday, 8 October

All time references contained in this Composite Offer Document and the Form of Acceptance and Transfer refer to Hong Kong time.

Notes:

(i) If the Offer has become or been declared unconditional before the First Closing Date, the Offer will remain open for another 14 days and the closing date of the Offer will be extended to the 14th day after the Offer has become or been declared unconditional. However, in any event the earliest time for the close of the Offer will be at 4:00 p.m. on 14 September 2007 (the First Closing Date). If the Offer becomes or is declared unconditional on the First Closing Date, it will remain open for acceptance for a period of not less than 14 days and, unless previously extended or declared unconditional, shall be closed on the Final Closing Date. The latest time for acceptances on the Final Closing Date will be 4:00 p.m.. An announcement of such extension or revision will state the final closing date of the Offer.

(ii) Computershare Hong Kong Investor Services Limited has been appointed as the transfer agent to provide registration of transfer and splitting services for HF Land Shares and the Bond.

(iii) Effect of bad weather on the latest time for acceptance of the Offer

The latest time for acceptance of the Offer will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

in force in Hong Kong at any local time before 4:00 p.m. on the First Closing Date or the Final Closing Date (if applicable). Instead the latest time of acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of the Offer does not take place on the First Closing Date or the Final Closing Date (if applicable), the dates mentioned in the section headed "Expected timetable" in this Composite Offer Document may be affected. A press announcement will be made by the Offeror and HF Land in such event.

Unless the context requires otherwise, the following expressions shall have the following meanings in this Composite Offer Document and the Form of Acceptance and Transfer:

"Acquisition"	the acquisition of the Sale Shares and the Sale Loan by the Purchaser on the terms and subject to the conditions of the Agreement
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Agreement"	the sale and purchase agreement dated 25 May 2007 entered into among the Purchaser, Winfoong and Hong Fok in relation to the Acquisition
"associates"	has the meaning ascribed thereto under the Listing Rules
"Assured Entitlement(s)"	the assured entitlement(s) of a Disinterested HF Land Shareholder to sell one-third of the HF Land Shares held by him (with fractions of HF Land Shares rounded up or down to the nearest whole number at the sole discretion of the Offeror) on 1 August 2007 to the Offeror if the Disinterested HF Land Shareholder accepts the Offer and the Offer becomes unconditional
"Bond"	the unsecured 3% per annum interest-bearing bond in denominations of HK$0.24 each to be issued by the Offeror under the Offer
"Business Day"	has the meaning ascribed thereto under the Takeovers Code
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Cheong's Family"	Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong and Mr. Cheong Sim Eng, Ms. Cheong Hooi Kheng and Madam Lim Ghee
"Completion"	completion of the Agreement
"Composite Offer Document"	the composite offer document issued to the HF Land Shareholders pursuant to the Offer

"Disinterested HF Land Shareholders"	HF Land Shareholders, other than Hong Fok, its associates and the Offeror Parties, whose name appear on the register of members of HF Land as at 1 August 2007, being the completion date of the Distribution in Specie
"Distributed Business"	all business of the HF Land Group which prior to completion of the Group Reorganisation was business of the Winfoong Group, details of which are set out in the circular of Winfoong dated 30 June 2007 despatched to its shareholders
"Distribution in Specie"	the distribution of shares representing all the issued share capital of HF Land
"Enlarged Winfoong Group"	the Winfoong Group before Completion and as enlarged by the Goldease Group
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
"Final Closing Date"	28 September 2007, the final closing date of the Offer as extended by the Offeror in accordance with the Takeovers Code, being the 14th day after the First Closing Date
"First Closing Date"	14 September 2007, the first closing date of the Offer, which is the 21st day after the opening of the Offer
"Form of Acceptance and Transfer"	the form of acceptance and transfer of the Specified HF Land Shares in respect of the Offer accompanying this Composite Offer Document
"Goldease"	Goldease Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Goldease Group"	Goldease and its subsidiaries
"Group Reorganisation"	the reorganisation of the Winfoong Group pursuant to which: (i) Winfoong continues to be a listed company and the Winfoong Group (excluding the HF Land Group) carries on the Remaining Business; (ii) the HF Land Group carries on the Distributed Business; and (iii) Winfoong's shareholders received by way of distribution in specie of the HF Land Shares on the basis of one HF Land Share for each Winfoong Share held on the Record Date

"Hercules"	Hercules Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Disinterested HF Land Shareholders
"HF Land"	Hong Fok Land International Limited, a company incorporated in Bermuda with limited liability
"HF Land Director(s)"	director(s) of HF Land
"HF Land Group"	HF Land and its subsidiaries
"HF Land Share(s)"	ordinary share(s) of HK$0.05 each in the issued share capital of HF Land
"HF Land Shareholder(s)"	holder(s) of the HF Land Shares
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Fok"	Hong Fok Corporation Limited, a company incorporated in the Republic of Singapore and the shares of which are listed on The Singapore Exchange Securities Trading Limited
"Hong Fok Director(s)"	director(s) of Hong Fok
"Hong Fok Group"	Hong Fok and its subsidiaries excluding the Offeror
"Hong Fok Share(s)"	ordinary share(s) in the issued share capital of Hong Fok
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Joint Announcement"	the joint announcement of Winfoong and the Offeror dated 25 May 2007 in respect of, among others, the Offer
"Kingsway"	Kingsway Financial Services Group Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

"Kingsway Capital"	Kingsway Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror
"Last Trading Day"	25 May 2007, being the last day on which the Winfoong Shares were traded on the Stock Exchange prior to the release of the Joint Announcement
"Latest Practicable Date"	21 August 2007, being the latest practicable date for ascertaining certain information included in this Composite Offer Document and the accompanying Form of Acceptance and Transfer
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer"	the conditional partial offer being made by Kingsway on behalf of the Offeror and pursuant to the Takeovers Code to acquire the Specified HF Land Shares
"Offeror"	Yorkwin Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Hong Fok
"Offeror Parties"	the Offeror and parties acting in concert with it
"PRC"	People's Republic of China
"Purchaser"	Winfoong Assets Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Winfoong
"Record Date"	25 July 2007, being the record date for determining entitlements to the Distribution in Specie
"Remaining Business"	all business of the Winfoong Group before Completion excluding the Distributed Business, details of which are set out in the circular of Winfoong dated 30 June 2007 despatched to its shareholders
"Sale Loan"	the outstanding loans owed by the Goldease Group to the subsidiaries of Hong Fok acquired by the Purchaser pursuant to the Agreement
"Sale Shares"	shares representing the entire issued share capital of Goldease

"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Somerley"	Somerley Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the financial adviser to HF Land
"Specified HF Land Shares"	294,789,400 HF Land Shares, representing one-third of the HF Land Shares held by the Disinterested HF Land Shareholders on 1 August 2007 in respect of which the Offer is now made and "each Specified HF Land Share" means a HF Land Share held by a Disinterested HF Land Shareholder on 1 August 2007 in respect of which he has assured entitlement to sell to the Offeror if the Disinterested HF Land Shareholder accepts the Offer and the Offer becomes unconditional
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Transfer Agent"	Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and the transfer agent for the HF Land Shares and the Bond
"U.S."	the United States of America
"Winfoong"	Winfoong International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Winfoong Group"	Winfoong and its subsidiaries
"Winfoong Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of Winfoong
"HK$"	Hong Kong dollars
"S$"	Singapore dollars

"US$"	U.S. dollars
"%"	per cent.

Amounts expressed in S$ have been translated into HK$ at the rate of S$1.0=HK$5.125 in this Composite Offer Document for illustrative purposes.

HONG FOK LAND INTERNATIONAL LIMITED

Directors:
Cheong Pin Chuan, Patrick
Cheong Kim Pong
Cheong Sim Eng
Cheong Hooi Kheng

Principal office in Hong Kong:
Room 3201,
9 Queen's Road Central,
Hong Kong

24 August 2007

To Disinterested HF Land Shareholders

Dear Sir or Madam,

**CONDITIONAL PARTIAL OFFER
FOR THE SHARES IN HONG FOK LAND INTERNATIONAL LIMITED
BY KINGSWAY FINANCIAL SERVICES GROUP LIMITED
ON BEHALF OF YORKWIN INVESTMENTS LIMITED
BEING A WHOLLY-OWNED SUBSIDIARY OF
HONG FOK CORPORATION LIMITED**

INTRODUCTION

Further to the joint announcement of the Offeror and Winfoong dated 25 May 2007 and the circular issued by Winfoong dated 30 June 2007 regarding, inter alia, the Offer, and subsequent fulfilment of the pre-conditions thereto, including completion of the Acquisition and the Group Reorganisation which took place on 1 August 2007 and the consent from the Executive in relation to the Offer, the Offer is now made. The Offer is a conditional partial offer.

This Composite Offer Document provides you with, inter alia, information on, and the procedures for acceptance, approval and settlement of, the Offer; and the advice of Hercules (i) as to whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance of the Offer.

THE OFFER

Kingsway, on behalf of the Offeror, makes a conditional partial offer to the Disinterested HF Land Shareholders whose names appear on the register of members of HF Land on 1 August 2007 for the aggregate of one-third of the HF Land Shares held by the Disinterested HF Land Shareholders on 1 August 2007, being 294,789,400 HF Land Shares, on an assured basis as follows:

For each Specified HF Land Share held	**HK$0.16 in cash plus ONE 3-year Bond with a face value of HK$0.24 plus TWO Winfoong Shares held by Hong Fok**

For every three HF Land Shares held by the Disinterested HF Land Shareholders on 1 August 2007, there will be one Specified HF Land Share under the Assured Entitlement. Each Specified HF Land Share tendered for acceptance under the Offer by the Disinterested HF Land Shareholders is assured to entitle (i) HK$0.16 in cash; plus (ii) ONE 3-year Bond with a face value of HK$0.24; plus (iii) TWO Winfoong Shares if the Offer becomes unconditional.

Further terms and conditions of the Offer, including procedures for acceptance and approval are contained in the letter from Kingsway set out on pages 10 to 20 of this Composite Offer Document, appendix I to this Composite Offer Document and the Form of Acceptance and Transfer.

Information on the Offeror and its intention regarding HF Land

Your attention is drawn to the letter from Kingsway set out on pages 10 to 20 of this Composite Offer Document for information on the Offeror and its intention regarding HF Land Group.

RECOMMENDATION

Since the board of directors of HF Land comprises all executive directors of the Offeror and no non-executive directors have been appointed to HF Land, no independent board committee of HF Land could be formed pursuant to Rule 2.8 of the Takeovers Code. As a result, Hercules has been appointed as the independent financial adviser to advise the Disinterested HF Land Shareholders directly (i) as to whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance of the Offer. Your attention is drawn to its letter of advice to the Disinterested HF Land Shareholders set out on pages 21 to 33 of this Composite Offer Document.

ADDITIONAL INFORMATION

Your attention is also drawn to the expected timetable on page ii of this Composite Offer Document, the additional information contained in the appendices to this Composite Offer Document and the accompanying Form of Acceptance and Transfer.

Yours faithfully,
For and on behalf of the board of
HONG FOK LAND INTERNATIONAL LIMITED
Cheong Pin Chuan, Patrick
Chairman

Kingsway Financial Services Group Limited
5/F, Hutchison House
10 Harcourt Road Central
Hong Kong

24 August 2007

To the Disinterested HF Land Shareholders

Dear Sir or Madam,

**CONDITIONAL PARTIAL OFFER
FOR THE SHARES IN HONG FOK LAND INTERNATIONAL LIMITED
BY KINGSWAY FINANCIAL SERVICES GROUP LIMITED
ON BEHALF OF YORKWIN INVESTMENTS LIMITED
BEING A WHOLLY-OWNED SUBSIDIARY OF
HONG FOK CORPORATION LIMITED**

INTRODUCTION

On 25 May 2007, the Offeror and Winfoong jointly announced, among other things, that the Offeror would make the Offer, subject to certain pre-conditions, including, among others, completion of the Group Reorganisation and consent from the Executive. Details of the Group Reorganisation were set out in the circular of Winfoong dated 30 June 2007. On 1 August 2007, the Group Reorganisation was completed. Accordingly, Kingsway, on behalf of the Offeror, hereby makes the Offer, which is a conditional partial offer to the Disinterested HF Land Shareholders whose names appeared on the register of members of HF Land on 1 August 2007 for the aggregate of one-third of the HF Land Shares held by the Disinterested HF Land Shareholders on 1 August 2007, being 294,789,400 HF Land Shares, on an assured basis.

This letter sets out details of the terms of the Offer, information on the Offeror and the intentions of the Offeror regarding HF Land Group. Further details of the terms of the Offer are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance and Transfer. Further details of the Offeror and HF Land Group are set out in Appendix XIII and Appendix XIV, respectively, to this Composite Offer Document.

Your attention is also drawn to the letter from the board of HF Land, and the letter from Hercules to the Disinterested HF Land Shareholders contained in this Composite Offer Document.

THE OFFER

Kingsway, on behalf of the Offeror, hereby makes a conditional partial offer to the Disinterested HF Land Shareholders whose names appear on the register of members of HF Land on 1 August 2007 for the aggregate of one-third of the HF Land Shares held by the Disinterested HF Land Shareholders on 1 August 2007, being 294,789,400 HF Land Shares, on an assured basis as follows:

For each Specified HF Land Share held ..... **HK$0.16 in cash plus ONE 3-year Bond with a face value of HK$0.24 plus TWO Winfoong Shares held by Hong Fok**

As at the Latest Practicable Date, Winfoong had 2,392,410,986 shares in issue and HF Land had 1,492,410,986 shares in issue. As at the Latest Practicable Date, HF Land had no outstanding options, warrants, derivatives, or securities which were convertible or exchangeable into HF Land Shares and had not entered into any agreement for the issue of any options, warrants, derivatives, or securities convertible or exchangeable into HF Land Shares.

Each Specified HF Land Share tendered for acceptance under the Offer by the Disinterested HF Land Shareholders is assured to entitle (i) HK$0.16 in cash; (ii) ONE 3-year Bond with a face value of HK$0.24; and (iii) TWO Winfoong Shares for every three HF Land Shares held by each such Disinterested HF Land Shareholder if the Offer becomes unconditional. Given that the HF Land Shares are not listed on the Stock Exchange or any other stock exchange and therefore are difficult to be liquidated, the Offeror considers that it is appropriate to provide the Disinterested HF Land Shareholders with an opportunity to realise their holdings of the Specified HF Land Shares by making the Offer. **However, Disinterested HF Land Shareholders shall note that the Offer is for the aggregate of one-third of the HF Land Shares held by the Disinterested HF Land Shareholders only, whether they accept the Offer or not, the remaining two-third of the HF Land Shares held by the Disinterested HF Land Shareholders are unlisted and illiquid. As there is no open market for the trading of the HF Land Shares, it would not only affect the transparency of the value of the HF Land Group, but may also have an effect on the value of the HF Land Shares. In addition, HF Land is only governed by the bye-laws of HF Land and is not subject to the requirements of the Listing Rules but is subject to the Takeovers Code.** In the event that the Disinterested HF Land Shareholders wish to continue to retain each of their whole investment in HF Land, they can choose not to accept the Offer and continue to hold the Specified HF Land Shares, but have to accept the risks associated with the HF Land Shares which are illiquid and the fact that the HF Land Shares are unlisted assets. In addition, the Bonds are unlisted and unconvertible. Acceptance of the Offer may not be able to unlock the value in the Bonds until maturity.

The Offeror cannot accept more, or less, than 294,789,400 HF Land Shares under the Offer. There is an Assured Entitlement of Disinterested HF Land Shareholders. In excess of the Assured Entitlement, however, there is no guarantee that all (or any) such excess HF Land Shares will be taken up.

If the Offeror needs to reach its target level of 294,789,400 HF Land Shares (which will occur if any Disinterested HF Land Shareholders either do not accept the Offer, or accept for less than the Assured Entitlement), then the Offeror will be entitled to take acceptances from those Disinterested HF Land Shareholders who have tendered more than the Assured Entitlement ("**Surplus Shares**"). The Offeror will take up from each such accepting Disinterested HF Land Shareholder a sufficient number of Surplus Shares to enable it to reach its target level of 294,789,400 HF Land Shares. The number of Surplus Shares acquired from each Disinterested HF Land Shareholder must be in the same proportion as the further HF Land Shares required to the total pool of Surplus Shares.

Consent from the Executive

Pursuant to Rule 28.1 of the Takeovers Code, the Executive's consent is required for any partial offer. Such consent was granted by the Executive on 20 August 2007.

Conditions of the Offer

Pursuant to Rule 28.5 of the Takeovers Code, the Offer is conditional upon:

(i) the acceptances as equal to or more than 294,789,400 HF Land Shares being received; and

(ii) approval by the Disinterested HF Land Shareholders, signified on the Form of Acceptance and Transfer specifying the number of HF Land Shares in respect of which the Offer is approved, who hold over 50% of the total number of HF Land Shares (excluding those held by Hong Fok, its associates and the Offeror Parties).

The Offeror will declare the Offer unconditional as to acceptances on or prior to the First Closing Day, upon fulfillment of the above conditions, and comply with Rule 15.3 of the Takeovers Code by extending the final closing day to the 14th day thereafter.

The Offer will remain open for acceptance until 4:00 p.m. on 14 September 2007 (being the First Closing Date). If the conditions of the Offer are not met on the First Closing Date, the Offer shall deem to have lapsed. Acceptance of the Offer shall be irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that accepting Disinterested HF Land Shareholders be granted a right of withdrawal, on terms acceptable to the Executive until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and approval and further terms of the Offer are set out in Appendix I to this Composite Offer Document.

Rule 28.6 of the Takeovers Code

Pursuant to Rule 28.6 of the Takeovers Code, since the Offeror will be interested in more than 50% of the voting rights of HF Land if the Offer becomes unconditional, the Offeror will by then be free, subject to Rule 28.3 of the Takeovers Code, to acquire further HF Land Shares without incurring any obligation to make a general offer.

Rule 28.8 of the Takeovers Code

Pursuant to Rule 28.8 of the Takeovers Code, in the event that a Disinterested HF Land Shareholder tenders acceptance for HF Land Shares in excess of his Assured Entitlement, such shares must be accepted by the Offeror from that Disinterested HF Land Shareholder in the same proportion as the number tendered to the extent necessary to enable the Offeror to obtain the Specified HF Land Shares. Set out below is the formula according to which, in the event that aggregate valid acceptances received exceeds the Specified HF Land Shares, the valid excess acceptances from each of the relevant Disinterested HF Land Shareholders will be taken up on a pro rata basis in order to enable the Offeror to obtain the Specified HF Land Shares:

$$A \text{ x } \frac{B}{C}$$

A: represents the total number of HF Land Shares available for allocation to the HF Land Shareholders who tender acceptances in excess of their Assured Entitlements, being: the Specified HF Land Shares minus the sum of the HF Land Shares in respect of either all or part of the Assured Entitlement of each HF Land Shareholder who validly accepts the Offer

B: represents the number of excess HF Land Shares subject to allocation in respect of which the relevant individual HF Land Shareholder validly accepts the Offer in excess of his Assured Entitlement

C: represents the aggregate number of excess HF Land Shares subject to allocation in respect of which all relevant HF Land Shareholders validly accept the Offer in excess of their Assured Entitlements

If a HF Land Shareholder validly accepts the Offer for the number of HF Land Shares which is less than his Assured Entitlement, the Offeror will include all such HF Land Shares tendered for acceptance in calculating the minimum level of the Specified HF Land Shares required for the Offer to become unconditional. If a HF Land Shareholder tenders an acceptance in excess of his Assured Entitlement, then his Assured Entitlement will be taken up by the Offeror in full first. However, the Offeror may or may not be able to take up all or part of his excess HF Land Shares depending on the number of HF Land Shares available for allocation from those HF Land Shareholders who accept part or none of their Assured Entitlements. In the event that aggregate valid acceptances are received for less than the Specified HF Land Shares as at the time limit specified for acceptances to be tendered on the First Closing Day, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Codes the Offer will lapse.

Fractional entitlements

Fractions of HF Land Shares will not be taken up by the Offeror under the Offer and accordingly, the number of HF Land Shares that the Offeror will take up from the accepting HF Land Shareholders, whether in respect of their Assured Entitlements or in excess of their Assured Entitlements, will be rounded up or down to the nearest whole number at the sole discretion of the Offeror.

Terms of the Bond

Issuer:	The Offeror
Principal amount:	The Bond will be issued in denominations of HK$0.24 each. The aggregate number and value of the Bond that will ultimately be issued under the Offer will be ascertained upon the close of the Offer.
Maturity:	On the third anniversary from the date of issue.
Listing:	No application will be made for the listing of or the permission to deal in the Bond on the Stock Exchange or any other stock exchange.
Interest:	The Bond will bear interest from the date of the issue at the rate of 3% per annum on the principal amount of the Bond and interest will be payable by the Offeror semi-annually in arrears from the date of issue of the Bond. The first payment of interest shall be made on the date falling on the day immediately preceding the six-month period after the date of the issue.
Guarantor:	Hong Fok will unconditionally guarantee the performance of the Bond.
Security:	Nil

Shareholding structure

Set out below is the shareholding structure of HF Land (i) as at the Latest Practicable Date; and (ii) when the Offer becomes unconditional:

HF Land Shareholders	**As at the Latest Practicable Date**		**When the Offer becomes unconditional**	
	HF Land Shares	*%*	*HF Land Shares*	*%*
Hong Fok, its associates and the Offeror Parties	608,042,787	40.7	902,832,187	60.5
Barragan Trading Corp.	285,312,566	19.1	190,208,377	12.7
Public	599,055,633	40.2	399,370,422	26.8
Disinterested HF Land Shareholders	884,368,199	59.3	589,578,799	39.5
Total	1,492,410,986	100.0	1,492,410,986	100.0

Total consideration and financial resources

Based on the terms of the Offer and the number of Specified HF Land Shares, the cash consideration payable by the Offeror will amount to approximately HK$47.2 million.

The Offeror will finance the Offer by a loan facility of HK$50,000,000 obtained from Nanyang Commercial Bank, Limited ("the Lender") under a facility letter (the "Facility Letter") entered into between Hong Fok Investment Holding Company, Limited ("HF Investment"), a wholly owned subsidiary of Hong Fok, and the Lender. Both HF Investment and the Lender confirmed that the Facility Letter was obtained after arm's length negotiations between them. The loan facility is not secured by any securities but is guaranteed by Hong Fok. The Offeror and parties acting in concert with it do not intend or expect that the payment of the interest on and repayment of such loan will depend on any significant extent on the business of HF Land.

The total consideration in the form of Winfoong Shares payable by the Offeror will amount to approximately 589,578,800 Winfoong Shares. The Offeror will pay the Winfoong Shares from the current holding of Winfoong Shares by the Offeror's concert parties. As at the Latest Practicable Date, Hong Fok, its associates and the Offeror Parties had in aggregate 1,508,042,787 Winfoong Shares.

Kingsway is satisfied that there are sufficient financial resources available to the Offeror to meet its obligation in case of a full acceptance of the Offer.

Effects of accepting the Offer

Acceptance of the Offer by any person will be deemed to constitute a warranty by such person or persons to the Offeror that the Specified HF Land Shares acquired under the Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and distributions declared, paid or made after 1 August 2007.

EFFECT ON HONG FOK UPON COMPLETION OF THE OFFER

At the close of the Offer, if the conditions of the Offer are fulfilled, the Offeror will acquire precisely 294,789,400 HF Land Shares. The Disinterested HF Land Shareholders who accept the Offer will receive two Winfoong Shares and one Bond for each Specified HF Land Share tendered, in addition to cash of HK$0.16.

Upon completion of the Offer, the shareholding in HF Land of Hong Fok will increase from approximately 40.4% as at the Latest Practicable Date to approximately 60.1%. HF Land will become an indirect non-wholly owned subsidiary of Hong Fok.

On the other hand, after completion of the Offer, Hong Fok's indirect shareholding in Winfoong will decrease from approximately 62.8% as at the Latest Practicable Date to approximately 38.2%, and Winfoong will become an associated company indirectly held by Hong Fok.

The Offeror will finance the cash portion of the consideration by inter-company loans from HF Investment, and HF Investment will finance such inter-company loans by bank borrowings. The Offeror will issue, as part of the consideration for the Offer, a Bond for a total size of approximately HK$70.7 million. Upon completion of the Offer, the Hong Fok Group's and the Offeror's total indebtedness will be increased by such bank borrowings and bond issuance, accordingly, assuming other things constant.

Save for the above, there will be no impact on the assets, liabilities, profits or business of the Offeror or Hong Fok that may be significant for a proper appraisal of the Offer upon completion of the Offer.

INFORMATION ON THE OFFEROR

The Offeror, a company incorporated in the British Virgin Islands on 27 February 2007, was established solely for the purposes of the Offer. The Offeror is a wholly-owned subsidiary of Hong Fok. The board of directors of the Offeror and Hong Fok comprises Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng. Apart from the above, the board of directors of Hong Fok also comprises another four non-executive directors, namely Madam Lim Ghee, Mr. Jackson Lee, Mr. Lai Meng Seng and Mr. Tan Tock Han. Hong Fok together with its associates and the Offeror Parties holds an approximately 40.7% interest in HF Land as at the Latest Practicable Date. The principal activity of Hong Fok is investment holding and its subsidiaries are principally engaged in property investment, property development, property management, investment trading and investment holding and management.

FINANCIAL AND TRADING PROSPECTS OF THE OFFEROR

The Offeror is a wholly-owned subsidiary of Hong Fok. The disclosure of financial and trading prospects of the Hong Fok Group is considered applicable to the Offeror.

The principal activity of Hong Fok is that of investment holding whose subsidiaries are principally engaged in property investment, property development, property management, investment trading and investment holding and management.

As mentioned in the section headed "Information on the Offeror" above, the Offeror was established solely for the purposes of the Offer, and no audited financial statements of the Offeror had been prepared since its incorporation on 27 February 2007. HF Land Shareholders should refer to the financial statements of the Hong Fok Group.

Hong Fok Group recorded audited revenue of approximately S$63.2 million (equivalent to HK$323.9 million) for the year ended 31 December 2006, representing an increase of approximately 63.3% as compared to the revenue of approximately S$38.7 million (equivalent to HK$198.3 million) recorded in the previous year.

Hong Fok Group recorded audited loss of approximately S$16.1 million (equivalent to HK$82.5 million) for the year ended 31 December 2006, representing an increase in loss of approximately 78.9% as compared to audited loss of approximately S$9.0 million (equivalent to HK$46.1 million) recorded in the previous year.

In 2006, Hong Fok Group continued to enjoy good occupancy rates for its commercial properties in Singapore. It expects the buoyant property market in Singapore to sustain in 2007 but the current interest rate environment and high operating costs will continue to make Hong Fok Group's operating environment challenging.

REASON FOR THE PARTIAL OFFER AND INTENTIONS OF THE OFFEROR

Reason of the partial offer

The intention to make the Offer as a voluntary partial offer was conceived at the same time as the Group Reorganisation and the Acquisition. It was not Hong Fok's commercial intention from the outset to acquire all of the interests in HF Land Group and having HF Land becoming a wholly-owned subsidiary of the Offeror. Accordingly, only a partial offer would achieve the Offeror's objective in such respect.

Given that, after the Group Reorganisation, the HF Land Shares will not be listed on the Stock Exchange or any other stock exchange, the Offeror considers that it is appropriate to provide the Disinterested HF Land Shareholders with an alternative to realize part of their investment in HF Land and increase their investment in the HF Land Group by making the Offer. HF Land will become a non-wholly owned subsidiary of the Offeror upon completion of the Offer.

Intention of the Offeror

Regardless of whether the acceptance of the Specified HF Land Shares being received, it is the intention of the Offeror that the HF Land Group will not make material changes to its principal businesses nor conduct any business other than the Distributed Business. It is also the intention of the Offeror that the HF Land Group will not hold any assets other than those relating to the Distributed Business, nor be injected with any major assets, nor dispose of any major assets, after the close of the Offer. The Offeror also has no intention to discontinue the employment of the employees of the HF Land Group after completion of the Offer. If the Offeror receives all acceptances of the Specified HF Land Shares, Hong Fok, its associates and the Offeror Parties will be interested in approximately 60.5% of the issued share capital of HF Land.

COMPULSORY ACQUSITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any HF Land Shares after completion of the Offer.

ACCEPTANCE AND SETTLEMENT

Procedures for approval and acceptance

To approve and/or accept the Offer, you should complete the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offer. Whether you consider to accept the Offer or not, you are suggested to provide your decision on the approval of the Offer by completing the Form of Acceptance and Transfer in accordance with the instructions printed on it. The completed Form of Acceptance and Transfer in respect of the Offer should then be forwarded by post, by express mail or other similar courier services, or by hand to the Transfer Agent, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable after receipt of the Form of Acceptance and Transfer and in any event by no later than 4:00 p.m. on 14 September 2007 (being the First Closing Date) or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code. No acknowledgement of receipt of any Form of Acceptance and Transfer will be given. If the Form of Acceptance and Transfer is not received by the Transfer Agent, you will be deemed not to accept and not to approve the Offer.

Payment and settlement

Provided that the Offer becomes unconditional, a valid Form of Acceptance and Transfer is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque, the certificates for the Bond and for the Winfoong Shares representing the consideration due to you in respect of the Specified HF Land Shares tendered by you and taken up by the Offeror under the Offer and taken up by the Offeror will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days following the closing of the Offer. If such date is not a Business Day, then the day by which the consideration for the offer will be despatched will be extended to the next Business Day thereafter.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact the Offeror for payment.

Settlement of the consideration to which any Disinterested HF Land Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Disinterested HF Land Shareholder.

Hong Kong stamp duty

Sellers' and buyers' stamp duty in connection with the acceptance of the Offer by any Disinterested HF Land Shareholder will be borne by the Offeror.

Since HF Land is a company incorporated in Bermuda and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the HF Land Shares.

No stamp duty is payable on the initial issue of the Bond to the Disinterested HF Land Shareholders accepting the Offer.

OVERSEAS DISINTERESTED HF LAND SHAREHOLDERS

(i) The making of the Offer in, or to the Disinterested HF Land Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. The Composite Offer Document have not been and will not be registered and/or filed under the securities or equivalent legislation of any jurisdiction other than the applicable laws in Hong Kong, Bermuda and Canada. Based on the register of members of HF Land on 1 August 2007, there were Disinterested HF Land Shareholders whose registered addresses were in Macau, Australia, Singapore, U.S. and Canada holding in aggregate 243,115 HF Land Shares. The Offeror has made enquiry regarding the legality and feasibility of extending the Offer to such overseas Disinterested HF Land Shareholders and whether this would contravene the applicable securities legislation or the requirements of the relevant regulatory body or stock exchange in the relevant countries without having the Composite Offer Document registered or filed in the relevant countries. In this regard, the Offeror had made the relevant application so as to allow the Composite Offer Document to be sent to these overseas Disinterested HF Land Shareholders.

(ii) Acceptances of the Offer by any overseas Disinterested HF Land Shareholder will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer, and any extension or revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Offer. It is emphasised that none of the Offeror, Hong Fok, HF Land, Kingsway, Kingsway Capital or any of their respective directors or any persons involved in the Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

This document does not include any information in respect of overseas taxation. HF Land Shareholders who may be subject to overseas tax are urged to consult their tax advisers of the relevant jurisdiction of owning Winfoong Shares, disposing of the HF Land Shares, owning of the Bond and receipt of the cash consideration.

OTHER ARRANGEMENTS IN RELATION TO THE OFFER

There are no arrangements (whether by way of option, indemnity or otherwise) in relation to the HF Land Shares or the Winfoong Shares held by the Offeror or Hong Fok which might be material to the Offer. Save for the Acquisition, there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer. As at the Latest Practicable Date, none of the Offeror or parties acting in concert with it has received any irrevocable commitment to or not to accept the Offer.

GENERAL

You are advised to read carefully the letter from Hercules to the Disinterested HF Land Shareholders as contained in this Composite Offer Document before deciding whether or not to accept the Offer.

Your attention is also drawn to the accompanying Form of Acceptance and Transfer and the additional information set out in the appendices which form part of this Composite Offer Document.

Yours faithfully,
For and on behalf of
Kingsway Financial Services Group Limited
William Wu
Director

Set out below is the text of the letter of advice from Hercules in respect of the Offer for incorporation in the Composite Offer Document:

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

24 August 2007

To the Disinterested HF Land Shareholders

Dear Sirs,

CONDITIONAL PARTIAL OFFER FOR THE SHARES IN HONG FOK LAND INTERNATIONAL LIMITED BY KINGSWAY FINANCIAL SERVICES GROUP LIMITED ON BEHALF OF YORKWIN INVESTMENTS LIMITED, BEING A WHOLLY-OWNED SUBSIDIARY OF HONG FOK CORPORATION LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Disinterested HF Land Shareholders in relation to the Offer, details of which are set out in the letter from the board of HF Land contained in the composite offer document dated 24 August 2007 to HF Land Shareholders (the "**Composite Offer Document**"), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Composite Offer Document unless the context otherwise requires.

On 25 May 2007, Winfoong and the Offeror jointly announced, inter alia, that after completion of the Group Reorganisation and subject to the consent from the Executive, Kingsway would, on behalf of the Offeror, make the Offer to the Disinterested HF Land Shareholders.

Hercules has been engaged to advise the Disinterested HF Land Shareholders as to whether the Offer is fair and reasonable and in the interest of the Disinterested HF Land Shareholders.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, Winfoong's circular dated 30 June 2007, the Composite Offer Document and the financial information relating to the HF Land Group. We have also reviewed certain information provided by management of HF Land relating to the operations, financial condition and prospects of the HF Land Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; (ii) conducted verbal discussions with CBRE regarding the methodology, bases and assumptions employed in its valuation; and (iii) conducted verbal discussions with Sallmanns regarding the methodology, bases and assumptions employed in the valuation of the Bond. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

The directors of HF Land and the Offeror have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, opinions expressed in the Composite Offer Document have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Composite Offer Document misleading. We have assumed that all information, opinions and representations contained or referred to in the Composite Offer Document are true, accurate and complete in all material respects as at the date of the Composite Offer Document and that they may be relied upon in formulating our opinion. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Composite Offer Document to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the directors or management of HF Land and the Offeror, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the HF Land Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

We have not considered the tax consequences on the Disinterested HF Land Shareholders arising from the Offer since these are particular to their individual circumstances. In particular, the Disinterested HF Land Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. Background of the Offer

On 25 May 2007, Winfoong and the Offeror jointly announced, inter alia, that after completion of the Group Reorganisation and subject to the consent from the Executive, Kingsway would, on behalf of the Offeror, make the Offer to the Disinterested HF Land Shareholders.

The Group Reorganisation was completed and the consent from the Executive regarding the Offer has been obtained. Kingsway is now making the Offer on behalf of the Offeror to the Disinterested HF Land Shareholders whose names appear on the register of members of Winfoong on 1 August 2007 for the aggregate of one-third of the HF Land Shares held by the Disinterested HF Land Shareholders on 1 August 2007 on the following basis:

For each Specified HF Land Share held . . . . HK$0.16 in cash plus ONE 3-year Bond with a face value of HK$0.24 plus TWO Winfoong Shares held by Hong Fok

The Offeror cannot accept more, or less, than 294,789,400 HF Land Shares under the Offer. There is an assured entitlement for the Disinterested HF Land Shareholders to sell to the Offeror one-third of the HF Land Shares held by the Disinterested HF Land Shareholders on 1 August 2007 ("**Assured Entitlement**"). In excess of the Assured Entitlement, however, there are no guarantees that all (or any) such excess HF Land Shares will be accepted.

If the Offeror needs to accept further HF Land Shares to reach its target level of 294,789,400 HF Land Shares (which will occur if any Disinterested HF Land Shareholders either do not accept the Offer, or accept for less than the Assured Entitlement), then the Offeror will be entitled to take acceptances from the Disinterested HF Land Shareholders who have tendered more than the Assured Entitlement ("**Surplus Shares**"). The Offeror will take up from each such accepting Disinterested HF Land Shareholder a sufficient number of Surplus Shares to enable it to reach its target level of 294,789,400 HF Land Shares. The number of Surplus Shares acquired from each Disinterested HF Land Shareholder must be in the same proportion as the number tendered to the extent necessary to enable the Offeror to obtain the Specified HF Land Shares.

Further details of the Offer including, inter alia, the terms and conditions, and the procedures for acceptance and settlement are set out in Appendix I to the Composite Offer Document and the letter from Kingsway.

2. Financial information of the HF Land Group

Set out in Table 1 below is a summary of the audited combined income statement of the HF Land Group as set out in Appendix II to the Composite Offer Document.

Table 1 – Summary combined income statement of the HF Land Group

	For the year ended		
	31 December 2006	**31 December 2005**	**31 December 2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	21,217	27,687	31,706
Cost of sales	(7,477)	(12,035)	(17,395)
Gross profit	13,740	15,652	14,311
Gross profit margin	*64.8%*	*56.5%*	*45.1%*
Valuation gains on investment property	50,000	152,000	521,000
Other revenue	620	533	3,865
Other net loss	(209)	(67,870)	(12,029)
Operating and administrative expenses	(30,640)	(26,588)	(26,875)
Profit from operations	33,511	73,727	500,272
Finance costs	(23,633)	(18,240)	(9,093)
Share of profit of an associate	175,690	34,763	4,012
Profit before taxation	185,568	90,250	495,191
Income tax	(8,302)	(27,200)	(90,923)
Profit for the year	177,266	63,050	404,268
Attributable to:			
Shareholders of HF Land	177,266	66,909	404,312
Minority interests	–	(3,859)	(44)
Profit for the year	177,266	63,050	404,268

The HF Land Group is principally engaged in the Distributed Business only and its major assets include (i) the properties at 15 and 17 Magazine Gap Road in Hong Kong for investment purpose; (ii) 36 units of Chuang's Metropolis in Panyu, the PRC for investment purpose; (iii) 57 units and land portion of Riverside Villa in Jiangmen, the PRC for sale purpose; and (iv) an approximately 20.2% equity interest in Hong Fok, the shares of which are listed on The Singapore Exchange Securities Trading Limited.

For the financial years under review, the turnover of the HF Land Group comprised mainly the rental income generated from the investment properties and sale proceeds of properties owned by the HF Land Group. As the HF Land Group has not rebuilt its property portfolio after the disposal of the property inventory, the HF Land Group recorded a continuous fall in the rental income as well as the turnover during the past three years. The substantial increase in other net loss for the year ended 31 December 2005 was mainly attributable to the impairment loss of approximately HK$67.5 million for the vacant land held for future development in Jiangmen. The HF Land Group also recorded significant increases in finance costs during the period under review due to the increase in interest rate of the bank loans of the HF Land Group. Together with the rise and fall in valuation gains on investment properties and the share of profit of an associate, the HF Land Group recorded great fluctuations in net profit during the years under review.

Summarized in Table 2 below is the HF Land Group's audited combined balance sheet as at 31 December 2006 as set out in Appendix II to the Composite Offer Document.

Table 2 – Summary of the combined net assets of the HF Land Group

	31 December 2006 *HK$'000*
Non-current assets	
– Fixed assets	1,752,912
– Interest in an associate	619,829
– Pledged bank deposits	899
	2,373,640
Current assets	
– Inventories	12,500
– Trade and other receivables	412,860
– Tax recoverable	72
– Cash and cash equivalents	4,133
	429,565
Total assets	2,803,205
Current liabilities	
– Trade and other payables	439,264
– Bank borrowings	81,891
	521,155
Non-current liabilities	
– Bank borrowings	306,234
– Deferred income	5,582
– Deferred tax liabilities	250,700
	562,516
Total liabilities	1,083,671
Net assets	1,719,534

Based on the audited combined balance sheet of the HF Land Group as at 31 December 2006, the HF Land Group had a current ratio of 0.82, which is relatively low and implies that the total current assets of the HF Land Group was insufficient to cover all current liabilities. On the other hand, the gearing ratio, as expressed as the ratio of total bank borrowings divided by equity, of approximately 0.23 revealed that the HF Land Group was still having a healthy gearing.

3. Future prospects and outlook of the HF Land Group

The Offeror indicated that it has no intentions to change the principal businesses of the HF Land Group. It is also the intention of the Offeror that the HF Land Group will neither hold any asset other than those relating to the existing businesses nor will it dispose of or acquire any major asset after the completion of the Offer.

Accordingly, the major assets to be held by the HF Land Group after the completion of the Offer shall include (i) the premises at 15 and 17 Magazine Gap Road; (ii) 20.2% equity interest in Hong Fok, the shares of which are listed on The Singapore Exchange Securities Trading Limited; (iii) 36 units of Chuang's Metropolis in Panyu, the PRC; and (iv) 57 units and land portion of Riverside Villa in Jiangmen, the PRC.

Based on the valuation report on the HF Land Group as at 31 May 2007 as set out in Appendix VII to the Composite Offer Document, the total valuation of the properties held by HF Land Group amounted to approximately HK$1.84 billion. As at the Latest Practicable Date, the total monthly rental income of the HF Land Group amounted to approximately HK$1.80 million, which were wholly derived from the properties at 15 and 17 Magazine Gap Road in Hong Kong. The properties held by the HF Land Group in the PRC were vacant and not subject to any lease agreement as at the Latest Practicable Date.

Due to the lack of specific information on the future business plan of the Offeror, we cannot draw a conclusion on whether there will be any significant change in the profitability and prospect of the HF Land Group in the foreseeable future.

4. The Offer Price

The Offer price (the "**Offer Price**") for each Specified HF Land Share held is HK$0.16 payable in cash plus the Bond and two Winfoong Shares held by Hong Fok Group.

(i) Bond valuation

Based on the valuation of the Bonds prepared by Sallmanns as at 25 May 2007, the hypothetical fair value of the Bond is HK$0.2255.

To assess the fairness and reasonableness of the valuation of the Bond, we have discussed with Sallmanns and reviewed the methodology, bases and key assumptions employed in the valuation. As noted in our discussion with Sallmanns, the value of the Bond is estimated by discounting all future cash flows using a discount rate, which is determined after taking into consideration, *inter alia*, the yields of interest-bearing securities of certain comparable companies of Hong Fok. Based on our discussions with Sallmanns and review of the valuation report, we consider that the basis and assumptions have been made with due care and objectivity, and they are fair, reasonable and adequate as they are made based on reasonable estimates of available market data, and therefore the valuation is fair and reasonable.

(ii) Value of the Offer Price

Under the Offer, two Winfoong Shares held by Hong Fok Group are given as part of the consideration. To assess the Offer Price, we have also taken into account the recent performance of the Winfoong Shares. Set out in Table 3 are the average, minimum and maximum closing prices of the Winfoong Shares for the period from 19 July 2007 (being the first day the Winfoong Shares commenced trading on the Stock Exchange on an ex-rights basis) to the Latest Practicable Date (the "Review Period") and their respective implied Offer Prices:

Table 3 – Implied Offer Price

	Closing price	Implied Offer Price
	HK$	*HK$*
Average	**0.441**	**1.2675**
Minimum	**0.310**	**1.0055**
Maximum	**0.530**	**1.4455**

Source: the Stock Exchange website

As shown in Table 3, the Offer Prices implied by the average, minimum and maximum closing prices of the Shares during the Review Period are 1.2675, 1.0055 and 1.4455 respectively.

Based on the implied Offer Prices shown above, we have assessed the reasonableness and fairness of the value of the Offer Price by using the various indicative valuation benchmarks.

(a) Price-earnings multiple

One of the most commonly used benchmarks for valuing companies is price-to-earnings ratio ("**P/E**"). Based on 1,492,410,986 HF Land Shares in issue and the net profit attributable to shareholders of HF Land for the year ended 31 December 2006 of approximately HK$177,266,000 as shown in the combined income statement of the HF Land Group set out in Appendix II to the Composite Offer Document, the net profit per HF Land Share amounted to approximately HK$0.11878. Table 4 below summarises the P/E ratios of the HF Land Group based on the various implied Offer Prices.

Table 4: P/E Ratios of the HF Land Group

	Implied Offer Price	P/E
	(HK$)	
Average Offer Price	1.2675	10.67
Minimum Offer Price	1.0055	8.47
Maximum Offer Price	1.4455	12.17

(b) Price-to-book value ratio

Based on the combined balance sheet of the HF Land Group set out in Appendix II to this Composite Offer Document and the property valuation on the HF Land Group set out in Appendix VII to the Composite Offer Document, we set out in Table 5 below the adjusted net asset value (the "**Adjusted NAV**") of the HF Land Group:

Table 5: Adjusted NAV of the HF Land Group

	HK$'000
net asset value as at 31 December 2006	1,719,534
Revaluation surplus on properties held for investment in Hong Kong[1]	6,000
Less: Deferred taxation	(1,050)[3]
Adjusted NAV	**1,724,484**
Adjusted NAV per HF Land Share[2]	**1.15550**

Notes:

1. Based on the revaluation surplus of (i) Magazine Gap Towers, No. 15 Magazine Gap Road, Mid-Levels, Hong Kong; and (ii) Magazine Heights, No. 17 Magazine Gap Road, Mid-Levels, Hong Kong as shown in Appendix VII to the Composite Offer Document.

2. Based on 1,492,410,986 HF Land Shares in issue as at the Latest Practicable Date.

3. Based on a 17.5% tax rate.

Table 6 below summarises the Price-to-book ratios ("P/B") of the HF Land Group based on the various implied Offer Prices:

Table 6: P/B ratios of the HF Land Group

	Implied Offer Price	P/B
	HK$	*times*
Average Offer Price	1.2675	1.10
Minimum Offer Price	1.0055	0.87
Maximum Offer Price	1.4455	1.25

(c) Dividend yield

In the absence of any dividend payment record of the HF Land Group, we are unable to assess the Offer Price using dividend yield.

(d) Comparison with market comparables

Set out in Table 7 below is a comparison of the valuation statistics of HF Land implied by the Offer Price with the market valuations at which its comparable companies ("**Comparables**") are currently trading. We, to the best of our knowledge, have identified eight Comparables that match the following selection criteria:

- Hong Kong publicly listed companies with market capitalisation in the range of HK$1.0 billion and HK$3.0 billion;
- over 80% of turnover derived from property development, investment and trading, and provision of property management services based on the latest published annual report prior to the Latest Practicable Date; and
- business coverage includes mainly Hong Kong and the PRC, being all of HF Land Group's operating geographies.

Table 7: Trading multiples of the Comparables

Comparables (stock code)	Principal activities	Market capitalisation(1)	P/E(2)	P/B(2)	Dividend yield(3)
		HK$'million	*times*	*times*	*%*
Melbourne Enterprises Limited (158)	Investment holding and property investment in Hong Kong	1,225	4.18	0.66	4.29
YT Realty Group Limited (75)	Property investment, property trading and providing property management services	1,471	5.11	0.56	1.63

Comparables (stock code)	Principal activities	Market capitalisation[1]	P/E[2]	P/B[2]	Dividend yield[3]
		HK$'million	*times*	*times*	*%*
Hon Kwok Land Investment Company Limited (160)	Property development and investment	1,369	12.01	0.53	3.86
Shanghai Zendai Property Limited (755)	Sales of properties and investment, provision of travel and related services	2,690	9.05	1.97	0.00
Sea Holdings Limited (251)	Property development, property investment, garment manufacturing and trading and securities investment	3,378	4.06	0.65	2.11
Lai Fung Holdings Limited (1125)	Property development for sale and property investment for rental purposes	2,938	16.98	0.53	0.27
Tai Cheung Holdings Limited (88)	Property development, rental and management; investment and provision of finance services	3,081	11.34	0.90	3.21
Coastal Greenland Limited (1124)	Property development, property investment and provision of property management services	3,587	22.85	1.81	1.54
Maximum		**3,587**	**22.85**	**1.97**	**4.29**
Minimum		**1,225**	**4.06**	**0.53**	**0.00**
Average		**2,467**	**10.70**	**0.95**	**2.11**
Median		**2,814**	**10.20**	**0.66**	**1.87**
HF Land					
Average Offer Price		1,904	10.67	1.10	N/A
Minimum Offer Price		1,501	8.47	0.87	N/A
Maximum Offer Price		2,157	12.17	1.25	N/A

Notes:

1. Market capitalisation of the Comparables as at the Latest Practicable Date were quoted from Bloomberg. Market capitalisation of HF Land is calculated based on the Offer Price and 1,492,410,986 HF Land Shares in issue.

2. Trading multiples for the Comparables as at the Latest Practicable Date were quoted from Bloomberg. Implied P/E and P/B for HF Land is calculated based on the Implied Offer Price.

3. Dividend yield for the Comparables as at the Latest Practicable Date were quoted from Bloomberg.

As noted in Table 7 above,

(i) the Average Offer Price implies a P/E which is slightly lower than the average but higher than the median of the Comparables and a P/B which is higher than the average and median of the Comparables;

(ii) the Minimum Offer Price implies a P/E which is lower than the average and median of the Comparables and a P/B which is lower than the average but higher than the median of the Comparables;

(iii) the Maximum Offer Price implies a P/E which is higher than the average and median of the Comparables and a P/B which is higher than the average and median of the Comparables;

Given that (i) the P/Es and P/Bs implied by the Average Offer Price, Minimum Offer Price and Maximum Offer Price are all within the range of the P/Es and P/Bs of the Comparables respectively; (ii) the P/E of the Average Offer Price is only slightly lower than the average but higher than the median P/Es of the Comparables; and (iii) the P/B of the Average Offer Price is higher than the average and median P/Bs of the Comparables, we are of the view that the Offer Price is fair and reasonable so far as the Disinterested HF Land Shareholders are concerned when compared with the market valuation of the peers of HF Land.

5. Liquidity of Winfoong Shares

We set out below in Table 8 a summary of the trading volumes of Winfoong Shares during the past twelve months:

	Total trading volume	**Average daily trading volume**	**Average daily trading volume to issued Winfoong Shares**	**Average daily trading volume to free float Winfoong Shares**
	Shares	*Shares*	*(Note 1)*	*(Note 2)*
2006				
August	3,194,326	138,884	0.01%	0.02%
September	2,351,000	111,952	0.01%	0.01%
October	4,212,526	210,626	0.01%	0.02%
November	14,002,097	636,459	0.03%	0.07%
December	7,793,332	410,175	0.02%	0.05%
2007				
January	11,466,700	521,214	0.02%	0.06%
February	31,390,281	1,743,905	0.07%	0.20%
March	19,277,193	876,236	0.04%	0.10%
April	62,052,281	3,447,349	0.14%	0.39%
May	89,443,556	4,259,217	0.18%	0.48%
June	35,505,000	1,775,250	0.07%	0.20%
July	78,871,000	3,755,762	0.16%	0.43%
August (up to the Latest Practicable Date)	22,299,000	1,486,600	0.06%	0.17%

Source: Stock Exchange website

Notes:

1. Based on 2,392,410,986 Winfoong Shares in issue as at the Latest Practicable Date.

2. Based on 884,368,199 free float Winfoong Shares, calculated as 2,392,410,986 Winfoong Shares in issue less 1,508,042,787 Winfoong Shares held by Hong Fok, its associates and the Offeror Parties as at the Latest Practicable Date.

As illustrated in Table 8, the daily trading volume of the issued shares of Winfoong has been less than 0.5% of the free float Winfoong Shares during the whole Review Period. The average volume of the Winfoong Shares traded each month since August 2006 represents approximately 1.2% of the Winfoong Shares in issue. The aggregate amount of Winfoong Shares owned by the Disinterested HF Land Shareholders as at the Latest Practicable Date represents approximately 30.1 times the average monthly trading volume for the Review Period. Given the thin trading volume of the Winfoong Shares, a sufficiently active market may not exist in the Winfoong Shares to enable the Disinterested HF Land Shareholders, who may wish to dispose of their Winfoong Shares to do so without exerting a downward pressure on the price of the Winfoong Shares in the short term.

Given the low liquidity of the Winfoong Shares during the Review Period, the Disinterested HF Land Shareholders who will receive the Winfoong Shares as a result of the acceptance of the Offer, depending on the size of their holdings, may have difficulties in realizing their Winfoong Shares and significant selling may exert downward pressure on the share price of Winfoong.

6. Partial value locked up in the Bond and related risks

Given the unlisted and unconvertible nature of the Bonds, Disinterested HF Land Shareholders who will receive the Bond(s) as a result of the acceptance of the Offer may not be able to unlock the value in the Bonds until maturity. Although Hong Fok will unconditionally guarantee the performance of the Bonds, holders of the Bonds are still subject to the risks associated with holding the Bonds, including the inability of the issuer to pay interest or repay principal on the Bonds, on a timely basis or at all.

RECOMMENDATION

Notwithstanding the facts that the Disinterested HF Land Shareholders may have difficulties in realizing their Winfoong Shares given its low liquidity, and partial value of the Offer will be locked up in the unlisted Bonds, we recommend the Disinterested HF Land Shareholders to accept the Offer after taking into consideration of the following principal factors:

1. the Offer Price is fair and reasonable so far as the Disinterested HF Land Shareholders are concerned when compared with the market valuation of the peers of HF Land;

2. in the absence of a public trading market for the HF Land Shares, the Offer provides an alternative exit for the Disinterested HF Land Shareholders to partially realise their investments in HF Land. The Disinterested HF Land Shareholders who choose not to accept the Offer will have to accept the future opportunities and risks associated with their holdings of the unlisted shares;

3. upon completion of the Offer, the Offeror Parties will have a controlling stake of approximately 60.5% in HF Land. Therefore, the chances for the emergence of an alternative offer for HF Land Shares in the near future are relatively low as the Offeror Parties' stake in HF Land will form a significant impediment for any other alternative offeror; and

4. no dividend policies have been formulated for the HP Land Group and therefore there may be uncertainty for the Disinterested HF Land Shareholders to realise their returns, if any, on their investment by receiving dividends on their HF Land Shares.

The Disinterested HF Land Shareholders who intend not to accept the Offer and to continue to hold the HF Land Shares should note that the HF Land Shares are unlisted and illiquid. As there are no open markets for the trading of the HF Land Shares, the HF Land Shareholders may find it difficult to dispose of their HF Land Shares.

The Disinterested HF Land Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Offer Document and the letter from Kingsway, and are strongly advised that acceptance or rejection of the Offer is a matter for individual shareholders based on their own views as to fair value and future market conditions, their own assessment of the other merits and issues discussed above, and their own risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. The Disinterested HF Land Shareholders will need to consider these consequences and consult their own professional advisers if necessary.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

PROCEDURES FOR ACCEPTANCE AND APPROVAL

(i) The number of the HF Land Shares registered in your name as at 1 August 2007, the completion date of the Distribution in Specie, and your initial Assured Entitlement are set out in Box A and Box B respectively in the Form of Acceptance and Transfer accompanying this Composite Offer Document. Whether you consider to accept the Offer or not, as a shareholder of HF Land, you are suggested to provide your decision on the approval of the Offer by completing Box C in the Form of Acceptance and Transfer. To accept and/or approve the Offer, you should complete the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offer.

(ii) The completed Form of Acceptance and Transfer in respect of the Offer should then be forwarded by post, by express mail or other similar courier services, or by hand to the Transfer Agent, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable after receipt of the Form of Acceptance and Transfer and in any event by no later than 4:00 p.m. on 14 September 2007 (being the First Closing Date) or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code. If the Form of Acceptance and Transfer is not received by the Transfer Agent, you will be deemed not to accept and not to approve the Offer.

(iii) If your HF Land Shares are held through CCASS through your licensed securities dealer or registered institution in securities or custodian bank or other nominee, you should instruct your licensed securities dealer or registered institution in securities or custodian bank or other nominee to authorise HKSCC Nominees Limited to accept and/or approve the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer or registered institution in securities or custodian bank or other nominee for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer or registered institution in securities or custodian bank or other nominees as required by them. You will be deemed not to accept and not to approve the Offer if no instruction is received from you by them.

However, you should note that only one instruction should be submitted to your licensed securities dealer or registered institution in securities or custodian bank or other nominees as required by them so as to accept and/or approve the Offer in the way you wish before the First Closing Date or the Final Closing Date (if the Offer is declared unconditional on the First Closing Date). You should refer to your holding at CCASS as of the Composite Offer Document despatch date to submit your instruction.

The licensed securities dealer or registered institution in securities or custodian bank or their nominees should ensure that only one instruction to accept and/or approve the Offer is received from each Disinterested HF Land Shareholder before the First Closing Date or the Final Closing Date (if the Offer is declared unconditional on the First Closing Date).

(iv) If your HF Land Shares are held through your Investor Participant Account with CCASS, you should issue one instruction to accept and/or approve the Offer via the CCASS Phone System or CCASS Internet System or such other means as prescribed by HKSCC Nominees Limited on or before the deadline set by HKSCC Nominees Limited. You should refer to your holding at CCASS as of the Composite Offer Document despatch date to submit your instruction. You will be deemed not to accept and not to approve the Offer if no instruction is received from you.

(v) Acceptance will be subject to validation before the consideration for the Offer will be despatched to the persons entitled thereto. The consideration payable in respect of acceptances will be despatched as soon as possible and in any event within 10 days following the closing of the Offer. If such date is not a Business Day, then the day by which the consideration for the Offer will be despatched will be extended to the next Business Day thereafter.

(vi) No acknowledgement of receipt of any Form of Acceptance and Transfer will be given.

(vii) Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Form of Acceptance and Transfer.

SETTLEMENT

Provided that the Offer becomes unconditional and a valid Form of Acceptance and Transfer is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque, the certificates for the Bond and for the Winfoong Shares representing the consideration due to you in respect of the Specified HF Land Shares tendered by you and taken up by the Offeror under the Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days following the closing of the Offer. If such date is not a Business Day, then the day by which the consideration for the Offer will be despatched will be extended to the next Business Day thereafter.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques(s) will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact the Offeror for payment.

Settlement of the consideration to which any Disinterested HF Land Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Disinterested HF Land Shareholder.

NOMINEE REGISTRATION

To ensure equality of treatment of all Disinterested HF Land Shareholders, those Disinterested HF Land Shareholders who hold Specified HF Land Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Specified HF Land Shares, whose investments are registered in nominee's names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

The Disinterested HF Land Shareholders with the HF Land Shares held by a nominee company should note that the board of directors of HF Land will regard the nominee company as a single shareholder according to the register of members of HF Land. Accordingly, the Disinterested HF Land Shareholders should note that the pro rata allocation in accordance with the formula set out on page 13 in relation to the allocation of the excess acceptance will not be extended to beneficial owners individually.

The completed Form of Acceptance and Transfer, cheque and certificates sent by or to the Disinterested HF Land Shareholders through ordinary post will be sent by or to them at their own risk. The cheques and certificates will be sent to them at their addresses as they appear in the register of members of HF Land (or in the case of joint Disinterested HF Land Shareholders, to the Disinterested HF Land Shareholder whose name stands first in the register of members of HF Land).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of the Offeror, HF Land, Kingsway, any of their respective directors and any other persons involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ACCEPTANCE PERIOD, REVISIONS AND EXTENSIONS OF THE OFFER

(i) The Offer is being made on 24 August 2007 and is capable of acceptance from and after this date.

(ii) If the conditions of the Offer are not met on the First Closing Date, the Offer shall be deemed to have lapsed.

(iii) If the Offer has become or been declared unconditional before the First Closing Date, the Offer will remain open for another 14 days and the closing date of the Offer will be extended to the 14th day after the Offer has become or been declared unconditional. However, in any event the earliest time for the close of the Offer will be at 4:00 p.m. on 14 September 2007 (the First Closing Date). If the Offer becomes or is declared unconditional on the First Closing Date, it will remain open for acceptance for a period of not less than 14 days and, unless previously extended or declared unconditional, shall be closed on the Final Closing Date. The latest time for acceptances on the Final Closing Date will be 4:00 p.m.. An announcement of such extension or revision will state the final closing date of the Offer.

(iv) In any case where the Offer is revised, the benefit of any revision of the Offer will be available to all Disinterested HF Land Shareholders who have previously accepted the Offer. The execution and delivery to the Transfer Agent of any Form of Acceptance and Transfer by or on behalf of any Disinterested HF Land Shareholder who has accepted the Offer before such revision shall be deemed to constitute acceptance of the revised Offer, unless such Disinterested HF Land Shareholder becomes entitled to withdraw his acceptance as set out in paragraphs headed "Right of Withdrawal" below and duly does so.

(v) If the Offer is extended, any reference in this Composite Offer Document and in the Form of Acceptance and Transfer to the closing date shall, except where the context otherwise requires, be deemed to refer to the Final Closing Date as so extended.

ANNOUNCEMENTS

(i) By 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the First Closing Date, the Offeror will inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offer. The Offeror will publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating whether the Offer has been revised, extended, expired or declared unconditional. Such announcement will be republished in accordance with Rule 12.2 of the Takeovers Code on the Business Day thereafter. The announcement will state the total number of HF Land Shares and rights over HF Land Shares:

- for which acceptances of the Offer have been received;
- held, controlled or directed by the Offeror or persons acting in concert with it before the Offer period; and
- acquired or agreed to be acquired during the Offer period by the Offeror or any persons acting in concert with it.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

(ii) The announcement will state the number of HF Land Shares representing respectively valid acceptances of the Offer and acceptances which are not in all aspects in order or are subject to verification.

(iii) As required under the Takeovers Code, all announcements in relation to the Offer in respect of which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments will be made in accordance with the Takeovers Code and the Listing Rules.

RIGHT OF WITHDRAWAL

(i) Acceptances of the Offer tendered by the Disinterested HF Land Shareholders shall be irrevocable and cannot be withdrawn save as provided below.

(ii) If the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer under Rule 19 of the Takeovers Code (a summary of which has been set out in paragraphs (i) and (ii) in the section headed "Announcements" in this appendix), the Executive may require that accepting Disinterested HF Land Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements are satisfied.

OVERSEAS DISINTERESTED HF LAND SHAREHOLDERS

(i) The making of the Offer in, or to the Disinterested HF Land Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. The Composite Offer Document have not been and will not be registered and/or filed under the securities or equivalent legislation of any jurisdiction other than the applicable laws in Hong Kong, Bermuda and Canada. Based on the register of members of HF Land on 1 August 2007, there were Disinterested HF Land Shareholders whose registered addresses were in Macau, Australia, Singapore, U.S. and Canada holding in aggregate 243,115 HF Land Shares. The Offeror has made enquiry regarding the legality and feasibility of extending the Offer to such overseas Disinterested HF Land Shareholders and whether this would contravene the applicable securities legislation or the requirements of the relevant regulatory body or stock exchange in the relevant countries without having the Composite Offer Document registered or filed in the relevant countries. In this regard, the Offeror had made the relevant application so as to allow the Composite Offer Documents to be sent to these overseas Disinterested HF Land Shareholders.

(ii) Acceptances of the Offer by any overseas Disinterested HF Land Shareholder will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer, and any extension or revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

GENERAL

(i) Acceptance of the Offer by any person will be deemed to constitute a warranty by such person or persons to the Offeror that the Specified HF Land Shares acquired by the Offeror under the Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and distributions declared, paid or made after 1 August 2007.

(ii) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of HF Land Shares in respect of which it is indicated in the Form of Acceptance and Transfer is the aggregate number of HF Land Shares held by such nominee for such beneficial owners who are accepting the Offer and in respect of which the Offer is accepted.

(iii) All communications, notices, Forms of Acceptance and Transfer, share or bond certificates, other documents of title (or indemnities in respect thereof) or remittances of any nature to be delivered by or sent to or from the Disinterested HF Land Shareholders shall be delivered by or sent to or from the Disinterested HF Land Shareholders, or their designated agents, at their own risk, and none of the Offeror, Kingsway, HF Land, the Transfer Agent accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.

(iv) If the Offer is withdrawn as permitted by the Takeovers Code or is lapsed, the Form of Acceptance and Transfer will be returned by post as soon as possible and in any event within 10 days of the Offer being withdrawn or lapsed or (as the case may be) within the period to be specified by the Offeror by announcement if accepting Disinterested HF Land Shareholders were to be given the right to withdraw their acceptance (as required by the Executive), in each case at the risk of the person entitled thereto, to the person or agent whose name and address is set forth in the Form of Acceptance and Transfer. If no such name is set forth, to the first-named holder at his registered address.

(v) References to the Offer in this Composite Offer Document and in the Form of Acceptance and Transfer shall include any extension and/or revision thereof.

(vi) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Offer.

(vii) The accidental omission to despatch this Composite Offer Document and/or the Form of Acceptance and Transfer to any person to whom the Offer is made will not invalidate the Offer in any way.

(viii) The Offer and all acceptances of it, the Form of Acceptance and Transfer, all contracts made in relation to the Offer, and all actions taken or made or deemed to be taken or made pursuant to the terms of the Offer, will be governed by and construed in all aspects in accordance with the laws of Hong Kong. Execution of a Form of Acceptance and Transfer by or on behalf of a Disinterested HF Land Shareholder will constitute the submission by such shareholder in relation to all matters arising out of or in connection with the Offer and the Form of Acceptance and Transfer to the non-exclusive jurisdiction of the courts of Hong Kong.

(ix) Due execution of the Form of Acceptance and Transfer will constitute an authority to the Offeror and/or Kingsway, any director thereof or their respective agents to complete and execute, on behalf of the Disinterested HF Land Shareholders who accept the Offer, the Form of Acceptance and Transfer and any other document and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as the Offeror shall direct, the HF Land Shares which are the subject of such acceptance.

(x) The settlement of the consideration to which accepting Disinterested HF Land Shareholders will be entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such shareholders.

(xi) In making their decision, Disinterested HF Land Shareholders must rely on their own examination of the Offeror and HF Land and the terms of the Offer, including the merits and risks involved. The contents of this Composite Offer Document, including any general advice or recommendations contained herein, and the Form of Acceptance and Transfer are not to be construed as legal or business advice. Disinterested HF Land Shareholders should consult with their own lawyer or financial adviser for legal or financial advice.

(xii) Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong has been appointed as the transfer agent to handle registration of transfer of HF Land Shares and the Bond. The charge for transfer of HF Land Shares and the Bond is expected to be HK$2.50 per HF Land Share and per Bond certificate cancelled or issued. Both charges shall be borne by the HF Land Shareholder or transferee who lodges the request with the Transfer Agent. New HF Land Share certificates and Bond certificates will be available for collection within 10 Business Days upon surrender of the old HF Land Share certificates and Bond certificates respectively to the Transfer Agent for splitting or lodgement of the transfer form and related HF Land Share certificate(s) and Bond certificate(s) to the Transfer Agent for registration of transfer.

(xiii) The Offer is being made by the issue and despatch of this Composite Offer Document and the related Form of Acceptance and Transfer on 24 August 2007.

(xiv) The Offer is made in accordance with the Takeovers Code.

I. AUDITED FINANCIAL INFORMATION ON THE HF LAND GROUP

Set out below is the audited financial information on the HF Land Group for the three years ended 31 December 2006, extracted from the circular of Winfoong dated 30 June 2007 (the "Circular"), which is available for inspection as referred to in the section headed "Documents available for inspection" in appendix XV to this Composite Offer Document:

"A. FINANCIAL INFORMATION

(Expressed in Hong Kong dollar)

1. Combined income statements

		Year ended 31 December		
	Note	**2004**	**2005**	**2006**
		HK$'000	*HK$'000*	*HK$'000*
Turnover	*3*	31,706	27,687	21,217
Cost of sales		(17,395)	(12,035)	(7,477)
Gross profit		14,311	15,652	13,740
Valuation gains on investment property		521,000	152,000	50,000
Other revenue	*4*	3,865	533	620
Other net income/(loss)	*4*	(12,029)	(67,870)	(209)
Operating and administrative expenses		(26,875)	(26,588)	(30,640)
Profit from operations		500,272	73,727	33,511
Finance costs		(9,093)	(18,240)	(23,633)
Share of profit of an associate		4,012	34,763	175,690
Profit before taxation	*5*	495,191	90,250	185,568
Income tax	*6(a)*	(90,923)	(27,200)	(8,302)
Profit for the year		404,268	63,050	177,266
Attributable to:				
Equity shareholders of HF Land		404,312	66,909	177,266
Minority interests		(44)	(3,859)	–
Profit for the year		404,268	63,050	177,266

The accompanying notes form part of the Financial Information.

2. Combined balance sheets

	Note	As at 31 December 2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*
Non-current assets				
Fixed assets	*11*			
Investment properties		1,550,000	1,702,000	1,752,000
Property held for future development		80,000	–	–
Other property, plant and equipment		926	1,175	912
		1,630,926	1,703,175	1,752,912
Interest in an associate	*12*	377,562	403,028	619,829
Pledged bank deposits	*17*	1,629	785	899
Other financial assets	*13*	410	410	–
		2,010,527	2,107,398	2,373,640
Current assets				
Inventories	*14*	7,653	14,146	12,500
Trade and other receivables	*15*	536,508	468,047	412,860
Tax recoverable	*20(a)*	7	1	72
Cash and cash equivalents	*17*	628	3,359	4,133
		544,796	485,553	429,565
Current liabilities				
Trade and other payables	*18*	435,569	435,498	439,264
Bank borrowings	*19*	18,722	80,204	81,891
		454,291	515,702	521,155
Net current assets/(liabilities)		90,505	(30,149)	(91,590)
Total assets less current liabilities		2,101,032	2,077,249	2,282,050
Non-current liabilities				
Bank borrowings	*19*	433,899	328,079	306,234
Deferred income		5,582	5,582	5,582
Deferred tax liabilities	*20(b)*	215,185	242,384	250,700
		654,666	576,045	562,516
NET ASSETS		1,446,366	1,501,204	1,719,534

	Note	As at 31 December 2004 HK$'000	2005 HK$'000	2006 HK$'000
CAPITAL AND RESERVES	*21*			
Share capital		1	1	1
Reserves		1,442,503	1,501,203	1,719,533
Total equity attributable to equity shareholders of HF Land		1,442,504	1,501,204	1,719,534
Minority interests		3,862	–	–
TOTAL EQUITY		1,446,366	1,501,204	1,719,534

The accompanying notes form part of the Financial Information.

3. Combined statements of change in equity

	Attributable to shareholders of HF Land							
	Share capital	Contributed surplus	Exchange reserve	Other reserve	Retained profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 20(b)(i)	*Note 20(b)(ii)*					
At 1 January 2004	1	649,689	(157,606)	–	527,422	1,019,506	3,906	1,023,412
Share of movements in reserves of an associate	–	–	18,686	–	–	18,686	–	18,686
Profit for the year	–	–	–	–	404,312	404,312	(44)	404,268
At 31 December 2004	1	649,689	(138,920)	–	931,734	1,442,504	3,862	1,446,366
At 1 January 2005	1	649,689	(138,920)	–	931,734	1,442,504	3,862	1,446,366
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	(43)	–	–	(43)	(3)	(46)
Share of movements in reserves of an associate	–	–	(9,413)	1,247	–	(8,166)	–	(8,166)
Profit for the year	–	–	–	–	66,909	66,909	(3,859)	63,050
At 31 December 2005	1	649,689	(148,376)	1,247	998,643	1,501,204	–	1,501,204
At 1 January 2006	1	649,689	(148,376)	1,247	998,643	1,501,204	–	1,501,204
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	(47)	–	–	(47)	–	(47)
Share of movements in reserves of an associate	–	–	41,037	74	–	41,111	–	41,111
Profit for the year	–	–	–	–	177,266	177,266	–	177,266
At 31 December 2006	1	649,689	(107,386)	1,321	1,175,909	1,719,534	–	1,719,534

The accompanying notes form part of the Financial Information.

4. Combined cash flow statements

	Year ended 31 December		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	495,191	90,250	185,568
Adjustment for:			
Valuation gains on investment property	(521,000)	(152,000)	(50,000)
Depreciation	318	343	359
Impairment loss on property held for future development	–	67,500	–
Finance costs	9,093	18,240	23,633
Interest income	(2)	(49)	(137)
Share of profit of an associate	(4,012)	(34,763)	(175,690)
Loss on disposal of fixed assets	4	9	17
Write-off of amount due from former fellow subsidiaries	11,966	–	–
Provision for impairment of properties held for sale	–	361	–
Loss on disposal of other financial assets	–	–	208
Bad debts written off	–	–	236
Net foreign exchange loss	–	3	4
Operating loss before changes in working capital	(8,442)	(10,106)	(15,802)
Decrease in inventories	10,630	5,646	1,646
(Increase)/decrease in trade and other receivables	(9,202)	68,490	54,979
Increase/(decrease) in trade and other payables	2,903	(774)	2,862
Cash (used in)/generated from operations	(4,111)	63,256	43,685
Tax paid			
Hong Kong profits tax paid	(7)	–	(72)
Hong Kong profits tax refunded	20	5	1
PRC tax refunded	–	–	14
Net cash (used in)/generated from operating activities	(4,098)	63,261	43,628

	Year ended 31 December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Investing activities			
Withdrawal/(placement) of pledged bank deposits	1,353	844	(114)
Payment for purchase of fixed assets	(677)	(604)	(137)
Proceeds from disposal of fixed assets	2	3	24
Proceeds from sales of other financial assets	–	–	202
Interest received	2	48	136
Dividend received from an associate	1,156	1,131	–
Net cash from investing activities	1,836	1,422	111
Financing activities			
Proceeds from new bank loans	26,000	–	–
Repayment of bank loans	(17,640)	(44,338)	(20,158)
Interest paid	(8,793)	(17,615)	(22,808)
Net cash used in financing activities	(433)	(61,953)	(42,966)
Net (decrease)/increase in cash and cash equivalents	(2,695)	2,730	773
Cash and cash equivalents at 1 January	3,323	628	3,359
Effect of foreign exchange rate changes	–	1	1
Cash and cash equivalents at 31 December	628	3,359	4,133

The accompanying notes form part of the Financial Information.

B. NOTES ON THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollar)

1. BASIS OF PRESENTATION

The Financial Information presents the combined results, cash flows and financial position of the HF Land Group for the years ended 31 December 2004, 2005 and 2006 on the basis that the HF Land, for the purpose of this report, is regarded as a continuing entity and that the Group Reorganisation had been completed as at the beginning of the relevant period and that the business of the HF Land Group had been conducted by the HF Land throughout the relevant period as they are related to entities under common control. A business combination involving entities or business under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The HF Land Group has consistently applied the book value measurement method to all common control transactions. The assets and liabilities transferred from the ultimate controlling party were based on historical costs at which they were recorded in their financial statements.

All material intra-group transactions and balances have been eliminated on combination.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the HF Land Group is set out below.

The Financial Information also complies with the disclosure requirements of Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HF Land Group has not applied any new standard or interpretation that is not yet effective for the relevant period (see note 28).

b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment property (see note 2(f)); and

– financial instruments classified as available-for-sale securities (see note 2(e)).

HKFRS 1, "First-time adoption of Hong Kong Financial Reporting Standards", has been applied in preparing the Financial Information. The Financial Information is the first set of the HF Land's Financial Information prepared in accordance with HKFRSs.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the future period are discussed in note 27.

c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the HF Land Group. Control exists when the HF Land Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by HF Land, whether directly or indirectly through subsidiaries, and in respect of which the HF Land Group has not agreed any additional terms with the holders of those interests which would result in the HF Land Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the combined balance sheet within equity, separately from equity attributable to the equity shareholders of HF Land. Minority interests in the results of the HF Land Group are presented on the face of the combined income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the HF Land.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any future losses applicable to the minority, are charged against the HF Land Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the HF Land Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the HF Land Group has been recovered.

d) Associate

An associate is an entity in which the HF Land Group or HF Land has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the HF Land Group's share of the associate's net assets. The combined income statement includes the HF Land Group's share of the post-acquisition, post-tax results of the associate for the year.

When the HF Land Group's share of losses exceeds its interest in the associate, the HF Land Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the HF Land Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the HF Land Group's interest in the associate is the carrying amount of the investment under the equity method together with the HF Land Group's long-term interests that in substance form part of the HF Land Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the HF Land Group and its associates are eliminated to the extent of the HF Land Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

e) Other investments in debt and equity securities

The HF Land Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associate, are as follows:

Investments in debt and equity securities are initially at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investment in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the HF Land Group have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(i)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 2(i)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the HF Land Group commits to purchase/sell the investments or they expire.

f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(s)(i).

When the HF Land Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

g) Other property, plant and equipment

The other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(u)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives of five years.

Where parts of an item of other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the HF Land Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the HF Land Group

Assets that are held by HF Land Group under leases which transfer to the HF Land Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the HF Land Group are classified as operating leases except for the property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, accounted for as if held under a finance lease (see note 2(f)).

ii) Operating lease charges

Where the HF Land Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

i) Impairment of assets

i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts); and

- investment in associate.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whether the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rate basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

j) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing cost capitalised (see note 2(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the HF Land Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

k) Construction contracts

The accounting policy for contract revenue is set out in note 2(s)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Trade and other receivables". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Advances received".

l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(i)).

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the HF Land Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the HF Land Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, HF Land Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax liabilities on a net basis or realise and settle simultaneously.

r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the HF Land Group or HF Land has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

s) Revenue recognition

Provided it is probable that the economic benefits will flow to the HF Land Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits and instalments received.

iii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimate total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

iv) Management fee income

Management fee income is recognised at the time when the services are rendered.

v) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

v) Related parties

For the purposes of the Financial Information, a party is considered to be related to the HF Land Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the HF Land Group or exercise significant influence over the HF Land Group in making financial and operating policy decisions, or has joint control over the HF Land Group;

ii) the HF Land Group and the party are subject to common control;

iii) the party is an associate of the HF Land Group;

iv) the party is a member of key management personnel of the HF Land Group or the HF Land Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the HF Land Group or of any entity that is a related party of the HF Land Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

w) Segment reporting

A segment is a distinguishable component of the HF Land Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the HF Land Group's internal financial reporting system, the HF Land Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. TURNOVER

The principal activities of the HF Land Group were property investment and management, and property development and construction.

Turnover represents the rental income, proceeds from sales of properties, and revenue from provision of property management services. The amount of each significant category of revenue recognised in turnover during the relevant period is as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Gross rentals from investment and other properties	25,510	22,249	19,465
Gross proceeds from properties sold	6,088	5,360	1,680
Revenue from provision of property management services	108	78	72
	31,706	27,687	21,217

4. OTHER REVENUE AND NET INCOME/(LOSS)

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Other revenue			
Interest income			
– bank	2	49	136
– others	–	–	1
	2	49	137
Management fee income	3,686	466	460
Others	177	18	23
	3,865	533	620
Other net income/(loss)			
Net loss on disposal of fixed assets	(4)	(9)	(17)
Loss on disposal of non-current financial assets	–	–	(208)
Provision for impairment of properties held for sale	–	(361)	–
Impairment loss on property held for future development	–	(67,500)	–
Write-off of amounts due from former fellow subsidiaries	(11,966)	–	–
Net foreign exchange (loss)/gain	(59)	–	16
	(12,029)	(67,870)	(209)

5. PROFIT BEFORE TAXATION

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

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
(a) Finance costs			
Interest on bank borrowings			
– wholly repayable within five years	–	12,922	16,342
– repayable after five years	9,093	5,318	7,291
	9,093	18,240	23,633
(b) Staff costs (including directors' remuneration)			
Contributions to defined contribution retirement plan	235	248	273
Salaries, wages and other benefits	14,857	18,552	21,326
	15,092	18,800	21,599
(c) Other items			
Depreciation of fixed assets	318	343	359
Auditors' remuneration			
– audit services	115	116	189
– tax services	–	30	–
– other services	8	7	–
Operating lease charges: minimum lease payments			
– hire of other assets (including property rentals)	48	48	48
Bad debts written off	–	–	236
Share of an associate's taxation	564	(185)	230
Rentals receivable from investment and other properties less direct outgoings of HK$5,789,000 (2005: HK$6,197,000; 2004: HK$6,580,000)	18,930	16,052	13,676
Cost of inventories *(note 14(c))*	10,630	6,017	1,646

6. INCOME TAX IN THE COMBINED INCOME STATEMENTS

(a) Taxation in the combined income statements for the years ended 31 December 2004, 2005 and 2006 represented:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Current tax – Hong Kong Profits Tax			
Under-provision in respect of prior years	7	1	–
Current tax – PRC Income Tax			
Over-provision in respect of prior years	–	–	(14)
Deferred tax			
Origination and reversal of temporary differences	90,916	27,199	8,316
	90,923	27,200	8,302

No provision for Hong Kong Profits Tax and PRC Income Tax has been made as the HF Group has no estimated assessable profits arising in Hong Kong and the PRC for the relevant period.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	495,191	90,250	185,568
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	86,658	15,794	32,475
Tax effect of non-deductible expenses	2,110	19,054	460
Tax effect on non-taxable income	(1)	(7,003)	(253)
Tax effect on unused tax losses not recognised	2,966	5,747	7,114
Tax effect of prior years' tax losses utilised this year	–	(412)	(4)
Tax effect of share of profit of an associate	(703)	(6,083)	(30,746)
Under-provision in prior years			
– Hong Kong Profits Tax	7	1	–
Over-provision in prior years			
– PRC Income Tax	–	–	(14)
Others	(114)	102	(730)
Actual tax expense	90,923	27,200	8,302

7. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

Year ended 31 December 2004:

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Cheong Pin Chuan, Patrick	–	873	–	12	885
Cheong Kim Pong	–	84	–	–	84
Cheong Sim Eng	–	1,305	–	12	1,317
Cheong Hooi Kheng	–	143	–	7	150
	–	2,405	–	31	2,436

Year ended 31 December 2005:

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Cheong Pin Chuan, Patrick	–	1,755	–	12	1,767
Cheong Kim Pong	–	93	–	–	93
Cheong Sim Eng	–	1,317	500	12	1,829
Cheong Hooi Kheng	–	143	–	7	150
	–	3,308	500	31	3,839

Year ended 31 December 2006:

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Cheong Pin Chuan, Patrick	–	2,103	–	12	2,115
Cheong Kim Pong	–	98	–	–	98
Cheong Sim Eng	–	1,317	1,500	12	2,829
Cheong Hooi Kheng	–	143	–	7	150
	–	3,661	1,500	31	5,192

The above emoluments do not include the monetary value of the rent-free accommodation provided to Mr. Cheong Pin Chuan, Patrick, a director of HF Land, through a property owned by the HF Land Group. During the years ended 31 December 2004, 2005 and 2006, the monetary value of such residential accommodation provided to this director based on the tenancy agreement entered into by the HF Land Group was HK$720,000, HK$720,000 and HK$450,000, respectively.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the HF Land Group include one, two and two directors of HF Land during the years ended 31 December 2004, 2005 and 2006 respectively, whose remuneration is reflected in the analysis presented in note 7 above. Details of remuneration paid to the remaining highest individuals of the HF Land Group are as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Basis salaries, allowances and other benefits	6,774	6,299	6,301
Contributions to retirement benefit schemes	48	36	36
Discretionary bonuses	600	1,500	3,530
	7,422	7,835	9,867
Number of individuals	4	3	3

The emoluments of the individuals with the highest emoluments are within the following bands:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
HK$1,000,001 to HK$1,500,000	2	–	–
HK$1,500,001 to HK$2,000,000	1	1	1
HK$2,000,001 to HK$2,500,000	–	1	–
HK$3,000,001 to HK$3,500,000	–	–	1
HK$3,500,001 to HK$4,000,000	1	–	–
HK$4,000,001 to HK$4,500,000	–	1	–
HK$5,000,001 to HK$5,500,000	–	–	1

No emoluments were paid by the HF Land Group to the five highest paid individuals during the relevant period as an inducement to join or upon joining the HF Land Group or as compensation for loss of office.

9. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion is not considered meaningful due to the Reorganisation and the preparation of the results on combined basis as disclosed in Section B Note 1 above.

10. SEGMENT REPORTING

Segment information is presented in respect of the HF Land Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the HF Land Group's internal financial reporting.

Business segments

The HF Land 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' values in the long term, and provision of building management services.

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

For the year ended 31 December 2004:

	Property investment and management	Property construction and development	Inter-segment elimination	Unallocated	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	25,618	6,088	–	–	31,706
Inter-segment revenue	768	–	(768)	–	–
Other revenue from external customers	171	1	–	3,691	3,863
Total	26,557	6,089	(768)	3,691	35,569
Segment result	538,242	(5,444)	(768)	(31,760)	500,270
Unallocated operating income and expenses					2
Profit from operations					500,272
Finance costs					(9,093)
Share of profit of an associate	4,012	–	–	–	4,012
Income tax					(90,923)
Profit for the year					404,268
Depreciation for the year	174	1			

For the year ended 31 December 2005:

	Property investment and management HK$'000	Property construction and development HK$'000	Inter-segment elimination HK$'000	Unallocated HK$'000	Combined HK$'000
Revenue from external customers	22,327	5,360	–	–	27,687
Inter-segment revenue	756	–	(756)	–	–
Other revenue from external customers	12	3	–	469	484
Total	23,095	5,363	(756)	469	28,171
Segment result	164,242	(70,185)	(756)	(19,623)	73,678
Unallocated operating income and expenses					49
Profit from operations					73,727
Finance costs					(18,240)
Share of profit of an associate	34,763	–	–	–	34,763
Income tax					(27,200)
Profit for the year					63,050
Depreciation for the year	172	1			
Impairment loss on property held for future development	–	67,500			

For the year ended 31 December 2006:

	Property investment and management HK$'000	Property construction and development HK$'000	Inter-segment elimination HK$'000	Unallocated HK$'000	Combined HK$'000
Revenue from external customers	19,537	1,680	–	–	21,217
Inter-segment revenue	450	985	(1,435)	–	–
Other revenue from external customers	10	11	–	462	483
Total	19,997	2,676	(1,435)	462	21,700
Segment result	57,983	(1,192)	(1,435)	(21,982)	33,374
Unallocated operating income and expenses					137
Profit from operations					33,511
Finance costs					(23,633)
Share of profit of an associate	175,690	–	–	–	175,690
Income tax					(8,302)
Profit for the year					177,266
Depreciation for the year	165	1			

As at 31 December 2004:

	Property investment and management HK$'000	Property construction and development HK$'000	Combined HK$'000
Segment assets	1,553,488	88,568	1,642,056
Interest in an associate	377,562		377,562
Unallocated assets			535,705
Total assets			2,555,323
Segment liabilities	680,379	3,412	683,791
Unallocated liabilities			425,166
Total liabilities			1,108,957
Capital expenditure incurred during the year	338	–	

As at 31 December 2005:

	Property investment and management HK$'000	Property construction and development HK$'000	Combined HK$'000
Segment assets	1,704,895	14,189	1,719,084
Interest in an associate	403,028	–	403,028
Unallocated assets			470,839
Total assets			2,592,951
Segment liabilities	662,807	2,910	665,717
Unallocated liabilities			426,030
Total liabilities			1,091,747
Capital expenditure incurred during the year	89	–	

As at 31 December 2006:

	Property investment and management HK$'000	Property construction and development HK$'000	Combined HK$'000
Segment assets	1,757,759	12,648	1,770,407
Interest in an associate	619,829	–	619,829
Unallocated assets			412,969
Total assets			2,803,205
Segment liabilities	651,945	3,146	655,091
Unallocated liabilities			428,580
Total liabilities			1,083,671
Capital expenditure incurred during the year	3,744	–	

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong and Mainland China	Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2004:			
Revenue from external customers	31,706	–	31,706
Other revenue from external customers	3,863	–	3,863
Capital expenditure incurred during the year	670	–	670
As at 31 December 2004:			
Segment assets	2,177,761	377,562	2,555,323

	Hong Kong and Mainland China	Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2005:			
Revenue from external customers	27,687	–	27,687
Other revenue from external customers	484	–	484
Capital expenditure incurred during the year	604	–	604
As at 31 December 2005:			
Segment assets	2,189,923	403,028	2,592,951

	Hong Kong and Mainland China	Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2006:			
Revenue from external customers	21,217	–	21,217
Other revenue from external customers	483	–	483
Capital expenditure incurred during the year	3,770	–	3,770
As at 31 December 2006:			
Segment assets	2,183,376	619,829	2,803,205

11. FIXED ASSETS

	Investment property *HK$'000*	Property held for future development *HK$'000*	Furniture, equipment and other fixed assets *HK$'000*	Total fixed assets *HK$'000*
Cost or valuation				
At 1 January 2004	1,029,000	215,652	8,299	1,252,951
Additions	–	–	677	677
Disposal	–	–	(117)	(117)
Fair value adjustment	521,000	–	–	521,000
At 31 December 2004	1,550,000	215,652	8,859	1,774,511
Representing:				
Cost	–	215,652	8,859	224,511
Valuation 2004	1,550,000	–	–	1,550,000
	1,550,000	215,652	8,859	1,774,511
At 1 January 2005	1,550,000	215,652	8,859	1,774,511
Reclassified to property held for sale	–	(32,252)	–	(32,252)
Additions	–	–	604	604
Disposal	–	–	(81)	(81)
Fair value adjustment	152,000	–	–	152,000
At 31 December 2005	1,702,000	183,400	9,382	1,894,782
Representing:				
Cost	–	183,400	9,382	192,782
Valuation 2005	1,702,000	–	–	1,702,000
	1,702,000	183,400	9,382	1,894,782
At 1 January 2006	1,702,000	183,400	9,382	1,894,782
Additions	–	–	137	137
Disposal	–	–	(373)	(373)
Fair value adjustment	50,000	–	–	50,000
At 31 December 2006	1,752,000	183,400	9,146	1,944,546
Representing:				
Cost	–	183,400	9,146	192,546
Valuation 2006	1,752,000	–	–	1,752,000
	1,752,000	183,400	9,146	1,944,546

	Investment property HK$'000	Property held for future development HK$'000	Furniture, equipment and other fixed assets HK$'000	Total fixed assets HK$'000
Accumulated amortisation and depreciation:				
At 1 January 2004	–	135,652	7,726	143,378
Charge for the year	–	–	318	318
Written back on disposal	–	–	(111)	(111)
At 31 December 2004	–	135,652	7,933	143,585
At 1 January 2005	–	135,652	7,933	143,585
Reclassified to property held for sale	–	(19,752)	–	(19,752)
Charge for the year	–	–	343	343
Impairment	–	67,500	–	67,500
Written back on disposal	–	–	(69)	(69)
At 31 December 2005	–	183,400	8,207	191,607
At 1 January 2006	–	183,400	8,207	191,607
Charge for the year	–	–	359	359
Written back on disposal	–	–	(332)	(332)
At 31 December 2006	–	183,400	8,234	191,634
Net book value:				
At 31 December 2004	1,550,000	80,000	926	1,630,926
At 31 December 2005	1,702,000	–	1,175	1,703,175
At 31 December 2006	1,752,000	–	912	1,752,912

Impairment loss

Impairment loss of approximately HK$67,500,000 was raised on property held for future development for the year ended 31 December 2005. In prior years, the land, which is located in the People's Republic of China (the "PRC"), was planned to be developed in four phases as a comprehensive private housing development, and the HF Land Group has completed certain portion of the first phase of this development project. In view of the market condition and the economic policy of the PRC government, the HF Land Group postponed the further development to wait for an opportune time. As at 31 December 2005 and 2006, HF Land's directors were of the view that development would not be recommenced in the foreseeable future and assessed the recoverable amount of the undeveloped land on such basis. Based on this assessment, the carrying amount of this portion of land was written down by HK$67,500,000. The estimates of recoverable amount were based on the experience of HF Land's directors by reference to the PRC property market.

Notes:

a) All investment properties of the HF Land Group were revaluated as at 31 December 2006 on an open market value basis calculated by reference to recent market transactions in comparable properties (2004 and 2005: net rental income allowing for reversionary income potential). The valuations were carried out by an independent firm of CB Richard Ellis Limited (2004 and 2005: Savills Valuation and Professional Services Limited), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

b) The analysis of net book value of investment property as at 31 December 2004, 2005 and 2006 was as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
In Hong Kong			
– long leases	1,545,000	1,697,000	1,747,000
Outside Hong Kong			
– long leases	5,000	5,000	5,000
	1,550,000	1,702,000	1,752,000

c) Fixed assets leased out under operating leases

The HF Land Group leases out investment property under operating leases. The leases typically run for an initial period of one to two years, with an opinion to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every year to reflect market rentals. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

As at 31 December 2004, 2005 and 2006, the HF Land Group's total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	11,366	8,679	6,527
After 1 year but within 5 years	54	–	–
	11,420	8,679	6,527

12. INTEREST IN AN ASSOCIATE

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	377,562	403,028	619,829
Market value of shares listed in the Republic of Singapore	135,781	251,723	561,912

Particulars of the associate, which is a listed corporate entity, are as follows:

			Proportion of ownership interests			
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**HF Land Group's effective interest**	**Held by HF Land**	**Held by a subsidiary**	**Principal activity**
Hong Fok Corporation Limited ("HFC")*	Incorporated	Republic of Singapore	20.2%	–	20.2%	Investment holding

* Audited by KPMG, Singapore

Summary financial information on associates

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit/(loss)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2004					
100 per cent	4,936,390	2,375,462	2,560,928	190,376	6,267
HF Land Group's effective interest					4,012
2005					
100 per cent	5,128,848	2,386,443	2,742,405	180,555	(42,135)
HF Land Group's effective interest					34,763
2006					
100 per cent	6,371,237	2,578,616	3,792,621	321,807	(81,934)
HF Land Group's effective interest					175,690

The above financial information of the associate is a summary of the consolidated operating results and financial position of the associate, which are based on its financial statements. The HF Land Group's share of the associate's results and net assets are based on the associate's financial statements and adjusted for the cross-holding between HF Land and the associate and the WF Group (see note 26 for the definition of WF Group) as well as the alignment of the associate's accounting policies with those of the HF Land Group. In particular as they relate to Singapore Financial Reporting Standard 40 "Investment Property" (the equivalent of HKAS 40), which was not adopted by the associate during the years ended 31 December 2004, 2005 and 2006.

Financial guarantees

At 31 December 2006, HFC had given corporate guarantees to banks and financial institution in respect of credit facilities utilised by its subsidiaries amounting to approximately HK$2,550,381,000 (2005: HK$2,369,893,000; 2004: HK$2,334,686,000).

13. OTHER FINANCIAL ASSETS

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Unlisted debentures, at cost	100	100	–
Investment in club membership	310	310	–
	410	410	–

14. INVENTORIES

a) Inventories in the combined balance sheets as at 31 December 2004, 2005 and 2006 comprised:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Properties held for sale	7,653	14,146	12,500

b) The analysis of carrying value of properties as at 31 December 2004, 2005 and 2006 was as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
In Hong Kong			
– 50 years or more (long leases)	7,653	1,646	–
Outside Hong Kong			
– 50 years or more (long leases)	–	12,500	12,500
	7,653	14,146	12,500

c) The analysis of the amount of inventories recognised as an expense for the years ended 31 December 2004, 2005 and 2006 was as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount of inventories sold	10,630	5,657	1,646
Write down of inventories	–	360	–
	10,630	6,017	1,646

All of the inventories are expected to be recovered within one year.

15. TRADE AND OTHER RECEIVABLES

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from fellow subsidiaries	531,339	465,045	407,017
Trade debtors	326	56	230
Gross amounts due from customers for contract work *(note 16)*	595	595	595
Retentions receivable *(note 16)*	338	338	338
Other debtors, deposits and prepayments	3,910	2,013	4,680
	536,508	468,047	412,860

The amounts due from fellow subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment, and these amounts have been settled in full subsequent to 31 December 2006.

All of the trade and other receivables (including amounts due from fellow subsidiaries), apart from those mentioned in note 16, are expected to be recovered within one year.

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of 31 December 2004, 2005 and 2006:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	276	56	174
1 to 3 month	–	–	56
More than 3 months but less than 12 months	50	–	–
	326	56	230

The HF Group's credit policy is set out in note 24(a).

16. CONSTRUCTION CONTRACTS

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Costs incurred plus recognised profits less recognised losses to date	75,333	75,333	75,333
Progress payments received and receivable	(74,738)	(74,738)	(74,738)
Gross amounts due from customers for contract work	595	595	595

These amounts are related to construction contracts which have been completed in prior years. Since there are ongoing negotiations on the determination of, inter alia, final contract sums or variation orders between the HF Land Group and its contract employers, suppliers, subcontractors and subcontractors' employees, the directors have not been able to agree final completion accounts for these construction contracts.

The gross amount due from customers for contract work at 31 December 2006 that is expected to be recovered after more than one year is HK$595,000 (2004 and 2005: HK$595,000).

In respect of construction contracts completed in prior year, the amount of retentions receivable from customers at 31 December 2006 was HK$338,000 (2004 and 2005: HK$338,000). The amount of those retentions at 31 December 2006 was expected to be recovered after more than one year that was HK$338,000 (2004 and 2005: HK$338,000). The amount of retentions payable to suppliers at 31 December 2006 was HK$1,640,000 (2005: HK$1,604,000; 2004: HK$1,570,000), which was expected to be payable after more than one year.

17. CASH AND CASH EQUIVALENTS

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Cash at banks	2,228	4,114	5,002
Cash in hand	29	30	30
	2,257	4,144	5,032
Pledged bank balances and time deposits for bank borrowings	(1,629)	(785)	(899)
Cash and cash equivalents	628	3,359	4,133

18. TRADE AND OTHER PAYABLES

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Amount due to ultimate holding company	222,509	222,252	221,802
Amounts due to fellow subsidiaries	201,593	200,740	199,975
Trade creditors	1,615	1,695	1,690
Other creditors and accrued charges	3,754	5,795	10,456
Retentions payable *(note 16)*	1,570	1,604	1,640
Deposits received	4,528	3,412	3,701
	435,569	435,498	439,264

The amounts due to ultimate holding company and fellow subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayments, and these amounts have been repaid in full subsequent to 31 December 2006.

All of the trade and other payables, apart from those mentioned in note 16, are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of 31 December 2004, 2005 and 2006:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	–	42	–
Over 1 year	1,615	1,653	1,690
	1,615	1,695	1,690

19. BANK BORROWINGS, SECURED

As at 31 December 2004, 2005 and 2006, the secured bank borrowings were repayable as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year or on demand as classified under current liabilities	18,722	80,204	81,891
After 1 year but within 2 years	107,078	21,887	22,745
After 2 years but within 5 years	69,786	234,680	224,848
After 5 years	257,035	71,512	58,641
After 1 year as classified under non-current liabilities	433,899	328,079	306,234
Total	452,621	408,283	388,125

As at 31 December 2006, the bank facilities of certain subsidiaries were secured by:

i) fixed charges over certain of the HF Land Group's investment properties situated in Hong Kong with an aggregate carrying value of HK$1,747,000,000 as at 31 December 2006 (2005: HK$1,697,000,000; 2004: HK$1,545,000,000);

ii) assignment of insurance, sale and rental proceeds of the aforementioned properties situated in Hong Kong;

iii) charges over certain of the HF Land Group's bank balances of HK$899,000 as at 31 December 2006 (2005: HK$785,000; 2004: HK$1,629,000) for the purpose of assignment of sales and rental proceeds and issued shares of certain wholly-owned subsidiaries of the HF Land Group;

iv) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the HF Land Group in favour of the banks;

v) floating charges over the assets of Hugoton Limited, wholly-owned subsidiaries of the HF Land Group;

vi) corporate guarantees given by the ultimate controlling party (2004 and 2005: the ultimate controlling party and a fellow subsidiary).

For the year ended 31 December 2006, the effective interest rates for bank borrowings ranged from 4.86% to 6.14% (2005: 3.84% to 5.88%; 2004: 1.25% to 3.02%) per annum.

20. INCOME TAX IN THE COMBINED BALANCE SHEETS

a) Tax recoverable in the combined balance sheets as at 31 December 2004, 2005 and 2006 represented:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Tax recoverable in respect of provisional Hong Kong Profits Tax paid	7	1	72

b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the combined balance sheets and the movements during the years ended 31 December 2004, 2005 and 2006 were as follows:

	Revaluation of investment property	**Depreciation allowances in excess of the related depreciation**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:				
At 1 January 2004	124,175	1,436	(1,342)	124,269
Charged/(credited) to profit or loss	91,175	174	(433)	90,916
At 31 December 2004	215,350	1,610	(1,775)	215,185
At 1 January 2005	215,350	1,610	(1,775)	215,185
Charged to profit or loss	26,600	190	409	27,199
At 31 December 2005	241,950	1,800	(1,366)	242,384
At 1 January 2006	241,950	1,800	(1,366)	242,384
Charged/(credited) to profit or loss	8,750	(1,800)	1,366	8,316
At 31 December 2006	250,700	–	–	250,700

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Net deferred tax liability recognised on the balance sheet	215,185	242,384	250,700

c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), at 31 December 2006, the HF Land Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$402,624,000 (2005: HK$354,295,000; 2004: HK$321,999,000) as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

21. CAPITAL AND RESERVES

a) Share capital

As HF Land was not yet incorporated prior to 31 December 2006 and the Group Reorganisation was not complete as at 31 December 2006, the share capital in the combined balance sheets as at 31 December 2004, 2005 and 2006 represented issued share capital of Winfoong Limited.

b) Nature and purpose of reserves

i) Contributed surplus

The contributed surplus of the HF Land Group represents the difference between the nominal value of the share capital issued by Winfoong Limited, a wholly-owned subsidiary of HF Land, and the aggregate of the share capital and the share premium accounts of the subsidiaries acquired pursuant to the group reorganization in 1996. Under the Companies Act 1981 of Bermuda (as amended), the HF Land Group may make distributions to its members out of contributed surplus in certain circumstances.

ii) Exchange reserve

The exchange reserve comprises all 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 set out in note 2(t).

22. DISTRIBUTABLE RESERVES

HF Land was incorporated on 26 March 2007 and has not carried out any business since the date of its incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 31 December 2006.

On the basis set out in Section B Note 1, the aggregate amounts of distributable reserves at 31 December 2004, 2005 and 2006 of the companies comprising the HF Land Group, including the distributable amounts disclosed in note 21(b)(i), were HK$1,442,503,000, HK$1,499,956,000 and HK$1,718,212,000, respectively.

23. DEFINED CONTRIBUTION RETIREMENT PLAN

HF Land Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

24. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the HF Land Group's business. These risks are limited by the HF Land Group's financial management policies and practices described below.

a) Credit risk

The HF Land Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the HF Land Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheet.

b) Interest rate risk

The interest rates and maturity information of the HF Land Group's bank loans is disclosed in note 19.

c) Foreign currency risk

As most of the HF Land Group's monetary assets and liabilities are denominated in Hong Kong Dollars and the HF Land Group conducted its business transactions principally in Hong Kong Dollars. The HF Land Group considers that as the exchange rate risk of the HF Land Group is not significant, the HF Land Group did not employ any financial instruments for hedging purposes.

d) Fair values

All financial instruments are carried at amounts not materially different from fair values as at 31 December 2004, 2005 and 2006.

25. COMMITMENTS

At 31 December 2004, 2005 and 2006, the HF Land Group had no material commitments.

26. MATERIAL RELATED PARTY TRANSACTIONS

Transactions with the Winfoong International Limited and its subsidiaries excluding the companies in HF Land Group (the "WF Group") are considered as related party transactions for the years ended 31 December 2004, 2005 and 2006.

Particulars of significant transactions between the HF Land Group and the WF Group during the years ended 31 December 2004, 2005 and 2006 were as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Recurring:			
Management fee income received and receivable from WF Group	3,686	466	460
Rental income received and receivable from WF Group	305	–	270
Management fee paid and payable to WF Group	2,990	1,160	1,735
Guarantee fee paid and payable to WF Group	839	839	896
Rental expenses paid and payable to WF Group	48	48	48

In addition, the Directors are also the key management of the HF Land Group. Details of their remuneration during the relevant period are set out in note 7.

Non-recurring:			
Decoration cost paid and payable to WF Group	3,484	2,786	2,880

The HF Land's directors are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

27. ACCOUNTING ESTIMATES AND JUDGEMENTS

The method, estimates and judgements the management use in applying the HF Land Group's accounting policies have a significant impact on the HF Land Group's financial position and operating results. Some of the accounting policies require the HF Land Group to apply estimates and judgements, on matters that are inherently uncertain. Certain critical accounting judgements in applying the HF Land Group's accounting policies are described below.

a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The management reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods are adjusted if there are significant changes from previous estimates.

b) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the management performs an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

c) Impairments

If circumstances indicate that the carrying value of fixed assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of fixed assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount is reduced to recoverable amount. The recoverable amount of fixed assets is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the HF Land Group's asset are not available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of this report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the relevant period and which have not been adopted in the Financial Information.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
Amendment to HKAS 1	Presentation of Financial Statements: Capital Disclosure	1 January 2007

The HF Land 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. So far it has concluded that the adoption of them is unlikely to have a significant impact on the HF Land Group's results of operations and financial position.

29. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At the date of this report, HF Land's directors consider the immediate parent and ultimate controlling party of HF Land to be Winfoong International Limited, which is incorporated in Bermuda and listed in Hong Kong. This entity produces financial statements available for public use.

30. SUBSEQUENT EVENTS

The following significant transaction took place subsequent to 31 December 2006:

Reorganisation

The companies comprising the HF Land Group undergo a reorganisation to rationalise the HF Land Group's structure for the purpose of the Group Reorganisation. Details of the Group Reorganisation are set out in the section headed "Letter from the Board" of the Circular. As a result of the Group Reorganisation, HF Land will become the holding company of the HF Land Group.

C. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATIONS

Save as disclosed in notes 7 and 8 of section B above, no remuneration has been paid or is payable in respect of the relevant period by HF Land or any of the companies comprising the HF Land Group to the HF Land's directors.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by HF Land or any of the companies comprising the HF Land Group in respect of any period subsequent to 31 December 2006."

II. OTHERS

There were no extraordinary item and no dividend has been paid during the three years ended 31 December 2006. The exceptional items are set out in note 4 "other revenue and net income/(loss)" of the sub-section B under the section headed "AUDITED FINANCIAL INFORMATION ON THE HF LAND GROUP" in this appendix.

No qualification was contained in the accountants' report of the HF Land Group in respect of each of the financial year ended 31 December 2004, 2005 and 2006.

I AUDITED FINANCIAL INFORMATION ON THE HONG FOK GROUP

Set out below is the audited financial information on the Hong Fok Group for the three years ended 31 December 2006, extracted from the annual reports of the Hong Fok Group for the year ended 31 December 2006 and 2005, which is available for inspection as referred to in the section headed "Documents available for inspection" in appendix XV to this Composite Offer Document:

"**BALANCE SHEETS**

As At 31 December 2006

		Group		Company	
	Note	**2005**	**2006**	**2005**	**2006**
		S$	*S$*	*S$*	*S$*
Non-current Assets					
Fixed assets	*3*	731,980	568,382	–	–
Subsidiaries	*4*	–	–	191,362,677	190,290,390
Associates	*5*	176,412,458	159,688,399	4,455,912	4,250,629
Investment properties	*6*	867,453,000	1,053,380,000	–	–
Other investments	*7*	3	3	–	–
Other assets	*8*	374,960	407,841	–	–
Deferred tax assets	*9*	50,672	–	–	–
		1,045,023,073	1,214,044,625	195,818,589	194,541,019
Current Assets					
Derivative asset		241,025	–	–	–
Other investments	*7*	1,084,293	1,174,692	–	–
Development properties	*10*	50,038,288	31,901,828	–	–
Trade and other receivables	*11*	2,784,656	4,123,877	3,205	3,205
Cash and cash equivalents	*12*	966,393	703,120	50,926	50,171
		55,114,655	37,903,517	54,131	53,376
Total Assets		1,100,137,728	1,251,948,142	195,872,720	194,594,395
Share capital	*13*	149,898,795	150,712,673	149,898,795	150,712,673
Reserves	*14*	438,347,242	594,536,712	42,289,554	40,516,506
Total Equity		588,246,037	745,249,385	192,188,349	191,229,179

	Note	Group 2005	Group 2006	Company 2005	Company 2006
		S$	*S$*	*S$*	*S$*
Non-current Liabilities					
Obligations under finance leases	*15*	214,799	82,235	–	–
Interest bearing loans and borrowings	*16*	367,357,763	485,216,560	–	–
Financial guarantees	*17*	–	–	2,365,572	1,768,847
Deferred tax liability	*9*	497,823	513,442	–	–
		368,070,385	485,812,237	2,365,572	1,768,847
Current Liabilities					
Bank overdraft	*12*	122,892	1,465,118	–	–
Trade and other payables	*18*	15,090,902	18,781,741	456,268	665,874
Obligations under finance leases	*15*	145,364	132,564	–	–
Interest bearing loans and borrowings	*16*	128,230,508	–	–	–
Financial guarantees	*17*	–	–	862,531	930,495
Tax payable		231,640	507,097	–	–
		143,821,306	20,886,520	1,318,799	1,596,369
Total Liabilities		511,891,691	506,698,757	3,684,371	3,365,216
Total Equity and Liabilities		1,100,137,728	1,251,948,142	195,872,720	194,594,395

The accompanying notes form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNTS

Year Ended 31 December 2006

	Note	Group 2005	Group 2006	Company 2005	Company 2006
		S$	S$	S$	S$
Revenue	19	38,728,589	63,234,740	1,500,000	–
Other income	20	327,419	293,523	871,823	900,011
		39,056,008	63,528,263	2,371,823	900,011
Depreciation of fixed assets	3	(428,060)	(448,288)	–	–
Exchange gain/(loss), net		398,916	(206,134)	339,456	(1,379,937)
Cost of sales of development properties		–	(23,538,447)	–	–
Other operating expenses		(24,938,199)	(26,094,250)	(801,779)	(479,244)
Finance costs	21	(18,781,428)	(25,358,322)	–	–
		(4,692,763)	(12,117,178)	1,909,500	(959,170)
Share of results of associates		(4,383,036)	(3,553,163)	–	–
(Loss)/Profit from operations before taxation	22	(9,075,799)	(15,670,341)	1,909,500	(959,170)
Income tax expense	24	37,577	(429,291)	(242,740)	–
(Loss)/Profit for the year		(9,038,222)	(16,099,632)	1,666,760	(959,170)
Earnings per share (cents): Basic/Diluted	25	(1.51)	(2.69)		

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2006

	Note	Share Capital	Share Premium	Capital and Other Reserves	Translation Reserves	Revaluation Reserves	Retained Profit	Total
		S$	*S$*	*S$*	*S$*	*S$*	*S$*	*S$*
Group								
At 1 January 2005		149,898,795	813,878	2,371,049	(21,422,138)	322,362,481	89,827,550	543,851,615
Exchange differences on translation of balances at beginning of the year		–	–	–	–	2,035,532	–	2,035,532
Exchange differences on translation of financial statements of foreign subsidiaries and associates		–	–	–	903,494	–	–	903,494
Net surplus on revaluation		–	–	–	–	37,783,400	–	37,783,400
Share of reserves of associates		–	–	771,803	–	13,323,329	(185,724)	13,909,408
Net gains/(losses) recognised directly in equity		–	–	771,803	903,494	53,142,261	(185,724)	54,631,834
Loss for the year		–	–	–	–	–	(9,038,222)	(9,038,222)
Total recognised income and expense for the year		–	–	771,803	903,494	53,142,261	(9,223,946)	45,593,612
Dividend	26	–	–	–	–	–	(1,199,190)	(1,199,190)
At 31 December 2005		149,898,795	813,878	3,142,852	(20,518,644)	375,504,742	79,404,414	588,246,037
At 1 January 2006		149,898,795	813,878	3,142,852	(20,518,644)	375,504,742	79,404,414	588,246,037
Exchange differences on translation of balances at beginning of the year		–	–	(64,767)	–	(9,260,171)	–	(9,324,938)
Exchange differences on translation of financial statements of foreign subsidiaries and associates		–	–	–	(3,012,044)	–	–	(3,012,044)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		–	–	–	(1,426,715)	–	–	(1,426,715)
Net surplus on revaluation		–	–	–	–	185,182,669	–	185,182,669
Share of reserves of associates		–	–	20,630	–	1,663,378	–	1,684,008
Net gains/(losses) recognised directly in equity		–	–	(44,137)	(4,438,759)	177,585,876	–	173,102,980
Loss for the year		–	–	–	–	–	(16,099,632)	(16,099,632)
Total recognised income and expense for the year		–	–	(44,137)	(4,438,759)	177,585,876	(16,099,632)	157,003,348
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005		813,878	(813,878)	–	–	–	–	–
At 31 December 2006		150,712,673	–	3,098,715	(24,957,403)	553,090,618	63,304,782	745,249,385

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2006

	Note	Share Capital S$	Share Premium S$	Retained Profit S$	Total S$
Company					
At 31 December 2004, as previously reported		149,898,795	813,878	40,491,183	191,203,856
Effects of adopting amendments to FRS 39		–	–	516,923	516,923
At 1 January 2005, restated		149,898,795	813,878	41,008,106	191,720,779
Profit for the year		–	–	1,666,760	1,666,760
Total recognised income and expense for the year		–	–	1,666,760	1,666,760
Dividend	26	–	–	(1,199,190)	(1,199,190)
At 31 December 2005		149,898,795	813,878	41,475,676	192,188,349
At 31 December 2005, as previously reported		149,898,795	813,878	40,087,084	190,799,757
Effects of adopting amendments to FRS 39		–	–	1,388,592	1,388,592
At 1 January 2006, restated		149,898,795	813,878	41,475,676	192,188,349
Loss for the year		–	–	(959,170)	(959,170)
Total recognised income and expense for the year		–	–	(959,170)	(959,170)
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005		813,878	(813,878)	–	–
At 31 December 2006		150,712,673	–	40,516,506	191,229,179

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2006

	2005	2006
	S$	*S$*
Operating Activities		
Loss from operations before taxation	(9,075,799)	(15,670,341)
Adjustments for:		
Share of results of associates	4,383,036	3,553,163
Amortisation of transaction cost of interest bearing loans and borrowings	670,747	762,101
Depreciation of fixed assets	428,060	448,288
Gain on disposals of fixed assets, net	(96,743)	(4,771)
Gain on disposals of other investments	(224,889)	(43,718)
Impairment loss on other investments	590,980	–
Write-back of impairment loss on other assets	(42,800)	(44,500)
Loss/(Gain) on remeasurement of other investments	378,000	(140,000)
Write-back of allowance for diminution in value of development properties	–	(849,430)
Interest income	(251,887)	(149,143)
Interest expenses	18,781,428	25,358,322
Operating profit before working capital changes	15,540,133	13,219,971
Changes in working capital:		
Development properties	(8,738,609)	19,274,733
Trade and other receivables	(124,288)	(1,288,997)
Trade and other payables	516,117	3,522,322
Cash generated from operations	7,193,353	34,728,029
Income tax paid	(106,875)	(87,543)
Interest received	71,427	87,564
Income tax refund	58,212	8,810
Cash Flows from Operating Activities	7,216,117	34,736,860
Investing Activities		
Additions to investment properties	–	(744,331)
Purchase of other investments	(426,372)	(253,142)
Purchase of fixed assets	(270,060)	(287,562)
Proceeds from disposals of fixed assets	97,268	7,643
Proceeds from disposals of other investments	1,381,319	346,461
(Increase)/Decrease in associates	(400,212)	203,762
Others	50,400	–
Cash Flows from Investing Activities	432,343	(727,169)

	2005	2006
	S$	*S$*
Financing Activities		
Interest paid	(19,583,503)	(25,477,404)
Dividend paid	(1,199,190)	–
Repayment of interest bearing loans and borrowings	(1,000,000)	(14,187,500)
Payment of finance lease rentals	(135,524)	(145,364)
Proceeds from interest bearing loans and borrowings	15,429,000	4,196,500
Cash Flows from Financing Activities	(6,489,217)	(35,613,768)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,159,243	(1,604,077)
Cash and cash equivalents at beginning of the year	(316,947)	843,501
Effect of exchange rate changes on balances held in foreign currencies	1,205	(1,422)
Cash and Cash Equivalents at end of the year *(Note 12)*	843,501	(761,998)

Note to Consolidated Statement of Cash Flows

During the year, the Group acquired fixed assets with an aggregate cost of approximately S$288,000 (2005: S$329,000), of which approximately S$Nil (2005: S$59,000) were acquired by means of finance leases. Cash payments of approximately S$288,000 (2005: S$270,000) were made to purchase the fixed assets.

The accompanying notes form an integral part of these financial statements."

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 12 March 2007.

1 CORPORATE INFORMATION

Hong Fok Corporation Limited is a company incorporated in the Republic of Singapore and has its registered office at 300 Beach Road #41-00, The Concourse, Singapore 199555.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries consist of property investment, property development, property management, investment trading and investment holding and management.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the Group) and the Group's interests in associates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis except for investment properties that are stated at their revalued amounts and certain financial assets and financial liabilities that are stated at their fair values.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 6 – revaluation of investment properties
- Note 10 – estimation of allowance for diminution in value of completed development properties

Accounting policies relating to intra-group financial guarantees as described in Note 2.7, were changed during the year.

Except for the above changes, the accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2.2 CONSOLIDATION

Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of a company so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are companies in which the Group has significant influence, but not control, over their financial and operational policies.

In the Group's financial statements, they are accounted for using the equity method of accounting.

Accounting Policies of Subsidiaries and Associates

Where necessary, accounting policies of subsidiaries and associates have been changed to be consistent with the policies adopted by the Group.

2.3 FOREIGN CURRENCIES

Translation of Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximate to those ruling at the balance sheet date. Foreign currency transactions are translated at rates ruling on transaction dates. Translation differences are dealt with through the profit and loss account.

Financial Statements of Foreign Entities

The assets and liabilities of foreign subsidiaries and associates are translated into Singapore dollars at rates of exchange closely approximate to those ruling at the balance sheet date. The results of foreign subsidiaries and associates are translated at the average exchange rates for the year. Exchange differences resulting from the translation are taken directly to translation reserves. On disposal, the accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Net Investment in a Foreign Subsidiary

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign subsidiary are recognised in the Company's profit and loss account. Such exchange differences are reclassified to equity in the consolidated financial statements. When the net investment is disposed of, the cumulative amount in equity is transferred to the profit and loss account as an adjustment to the profit or loss arising on disposal.

2.4 FIXED ASSETS

Owned Assets

Fixed assets are stated in the financial statements at cost less accumulated depreciation and impairment loss.

Leased Assets

Where fixed assets are financed by finance leases that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at the values equivalent to the present value of the total rental payable during the periods of the finance lease and the corresponding lease obligations are included under liabilities. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are allocated over each finance lease term to give a constant rate of interest on the outstanding balance at the end of each period. Leased assets are stated in the financial statements at cost less accumulated depreciation and impairment loss. Assets acquired under finance leases are depreciated in accordance with the policy set out below.

Depreciation

Fixed assets are depreciated on a straight-line basis to write off their costs over their estimated useful lives at the following annual rates:

Office equipment and furniture	–	20% to 100%
Motor vehicles	–	20%
Plant and equipment	–	20% to 30%
Furniture	–	20%

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.5 SUBSIDIARIES AND ASSOCIATES

Subsidiaries and associates are held for long-term purposes and are stated at cost less impairment loss.

2.6 INVESTMENT PROPERTIES

Investment properties are those properties which are not held with the intention of sale in the ordinary course of business. They include residential and commercial properties held for their income or investment potential.

Investment properties accounted for as non-current assets are stated at fair value. The fair value is determined annually by independent professional valuers. Any increase in value is credited to the revaluation reserve unless it offsets a previous decrease in value recognised in the profit and loss account. A decrease in value is recognised in the profit and loss account when it exceeds the increase previously recognised in the revaluation reserve.

When an investment property is disposed of, the resulting gain or loss recognised in the profit and loss account is the difference between net disposal proceeds and the carrying amount of the property. Any amount in the revaluation reserve that relates to the property is transferred to the profit and loss account in calculating the gain or loss on disposal.

2.7 FINANCIAL INSTRUMENTS

Non-derivative Financial Instruments

Non-derivative financial instruments comprise investments in financial assets and financial liabilities except for fixed assets, subsidiaries, associates, investment properties and development properties.

Non-derivative financial instruments are recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less allowance for impairment.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash at banks and in hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdraft which is repayable on demand and which form an integral part of the Group's cash management.

Available-for-sale financial assets

The Group's investments in certain unquoted equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment loss, and foreign exchange gain and loss on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the profit and loss account.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the profit and loss account.

The fair value of financial assets classified as held for trading is determined as the quoted bid price at the balance sheet date.

Purchases and sales of financial assets held for trading are recognised on the date on which the Group commits to purchase or sell the assets.

Derivative Financial Instruments and Hedging Activities

The Group holds derivative financial instruments to hedge its interest rate risk exposures. The Group does not hold any derivative financial instrument for trading purposes.

Derivatives are recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, derivatives are measured at fair value, and any gain or loss on the hedging instrument is recognised in the profit and loss account. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the profit and loss account.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

Intra-group Financial Guarantees

Financial guarantees are classified as financial liabilities.

Financial guarantees are recognised initially at fair value. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the profit and loss account.

Change in accounting policy

The adoption of the amendments to FRS 39 Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts has resulted in the Company measuring its intra-group financial guarantees at fair value upon inception of the guarantees. These guarantees are subsequently measured at the higher of their initial fair values less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. Previously, the financial guarantees were accounted for as contingent liabilities whereby a loss was recognised only if it was probable that it would be incurred.

This change in accounting policy was recognised retrospectively in accordance with the transitional provisions of the amendments to FRS 39 and comparatives have been restated. This change has no impact on the Group's financial statements.

The adoption of the amendments to FRS 39 resulted in the following:

	Company	
	2005	**2006**
	S$	*S$*
Balance Sheet as at 31 December		
Increase in subsidiaries	4,616,695	4,987,945
Increase in financial guarantees	(3,228,103)	(2,699,342)
Cumulative increase in retained profit	1,388,592	2,288,603
Profit and Loss Account for the year ended 31 December		
Increase in other income and profit for the year	871,669	900,011

The adjustment to retained profit at 1 January 2005 was an increase of S$516,923.

2.8 DEVELOPMENT PROPERTIES

Development properties are properties which are held with the intention of sale in the ordinary course of business and are classified as current assets. They include completed properties and properties under development.

Completed properties are stated at the lower of cost and directors' estimate of net realisable value. Cost includes cost of land, interest cost and other related expenditure. Capitalisation of interest cost and other related expenditure ceases when the temporary occupation permit for the development is issued by the authorities or when active development is suspended for extended periods. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

Properties under development are stated at cost less any allowance considered necessary by the directors.

2.9 IMPAIRMENT

Impairment of Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Financial assets are tested for impairment on an individual basis. Any impairment loss is recognised in the profit and loss account. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the profit and loss account.

Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to profit and loss account unless it reverses a previous revaluation, credited in equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value to use less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists for all assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognised.

2.10 REVENUE RECOGNITION

Profits on development properties are recognised using the percentage of completion method. The percentage of completion is measured by reference to the costs incurred to date and the estimated total costs for each contract. Profits are recognised only in respect of finalised sales agreements and to the extent that such profits relate to the progress of the construction work.

Rental income and maintenance fees are recognised on a straight-line basis over the term of the leases.

Revenue upon disposals of investments is recognised at the contractual date.

Dividend income is recognised on a receipt basis.

Car park and interest income from late payment by tenants are recognised on an accrual basis. Interest income from deposits is accrued on a time-apportioned basis.

Property management income is recognised upon completion of the services provided.

2.11 KEY MANAGEMENT PERSONNEL

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entities. The directors of the Group and its subsidiaries, Vice Presidents of the respective departments and Personal Assistant to Directors are considered as key management personnel of the Group.

2.12 EMPLOYEE BENEFITS

Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

Share-based Payments

The share option programme allows employees of the associate to acquire shares of the associate. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, estimates of the number of options that are expected to become exercisable are revised and the impact of the revision of original estimates is recognised in the Group's share of the equity results of the associate and in a corresponding adjustment to equity over the remaining vesting period.

2.13 BORROWING COSTS

Borrowing costs comprise interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset less any income on the temporary investment of these borrowings. The capitalisation rate is based on the attributable cost of the specific borrowings. All other borrowing costs are written off to the profit and loss account in the year in which they are incurred except for fees for the arrangement of financing facilities which are recognised over the period of the facilities on an effective interest basis.

2.14 INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of the prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised on initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2.16 SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

3 FIXED ASSETS

	Group				
	Office Equipment and Furniture	**Motor Vehicles**	**Plant and Equipment**	**Furniture**	**Total**
	S$	*S$*	*S$*	*S$*	*S$*
Cost					
At 1 January 2005	1,323,415	1,798,965	1,399,977	678,662	5,201,019
Translation differences	–	1,476	–	–	1,476
Additions	70,694	214,641	25,000	18,725	329,060
Disposals	(166,688)	(341,676)	–	(69,545)	(577,909)
At 31 December 2005	1,227,421	1,673,406	1,424,977	627,842	4,953,646
Translation differences	–	(5,901)	–	–	(5,901)
Additions	61,455	23,744	6,898	195,465	287,562
Disposals	(29,581)	–	–	(68,796)	(98,377)
At 31 December 2006	1,259,295	1,691,249	1,431,875	754,511	5,136,930
Accumulated Depreciation					
At 1 January 2005	1,317,512	1,040,214	1,352,748	659,040	4,369,514
Translation differences	–	1,476	–	–	1,476
Depreciation for the year	74,757	313,517	27,973	11,813	428,060
Disposals	(166,688)	(341,676)	–	(69,020)	(577,384)
At 31 December 2005	1,225,581	1,013,531	1,380,721	601,833	4,221,666
Translation differences	–	(5,901)	–	–	(5,901)
Depreciation for the year	54,990	318,267	27,573	47,458	448,288
Disposals	(28,304)	–	–	(67,201)	(95,505)
At 31 December 2006	1,252,267	1,325,897	1,408,294	582,090	4,568,548
Carrying Amount					
At 1 January 2005	5,903	758,751	47,229	19,622	831,505
At 31 December 2005	1,840	659,875	44,256	26,009	731,980
At 31 December 2006	7,028	365,352	23,581	172,421	568,382

Fixed assets included in the financial statements at a carrying value of approximately S$197,000 (2005: S$422,000) were acquired under finance lease agreements.

4 SUBSIDIARIES

	Company 2005	Company 2006
	S$	*S$*
Unquoted ordinary shares at cost	121,621,231	121,621,231
Impairment loss	(500,000)	(500,000)
	121,121,231	121,121,231
Financial guarantees	4,616,695	4,987,945
	125,737,926	126,109,176
Amounts due from subsidiaries (mainly non-trade)	115,127,965	114,349,899
Allowance for doubtful receivables	(8,505,000)	(8,505,000)
	106,622,965	105,844,899
Amounts due to subsidiaries (mainly non-trade)	(40,998,214)	(41,663,685)
	65,624,751	64,181,214
	191,362,677	190,290,390

The amounts due from/(to) subsidiaries are unsecured and interest free and settlement is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment and presented together with the Company's equity investment in the subsidiaries.

Details of the subsidiaries are as follows:

Name of Subsidiary	**Country of Incorporation**	**Effective Equity Held 2005**	**Effective Equity Held 2006**
		%	%
Yat Yuen Hong Holdings Pte. Ltd.	Singapore	100	100
Yat Yuen Hong Company Limited and its subsidiary:	Singapore	100	100
Super Homes Pte. Ltd.	Singapore	100	100
Hong Fok Homes Pte Ltd	Singapore	100	100
Cecil Land Development Pte. Ltd.	Singapore	100	100
Hong Fok Land Ltd and its subsidiary:	Singapore	100	100
Jemmax Investments Pte Ltd	Singapore	100	100
Hong Fok Realty Pte. Ltd.	Singapore	100	100
Vista Parking Services Pte Ltd	Singapore	100	100
Hong Fok Nominees Pte. Ltd.	Singapore	100	100
Innobuild Pte Ltd	Singapore	100	100
Broadway Development Pte Ltd	Singapore	100	100
Turie Pte Ltd	Singapore	100	100
Defoe Pte Ltd and its subsidiary:	Singapore	100	100
Brisco Pte Ltd	Singapore	100	100
Rasco Pte Ltd and its subsidiary:	Singapore	100	100
Hong Fok Development (Newton) Pte Ltd	Singapore	100	100
Firth Enterprises Pte Ltd	Singapore	100	100
Biogem International Pte Ltd	Singapore	100	100
HFC Ventures.com Co Pte Ltd	Singapore	100	100

Name of Subsidiary	Country of Incorporation	Effective Equity Held 2005	2006
		%	%
Highfeature.com Co Pte Ltd	Singapore	100	100
Arundel Trading Pte Ltd	Singapore	100	100
Bishopgate Holdings Limited	British Virgin Islands	100	100
Gold Triumph Assets Limited	British Virgin Islands	100	100
Warranty Management Pte Ltd	Singapore	100	100
@ Hong Fok Investment Holding Company, Limited and its subsidiaries:	Hong Kong	100	100
Superior Homes Limited	Hong Kong	100	100
Hong Fok International Limited	Hong Kong	100	100
Hong Fok Nominees Limited	Hong Kong	100	100
Supreme Homes Company Limited	Hong Kong	100	100
Hong Fok Enterprises Limited and its subsidiary:	Hong Kong	100	100
HFL International Consortium Limited	Cayman Islands	100	100

@ The consolidated financial statements are audited by CCIF CPA Limited, Hong Kong.

Subsidiaries incorporated in Singapore and the British Virgin Islands are audited by KPMG Singapore.

5 ASSOCIATES

	Group 2005	Group 2006	Company 2005	Company 2006
	S$	*S$*	*S$*	*S$*
Investments in associates	173,956,546	157,437,770	2,000,000	2,000,000
Amounts due from associates (non-trade)	2,455,912	2,250,629	2,455,912	2,250,629
	176,412,458	159,688,399	4,455,912	4,250,629

As at 31 December 2006, the associates' capital commitments amounted to approximately S$2,652,000 (2005: S$2,979,000).

The amounts due from associates are unsecured and interest free and settlement is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the net investment in the associates, they are stated at cost less accumulated impairment, if any.

Details of the associates are as follows:

	Name of Associate	Place of Incorporation and Business	Effective Equity Held 2005 %	2006 %
@	Winfoong International Limited and its subsidiaries:	Bermuda	40	40
	Winfoong Limited and its subsidiaries:	British Virgin Islands	40	40
	Winfoong Investment Limited and its subsidiaries:	Hong Kong	40	40
	Winfoong Overseas Limited and its subsidiaries:	British Virgin Islands	*59	*59
	Maincon (Building) Pte. Ltd. and its subsidiary:	Singapore	*59	*59
	Elegant Homes Pte. Ltd.	Singapore	*59	*59
	Winfoong Enterprise Limited and its subsidiaries:	Hong Kong	40	40
	Hepscott Limited	Hong Kong	40	40
	Perselle Limited	Hong Kong	40	40
	Hugoton Limited	Hong Kong	40	40
	Bossiney Limited	Hong Kong	40	40
	Giant Yield Limited	Hong Kong	40	40
	Ashwell Enterprises Limited and its subsidiaries:	British Virgin Islands	40	40
	World Profit Limited	Hong Kong	40	40
	Vision Asset Management Limited	Hong Kong	40	40
	Allied Crown Limited	Hong Kong	40	40
	Wellow Investment Limited and its subsidiary:	Republic of Liberia	40	40
	Winfoong Holding Limited	Hong Kong	40	40
	Raglan Investments Limited and its subsidiaries:	British Virgin Islands	40	40
	Sui Chong International Development Limited	Hong Kong	40	40
	Sui Chong International Resources Limited	Hong Kong	40	40
	Sui Chong International (H.K.) Limited	Hong Kong	40	40
	Vision Securities Limited	Hong Kong	40	40
	Magic Prosper Development Limited	Hong Kong	40	40
	Standard Homes Company Limited	Hong Kong	40	40
	Treasure Times Services Limited	British Virgin Islands	40	40
	Winfoong Hotel Limited	Hong Kong	40	40
	Donwin Property Limited	Hong Kong	40	40
	Sui Chong Finance Limited	Hong Kong	40	40
	Vision Capital Limited	Hong Kong	40	40
	Sui Chong Property Management Limited and its subsidiaries:	Hong Kong	40	40
	Magazine Gap Property Management Limited	Hong Kong	40	40
	Fok On Property Management Limited	Hong Kong	40	40
	Fort Property Management Limited	Hong Kong	40	40
	Art House Decoration Company Limited	Hong Kong	40	40

Name of Associate	Place of Incorporation and Business	Effective Equity Held 2005	2006
		%	%
Cheung Kee Landscaping Limited and its subsidiaries:	Hong Kong	40	40
Jade and Pearl Enterprises Limited	British Virgin Islands	40	40
Maple Ridge Group Limited	British Virgin Islands	40	40
Sandalwood Worldwide Limited	British Virgin Islands	40	40
Thumberland Limited	Samoa	40	40
Union Mark Trading Limited	British Virgin Islands	40	40
Zetland Administration Limited	Samoa	40	40
Cheung Kee Garden Limited and its subsidiaries:	Hong Kong	40	40
Sam Kee Garden (H.K.) Limited	Hong Kong	–	40
Top Tips International Limited	British Virgin Islands	40	40
U-Kwong Holdings Limited and its subsidiaries:	British Virgin Islands	40	40
Hammerman Assets Limited and its subsidiaries:	British Virgin Islands	40	40
Wellpool International Limited and its subsidiary:	Hong Kong	40	40
Jiangmen Tangquan Real Estate Company Limited	The People's Republic of China	#37	#37
China Charm Company Limited	Hong Kong	40	40
Luxurious Time Properties Limited and its subsidiary:	British Virgin Islands	40	40
Super Homes Limited	Hong Kong	40	40

@ Winfoong International Limited is listed on The Stock Exchange of Hong Kong Limited and its consolidated financial statements are audited by CCIF CPA Limited, Hong Kong.

* Includes equity interest of approximately 31.8% held directly by the Company and approximately 68.2% held indirectly by Winfoong International Limited.

Includes 92.0% held indirectly by Winfoong International Limited.

Summarised financial information on the associates (without any adjustment for the percentage of ownership held by the Group) is as follows:

	Associates	
	2005	**2006**
	S$	*S$*
Assets and Liabilities		
Total assets	431,698,070	398,547,215
Total liabilities	98,881,948	98,334,412
Results		
Revenue	27,505,176	5,322,674
Loss for the year	(10,963,441)	(9,122,792)
Market value of the Group's holding in the associates	62,048,410	56,841,551

The above financial information is a summary of the consolidated operating results and financial position of the associates, which are based on its consolidated financial statements and adjusted for the cross-holding between the Company and the associates as well as the alignment of the associates' accounting policies with those of the Group, in particular as they relate to HKAS 40, Investment Property (the equivalent of FRS 40) and HK(SIC) Interpretation 21, Income Taxes – Recovery of Revalued Non-depreciable Assets, adopted by the associates since 2005.

6 INVESTMENT PROPERTIES

	Group	
	2005	**2006**
	S$	*S$*
At 1 January	829,720,000	867,453,000
Additions	–	744,331
Development expenditure written back	(50,400)	–
Revaluation surplus recognised in equity	37,783,400	185,182,669
At 31 December	867,453,000	1,053,380,000
Investment properties have been revalued as follows:		
Leasehold properties revalued on 15 February 2007 (2005: 12 January 2006)	720,000,000	876,000,000
Freehold properties revalued on 15 February 2007 (2005: 19 January 2006)	147,453,000	177,380,000
	867,453,000	1,053,380,000

Investment properties are revalued by Savills (Singapore) Pte Ltd, a firm of independent professional valuers, on an open market value basis.

The investment properties are mortgaged for credit facilities extended to the Group (Note 16(a)(i)).

Investment properties comprise commercial and residential properties which are mainly leased to external parties.

7 OTHER INVESTMENTS

	Group 2005	Group 2006
	S$	*S$*
Available-for-sale Securities:		
Unquoted equity investments	6,885,134	6,753,134
Impairment loss	(6,885,131)	(6,753,131)
	3	3
Securities Held-for-trading:		
Quoted equity investments	912,293	994,692
Unquoted equity investments	172,000	180,000
	1,084,293	1,174,692

Certain investments with a carrying value of approximately S$990,000 as at 31 December 2006 (2005: S$908,000) have been pledged as collateral to secure a share margin trading facility granted to a subsidiary. As at 31 December 2006, the amount utilised under the facility granted was S$Nil (2005: S$Nil).

It is not practicable to estimate the fair value of the Group's available-for-sale securities because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

8 OTHER ASSETS

	Group 2005	Group 2006
	S$	*S$*
Club membership	609,960	598,341
Impairment loss	(235,000)	(190,500)
	374,960	407,841

9 DEFERRED TAX ASSETS AND LIABILITY

Deferred tax assets and deferred tax liability are attributable to the following:

	At 1 January S$	Group (Charged)/ Credited to Profit and Loss Account *(Note 24)* S$	At 31 December S$
2005			
Deferred Tax Assets			
Fixed assets	49,073	2,842	51,915
Tax value of losses carry forward	169,218	(169,218)	–
Others	20,267	(4,648)	15,619
	238,558	(171,024)	67,534
Deferred Tax Liability			
Investment properties	(514,685)	–	(514,685)
2006			
Deferred Tax Assets			
Fixed assets	51,915	(50,672)	1,243
Others	15,619	(15,619)	–
	67,534	(66,291)	1,243
Deferred Tax Liability			
Investment properties	(514,685)	–	(514,685)

Deferred tax assets and deferred tax liability are offset when there is a legally enforceable right to set off tax assets and tax liabilities and when the deferred tax relates to the same taxation authority. The following amounts, determined after appropriate offsetting are included in the balance sheet as follows:

	Group 2005 S$	2006 S$
Deferred tax assets	50,672	–
Deferred tax liability	(497,823)	(513,442)
Deferred tax assets have not been recognised in respect of the following temporary differences:		
Deductible temporary differences	11,842,227	11,841,146
Unutilised tax losses	21,070,437	20,067,171
	32,912,664	31,908,317

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the subsidiaries of the Group can utilise the benefits. However, the unutilised tax losses are available for offset against future taxable income subject to agreement with the relevant tax authorities.

10 DEVELOPMENT PROPERTIES

	Note	Group 2005 S$	Group 2006 S$
Freehold properties under development		47,461,131	–
Allowance for foreseeable losses		(16,100,000)	–
		31,361,131	–
Progress payments		(1,226,391)	–
		30,134,740	–
Completed properties held for resale		22,752,201	33,901,051
Allowance for diminution in value		(2,848,653)	(1,999,223)
		19,903,548	31,901,828
		50,038,288	31,901,828
Amount of interest capitalised during the year	*21*	942,742	288,843

Freehold properties under development were completed in 2006 and accordingly, reclassified as completed properties held for resale. Included in development properties is allowance for foreseeable losses of S$5,465,997 (2005: S$16,100,000).

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2006	2005	2006
	S$	S$	S$	S$
Trade receivables	1,911,677	3,295,340	–	–
Allowance for doubtful receivables	(572,688)	(706,535)	–	–
	1,338,989	2,588,805	–	–
Deposits and prepayments	1,424,836	1,519,781	3,205	3,205
Tax recoverable	13,054	4,244	–	–
Other receivables	7,777	11,047	–	–
	2,784,656	4,123,877	3,205	3,205

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2006	2005	2006
	S$	S$	S$	S$
Cash at banks and in hand	966,393	703,120	50,926	50,171
Bank overdraft	(122,892)	(1,465,118)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	843,501	(761,998)	50,926	50,171

The effective interest rate for the bank overdraft at the balance sheet date is 5.8% (2005: 5.8%) per annum.

Details of securities for the bank overdraft are disclosed in Note 16(a)(i) to the financial statements.

13 SHARE CAPITAL

	Group and Company	
	2005	**2006**
	No. of Shares	*No. of Shares*
Issued and Fully Paid:		
Ordinary shares	599,595,180	599,595,180

On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006:

- the concept of authorised share capital was abolished; and
- shares of the Company ceased to have par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14 RESERVES

	Group		Company	
	2005	**2006**	**2005**	**2006**
	S$	*S$*	*S$*	*S$*
Share premium	813,878	–	813,878	–
Capital reserves	2,371,049	2,391,679	–	–
Share option reserve	771,803	707,036	–	–
Translation reserves	(20,518,644)	(24,957,403)	–	–
Revaluation reserves	375,504,742	553,090,618	–	–
Retained profit	79,404,414	63,304,782	41,475,676	40,516,506
	438,347,242	594,536,712	42,289,554	40,516,506

Capital reserves comprise the Group's share of fair value reserves of associates and other discretionary transfers from retained profit in prior years.

The share option reserve comprises the cumulative value of employee services received by an associate for the issue of share options in the associate.

The translation reserves comprise exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company and the exchange differences on monetary items which form part of the Company's net investment in foreign subsidiaries.

The revaluation reserves comprise the cumulative net change in the fair value of investment properties (Note 6) and the Group's share of reserves of associates.

The retained profit of the Group include accumulated loss of approximately S$57,155,000 (2005: S$58,232,000) attributable to associates.

15 OBLIGATIONS UNDER FINANCE LEASES

Obligations under finance leases are attributable to the following:

	Group					
	2005			2006		
	Principal	Interest	Payments	Principal	Interest	Payments
	S$	*S$*	*S$*	*S$*	*S$*	*S$*
Repayable:						
Within 1 year	145,364	16,792	162,156	132,564	15,086	147,650
After 1 year but within 5 years	214,799	24,494	239,293	82,235	9,408	91,643
	360,163	41,286	401,449	214,799	24,494	239,293

Interest on the above finance leases is charged at rates ranging from approximately 3.9% to 5.1% (2005: 3.9% to 5.1%) per annum.

16 INTEREST BEARING LOANS AND BORROWINGS

		Group	
	Note	2005	2006
		S$	*S$*
Singapore dollar secured notes/bonds	*16 (b)*	110,241,025	110,000,000
Singapore dollar secured fixed rate loan from financial institution	*16 (c)*	80,000,000	80,000,000
Singapore dollar secured floating rate bank loans	*16 (d)*	213,200,000	199,850,000
Singapore dollar secured revolving bank loan	*16 (e)*	83,000,000	87,000,000
Hong Kong dollar secured revolving bank loan	*16 (f)*	10,725,000	10,021,500
		497,166,025	486,871,500
Unamortised transaction cost		(1,577,754)	(1,654,940)
		495,588,271	485,216,560
Repayable:			
Within 1 year		128,230,508	–
After 1 year but within 5 years		367,357,763	485,216,560
		495,588,271	485,216,560

(a) The interest bearing loans and borrowings and bank overdraft (Note 12) of the Group are secured by:

(i) mortgages on and assignment of rental income from investment properties with carrying values of approximately S$1,053,380,000 as at 31 December 2006 (2005: S$867,453,000);

(ii) mortgages on development properties with carrying values of approximately S$31,902,000 as at 31 December 2006 (2005: S$50,861,000) and assignment of the rights, titles and interest in the tenancy agreements, sale and purchase agreements, building contract, performance bonds and insurances from the development properties; and

(iii) guarantees by the Company (Note 17).

(b) Singapore Dollar Secured Notes/Bonds

In 2001, a subsidiary of the Company issued S$110,000,000 4.7% secured bonds due July 2006. Interest was payable quarterly in arrears. Pursuant to an interest rate swap agreement which the subsidiary had entered into, interest in respect of the bonds was effectively paid at a floating rate based on a margin above the three-month Singapore Dollar swap rate. The net effective interest rate at 31 December 2005 was 4.0% per annum.

The bonds were fully prepaid in January 2006 through refinancing of S$70,000,000 fixed rate notes due January 2011 and S$40,000,000 floating rate notes due January 2011. The interest rate swap agreement was also terminated at the same time. The effective interest rate of these notes ranges from 4.9% to 5.0% per annum.

(c) Singapore Dollar Secured Fixed Rate Loan from Financial Institution

The 6% fixed rate loan is repayable by September 2009.

(d) Singapore Dollar Secured Floating Rate Bank Loans

The floating rate bank loans comprise the following:

(i) S$186,000,000 (2005: S$186,000,000) which is repayable by September 2009;

(ii) S$9,200,000 which is repayable by November 2009 (2005: S$10,200,000 which was repayable by six-monthly instalments of S$500,000 from May 2005 to November 2006 and S$9,200,000 repayable by November 2007); and

(iii) S$4,650,000 which is repayable by June 2008 (2005: S$17,000,000 which was repayable by June 2006 or the date falling 3 months after the date of issuance of temporary occupation permit for the project, whichever is the earlier).

(e) Singapore Dollar Secured Revolving Bank Loan

The Singapore dollar revolving bank loan is repayable by September 2010.

(f) Hong Kong Dollar Secured Revolving Bank Loan

The Hong Kong dollar revolving bank loan is repayable by September 2010.

(g) Interest Rates

Floating interest rates will be repriced within six months of the balance sheet date. The effective interest rate for floating rate bank loans and revolving bank loans ranges from 4.8% to 5.4% (2005: 4.6% to 5.6%) per annum.

17 FINANCIAL GUARANTEES

Intra-group financial guarantees comprise guarantees granted by the Company to banks and financial institution in respect of credit facilities utilised by its subsidiaries amounting to S$496,049,118 (2005: S$508,342,392). The periods in which the financial guarantees expire are as follows:

	Company	
	2005	**2006**
	S$	*S$*
Within 1 year	139,417,392	9,177,618
After 1 year but within 5 years	368,925,000	486,871,500
	508,342,392	496,049,118

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2006	2005	2006
	S$	S$	S$	S$
Trade payables	2,845,580	2,145,881	–	–
Accrued operating expenses	3,041,724	6,073,892	151,177	363,033
Accrued development expenditure	765,457	622,280	–	–
Tenancy and other deposits	8,103,103	9,589,320	–	–
Unclaimed dividends	293,838	293,698	293,838	293,698
Other payables	41,200	56,670	11,253	9,143
	15,090,902	18,781,741	456,268	665,874

19 REVENUE

The amount of each significant category of revenue recognised during the year, after eliminating intra-group transactions, is as follows:

	Group		Company	
	2005	2006	2005	2006
	S$	S$	S$	S$
Gross dividend income:				
– Subsidiary	–	–	1,500,000	–
– Quoted investments	86,854	35,321	–	–
Gross rental income	25,984,924	26,215,957	–	–
Maintenance fee	9,200,357	9,019,615	–	–
Car park income	2,084,542	2,203,530	–	–
Property management income	895,680	729,536	–	–
Sale of development properties	–	24,838,756	–	–
Gain on disposals of other investments	224,889	43,718	–	–
Interest income on late payments	251,343	148,307	–	–
	38,728,589	63,234,740	1,500,000	–

20 OTHER INCOME

	Group		Company	
	2005	2006	2005	2006
	S$	S$	S$	S$
Financial guarantees	–	–	871,669	900,011
Gain on disposals of fixed assets, net	96,743	4,771	–	–
Interest income from deposits	544	836	–	–
Forfeiture/Compensation income	84,629	84,619	–	–
Others	145,503	203,297	154	–
	327,419	293,523	871,823	900,011

21 FINANCE COSTS

	Note	Group 2005 S$	2006 S$
Interest expenses on:			
Notes/Bonds		3,901,314	5,351,366
Loans from banks and financial institution and bank overdraft		15,807,294	20,279,007
Finance leases		15,562	16,792
		19,724,170	25,647,165
Interest capitalised in development properties	10	(942,742)	(288,843)
		18,781,428	25,358,322

22 (LOSS)/PROFIT FROM OPERATIONS BEFORE TAXATION

The following items have been included in arriving at (loss)/profit from operations before taxation:

	Note	Group 2005 S$	Group 2006 S$	Company 2005 S$	Company 2006 S$
Write-back of allowance for diminution in value of development properties		–	(849,430)	–	–
Impairment loss on other investments		590,980	–	–	–
Write-back of impairment loss on other assets		(42,800)	(44,500)	–	–
(Gain)/Loss on remeasurement of other investments		378,000	(140,000)	–	–
Non-audit fees paid to:					
– Auditors of the Company		104,583	40,100	11,433	8,850
– Other auditors		8,000	–	8,000	–
Directors’ fees		45,000	273,000	45,000	273,000
Staff costs	23	10,538,558	11,677,666	–	–
Operating lease expense		84,777	85,889	–	–

Included in directors’ fee is S$158,000 (2005: S$Nil) of medical benefits provided for a director.

Short-term employee benefits, excluding directors’ fees, paid to key management personnel during the year amounted to S$8,318,450 (2005: S$7,366,812).

23 STAFF COSTS

	Group 2005 S$	2006 S$
Salaries and wages	9,812,905	10,919,449
Contributions to defined contribution plans	454,094	433,355
Others	424,351	440,812
	10,691,350	11,793,616
Staff costs capitalised in development properties	(152,792)	(115,950)
	10,538,558	11,677,666

24 INCOME TAX EXPENSE

	Group		Company	
	2005	**2006**	**2005**	**2006**
	S$	*S$*	*S$*	*S$*
Income Tax Expense				
Current year	220,145	363,000	300,000	–
Group relief:				
– Current year	(124,000)	–	–	–
– Prior years	(100,000)	–	–	–
Overprovision in prior years	(204,746)	–	(57,260)	–
	(208,601)	363,000	242,740	–
Deferred Tax Expense				
Reversal of deferred tax assets recognised in prior years	165,541	50,672	–	–
Movements in temporary differences	5,483	15,619	–	–
	171,024	66,291	–	–
	(37,577)	429,291	242,740	–
Reconciliation of Effective Tax Rate				
(Loss)/Profit from operations before taxation	(9,075,799)	(15,670,341)	1,909,500	(959,170)
Income tax using Singapore tax rate at 20%	(1,815,160)	(3,134,068)	381,900	(191,834)
Effect of different tax rates in other countries	122,632	107,164	–	–
Income not subject to tax	(142,772)	(17,709)	(242,225)	(180,002)
Expenses not deductible for tax purposes	397,910	622,488	111,643	371,836
Tax benefits not recognised	204,381	389,546	–	–
Utilisation of previously unrecognised tax losses	–	(36,104)	–	–
Reversal of deferred tax assets recognised in prior years	165,541	50,672	–	–
Benefits of tax losses transferred in	(224,000)	–	–	–
Unabsorbed losses and wear and tear allowance disregarded	639,414	1,822,464	–	–
Effects of results of associates presented net of tax	765,932	618,538	–	–
Overprovision in prior years	(204,746)	–	(57,260)	–
Others	53,291	6,300	48,682	–
	(37,577)	429,291	242,740	–

In 2005, unutilised tax losses of S$500,000 relating to prior years and the year's losses of S$620,000 were transferred amongst subsidiaries to offset against taxable profit under the Group Relief System. There were no such transfers in the current year.

25 EARNINGS PER SHARE

The earnings per ordinary share of the Group is calculated based on the consolidated loss for the year of S$16,099,632 (2005: S$9,038,222) and the number of ordinary shares in issue of 599,595,180 (2005: 599,595,180).

26 DIVIDEND

	Group and Company	
	2005	**2006**
	S$	*S$*
First and final dividend paid of Nil cents (2005: 0.25 cents per share less tax at 20% in respect of the previous year)	1,199,190	–

There is no proposed first and final dividend for the financial year. The directors had proposed a first and final dividend of 0.25 cents per share less tax at 20% amounting to S$1,199,190 for the financial year ended 31 December 2004, which was declared and paid in 2005.

27 FINANCIAL INSTRUMENTS

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Exposure to currency, interest rate and credit risks arises in the normal course of the Group's business. This section provides details of the Group's exposure to financial risk and describes the methods used by management to control such risk.

Credit Risk

Credit risk is the potential risk of financial loss resulting from failure of a customer or counter party in meeting its financial and contractual obligations to the Group, as and when they fall due.

The Group's primary exposure to credit risk arises from its other investments, trade and other receivables and cash and cash equivalents. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The credit policy also requires a security deposit from customers to secure tenancy commitments.

Investments and transactions involving derivative financial instruments are allowed only with counter parties that are of high credit quality.

Cash is placed with financial institutions with good credit ratings.

The major concentration of credit risk arises by geographic sectors of counter parties in relation to the Group's other investments, trade and other receivables and cash and cash equivalents. The Group has no significant exposure to any individual counter party. The geographic sector risk concentration is presented in the table below:

	Group			
	2005		2006	
	S$	*%*	*S$*	*%*
Singapore	3,374,178	99	4,457,621	99
Hong Kong	23,275	1	20,044	1
Others	2	–	2	–
	3,397,455	100	4,477,667	100

Liquidity Risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which interest income and expense could be impacted from an adverse movement in interest rates.

Foreign Currency Risk

The Group incurs foreign currency risk on borrowing costs and borrowings that are denominated in a currency other than Singapore dollars arising from its business operations in Hong Kong, which have the Hong Kong dollar as their functional currency.

Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level. When considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk.

Estimation of Fair Values

The fair value of interest bearing loans is calculated based on discounted expected future principal and interest cash flows.

The notional amounts of other financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash at banks and trade and other payables) approximate their fair values.

28 RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2005	2006
	S$	*S$*
Contract services provided to key management personnel	57,339	55,875

29 SEGMENT REPORTING

The information on the business and geographical segments of the Group are as follows:

Business Segments

	Property Investment *S$*	Property Development *S$*	Property Management *S$*	Other Operations *S$*	Total *S$*
2005					
Revenue and expenses					
Total revenue	37,122,363	398,786	895,680	311,760	38,728,589
Segment results	14,250,114	286,271	65,081	(512,801)	14,088,665
Finance costs	(17,688,626)	(628,440)	–	(464,362)	(18,781,428)
					(4,692,763)
Share of results of associates					(4,383,036)
Income tax expense					37,577
					(9,038,222)
Significant non-cash expenses					
Depreciation	416,109	5,109	6,842	–	428,060
Amortisation	663,892	6,855	–	–	670,747
Allowances and impairment loss, net	286,864	–	–	968,980	1,255,844
Assets and liabilities					
Segment assets	871,730,142	50,395,221	223,506	1,312,675	923,661,544
Associates					176,412,458
Unallocated assets					63,726
Total assets					1,100,137,728
Segment liabilities	452,006,966	47,492,998	121,743	11,540,521	511,162,228
Unallocated liabilities					729,463
Total liabilities					511,891,691
Capital expenditure	315,255	13,805	–	–	329,060

	Property Investment S$	Property Development S$	Property Management S$	Other Operations S$	Total S$
2006					
Revenue and expenses					
Total revenue	37,178,082	25,248,075	729,536	79,047	63,234,740
Segment results	11,383,673	2,466,149	(92,152)	(516,526)	13,241,144
Finance costs	(23,007,281)	(1,756,726)	–	(594,315)	(25,358,322)
					(12,117,178)
Share of results of associates					(3,553,163)
Income tax expense					(429,291)
					(16,099,632)
Significant non-cash expenses					
Depreciation	400,039	36,658	11,591	–	448,288
Amortisation	755,246	6,855	–	–	762,101
Allowances and impairment loss, net of reversals	66,992	(849,430)	22,355	(140,000)	(900,083)
Assets and liabilities					
Segment assets	1,057,289,913	33,341,469	244,175	1,379,942	1,092,255,499
Associates					159,688,399
Unallocated assets					4,244
Total assets					1,251,948,142
Segment liabilities	459,233,038	35,237,895	152,526	11,054,759	505,678,218
Unallocated liabilities					1,020,539
Total liabilities					506,698,757
Capital expenditure	840,165	167,984	23,744	–	1,031,893

Geographical Segments

	Singapore	Hong Kong	Total
	S$	*S$*	*S$*
2005			
Total revenue	38,728,572	17	38,728,589
Segment assets	923,557,055	168,215	923,725,270
Associates	–	176,412,458	176,412,458
	923,557,055	176,580,673	1,100,137,728
Capital expenditure	329,060	–	329,060
2006			
Total revenue	63,234,732	8	63,234,740
Segment assets	1,092,107,006	152,737	1,092,259,743
Associates	–	159,688,399	159,688,399
	1,092,107,006	159,841,136	1,251,948,142
Capital expenditure	1,031,893	–	1,031,893

30 COMMITMENTS

As at 31 December 2006, the Group's commitments in respect of development and capital expenditure contracted but not provided for in the financial statements amounted to approximately S$4,381,000 (2005: S$4,189,000).

The Group leases out its investment and development properties. Non-cancellable operating lease rentals receivable as at 31 December 2006 are as follows:

	Group	
	2005	**2006**
	S$	*S$*
Within 1 year	22,972,006	29,020,432
After 1 year but within 5 years	17,605,652	19,135,158
	40,577,658	48,155,590

31 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures and the Amendment to FRS 1 Presentation of Financial Statements: Capital Disclosures
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	Scope of FRS 102 Share-based Payment
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

FRS 40, which becomes mandatory for the Group's 2007 financial statements, permits investment property to be stated at either fair value or cost less accumulated depreciation and accumulated impairment. The Group will continue to state investment property at fair value. Under the fair value model in FRS 40, changes in fair values of investment property are required to be included in the profit and loss account. As a result of adopting FRS 40, the Group expects to reclassify the amount of S$553,090,618 in its revaluation reserve to retained profit at 1 January 2007.

FRS 107 and the amended FRS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to the Company's financial instruments and share capital. This standard does not have any impact on the recognition and measurement of the Group's financial statements.

Other than for FRS 40, the initial application of these standards and interpretations is not expected to have any material impact on the Group's financial statements. The entity has not considered the impact of accounting standards issued after the balance sheet date.

32 COMPARATIVE INFORMATION

Certain comparatives in the financial statements have been changed from the previous year to conform to current year's presentation and to comply with the new/revised FRSs stated in Note 2.7."

"**BALANCE SHEETS**
As At 31 December 2005

		Group		Company	
	Note	**2005**	**2004**	**2005**	**2004**
		S$	*S$*	*S$*	*S$*
Non-current Assets					
Fixed assets	*3*	731,980	831,505	–	–
Subsidiaries	*4*	–	–	186,745,982	187,206,528
Associates	*5*	176,412,458	157,280,857	4,455,912	4,403,500
Investment properties	*6*	867,453,000	829,720,000	–	–
Other investments	*7*	3	588,701	–	–
Other assets	*8*	374,960	329,255	–	–
Deferred tax assets	*9*	50,672	221,371	–	–
		1,045,023,073	988,971,689	191,201,894	191,610,028
Current Assets					
Derivative asset		241,025	–	–	–
Other investments	*7*	1,084,293	2,192,351	–	–
Development properties	*10*	50,038,288	40,356,937	–	–
Trade and other receivables	*11*	2,784,656	2,482,439	3,205	3,150
Cash and cash equivalents	*12*	966,393	392,092	50,926	39,484
		55,114,655	45,423,819	54,131	42,634
Total Assets		1,100,137,728	1,034,395,508	191,256,025	191,652,662
Share capital	*13*	149,898,795	149,898,795	149,898,795	149,898,795
Reserves	*14*	438,347,242	387,896,441	40,900,962	41,305,061
Total Equity		588,246,037	537,795,236	190,799,757	191,203,856
Non-current Liabilities					
Obligations under finance leases	*15*	214,799	303,131	–	–
Interest bearing loans and borrowings	*16*	367,357,763	479,038,354	–	–
Deferred tax liability	*9*	497,823	497,498	–	–
		368,070,385	479,838,983	–	–

		Group		Company	
	Note	**2005**	**2004**	**2005**	**2004**
		S$	*S$*	*S$*	*S$*
Current Liabilities					
Bank overdraft (secured)	*12*	122,892	709,039	–	–
Trade and other payables	*17*	15,090,902	14,433,906	456,268	448,806
Obligations under finance leases	*15*	145,364	133,556	–	–
Interest bearing loans and borrowings	*16*	128,230,508	994,932	–	–
Tax payable		231,640	489,856	–	–
		143,821,306	16,761,289	456,268	448,806
Total Liabilities		511,891,691	496,600,272	456,268	448,806
Total Equity and Liabilities		1,100,137,728	1,034,395,508	191,256,025	191,652,662

The accompanying notes form an integral part of these financial statements.

Profit and Loss Accounts
Year Ended 31 December 2005

		Group		Company	
	Note	**2005**	**2004**	**2005**	**2004**
		S$	*S$*	*S$*	*S$*
Revenue	*18*	38,728,589	39,979,475	1,500,000	1,500,000
Other income	*19*	327,419	418,704	154	1,339
		39,056,008	40,398,179	1,500,154	1,501,339
Amortisation of negative goodwill	*5*	–	93,322	–	–
Depreciation of fixed assets	*3*	(428,060)	(346,494)	–	–
Exchange gain/(loss), net		398,916	(733,343)	339,456	(680,080)
Other operating expenses		(24,938,199)	(25,802,389)	(801,779)	(562,007)
Finance costs	*20*	(18,781,428)	(14,795,994)	–	–
		(4,692,763)	(1,186,719)	1,037,831	259,252
Share of results of associates		(4,383,036)	2,086,516	–	–
(Loss)/Profit from operations before taxation	*21*	(9,075,799)	899,797	1,037,831	259,252
Income tax expense	*23*	37,577	416,193	(242,740)	(250,658)
Net (Loss)/Profit for the year		(9,038,222)	1,315,990	795,091	8,594
Earnings per Share (cents): Basic/Diluted	*24*	(1.51)	0.22		

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

Year Ended 31 December 2005

	Note	Share Capital	Share Premium	Capital and Other Reserves	Translation Reserves	Revaluation Reserves	Retained Profit	Total
		S$	*S$*	*S$*	*S$*	*S$*	*S$*	*S$*
Group								
At 1 January 2004		149,898,795	813,878	10,297,198	(19,915,530)	277,369,686	75,806,919	494,270,946
Exchange differences on translation of financial statements of foreign subsidiaries and associates		–	–	–	(1,259,573)	–	–	(1,259,573)
Exchange differences on translation of balances at beginning of the year		–	–	(325,732)	–	(2,093,053)	–	(2,418,785)
Net surplus on revaluation		–	–	–	–	932,256	–	932,256
Share of reserves of associates		–	–	–	–	46,153,592	–	46,153,592
Net gains/(losses) recognised directly in equity		–	–	(325,732)	(1,259,573)	44,992,795	–	43,407,490
Net profit for the year		–	–	–	–	–	1,315,990	1,315,990
Total recognised income and expense for the year		–	–	(325,732)	(1,259,573)	44,992,795	1,315,990	44,723,480
Dividend	*25*	–	–	–	–	–	(1,199,190)	(1,199,190)
At 31 December 2004		149,898,795	813,878	9,971,466	(21,175,103)	322,362,481	75,923,719	537,795,236
At 31 December 2004, as previously reported		149,898,795	813,878	9,971,466	(21,175,103)	322,362,481	75,923,719	537,795,236
Effects of adopting FRS 21	*28*	–	–	–	69,511	–	(79,054)	(9,543)
Effects of adopting FRS 103	*28*	–	–	(7,600,417)	(316,546)	–	13,982,885	6,065,922
At 1 January 2005, restated		149,898,795	813,878	2,371,049	(21,422,138)	322,362,481	89,827,550	543,851,615
Exchange differences on translation of financial statements of foreign subsidiaries and associates		–	–	–	903,494	–	–	903,494
Exchange differences on translation of balances at beginning of the year		–	–	–	–	2,035,532	–	2,035,532
Net surplus on revaluation		–	–	–	–	37,783,400	–	37,783,400
Share of reserves of associates		–	–	771,803	–	13,323,329	(185,724)	13,909,408
Net gains/(losses) recognised directly in equity		–	–	771,803	903,494	53,142,261	(185,724)	54,631,834
Net loss for the year		–	–	–	–	–	(9,038,222)	(9,038,222)
Total recognised income and expense for the year		–	–	771,803	903,494	53,142,261	(9,223,946)	45,593,612
Dividend	*25*	–	–	–	–	–	(1,199,190)	(1,199,190)
At 31 December 2005		149,898,795	813,878	3,142,852	(20,518,644)	375,504,742	79,404,414	588,246,037

	Note	Share Capital S$	Share Premium S$	Capital and Other Reserves S$	Translation Reserves S$	Revaluation Reserves S$	Retained Profit S$	Total S$
Company								
At 1 January 2004		149,898,795	813,878	–	–	–	41,681,779	192,394,452
Net profit for the year		–	–	–	–	–	8,594	8,594
Total recognised income and expense for the year		–	–	–	–	–	8,594	8,594
Dividend	25	–	–	–	–	–	(1,199,190)	(1,199,190)
At 31 December 2004		149,898,795	813,878	–	–	–	40,491,183	191,203,856
Net profit for the year		–	–	–	–	–	795,091	795,091
Total recognised income and expense for the year		–	–	–	–	–	795,091	795,091
Dividend	25	–	–	–	–	–	(1,199,190)	(1,199,190)
At 31 December 2005		149,898,795	813,878	–	–	–	40,087,084	190,799,757

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows
Year Ended 31 December 2005

	2005	2004
	S$	*S$*
Operating Activities		
(Loss)/Profit from operations before taxation	(9,075,799)	899,797
Adjustments for:		
Share of results of associates	4,383,036	(2,086,516)
Amortisation of negative goodwill	–	(93,322)
Amortisation of transaction cost of interest bearing loans and borrowings	670,747	574,491
Depreciation of fixed assets	428,060	346,494
Gain on disposal of development property	–	(716,144)
Gain on disposals of fixed assets, net	(96,743)	(64,296)
Gain on disposals of other investments	(224,889)	(20,144)
Impairment loss on other investments	590,980	340,000
(Write-back of)/impairment loss on other assets	(42,800)	2,000
Loss on remeasurement of other investments	378,000	523,019
Interest income	(251,887)	(89,205)
Interest expenses	18,781,428	14,795,994
Operating profit before working capital changes	15,540,133	14,412,168
Changes in working capital:		
Development properties	(8,738,609)	(352,621)
Trade and other receivables	(124,288)	(2,438,956)
Trade and other payables	516,117	(283,007)
Cash generated from operations	7,193,353	11,337,584
Income tax paid	(106,875)	(501,660)
Interest received	71,427	89,205
Income tax refund	58,212	76,713
Cash Flows from Operating Activities	7,216,117	11,001,842
Investing Activities		
Decrease in investment properties	50,400	152,256
Increase in other investments	(426,372)	(2,288,131)
Purchase of fixed assets	(270,060)	(105,359)
Proceeds from disposal of development property	–	1,150,000
Proceeds from disposals of fixed assets	97,268	67,296
Proceeds from disposals of other investments	1,381,319	930,850
(Increase)/Decrease in associates	(400,212)	729,664
Cash Flows from Investing Activities	432,343	636,576

	2005	2004
	S$	*S$*
Financing Activities		
Interest paid	(19,583,503)	(14,679,206)
Dividend paid	(1,199,190)	(1,199,190)
Repayment of interest bearing loans and borrowings	(1,000,000)	–
Payment of finance lease rentals	(135,524)	(126,089)
Proceeds from interest bearing loans and borrowings	15,429,000	4,500,000
Cash Flows from Financing Activities	(6,489,217)	(11,504,485)
Net Increase in Cash and Cash Equivalents	1,159,243	133,933
Cash and cash equivalents at beginning of the year	(316,947)	(444,885)
Effect of exchange rate changes on balances held in foreign currencies	1,205	(5,995)
Cash and Cash Equivalents at end of the year *(Note 12)*	843,501	(316,947)

Note to Consolidated Statement of Cash Flows

During the year, the Group acquired fixed assets with an aggregate cost of approximately S$329,000 (2004: S$217,000), of which approximately S$59,000 (2004: S$112,000) were acquired by means of finance leases. Cash payments of approximately S$270,000 (2004: S$105,000) were made to purchase the fixed assets.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2005

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 15 March 2006.

1 CORPORATE INFORMATION

Hong Fok Corporation Limited is a company incorporated in the Republic of Singapore and has its registered office at 300 Beach Road #41-00, The Concourse, Singapore 199555.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries consist of property investment, property development, property management, investment trading and investment holding and management.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the Group) and the Group's interests in associates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS) including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

In 2005, the Group adopted the following new/revised FRSs which are relevant to its operations:

FRS 1	*(revised)*	*Presentation of Financial Statements*
FRS 8	*(revised)*	*Accounting Policies, Changes in Accounting Estimates and Errors*
FRS 10	*(revised)*	*Events After the Balance Sheet Date*
FRS 16	*(revised)*	*Property, Plant and Equipment*
FRS 17	*(revised)*	*Leases*
FRS 21	*(revised)*	*The Effects of Changes in Foreign Exchange Rates*
FRS 24	*(revised)*	*Related Party Disclosures*
FRS 27	*(revised)*	*Consolidated and Separate Financial Statements*
FRS 28	*(revised)*	*Investment in Associates*
FRS 32	*(revised)*	*Financial Instruments: Disclosure and Presentation*
FRS 33	*(revised)*	*Earnings Per Share*
FRS 36	*(revised)*	*Impairment of Assets*
FRS 39		*Financial Instruments: Recognition and Measurement*
FRS 102		*Share-based Payment*
FRS 103		*Business Combinations*

The effects of adopting the new/revised FRSs in 2005 are set out in Note 28.

The historical cost basis is used except for investment properties that are stated at their revalued amounts and certain financial assets and financial liabilities that are stated at their fair values. Amounts are expressed in Singapore dollars.

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

FRS yet to be adopted

The Group has yet to adopt FRS 40 Investment Property, which will be effective from 1 January 2007. Under FRS 40, investment properties are permitted to be measured using either fair value or cost. When FRS 40 is adopted, the Group expects to reclassify its revaluation reserve to retained profit as at 1 January 2007. At this juncture, the impact of adoption cannot be reasonably determined as the Group is unable to estimate with reasonable accuracy the changes in fair value of the investment properties in the period to 1 January 2007.

2.2 Consolidation

Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are companies in which the Company owns between 20% to 50% of its share capital and actively participates in its management.

In the Group's financial statements, they are accounted for using the equity method of accounting.

Accounting policies of subsidiaries and associates

Where necessary, accounting policies of subsidiaries and associates have been changed to be consistent with the policies adopted by the Group.

2.3 Foreign Currencies

Translation of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into the reporting currency at rates of exchange closely approximate to those ruling at the balance sheet date. Foreign currency transactions are translated at rates ruling on transaction dates. Translation differences are dealt with through the profit and loss account.

Financial statements of foreign entities

The assets and liabilities of foreign subsidiaries and associates are translated into Singapore dollars at rates of exchange closely approximate to those ruling at the balance sheet date. The results of foreign subsidiaries and associates are translated at the average exchange rates for the year. Exchange differences resulting from the translation are taken directly to translation reserves. On disposal, the accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

2.4 Fixed Assets

Owned assets

Fixed assets are stated in the financial statements at cost less accumulated depreciation and impairment loss.

Leased assets

Where fixed assets are financed by finance leases that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at the values equivalent to the present value of the total rental payable during the periods of the finance lease and the corresponding lease obligations are included under liabilities. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are allocated over each finance lease term to give a constant rate of interest on the outstanding balance at the end of each period. Leased assets are stated in the financial statements at cost less accumulated depreciation and impairment loss. Assets acquired under finance leases are depreciated in accordance with the policy set out below.

Depreciation

Fixed assets are depreciated on a straight-line basis to write off their costs over their estimated useful lives at the following annual rates:

Office equipment and furniture	–	20% to 100%
Motor vehicles	–	20%
Plant and equipment	–	20% to 30%
Furniture	–	20%

The useful lives and residual values, if significant, are reassessed annually.

2.5 Subsidiaries and Associates

Subsidiaries and associates are held for long-term purposes and are stated at cost less impairment loss.

2.6 Investment Properties

Investment properties are those properties which are not held with the intention of sale in the ordinary course of business. They include residential and commercial properties held for their income and investment potential.

Investment properties accounted for as non-current assets are stated at fair value. The fair value is determined annually by independent professional valuers. Any increase in value is credited to the revaluation reserve unless it offsets a previous decrease in value recognised in the profit and loss account. A decrease in value is recognised in the profit and loss account when it exceeds the increase previously recognised in the revaluation reserve.

When an investment property is disposed of, the resulting gain or loss recognised in the profit and loss account is the difference between net disposal proceeds and the carrying amount of the property. Any amount in the revaluation reserve that relates to the property is transferred to the profit and loss account in calculating the gain or loss on disposal.

2.7 Other Investments

Financial assets held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the profit and loss account.

The fair value of financial assets classified as held-for-trading is determined as the quoted bid price at the balance sheet date.

Purchases and sales of financial assets held-for-trading are recognised on the date on which the Group commits to purchase or sell the assets.

Other financial assets held are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity.

2.8 Derivative Financial Instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its exposure to interest rate risks arising from its financing activities. The Group does not hold any derivative financial instrument for trading purposes.

Where a derivative financial instrument hedges the changes in fair value of a recognised liability, any gain or loss on hedging instrument is recognised in the profit and loss account. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the profit and loss account.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

2.9 Development Properties

Development properties are properties which are held with the intention of sale in the ordinary course of business and are classified as current assets. They include completed properties and properties under development.

Completed properties are stated at the lower of cost and directors' estimate of net realisable value. Cost includes cost of land, interest cost and other related expenditure. Capitalisation of interest cost and other related expenditure ceases when temporary occupation permit for the development is issued by the authorities or when active development is suspended for extended periods. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

Properties under development are stated at cost less any allowance considered necessary by the directors.

2.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and in hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdraft which is repayable on demand and which form an integral part of the Group's cash management.

2.11 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to profit and loss account unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

When a decline in fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the profit and loss account even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the profit and loss account is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Liabilities and Interest Bearing Liabilities

Trade and other payables are stated at cost. Interest bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

2.13 Employee Benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

Share-based payments

The share option programme allows employees of the associate to acquire shares of the associate. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, estimates of the number of options that are expected to become exercisable are revised and the impact of the revision of original estimates is recognised in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

2.14 Income Tax Expense

Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the profit and loss account.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of the prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised on initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 Revenue Recognition

Development properties

Profits on development properties are recognised using the percentage of completion method. The percentage of completion is measured by reference to the costs incurred to date and the estimated total costs for each contract. Profits are recognised only in respect of finalised sales agreements and to the extent that such profits relate to the progress of the construction work.

Rental income and maintenance fee

Rental income and maintenance fee are recognised on a straight-line basis over the term of the leases.

Sales of investments

Revenue upon disposals of investments is recognised at contractual date.

Dividend income

Dividend income is recognised on a receipt basis.

Car park and fitness centre income

Car park and fitness centre income are recognised on an accrual basis.

Property management income

Property management income is recognised upon completion of the services provided.

Interest income

Interest income from late payment by tenants is recognised on an accrual basis.

Interest income from deposits is accrued on a time-apportioned basis.

2.16 Key Management Personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entities. The directors of the Group and its subsidiaries, Vice Presidents of the respective departments and Personal Assistant to Directors are considered as key management personnel of the Group.

2.17 Borrowing Costs

Borrowing costs comprise interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset less any income on the temporary investment of these borrowings. The capitalisation rate is based on the attributable cost of the specific borrowings. All other borrowing costs are written off to the profit and loss account in the year in which they are incurred except for fees for the arrangement of financing facilities which are recognised over the period of the facilities on an effective interest basis.

2.18 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

3 FIXED ASSETS

	Group				
	Office Equipment and Furniture	Motor Vehicles	Plant and Equipment	Furniture	Total
	S$	*S$*	*S$*	*S$*	*S$*
Cost					
At 1 January 2004	1,309,887	1,858,193	1,399,977	689,736	5,257,793
Translation differences	–	(2,951)	–	–	(2,951)
Additions	25,374	181,839	–	10,146	217,359
Disposals	(11,846)	(238,116)	–	(21,220)	(271,182)
At 31 December 2004	1,323,415	1,798,965	1,399,977	678,662	5,201,019
Translation differences	–	1,476	–	–	1,476
Additions	70,694	214,641	25,000	18,725	329,060
Disposals	(166,688)	(341,676)	–	(69,545)	(577,909)
At 31 December 2005	1,227,421	1,673,406	1,424,977	627,842	4,953,646
Accumulated Depreciation					
At 1 January 2004	1,297,621	1,003,592	1,327,892	665,048	4,294,153
Translation differences	–	(2,951)	–	–	(2,951)
Depreciation for the year	31,737	277,689	24,856	12,212	346,494
Disposals	(11,846)	(238,116)	–	(18,220)	(268,182)
At 31 December 2004	1,317,512	1,040,214	1,352,748	659,040	4,369,514
Translation differences	–	1,476	–	–	1,476
Depreciation for the year	74,757	313,517	27,973	11,813	428,060
Disposals	(166,688)	(341,676)	–	(69,020)	(577,384)
At 31 December 2005	1,225,581	1,013,531	1,380,721	601,833	4,221,666
Carrying Amount					
At 31 December 2005	1,840	659,875	44,256	26,009	731,980
At 31 December 2004	5,903	758,751	47,229	19,622	831,505

Fixed assets included in the financial statements at a carrying value of approximately S$422,000 (2004: S$562,000) were acquired under finance lease agreements.

4 SUBSIDIARIES

	Company 2005	Company 2004
	S$	*S$*
Unquoted ordinary shares at cost	121,621,231	121,621,231
Impairment loss	(500,000)	(500,000)
	121,121,231	121,121,231
Amounts due from subsidiaries (mainly non-trade)	115,127,965	114,869,129
Allowance for doubtful receivables	(8,505,000)	(7,955,000)
	106,622,965	106,914,129
Amounts due to subsidiaries (mainly non-trade)	(40,998,214)	(40,828,832)
	65,624,751	66,085,297
	186,745,982	187,206,528

The amounts due from/(to) subsidiaries are unsecured, interest free and settlement is neither planned nor likely to occur in the foreseeable future.

The amount due from subsidiaries included an amount of approximately S$13,727,000 (2004: S$13,435,000) which forms part of the Company's net investment in a foreign subsidiary.

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Effective Equity Held 2005	Effective Equity Held 2004
		%	%
Yat Yuen Hong Holdings Pte. Ltd.	Singapore	100	100
Yat Yuen Hong Company Limited and its subsidiary:	Singapore	100	100
Super Homes Pte. Ltd.	Singapore	100	100
Hong Fok Homes Pte Ltd	Singapore	100	100
Cecil Land Development Pte. Ltd.	Singapore	100	100
Hong Fok Land Ltd and its subsidiary:	Singapore	100	100
Jemmax Investments Pte Ltd	Singapore	100	100
Hong Fok Realty Pte. Ltd.	Singapore	100	100
Vista Parking Services Pte Ltd	Singapore	100	100
Hong Fok Nominees Pte. Ltd.	Singapore	100	100
Innobuild Pte Ltd	Singapore	100	100
Broadway Development Pte Ltd	Singapore	100	100
Turie Pte Ltd	Singapore	100	100
Defoe Pte Ltd and its subsidiary:	Singapore	100	100
Brisco Pte Ltd	Singapore	100	100
Rasco Pte Ltd and its subsidiary:	Singapore	100	100
Hong Fok Development (Newton) Pte Ltd	Singapore	100	100
Firth Enterprises Pte Ltd	Singapore	100	100
Biogem International Pte Ltd	Singapore	100	100
HFC Ventures.com Co Pte Ltd	Singapore	100	100
Highfeature.com Co Pte Ltd	Singapore	100	100
Arundel Trading Pte Ltd	Singapore	100	100
Bishopgate Holdings Limited	British Virgin Islands	100	100

Name of Subsidiaries	Country of Incorporation	Effective Equity Held 2005	2004
		%	%
Gold Triumph Assets Limited	British Virgin Islands	100	100
Warranty Management Pte Ltd	Singapore	100	100
@ Hong Fok Investment Holding Company, Limited			
and its subsidiaries:	Hong Kong	100	100
Superior Homes Limited	Hong Kong	100	100
Hong Fok International Limited	Hong Kong	100	100
Hong Fok Nominees Limited	Hong Kong	100	100
Supreme Homes Company Limited	Hong Kong	100	100
Hong Fok Enterprises Limited and its subsidiary:	Hong Kong	100	100
HFL International Consortium Limited	Cayman Islands	100	100

@ The consolidated financial statements are audited by CCIF CPA Limited, Hong Kong (2004: PKF, Hong Kong).

Subsidiaries incorporated in Singapore and the British Virgin Islands are audited by KPMG Singapore.

5 ASSOCIATES

	Group		Company	
	2005	**2004**	**2005**	**2004**
	S$	*S$*	*S$*	*S$*
Investments in associates	173,956,546	154,877,357	2,000,000	2,000,000
Amounts due from associates (non-trade)	2,455,912	2,403,500	2,455,912	2,403,500
	176,412,458	157,280,857	4,455,912	4,403,500

As at 31 December 2005, one of the associates, Winfoong International Limited, ("WIL") has given unconditional guarantees to banks for credit facilities granted to its subsidiaries, of which the amounts utilised were approximately S$91,592,000 (2004: S$117,600,000). WIL has also given corporate guarantees to banks for issuing letters of indemnity to a third party in respect of contracts undertaken by certain of its subsidiaries, and to indemnify the repayment of certain mortgage loans amounting to approximately S$1,158,000 (2004: S$1,134,000).

As at 31 December 2005, WIL Group's capital commitments amounted to approximately S$2,979,000 (2004: S$246,000).

In 2004, negative goodwill of S$6,065,922 was included in investments in associates.

Movements in negative goodwill during the year:

	Note	Group 2005	2004
		S$	*S$*
At 1 January		(6,065,922)	(6,420,291)
Effects of adopting FRS 103	*28*	6,065,922	–
Translation differences		–	261,047
Amortisation of negative goodwill		–	93,322
At 31 December		–	(6,065,922)

The amount due from an associate forms part of the Company's net investment in an associate. The amount is unsecured, interest free and settlement is neither planned nor likely to occur in the foreseeable future.

Details of the associates are as follows:

	Name of Associates	Place of Incorporation and Business	Effective Equity Held 2005 %	2004 %
@	Winfoong International Limited and its subsidiaries:	Bermuda	40	40
	Winfoong Limited and its subsidiaries:	British Virgin Islands	40	40
	Winfoong Investment Limited and its subsidiaries:	Hong Kong	40	40
	Winfoong Overseas Limited and its subsidiaries:	British Virgin Islands	*59	*59
	Maincon (Building) Pte. Ltd. and its subsidiary:	Singapore	*59	*59
	Elegant Homes Pte. Ltd.	Singapore	*59	*59
	Winfoong Enterprise Limited and its subsidiaries:	Hong Kong	40	40
	Hepscott Limited	Hong Kong	40	40
	Perselle Limited	Hong Kong	40	40
	Hugoton Limited	Hong Kong	40	40
	Bossiney Limited	Hong Kong	40	40
	Giant Yield Limited	Hong Kong	40	40
	Ashwell Enterprises Limited and its subsidiaries:	British Virgin Islands	40	40
	World Profit Limited	Hong Kong	40	40
	Vision Asset Management Limited	Hong Kong	40	40
	Allied Crown Limited	Hong Kong	40	40
	Wellow Investment Limited and its subsidiary:	Republic of Liberia	40	40
	Winfoong Holding Limited	Hong Kong	40	40
	Raglan Investments Limited and its subsidiaries:	British Virgin Islands	40	40
	Sui Chong International Development Limited	Hong Kong	40	40
	Sui Chong International Resources Limited	Hong Kong	40	40
	Sui Chong International (H.K.) Limited	Hong Kong	40	40
	Vision Securities Limited	Hong Kong	40	40
	Magic Prosper Development Limited	Hong Kong	40	40
	Standard Homes Company Limited	Hong Kong	40	40
	Treasure Times Services Limited	British Virgin Islands	40	40
	Winfoong Hotel Limited	Hong Kong	40	40
	Donwin Property Limited	Hong Kong	40	40
	Sui Chong Finance Limited	Hong Kong	40	40
	Vision Capital Limited	Hong Kong	40	40
	Sui Chong Property Management Limited and its subsidiaries:	Hong Kong	40	40
	Magazine Gap Property Management Limited	Hong Kong	40	40
	Fok On Property Management Limited	Hong Kong	40	40
	Fort Property Management Limited	Hong Kong	40	40
	Art House Decoration Company Limited	Hong Kong	40	40

Name of Associates	Place of Incorporation and Business	Effective Equity Held 2005	2004
		%	%
Cheung Kee Landscaping Limited and its subsidiaries:	Hong Kong	40	40
Jade and Pearl Enterprises Limited	British Virgin Islands	40	40
Maple Ridge Group Limited	British Virgin Islands	40	40
Sandalwood Worldwide Limited	British Virgin Islands	40	40
Thumberland Limited	Samoa	40	40
Union Mark Trading Limited	British Virgin Islands	40	40
Zetland Administration Limited	Samoa	40	40
Cheung Kee Garden Limited and its subsidiaries:	Hong Kong	40	40
Sam Kee Garden (H.K.) Limited (formerly known as Cheung Kee Garden (H.K.) Limited)	Hong Kong	40	40
Top Tips International Limited	British Virgin Islands	40	40
U-Kwong Holdings Limited and its subsidiaries:	British Virgin Islands	40	40
Hammerman Assets Limited and its subsidiaries:	British Virgin Islands	40	40
Wellpool International Limited and its subsidiary:	Hong Kong	40	40
Jiangmen Tangquan Real Estate Company Limited	The People's Republic of China	#37	#37
China Charm Company Limited	Hong Kong	40	40
Luxurious Time Properties Limited and its subsidiary:	British Virgin Islands	40	40
Super Homes Limited	Hong Kong	40	40

@ Winfoong International Limited is listed on The Stock Exchange of Hong Kong Limited and its consolidated financial statements are audited by CCIF CPA Limited, Hong Kong (2004: PKF, Hong Kong).

* Includes equity interest of approximately 31.8% held directly by the Company and approximately 68.2% held indirectly by Winfoong International Limited.

Includes 92.0% held indirectly by Winfoong International Limited.

The financial information of the associates is as follows:

	Associates 2005	2004
	S$	*S$*
Assets and Liabilities		
Total assets	431,698,070	428,206,613
Total liabilities	98,881,948	125,351,415
Results		
Revenue	27,505,176	10,054,571
(Loss)/Profit for the year	(10,963,441)	5,186,066

The above financial information is a summary of the consolidated operating results and financial position of the associate, which are based on its financial statements and adjusted for the cross-holding between the Company and the associate as well as the alignment of the associate's accounting policies with those of the Group, in particular as they relate to HKAS 40, Investment Property (the equivalent of FRS 40) and HK(SIC) Interpretation 21, Income Taxes – Recovery of Revalued Non-depreciable Assets, adopted by the associate during the year.

6 INVESTMENT PROPERTIES

	Group	
	2005	**2004**
	S$	*S$*
At 1 January	829,720,000	828,940,000
Development expenditure written back	(50,400)	(152,256)
Revaluation surplus recognised in equity	37,783,400	932,256
At 31 December	867,453,000	829,720,000
Investment properties are revalued as follows:		
Leasehold properties revalued on 12 January 2006 (2004: 1 February 2005)	720,000,000	686,000,000
Freehold properties revalued on 19 January 2006 (2004: 1 February 2005)	147,453,000	143,720,000
	867,453,000	829,720,000

Investment properties are revalued by Savills (Singapore) Pte Ltd, a firm of independent professional valuers, on an open market value basis.

The investment properties are mortgaged for credit facilities extended to the Group (Note 16(a)(i)).

Investment properties comprise commercial and residential properties which are mainly leased to external parties.

7 OTHER INVESTMENTS

	Group	
	2005	**2004**
	S$	*S$*
Available-for-sale Securities:		
Unquoted equity investments at cost	6,968,834	6,968,834
Impairment loss	(6,968,831)	(6,380,133)
	3	588,701
Securities Held-for-trading:		
Quoted equity	912,293	2,028,351
Unquoted equity	172,000	164,000
	1,084,293	2,192,351

Certain investments with a carrying value of approximately S$908,000 as at 31 December 2005 (2004: S$2,022,000) have been pledged as collateral to secure a share margin trading facility (the "facility") granted to a subsidiary. As at 31 December 2005, the amount utilised under the facility granted was S$Nil (2004: S$Nil).

It is not practicable to estimate the fair value of the Group's unquoted equity investments for available-for-sale because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

The impairment charge on the available-for-sale securities arose as a result of the current tight cash flow position of an underlying investment.

For 31 December 2004, other investments were stated at lower of cost and market value or at cost less allowance for diminution.

8 OTHER ASSETS

	Group	
	2005	**2004**
	S$	*S$*
Club membership	609,960	607,055
Impairment loss	(235,000)	(277,800)
	374,960	329,255

9 DEFERRED TAX ASSETS AND LIABILITY

Deferred tax assets and liability are attributable to the following:

		Group	
	At 1 January	**(Charged)/ Credited to Profit and Loss Account** *(Note 23)*	**At 31 December**
	S$	*S$*	*S$*
2005			
Deferred Tax Assets			
Fixed assets	49,073	2,842	51,915
Tax value of losses carry forward	169,218	(169,218)	–
Others	20,267	(4,648)	15,619
	238,558	(171,024)	67,534
Deferred Tax Liability			
Investment properties	(514,685)	–	(514,685)
2004			
Deferred Tax Assets			
Fixed assets	831,457	(782,384)	49,073
Tax value of losses carry forward	239,992	(70,774)	169,218
Others	36,552	(16,285)	20,267
	1,108,001	(869,443)	238,558
Deferred Tax Liability			
Investment properties	(566,153)	51,468	(514,685)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets and tax liabilities and when the deferred tax relates to the same taxation authority. The following amounts, determined after appropriate offsetting are included in the balance sheet as follows:

	Group	
	2005	**2004**
	S$	*S$*
Deferred tax assets	50,672	221,371
Deferred tax liability	(497,823)	(497,498)
Deferred tax assets have not been recognised in respect of the following temporary differences:		
Deductible temporary differences	11,842,227	11,849,590
Unutilised tax losses	21,070,437	19,969,763
	32,912,664	31,819,353

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the subsidiaries of the Group can utilise the benefits. However, the unutilised tax losses are available for offset against future taxable income subject to agreement with the relevant tax authorities.

10 DEVELOPMENT PROPERTIES

		Group	
	Note	**2005**	**2004**
		S$	*S$*
Freehold properties under development		47,461,131	37,736,954
Allowance for foreseeable losses		(16,100,000)	(16,100,000)
		31,361,131	21,636,954
Progress payments		(1,226,391)	(1,183,565)
		30,134,740	20,453,389
Completed properties held for resale		22,752,201	22,752,201
Allowance for diminution in value		(2,848,653)	(2,848,653)
		19,903,548	19,903,548
		50,038,288	40,356,937
Amount of interest capitalised during the year	*20*	942,742	577,170

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	**2004**	**2005**	**2004**
	S$	*S$*	*S$*	*S$*
Trade receivables	1,911,677	1,316,509	–	–
Allowance for doubtful receivables	(572,688)	(283,534)	–	–
	1,338,989	1,032,975	–	–
Deposits and prepayments	1,424,836	1,423,483	3,205	3,150
Tax recoverable	13,054	11,026	–	–
Other receivables	7,777	14,955	–	–
	2,784,656	2,482,439	3,205	3,150

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	**2004**	**2005**	**2004**
	S$	*S$*	*S$*	*S$*
Cash at banks and in hand	966,393	392,092	50,926	39,484
Bank overdraft (secured)	(122,892)	(709,039)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	843,501	(316,947)	50,926	39,484

The effective interest rate for the bank overdraft at the balance sheet date is 5.8% (2004: 5.8%) per annum.

Details of securities for bank overdraft are disclosed in Note 16(a)(i) to the financial statements.

13 SHARE CAPITAL

	2005		2004	
	No. of Shares	*S$*	*No. of Shares*	*S$*
Authorised:				
Ordinary shares of S$0.25 each	1,200,000,000	300,000,000	1,200,000,000	300,000,000
Issued and Fully Paid:				
Ordinary shares of S$0.25 each	599,595,180	149,898,795	599,595,180	149,898,795

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14 RESERVES

	Group		Company	
	2005	2004	2005	2004
	S$	*S$*	*S$*	*S$*
Share premium	813,878	813,878	813,878	813,878
Capital reserves	2,371,049	9,971,466	–	–
Share option reserve	771,803	–	–	–
Translation reserves	(20,518,644)	(21,175,103)	–	–
Revaluation reserves	375,504,742	322,362,481	–	–
Retained profit	79,404,414	75,923,719	40,087,084	40,491,183
	438,347,242	387,896,441	40,900,962	41,305,061

The application of the share premium account is governed by Section 69 of the Companies Act, Chapter 50.

The share option reserve comprises the cumulative value of employee services received by an associate for the issue of share options in the associate.

The translation reserves comprise exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

The revaluation reserves comprise the cumulative net change in the fair value of investment properties (Note 6) and share of reserves of associates.

The retained profit of the Group include accumulated loss of approximately S$58,232,000 (2004: S$66,127,000) attributable to associates.

15 OBLIGATIONS UNDER FINANCE LEASES

Obligations under finance leases are attributable to the following:

	Group					
	2005			2004		
	Principal	Interest	Payments	Principal	Interest	Payments
	S$	*S$*	*S$*	*S$*	*S$*	*S$*
Repayable:						
Within 1 year	145,364	16,792	162,156	133,556	15,316	148,872
After 1 year but within 5 years	214,799	24,494	239,293	303,131	34,157	337,288
	360,163	41,286	401,449	436,687	49,473	486,160

Interests on the above finance leases are charged at rates ranging approximately from 3.9% to 5.1% (2004: 3.9% to 5.1%) per annum.

16 INTEREST BEARING LOANS AND BORROWINGS

		Group	
	Note	**2005**	**2004**
		S$	*S$*
Secured bonds	*16(b)*	110,241,025	110,000,000
Secured fixed rate loan	*16(c)*	80,000,000	80,000,000
Secured floating rate loans	*16(d)*	213,200,000	214,200,000
Singapore dollar secured revolving loan	*16(e)*	83,000,000	68,000,000
Hong Kong dollar secured revolving loan	*16(f)*	10,725,000	10,080,000
		497,166,025	482,280,000
Unamortised transaction cost		(1,577,754)	(2,246,714)
		495,588,271	480,033,286

	Group	
	2005	**2004**
	S$	*S$*
Repayable:		
Within 1 year	128,230,508	994,932
After 1 year but within 5 years	367,357,763	479,038,354
	495,588,271	480,033,286

(a) The interest bearing loans and borrowings and overdraft of the Group are secured by:

(i) mortgages on and assignment of rental income from investment properties with carrying values of approximately S$867,453,000 as at 31 December 2005 (2004: S$829,720,000);

(ii) mortgages on development properties with carrying values of approximately S$50,861,000 as at 31 December 2005 (2004: S$41,137,000) and assignment of the rights, titles and interest in the tenancy agreements, sale and purchase agreements, building contract, performance bonds and insurances from the development properties; and

(iii) guarantees by the Company (Note 31).

(b) Secured bonds

In 2001, a subsidiary of the Company issued S$110,000,000 4.7% secured bonds due July 2006. Interest is payable quarterly in arrears. Pursuant to an interest rate swap agreement which the subsidiary had entered into, interest in respect of the bonds is effectively paid at a floating rate based on a margin above the three-month Singapore Dollar swap rate. The net effective interest rate is 4.0% (2004: 2.9%) per annum.

The bonds were fully prepaid in January 2006 through refinancing of S$70,000,000 fixed rate notes due 2011 and S$40,000,000 floating rate notes due 2011. The interest rate swap agreement was also terminated at the same time.

(c) Secured fixed rate loan

The 6% fixed rate loan is repayable by September 2009.

(d) Secured floating rate loans

The floating rate loans comprise the following:

(i) S$186,000,000 which is repayable by September 2009;

(ii) S$10,200,000 (2004: S$11,200,000) which is repayable by six-monthly instalments of S$500,000 from May 2005 to November 2006 and S$9,200,000 repayable by November 2007; and

(iii) S$17,000,000 which is repayable by June 2006 or the date falling 3 months after the date of issuance of temporary occupation permit for the project, whichever is the earlier.

(e) Singapore dollar secured revolving loan

The Singapore dollar revolving loan is repayable by August 2007.

(f) Hong Kong dollar secured revolving loan

The Hong Kong dollar revolving loan is repayable by August 2007.

(g) Interest rates

Floating interest rates will be repriced within six months of the balance sheet date. The effective interest rate for floating rate loans and revolving loans ranges from 4.6% to 5.6% (2004: 1.8% to 3.0%) per annum.

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2005	**2004**	**2005**	**2004**
	S$	*S$*	*S$*	*S$*
Trade payables	2,845,580	1,550,700	–	–
Accrued operating expenses	3,041,724	3,993,498	151,177	154,080
Accrued development expenditure	765,457	–	–	–
Tenancy and other deposits	8,103,103	8,573,300	–	–
Unclaimed dividends	293,838	284,324	293,838	284,324
Other payables	41,200	32,084	11,253	10,402
	15,090,902	14,433,906	456,268	448,806

18 REVENUE

The amount of each significant category of revenue recognised during the year, after eliminating intra-group transactions, is as follows:

	Group 2005	Group 2004	Company 2005	Company 2004
	S$	*S$*	*S$*	*S$*
Gross dividend income:				
– Subsidiary	–	–	1,500,000	1,500,000
– Quoted investments	86,854	69,060	–	–
Gross rental income	25,984,924	26,650,196	–	–
Maintenance fee	9,200,357	9,014,346	–	–
Car park income	2,084,542	2,097,812	–	–
Property management income	895,680	887,580	–	–
Fitness centre income	–	1,189	–	–
Sale of development property	–	1,150,000	–	–
Gain on disposals of other investments	224,889	20,144	–	–
Interest income	251,343	89,148	–	–
	38,728,589	39,979,475	1,500,000	1,500,000

19 OTHER INCOME

	Group 2005	Group 2004	Company 2005	Company 2004
	S$	*S$*	*S$*	*S$*
Gain on disposals of fixed assets, net	96,743	64,296	–	–
Gain on liquidation of a subsidiary	–	2,648	–	–
Interest income from deposits	544	57	–	–
Others	230,132	351,703	154	1,339
	327,419	418,704	154	1,339

20 FINANCE COSTS

	Note	Group 2005	Group 2004
		S$	*S$*
Interest expenses on:			
Bonds		3,901,314	2,721,187
Loans and overdraft		15,807,294	12,637,482
Finance leases		15,562	14,495
		19,724,170	15,373,164
Interest capitalised into development properties	*10*	(942,742)	(577,170)
		18,781,428	14,795,994

21 (LOSS)/PROFIT FROM OPERATIONS BEFORE TAXATION

The following items have been included in arriving at (loss)/profit from operations before taxation:

		Group		Company	
	Note	**2005**	**2004**	**2005**	**2004**
		S$	*S$*	*S$*	*S$*
Impairment loss on other investments		590,980	340,000	–	–
(Write-back of)/impairment loss on other assets		(42,800)	2,000	–	–
Loss on remeasurement of other investments		378,000	523,019	–	–
Non-audit fees paid to:					
– Auditors of the Company		104,583	25,282	11,433	1,300
– Other auditors		8,000	22,533	8,000	20,000
Staff costs	*22*	10,538,558	10,451,433	–	–
Directors' fees		45,000	45,000	45,000	45,000
Operating lease expense		84,777	86,815	–	–

Short-term employee benefits paid to key management personnel during the year amounted to S$7,366,812 (2004: S$7,357,366).

22 STAFF COSTS

	Group	
	2005	**2004**
	S$	*S$*
Salaries and wages	9,812,905	9,733,250
Contributions to defined contribution plans	454,094	474,744
Others	424,351	408,620
	10,691,350	10,616,614
Staff costs capitalised into development properties	(152,792)	(165,181)
	10,538,558	10,451,433
Number of employees as at 31 December	114	117

23 INCOME TAX EXPENSE

	Group		Company	
	2005	2004	2005	2004
	S$	*S$*	*S$*	*S$*
Income Tax Expense				
Current year	220,145	205,600	300,000	300,000
Group relief:				
– Current year	(124,000)	–	–	–
– Prior years	(100,000)	(638,000)	–	–
Overprovision in prior years	(204,746)	(801,768)	(57,260)	(49,342)
	(208,601)	(1,234,168)	242,740	250,658
Deferred Tax Expense				
Reversal of deferred tax assets recognised in prior years	165,541	–	–	–
Movements in temporary differences	5,483	385,211	–	–
Changes in tax rates	–	7,765	–	–
Underprovision in prior years	–	424,999	–	–
	171,024	817,975	–	–
	(37,577)	(416,193)	242,740	250,658
Reconciliation of Effective Tax Rate				
(Loss)/Profit from operations before taxation	(9,075,799)	899,797	1,037,831	259,252
Income tax using Singapore tax rate at 20%	(1,815,160)	179,959	207,566	51,850
Effect of changes in tax rates	–	13,379	–	–
Effect of different tax rates in other countries	122,632	(49,480)	–	–
Income not subject to tax	(142,772)	(405,114)	(67,891)	–
Expenses not deductible for tax purposes	1,163,842	552,965	111,643	206,282
Tax benefits not recognised	204,381	309,023	–	–
Utilisation of previously unrecognised tax losses	–	(42,898)	–	–
Reversal of deferred tax assets recognised in prior years	165,541	–	–	–
Benefits of tax losses transferred in	(224,000)	(638,000)	–	–
Unabsorbed losses and wear and tear allowance disregarded	639,414	–	–	–
Overprovision in prior years	(204,746)	(376,769)	(57,260)	(49,342)
Others	53,291	40,742	48,682	41,868
	(37,577)	(416,193)	242,740	250,658

During the year, deductible temporary differences of S$Nil (2004: S$23,686) and unutilised tax losses of S$500,000 (2004: S$2,876,430) relating to prior years and current year's losses of S$620,000 (2004: S$Nil) were transferred from certain subsidiaries to offset against prior years' and current year's taxable profit of another subsidiary under the Group Relief System.

24 EARNINGS PER SHARE

The earnings per ordinary share of the Group is calculated based on the consolidated loss for the year of S$9,038,222 (2004: profit of S$1,315,990) and the number of ordinary shares in issue of 599,595,180 (2004: 599,595,180).

Share options issued by an associate to purchase 53,040,000 (2004: Nil) ordinary shares of the associate at HK$0.377 per share were outstanding at the year end but were not included in the computation of diluted earnings per share because these options were antidilutive. The options will expire on 14 April 2012.

25 DIVIDEND

	Group and Company	
	2005	**2004**
	S$	*S$*
First and final dividend paid of 0.25 cents (2004: 0.25 cents) per share less tax at 20% in respect of the previous year	1,199,190	1,199,190

There is no proposed and final dividend for the financial year. The directors had proposed a first and final dividend of 0.25 cents per share less tax at 20% amounting to S$1,199,190 for the financial year ended 31 December 2004.

26 FINANCIAL INSTRUMENTS

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Exposure to currency, interest rate and credit risks arises in the normal course of the Group's business. This section provides details of the Group's exposure to financial risk and describes the methods used by management to control such risk.

Credit risk

Credit risk is the potential risk of financial loss resulting from failure of a customer or counter party in meeting its financial and contractual obligations to the Group, as and when they fall due.

The Group's primary exposure to credit risk arises from its other investments, trade and other receivables and cash and cash equivalents. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The credit policy also requires a security deposit from customers for securing a tenancy commitment from the Group.

Investments and transactions involving derivative financial instruments are allowed only with counter parties that are of high credit quality.

Cash is placed with financial institutions of good credit ratings.

The major concentration of credit risk arises by geographic sectors of counter parties in relation to the Group's other investments, trade and other receivables and cash and cash equivalents. The Group has no significant exposure to any individual counter party. The geographic sector risk concentration is presented in the table below:

	Group			
	2005		2004	
	S$	*%*	*S$*	*%*
Singapore	3,374,178	99	3,566,057	84
Hong Kong	23,275	1	66,317	2
Others	2	–	588,700	14
	3,397,455	100	4,221,074	100

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which interest income and expense could be impacted from an adverse movement in interest rates.

With respect to its fixed rate secured bonds due 2006, a subsidiary of the Company had entered into an interest rate swap agreement in place with a notional amount of S$110 million whereby the subsidiary pays interest at a floating rate based on a margin above the three-month Singapore Dollar swap rate.

Foreign currency risk

The Group incurs foreign currency risk on borrowing costs and borrowings that are denominated in a currency other than Singapore dollars arising from its business operations in Hong Kong.

Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level. When considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk.

Estimating the fair values

Interest bearing loans

Fair value is calculated based on discounted expected future principal and interest cash flows.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash at banks and trade and other payables) are assumed to approximate their fair values.

27 RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2005	**2004**
	S$	*S$*
Contract services provided to key management personnel	57,339	60,686

28 CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2005.

The changes in accounting policies arising from the adoption of FRS 21 (revised) The Effects of Changes in Foreign Exchange Rates, FRS 39 Financial Instruments: Recognition and Measurement, FRS 102 Share-based Payment and FRS 103 Business Combinations are summarised below:

FRS 21 (revised) The Effects of Changes in Foreign Exchange Rates

The adoption of FRS 21 (revised) has resulted in an exchange gain of S$32,867 (2004: loss of S$120,079) being recognised in the profit and loss account of the Group and a reclassification of S$69,511 from translation reserves to retained profit on 1 January 2005 (2004: S$Nil).

FRS 39 Financial Instruments: Recognition and Measurement

The adoption of FRS 39 resulted in the Group measuring its other investments at fair values. Previously, these investments were stated at lower of cost or market value or at cost less allowance for diminution. The impact arising from this change is insignificant. Comparatives have not been restated.

With the adoption of FRS 39, the changes in the fair value of derivatives that are designated and qualify as fair value hedges are taken to the profit and loss account. Previously, derivative financial instruments are not recorded on the balance sheet. The underlying liability is also stated at fair value, with any gain or loss recognised in the profit and loss account. Previously, the liability was stated at cost. This change has no impact on the opening balance of the retained profit of the Group as at 1 January 2005.

With the adoption of FRS 39, transaction costs are amortised using the effective interest basis and interest bearing liabilities are stated at amortised cost. Previously, transaction costs were amortised on a straight-line basis. The impact arising from this change is insignificant and has been accounted for prospectively.

FRS 102 Share-based Payment

The adoption of FRS 102 has resulted in a change in the Group's accounting policy for share-based payments, whereby the associate charges the cost of share options to the profit and loss account.

The adoption of FRS 102 resulted in:

	Group	
	2005	**2004**
	S$	*S$*
Decrease in share of results of associates	771,083	–
Decrease in basic earnings per share (cents)	0.13	–

FRS 103 Business Combinations

The adoption of FRS 103 has resulted in a change in the accounting policy for negative goodwill.

Negative goodwill is recognised immediately in the profit and loss account, instead of being systematically amortised over its useful life. This has resulted in the derecognition of negative goodwill and an increase in reserves for the Group as at 1 January 2005 of S$6,065,922.

Had there been no change in this accounting policy, there would be a negative goodwill amortisation of S$92,374 that would be credited to the profit and loss account and this amount would have increased the net profit attributable to shareholders for the financial year ended 31 December 2005.

29 SEGMENT REPORTING

The information on the business and geographical segments of the Group are as follows:

Business Segments

	Property Investment *S$*	Property Development *S$*	Property Management *S$*	Other Operations *S$*	Total *S$*
2005					
Revenue and expenses					
Total revenue	37,122,363	398,786	895,680	311,760	38,728,589
Segment results	14,250,114	286,271	65,081	(512,801)	14,088,665
Finance costs	(17,688,626)	(628,440)	–	(464,362)	(18,781,428)
					(4,692,763)
Share of results of associates					(4,383,036)
Income tax expense					37,577
					(9,038,222)
Significant non-cash expenses					
Depreciation	416,109	5,109	6,842	–	428,060
Amortisation	663,892	6,855	–	–	670,747
Allowances and impairment loss, net	286,864	–	–	968,980	1,255,844
Assets and liabilities					
Segment assets	871,730,142	50,395,221	223,506	1,312,675	923,661,544
Associates					176,412,458
Unallocated assets					63,726
Total assets					1,100,137,728
Segment liabilities	452,006,966	47,492,998	121,743	11,540,521	511,162,228
Unallocated liabilities					729,463
Total liabilities					511,891,691
Capital expenditure	315,255	13,805	–	–	329,060

Business Segments

	Property Investment *S$*	Property Development *S$*	Property Management *S$*	Other Operations *S$*	Total *S$*
2004					
Revenue and expenses					
Total revenue	37,470,310	1,532,380	887,580	89,205	39,979,475
Segment results	14,789,016	393,458	85,452	(1,658,651)	13,609,275
Finance costs	(14,193,754)	(405,576)	–	(196,664)	(14,795,994)
					(1,186,719)
Share of results of associates					2,086,516
Income tax expense					416,193
					1,315,990
Significant non-cash expenses					
Depreciation	333,391	6,261	6,842	–	346,494
Amortisation	542,592	31,899	–	(93,322)	481,169
Allowances and impairment loss, net	134,183	400,000	–	856,000	1,390,183
Assets and liabilities					
Segment assets	832,928,397	40,510,904	413,515	3,029,438	876,882,254
Associates					157,280,857
Unallocated assets					232,397
Total assets					1,034,395,508
Segment liabilities	442,366,135	42,243,933	170,654	10,832,196	495,612,918
Unallocated liabilities					987,354
Total liabilities					496,600,272
Capital expenditure	199,123	2,026	34,210	–	235,359

Geographical Segments

	Singapore	Hong Kong	Total
	S$	*S$*	*S$*
2005			
Total revenue	38,728,572	17	38,728,589
Segment assets	923,557,055	168,215	923,725,270
Associates	–	176,412,458	176,412,458
	923,557,055	176,580,673	1,100,137,728
Capital expenditure	329,060	–	329,060
2004			
Total revenue	39,979,474	1	39,979,475
Segment assets	876,320,896	793,755	877,114,651
Associates	–	157,280,857	157,280,857
	876,320,896	158,074,612	1,034,395,508
Capital expenditure	235,359	–	235,359

30 COMMITMENTS

As at 31 December 2005, the Group's commitments in respect of development and capital expenditure contracted but not provided for in the financial statements amounted to approximately S$4,189,000 (2004: S$13,399,000).

As at 31 December 2005, the Group leases out its investment and development properties. Non-cancellable operating lease rentals receivable are as follows:

	Group	
	2005	2004
	S$	*S$*
Within 1 year	22,972,006	26,267,292
After 1 year but within 5 years	17,605,652	26,056,154
	40,577,658	52,323,446

31 CONTINGENT LIABILITIES

The Company has issued unsecured guarantees to financial institutions for credit facilities granted to its subsidiaries. The contingent liability of the Company based on its obligations for the total credit facilities utilised by its subsidiaries as at 31 December 2005 amounted to approximately S$508,342,000 (2004: S$490,284,000).

32 COMPARATIVE INFORMATION

Certain comparatives in the financial statements have been changed from the previous year to conform to current's year presentation and to comply with the new/revised FRSs stated in Note 28.

In the consolidated balance sheet as at 31 December 2004, unamortised transaction cost of S$2,246,714 has been reclassified from trade and other receivables to interest bearing loans and borrowings.

In the consolidated profit and loss account for the year ended 31 December 2004, share of income tax expense in associates of S$2,168 has been offset against the share of results of associates. Previously, it was included in taxation.

In the consolidated statement of cash flows for the year ended 31 December 2004, other investments of S$865,019 and amortised transaction cost of S$574,491 have been reclassified from changes in working capital to operating profit before working capital changes."

II UNAUDITED FINANCIAL RESULTS OF THE HONG FOK GROUP *(EXPRESSED IN SINGAPORE DOLLAR)*

Set out below is the unaudited financial information on the Hong Fok Group for the first two quarters of 2007, extracted from the unaudited first and second quarter financial statements on the consolidated results for the periods ended 31 March 2007 and 30 June 2007 respectively, which is available for inspection as referred to in the section headed "Documents available for inspection" in appendix XV to this Composite Offer Document:

A. FIRST QUARTER RESULTS

"PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

First quarter financial statement on consolidated results for the period ended 31 March 2007. These figures have not been audited.

	The Group		
	$'000		*%*
	1st Quarter 2007	**1st Quarter 2006**	**Increase/ (Decrease)**
Revenue *(Note 1)*	17,942	23,021	(22)
Other income	53	38	39
	17,995	23,059	(22)
Allowance for doubtful receivables and bad debts written off, net	(180)	(7)	2,471
Bad debts recovered	311	–	NM
Cost of sales of development properties	(6,538)	(13,506)	(52)
Depreciation of fixed assets	(77)	(96)	(20)
Exchange loss	(23)	(539)	(96)
(Loss)/Gain on remeasurement of other investments	(3)	82	NM
Write-back of impairment loss on other assets	10	14	(29)
Other operating expenses	(6,315)	(6,144)	3
Finance costs	(6,233)	(5,937)	5
	(1,053)	(3,074)	(66)
Share of results of associates	(759)	(743)	2

	The Group $'000 1st Quarter 2007	The Group $'000 1st Quarter 2006	% Increase/ (Decrease)
Loss from operations before taxation *(Note 2)*	(1,812)	(3,817)	(53)
Income tax expense – current period	(29)	(89)	(67)
Deferred tax expense	51	–	NM
Loss for the period	(1,790)	(3,906)	(54)

Notes:

(1) Included in Revenue is investment income of approximately $20,000 (2006: $63,000).

(2) Included in Loss from operations before taxation is gain on disposals of development properties of approximately $772,000 (2006: $137,000).

(3) NM – Not Meaningful.

(4) NA – Not Applicable.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group $'000		The Company $'000	
	31.03.2007	**31.12.2006**	**31.03.2007**	**31.12.2006**
Non-current Assets				
Fixed assets	507	568	–	–
Subsidiaries	–	–	190,136	190,290
Associates	137,624	159,688	4,228	4,251
Investment properties	1,053,380	1,053,380	–	–
Other assets	417	408	–	–
	1,191,928	1,214,044	194,364	194,541
Current Assets				
Other investments	1,152	1,175	–	–
Development properties	25,628	31,902	–	–
Trade and other receivables	4,623	4,124	22	3
Cash and cash equivalents	835	703	51	50
	32,238	37,904	73	53
Total Assets	1,224,166	1,251,948	194,437	194,594

	The Group $’000		The Company $’000	
	31.03.2007	31.12.2006	31.03.2007	31.12.2006
Share capital	150,713	150,713	150,713	150,713
Reserves	571,566	594,537	40,523	40,516
Total Equity	722,279	745,250	191,236	191,229
Non-current Liabilities				
Obligations under finance leases	57	82	–	–
Interest bearing loans and borrowings	482,786	485,217	–	–
Financial guarantees	–	–	1,531	1,769
Deferred tax liability	462	513	–	–
	483,305	485,812	1,531	1,769
Current Liabilities				
Bank overdraft	1,125	1,465	–	–
Trade and other payables	16,805	18,782	732	666
Obligations under finance leases	123	132	–	–
Financial guarantees	–	–	938	930
Tax payable	529	507	–	–
	18,582	20,886	1,670	1,596
Total Liabilities	501,887	506,698	3,201	3,365
Total Equity and Liabilities	1,224,166	1,251,948	194,437	194,594

1(b)(ii) **Aggregate amount of group’s borrowings and debt securities.**

Amount repayable in one year or less, or on demand

As at 31.03.2007		As at 31.12.2006	
Secured	**Unsecured**	**Secured**	**Unsecured**
$1,248,000	–	$1,597,000	–

Amount repayable after one year

As at 31.03.2007		As at 31.12.2006	
Secured	**Unsecured**	**Secured**	**Unsecured**
$482,843,000	–	$485,299,000	–

Details of any collateral

The borrowings by the subsidiaries are generally secured by the Group's investment and development properties and are guaranteed by the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group *$'000*	
	1st Quarter 2007	**1st Quarter 2006**
Operating Activities		
Loss from operations before taxation	(1,812)	(3,817)
Adjustments for:		
Share of results of associates	759	743
Amortisation of transaction cost of interest bearing loans and borrowings	127	158
Depreciation of fixed assets	77	96
Gain on disposals of other investments	(17)	(44)
Write-back of impairment loss on other assets	(10)	(14)
Loss/(Gain) on remeasurement of other investments	3	(82)
Interest income	(29)	(29)
Interest expenses	6,233	5,937
Operating profit before working capital changes	5,331	2,948
Changes in working capital:		
Development properties	6,274	9,823
Trade and other receivables	(472)	(10,791)
Trade and other payables	(2,012)	(513)
Cash generated from operations	9,121	1,467
Income tax paid	(7)	(11)
Interest received	2	28
Cash Flows from Operating Activities	9,116	1,484

	The Group $'000 1st Quarter 2007	1st Quarter 2006
Investing Activities		
Purchase of other investments	(125)	(16)
Purchase of fixed assets	(16)	(26)
Proceeds from disposals of other investments	162	331
Decrease in associates	23	536
Cash Flows from Investing Activities	44	825
Financing Activities		
Interest paid	(6,198)	(5,280)
Repayment of interest bearing loans and borrowings	(4,650)	–
Payment of finance lease rentals	(35)	(37)
Proceeds from interest bearing loans and borrowings	2,195	1,450
Cash Flows from Financing Activities	(8,688)	(3,867)
Net Increase/(Decrease) in Cash and Cash Equivalents	472	(1,558)
Cash and cash equivalents at 1 January	(762)	844
Effect of exchange rate changes on balances held in foreign currencies	–	(1)
Cash and Cash Equivalents at 31 March	(290)	(715)
Cash and Cash Equivalents at 31 March is represented by:		
Cash at banks and in hand	835	823
Bank overdraft	(1,125)	(1,538)
	(290)	(715)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

$'000

	Share Capital	Share Premium	Capital and Other Reserves	Translation Reserves	Revaluation Reserves	Retained Profit	Total
The Group							
At 1 January 2006	149,899	814	3,143	(20,519)	375,504	79,405	588,246
Exchange differences on translation of balances at beginning of the period	–	–	(22)	–	(3,086)	–	(3,108)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	–	(1,050)	–	–	(1,050)
Net gains/(losses) recognised directly in equity	–	–	(22)	(1,050)	(3,086)	–	(4,158)
Loss for the period	–	–	–	–	–	(3,906)	(3,906)
Total recognised income and expense for the period	–	–	(22)	(1,050)	(3,086)	(3,906)	(8,064)
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	814	(814)	–	–	–	–	–
At 31 March 2006	150,713	–	3,121	(21,569)	372,418	75,499	580,182
At 31 December 2006, as previously reported	150,713	–	3,099	(24,957)	553,090	63,305	745,250
Effects of adopting FRS 40	–	–	–	–	(553,090)	533,198*	(19,892)
At 1 January 2007, restated	150,713	–	3,099	(24,957)	–	596,503	725,358
Exchange differences on translation of balances at beginning of the period	–	–	(8)	–	–	–	(8)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	–	(1,150)	–	–	(1,150)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	–	–	–	(158)	–	–	(158)
Share of reserves of associates	–	–	27	–	–	–	27
Net gains/(losses) recognised directly in equity	–	–	19	(1,308)	–	–	(1,289)
Loss for the period	–	–	–	–	–	(1,790)	(1,790)
Total recognised income and expense for the period	–	–	19	(1,308)	–	(1,790)	(3,079)
At 31 March 2007	150,713	–	3,118	(26,265)	–	594,713	722,279

	$'000						
	Share Capital	Share Premium	Capital and Other Reserves	Translation Reserves	Revaluation Reserves	Retained Profit	Total
The Company							
At 31 December 2005, as previously reported	149,899	814	–	–	–	40,087	190,800
Effects of adopting amendments to FRS 39	–	–	–	–	–	1,388	1,388
At 1 January 2006, restated	149,899	814	–	–	–	41,475	192,188
Loss for the period	–	–	–	–	–	(280)	(280)
Total recognised income and expense for the period	–	–	–	–	–	(280)	(280)
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	814	(814)	–	–	–	–	–
At 31 March 2006	150,713	–	–	–	–	41,195	191,908
At 1 January 2007	150,713	–	–	–	–	40,516	191,229
Profit for the period	–	–	–	–	–	7	7
Total recognised income and expense for the period	–	–	–	–	–	7	7
At 31 March 2007	150,713	–	–	–	–	40,523	191,236

* This represents the revaluation reserve which was transferred to retained profit arising from the Group's adoption of FRS 40 Investment Property, net of the Group's share of deferred tax on the revaluation reserve of its associates.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Nil.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

NA.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the Group's and the Company's audited financial statements for the year ended 31 December 2006.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group and the Company adopted various new or revised Financial Reporting Standards (FRS) and Interpretations which became effective for the financial year beginning 1 January 2007. The FRS that has an impact on the Group is disclosed below:

FRS 40 Investment Property

FRS 40, which becomes mandatory for the Group's 2007 financial statements, permits investment property to be stated at either fair value or cost less accumulated depreciation and accumulated impairment. The Group will continue to state investment property at fair value. Under the fair value model in FRS 40, changes in fair values of investment property are required to be included in the profit and loss account. As a result of adopting FRS 40, the Group has reclassified the amount of approximately $553,090,000 in its revaluation reserve to retained profit at 1 January 2007. This change has no impact to the Company's financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	The Group	
	1st Quarter 2007	**1st Quarter 2006**
Loss per ordinary share of the Group after deducting any provision for preference dividends:		
(a) Based on the average number of ordinary shares on issue; and	(0.30) cts	(0.65) cts
(b) On a fully diluted basis (detailing any adjustments made to the earnings)	(0.30) cts	(0.65) cts

The loss per ordinary share was calculated based on the loss for the period of approximately $1,790,000 (2006: $3,906,000) and the number of ordinary shares in issue of 599,595,180 (2006: 599,595,180).

There are no dilutive potential ordinary shares in existence as at 31 March 2007 and 31 March 2006.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year.

	The Group		The Company	
	31.03.2007	31.12.2006	31.03.2007	31.12.2006
Net asset value per ordinary share based on issued share capital	120 cts	124 cts	32 cts	32 cts

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group's revenue for the period decreased by approximately $5.1 million. This was due mainly to the recognition of sales revenue from fewer units of the residential property known as 'ten@suffolk'. This decline in sales revenue was offset partially by an increase in contribution of rental income from its investment properties.

The Group made a loss before taxation of approximately $1.8 million for the current period as compared to a loss of approximately $3.8 million for the previous period. This was principally due to increases in rental contribution from its investment properties and gain on disposals of development properties.

The decrease in development properties was mainly due to the recognition of sales of units which resulted in a transfer of associated cost of development in the balance sheet to cost of sales in the profit and loss account.

With the collection of sales revenue from its development properties, the Group's borrowings were reduced.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

NA.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects the buoyant property market to sustain in 2007 but high operating costs will continue to make the Group's operating environment challenging.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year ? None

(c) Date payable

NA.

(d) Books closure date

NA.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared nor recommended for the first quarter ended 31 March 2007.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

<Place tabular results and/or notes here>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8 above.

15. A breakdown of sales.

<Refer to Para 15 of Appendix 7.2 for the required details. Place tabular results and/or notes here>

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year *('000)*	**Previous Full Year** *('000)*
Ordinary	–	–
Preference	–	–
Total:	–	–

BY ORDER OF THE BOARD
Koh Chay Tiang
Dorothy Ho
Company Secretaries
15 May 2007"

B. SECOND QUARTER RESULTS

"PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Second quarter financial statement on consolidated results for the period ended 30 June 2007. These figures have not been audited.

	The Group		
	$'000		*%*
	2nd Quarter 2007	**2nd Quarter 2006**	**Increase/ (Decrease)**
Revenue *(Note 1)*	14,879	10,886	37
Other income *(Note 2)*	267	104	157
	15,146	10,990	38
Allowance for doubtful receivables and bad debts written off, net	51	(76)	NM
Cost of sales of development properties	(3,547)	(1,631)	117
Depreciation of fixed assets	(40)	(101)	(60)
Exchange gain/(loss), net	11	(451)	NM
Gain on revaluation of investment properties	36,000	–	NM
Gain/(Loss) on remeasurement of other investments	203	(143)	NM
Write-back of allowance for diminution in value and foreseeable losses of development properties	3,647	–	NM
Write-back of impairment loss on other assets	24	10	140
Other operating expenses	(7,353)	(6,193)	19
Finance costs	(6,925)	(6,544)	6
	37,217	(4,139)	NM
Share of results of associates	(343)	(982)	(65)
Profit/(Loss) from operations before taxation *(Note 3)*	36,874	(5,121)	NM

	The Group		
	$'000		*%*
	2nd Quarter 2007	**2nd Quarter 2006**	**Increase/ (Decrease)**
Income tax expense – current period	(61)	(33)	85
Income tax expense – overprovision in prior years	43	–	NM
Deferred tax expense	(6,479)	2	NM
Profit/(Loss) for the period	30,377	(5,152)	NM

Notes:

(1) Included in Revenue is investment income of approximately $14,000 (2006: $17,000).

(2) Included in Other income is gain on disposals of fixed assets of approximately $203,000 (2006: $5,000).

(3) Included in Profit/(Loss) from operations before taxation is gain on disposals of development properties of approximately $537,000 (2006: $44,000).

(4) NM – Not Meaningful.

(5) NA – Not Applicable.

1 (b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group *$'000*		The Company *$'000*	
	30.06.2007	**31.12.2006**	**30.06.2007**	**31.12.2006**
Non-current Assets				
Fixed assets	345	568	–	–
Subsidiaries	–	–	189,803	190,290
Associates	137,945	159,688	4,240	4,251
Investment properties	1,089,380	1,053,380	–	–
Other assets	456	408	–	–
	1,228,126	1,214,044	194,043	194,541
Current Assets				
Other investments	1,355	1,175	–	–
Development properties	25,892	31,902	–	–
Trade and other receivables	4,359	4,124	9	3
Cash and cash equivalents	968	703	54	50
	32,574	37,904	63	53
Total Assets	1,260,700	1,251,948	194,106	194,594
Share capital	150,713	150,713	150,713	150,713
Reserves	545,216	594,537	40,565	40,516
Total Equity	695,929	745,250	191,278	191,229
Non-current Liabilities				
Obligations under finance leases	46	82	–	–
Interest bearing loans and borrowings	479,131	485,217	–	–
Financial guarantees	–	–	1,292	1,769
Deferred tax liability	64,238	513	–	–
	543,415	485,812	1,292	1,769

	The Group *$'000*		The Company *$'000*	
	30.06.2007	**31.12.2006**	**30.06.2007**	**31.12.2006**
Current Liabilities				
Bank overdraft	2,209	1,465	–	–
Trade and other payables	18,511	18,782	589	666
Obligations under finance leases	86	132	–	–
Financial guarantees	–	–	947	930
Tax payable	550	507	–	–
	21,356	20,886	1,536	1,596
Total Liabilities	564,771	506,698	2,828	3,365
Total Equity and Liabilities	1,260,700	1,251,948	194,106	194,594

1(b)(ii) **Aggregate amount of group's borrowings and debt securities.**

Amount repayable in one year or less, or on demand

As at 30.06.2007		As at 31.12.2006	
Secured	**Unsecured**	**Secured**	**Unsecured**
$2,295,000	–	$1,597,000	–

Amount repayable after one year

As at 30.06.2007		As at 31.12.2006	
Secured	**Unsecured**	**Secured**	**Unsecured**
$479,177,000	–	$485,299,000	–

Details of any collateral

The borrowings by the subsidiaries are generally secured by the Group's investment and development properties and are guaranteed by the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group *$'000* 2nd Quarter 2007	2nd Quarter 2006
Operating Activities		
Profit/(Loss) from operations before taxation	36,874	(5,121)
Adjustments for:		
Share of results of associates	343	982
Amortisation of transaction cost of interest bearing loans and borrowings	1,293	157
Depreciation of fixed assets	40	101
Gain on disposals of fixed assets, net	(203)	(5)
Gain on revaluation of investment properties	(36,000)	–
(Gain)/Loss on remeasurement of other investments	(203)	143
Write-back of allowance for diminution in value and foreseeable losses of development properties	(3,647)	–
Write-back of impairment loss on other assets	(24)	(10)
Interest income	(31)	(32)
Interest expenses	5,632	6,387
Operating profit before working capital changes	4,074	2,602
Changes in working capital:		
Development properties	3,382	1,442
Trade and other receivables	262	8,046
Trade and other payables	1,813	1,358
Cash generated from operations	9,531	13,448
Income tax paid	(41)	(35)
Interest received	33	8
Income tax refund	43	–
Cash Flows from Operating Activities	9,566	13,421
Investing Activities		
Purchase of other investments	(15)	(237)
Purchase of fixed assets	(13)	(27)
Proceeds from disposals of fixed assets	339	5
(Increase)/Decrease in associates	(41)	449
Cash Flows from Investing Activities	270	190

	The Group $'000	
	2nd Quarter 2007	2nd Quarter 2006
Financing Activities		
Interest paid	(5,740)	(7,160)
Repayment of interest bearing loans and borrowings	(5,000)	(6,250)
Payment of finance lease rentals	(47)	(36)
Cash Flows from Financing Activities	(10,787)	(13,446)
Net Decrease/(Increase) in Cash and Cash Equivalents	(951)	165
Cash and cash equivalents at 1 April	(290)	(715)
Effect of exchange rate changes on balances held in foreign currencies	–	(1)
Cash and Cash Equivalents at 30 June	(1,241)	(551)
Cash and Cash Equivalents at 30 June is represented by:		
Cash at banks and in hand	968	601
Bank overdraft	(2,209)	(1,152)
	(1,241)	(551)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	$'000					
	Share Capital	**Capital and Other Reserves**	**Translation Reserves**	**Revaluation Reserves**	**Retained Profit**	**Total**
The Group						
At 1 April 2006	150,713	3,121	(21,569)	372,418	75,499	580,182
Exchange differences on translation of balances at beginning of the period	–	(18)	–	(2,572)	–	(2,590)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	(854)	–	–	(854)
Net gains/(losses) recognised directly in equity	–	(18)	(854)	(2,572)	–	(3,444)
Loss for the period	–	–	–	–	(5,152)	(5,152)
Total recognised income and expense for the period	–	(18)	(854)	(2,572)	(5,152)	(8,596)
At 30 June 2006	150,713	3,103	(22,423)	369,846	70,347	571,586
At 31 March 2007, as previously reported	150,713	3,118	(26,265)	–	594,713	722,279
Effects of adopting FRS 40	–	–	–	–	(57,297)	(57,297)
At 1 April 2007, restated	150,713	3,118	(26,265)	–	537,416	664,982
Exchange differences on translation of balances at beginning of the period	–	8	–	–	–	8
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	480	–	–	480
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	–	–	82	–	–	82
Share of reserves of associates	–	(707)	–	–	707	–
Net gains/(losses) recognised directly in equity	–	(699)	562	–	707	570
Profit for the period	–	–	–	–	30,377	30,377
Total recognised income and expense for the period	–	(699)	562	–	31,084	30,947
At 30 June 2007	150,713	2,419	(25,703)	–	568,500	695,929

	$'000					
	Share Capital	Capital and Other Reserves	Translation Reserves	Revaluation Reserves	Retained Profit	Total
The Company						
At 1 April 2006	150,713	–	–	–	41,195	191,908
Loss for the period	–	–	–	–	(245)	(245)
Total recognised income and expense for the period	–	–	–	–	(245)	(245)
At 30 June 2006	150,713	–	–	–	40,950	191,663
At 1 April 2007	150,713	–	–	–	40,523	191,236
Profit for the period	–	–	–	–	42	42
Total recognised income and expense for the period	–	–	–	–	42	42
At 30 June 2007	150,713	–	–	–	40,565	191,278

1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Nil.

2. **Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

NA.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the Group's and the Company's audited financial statements for the year ended 31 December 2006.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group and the Company adopted various new or revised Financial Reporting Standards (FRS) and Interpretations which became effective for the financial year beginning 1 January 2007. The FRS that has an impact on the Group is disclosed below:

FRS 40 Investment Property

FRS 40, which becomes mandatory for the Group's 2007 financial statements, permits investment property to be stated at either fair value or cost less accumulated depreciation and accumulated impairment. The Group will continue to state investment property at fair value. Under the fair value model in FRS 40, changes in fair values of investment property are required to be included in the profit and loss account. As a result of adopting FRS 40, the Group has reclassified the amount of approximately $553,090,000 in its revaluation reserve to retained profit at 1 January 2007 and provision of deferred tax of approximately $57,297,000. This change has no impact to the Company's financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	The Group	
	2nd Quarter 2007	**2nd Quarter 2006**
Profit/(Loss) per ordinary share of the Group after deducting any provision for preference dividends:		
(a) Based on the average number of ordinary shares on issue; and	5.07 cts	(0.86) cts
(b) On a fully diluted basis (detailing any adjustments made to the earnings)	NA	(0.86) cts

The profit/(loss) per ordinary share was calculated based on the profit for the period of approximately $30,377,000 (2006: loss of $5,152,000) and the number of ordinary shares in issue of 599,595,180 (2006: 599,595,180).

There are no dilutive potential ordinary shares in existence as at 30 June 2006.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year.

	The Group		**The Company**	
	30.06.2007	**31.12.2006**	**30.06.2007**	**31.12.2006**
Net asset value per ordinary share based on issued share capital	116 cts	124 cts	32 cts	32 cts

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group's revenue for the current period increased approximately by $4.0 million as compared to the previous period. This was principally due to an increase in sales revenue and rental income from its development properties and investment properties respectively.

The Group recorded a profit of approximately $30.4 million as compared to a loss of approximately $5.2 million for the previous period. This was mainly attributable to gain on revaluation of its investment properties, net of deferred tax of approximately $29.5 million and write-back of allowance for diminution in value and foreseeable losses of development properties.

The decrease in development properties was due to the recognition of sales of units that resulted in a transfer of associated cost of development in the balance sheet to cost of sales in the profit and loss account.

There was a reduction in interest bearing loans from the collection of sales revenue from its development properties.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

NA.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects rental rates for offices to remain strong.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year ? None

(c) Date payable

NA.

(d) Books closure date

NA.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared nor recommended for the second quarter ended 30 June 2007.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

<Place tabular results and/or notes here>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

NA.

15. A breakdown of sales.

<Refer to Para 15 of Appendix 7.2 for the required details. Place tabular results and/or notes here>

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year *('000)*	**Previous Full Year** *('000)*
Ordinary	–	–
Preference	–	–
Total:	–	–

BY ORDER OF THE BOARD
Koh Chay Tiang
Dorothy Ho
Company Secretaries
14 August 2007"

III OTHERS

Apart from a dividend of approximately S$1,199,190 which was proposed for the financial year ended 31 December 2004 being 0.25 Singapore cents per Hong Fok Share less tax at 20%, there were no extraordinary or exceptional items and no dividend has been proposed during the three years ended 31 December 2006 and the first two quarters of 2007.

No qualification was contained in the audit report of the Hong Fok Group in respect of each of the financial year ended 31 December 2004, 2005 and 2006.

I. AUDITED FINANCIAL INFORMATION ON THE WINFOONG GROUP

Set out below is the audited financial information on the Winfoong Group for the three years ended 31 December 2006, extracted from the circular of Winfoong dated 30 June 2007 (the "Circular"), which is available for inspection as referred to in the section headed "Documents available for inspection" in appendix XV to this Composite Offer Document:

"**Consolidated income statements**

		Year ended 31 December		
	Note	**2004**	**2005**	**2006**
		HK$'000	*HK$'000*	*HK$'000*
Turnover	*2*	46,441	128,349	26,169
Cost of sales		(20,760)	(81,842)	(8,743)
Gross profit		25,681	46,507	17,426
Valuation gains on investment property		533,016	166,000	20,963
Other revenue	*3*	1,874	406	309
Other net income/(loss)	*3*	26,296	(41,147)	1,969
Operating and administrative expenses		(28,673)	(41,764)	(39,776)
Profit from operations		558,194	130,002	891
Finance costs		(10,516)	(20,168)	(24,374)
Profit on disposal of subsidiaries		156	–	–
Share of (loss)/profit of an associate		(448)	30,472	178,070
Profit before taxation	*4*	547,386	140,306	154,587
Income tax	*5(a)*	(93,025)	(28,244)	(4,055)
Profit for the year		454,361	112,062	150,532
Attributable to:				
Equity shareholders of the Company	*8*	454,440	115,131	150,532
Minority interests		(79)	(3,069)	–
Profit for the year		454,361	112,062	150,532
Dividend	*24(d)*	–	–	–
Earnings per share	*9*			
Basic		30.45 cents	7.71 cents	10.09 cents
Diluted		N/A	7.66 cents	10.02 cents

The accompanying notes form part of the Financial Information.

Consolidated balance sheets

	Note	As at 31 December **2004** *HK$'000*	**2005** *HK$'000*	**2006** *HK$'000*
Non-current assets				
Fixed assets	*11(a)*			
Investment properties		1,800,640	1,966,640	1,994,320
Property held for future development		80,000	–	–
Other property, plant and equipment		8,055	2,075	4,685
Interests in leasehold land held for own use under operating leases		29,978	476	464
		1,918,673	1,969,191	1,999,469
Interest in an associate	*13*	373,159	393,602	612,771
Pledged bank deposits	*18*	4,191	912	912
Other financial assets	*14*	3,688	2,750	2,600
Deferred tax assets	*23(b)*	986	1,791	–
		2,300,697	2,368,246	2,615,752
Current assets				
Inventories	*15*	74,903	14,370	12,728
Trade and other receivables	*16*	21,405	19,937	8,097
Tax recoverable		28	12	83
Cash and cash equivalents	*18*	882	3,615	4,342
		97,218	37,934	25,250
Current liabilities				
Trade and other payables	*19*	18,392	17,734	22,305
Bank borrowings	*20*	32,722	80,204	81,891
Current taxation	*23(a)*	14,449	14,449	–
		65,563	112,387	104,196
Net current assets/(liabilities)		31,655	(74,453)	(78,946)
Total assets less current liabilities		2,332,352	2,293,793	2,536,806
Non-current liabilities				
Bank borrowings	*20*	526,899	347,219	396,234
Deferred income		5,582	5,582	5,582
Deferred tax liabilities	*23(b)*	219,397	248,432	250,700
		751,878	601,233	652,516
NET ASSETS		1,580,474	1,692,560	1,884,290

		As at 31 December		
	Note	**2004**	**2005**	**2006**
		HK$'000	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES	*24*			
Share capital		74,620	74,620	74,620
Reserves		1,502,802	1,617,940	1,809,670
Total equity attributable to equity shareholders of the Company		1,577,422	1,692,560	1,884,290
Minority interests		3,052	–	–
TOTAL EQUITY		1,580,474	1,692,560	1,884,290

The accompanying notes form part of the Financial Information.

Balance sheets

	Note	As at 31 December 2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*
Non-current assets				
Investments in subsidiaries	*12*	1,418,163	1,418,163	1,418,163
Current assets				
Trade and other receivables	*16*	231,500	231,243	230,813
Cash and cash equivalents	*18*	6	7	12
		231,506	231,250	230,825
Current liabilities				
Trade and other payables	*19*	285	385	401
Net current assets		231,221	230,865	230,424
NET ASSETS		1,649,384	1,649,028	1,648,587
CAPITAL AND RESERVES	*24*			
Share capital		74,620	74,620	74,620
Reserves		1,574,764	1,574,408	1,573,967
TOTAL EQUITY		1,649,384	1,649,028	1,648,587

The accompanying notes form part of the Financial Information.

Consolidated statements of change in equity

	Attributable to shareholders of the Company										
	Share capital	**Share premium**	**Capital redemption reserve**	**Contributed surplus**	**Exchange reserve**	**Share-based compensation reserve**	**Fair value reserve**	**Retained profits**	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 24(b)(i)	*Note 24(b)(i)*	*Note 24(b)(ii)*	*Note 24(b)(iii)*	*Note 24(b)(iv)*	*Note 24(b)(v)*				
At 1 January 2004	74,620	196,873	121	618,098	(152,966)	–	–	367,624	1,104,370	3,159	1,107,529
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	(68)	–	–	–	(68)	(28)	(96)
Share of movements in reserves of an associate	–	–	–	–	18,680	–	–	–	18,680	–	18,680
Profit for the year	–	–	–	–	–	–	–	454,440	454,440	(79)	454,361
At 31 December 2004	74,620	196,873	121	618,098	(134,354)	–	–	822,064	1,577,422	3,052	1,580,474
At 1 January 2005	74,620	196,873	121	618,098	(134,354)	–	–	822,064	1,577,422	3,052	1,580,474
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	(7)	–	–	–	(7)	17	10
Share of movements in reserves of an associate	–	–	–	–	(9,416)	–	519	–	(8,897)	–	(8,897)
Equity settled share-based transactions	–	–	–	–	–	8,911	–	–	8,911	–	8,911
Profit for the year	–	–	–	–	–	–	–	115,131	115,131	(3,069)	112,062
At 31 December 2005	74,620	196,873	121	618,098	(143,777)	8,911	519	937,195	1,692,560	–	1,692,560
At 1 January 2006	74,620	196,873	121	618,098	(143,777)	8,911	519	937,195	1,692,560	–	1,692,560
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	(162)	–	–	–	(162)	–	(162)
Change in fair value of available-for-sale securities	–	–	–	–	–	–	260	–	260	–	260
Share of movements in reserves of an associate	–	–	–	–	41,047	–	53	–	41,100	–	41,100
Profit for the year	–	–	–	–	–	–	–	150,532	150,532	–	150,532
At 31 December 2006	74,620	196,873	121	618,098	(102,892)	8,911	832	1,087,727	1,884,290	–	1,884,290

The accompanying notes form part of the Financial Information.

Statements of change in equity

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Share-based compensation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 24(b)(i)	*Note 24(b)(i)*	*Note 24(b)(ii)*	*Note 24(b)(iv)*		
At 1 January 2004	74,620	196,873	121	1,386,571	–	(433,531)	1,224,654
Profit for the year	–	–	–	–	–	424,730	424,730
At 31 December 2004	74,620	196,873	121	1,386,571	–	(8,801)	1,649,384
At 1 January 2005	74,620	196,873	121	1,386,571	–	(8,801)	1,649,384
Equity settled share-based transactions	–	–	–	–	8,911	–	8,911
Loss for the year	–	–	–	–	–	(9,267)	(9,267)
At 31 December 2005	74,620	196,873	121	1,386,571	8,911	(18,068)	1,649,028
At 1 January 2006	74,620	196,873	121	1,386,571	8,911	(18,068)	1,649,028
Loss for the year	–	–	–	–	–	(441)	(441)
At 31 December 2006	74,620	196,873	121	1,386,571	8,911	(18,509)	1,648,587

The accompanying notes form part of the Financial Information.

Consolidated cash flow statements

	Note	Year ended 31 December 2004 HK$'000	2005 HK$'000	2006 HK$'000
Operating activities				
Profit before taxation		547,386	140,306	154,587
Adjustment for:				
Valuation gains on investment property		(533,016)	(166,000)	(20,963)
Revaluation (gains)/losses on buildings		(133)	18	48
Depreciation		948	723	655
Amortisation of land lease premium		47	35	12
Impairment loss on property held for future development		–	67,500	–
Finance costs		10,516	20,168	24,374
Interest income		(17)	(104)	(202)
Dividend income from unlisted securities		–	(142)	–
Share of (profit)/loss of an associate		448	(30,472)	(178,070)
Gain/(loss) on disposal of fixed assets		9	(28,054)	150
Profit on disposal of subsidiaries		(156)	–	–
Gains on trading securities		(172)	–	–
Loss on disposal of other financial assets		–	–	208
(Reversal of provision)/provision for impairment of properties held for sale		(26,000)	360	–
Impairment loss on unlisted available-for-sale equity securities		–	2,027	–
Write-off of long outstanding creditors		–	(704)	(2,358)
Impairment loss for bad and doubtful debts		–	–	379
Bad debts written off		–	–	232
Net foreign exchange loss		–	9	57
Equity-settled share-based payment expenses		–	8,911	–
Operating profit/(loss) before changes in working capital		(140)	14,581	(20,891)
Decrease in inventories		10,949	72,673	1,642
Decrease/(increase) in trade and other receivables		(2,206)	1,468	(3,191)
(Decrease)/increase in trade and other payables		(348)	46	5,545

	Note	Year ended 31 December 2004 HK$'000	2005 HK$'000	2006 HK$'000
Cash generated from/(used in) operations		8,255	88,768	(16,895)
Tax paid				
Hong Kong profits tax paid		(28)	–	(85)
Hong Kong profits tax refunded		80	2	4
PRC income tax refunded		–	–	14
Net cash generated from/(used in) operating activities		8,307	88,770	(16,962)
Investing activities				
(Placement)/withdrawal of pledged bank deposits		(480)	3,279	–
Payment for purchase of fixed assets		(931)	(678)	(10,521)
Proceeds from disposal of fixed assets		6	63,438	341
Proceeds from sales of trade securities		313	–	–
Proceeds from disposal of other financial assets		–	–	203
New loan receivable		–	(990)	–
Repayment of loans receivable		32	–	–
Net cash inflow from disposal of subsidiaries	*25*	3,043	–	–
Interest received		17	104	201
Dividend received from an associate		1,156	1,132	–
Dividend received from unlisted securities		–	43	–
Net cash from/(used in) investing activities		3,156	66,328	(9,776)
Financing activities				
Proceeds from new bank loans		26,000	–	90,860
Repayment of bank loans		(29,640)	(132,198)	(40,158)
Interest paid		(10,516)	(20,168)	(23,250)
Net cash (used in)/from investing activities		(14,156)	(152,366)	27,452
Net (decrease)/increase in cash and cash equivalents		(2,693)	2,732	714
Cash and cash equivalents at 1 January		3,672	882	3,615
Effect of foreign exchange rate changes		(97)	1	13
Cash and cash equivalents at 31 December	*18*	882	3,615	4,342

The accompanying notes form part of the Financial Information.

NOTES ON THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollar)

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are first effective or available for early adoption for the accounting period beginning on or after 1 January 2007. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 31).

b) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment property (see note 1(f));
- other buildings (see note 1(g)); and
- financial instruments classified as available-for-sale securities (see note 1(e)).

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the future period are discussed in note 30.

c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any future losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

e) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associate, are as follows:

Investments in debt and equity securities are initially at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investment in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 1 (i)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 1(i)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

g) Other property, plant and equipment

The following properties held for own use are stated in the consolidated balance sheets at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 1(h)); and

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(h)).

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

The other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(i)):

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over their estimated useful lives of 40 years.

– Furniture, equipment and other fixed assets are depreciated over 5 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, accounted for as if held under a finance lease (see note 1(f)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)) or is held for development for sale (see note 1(j)(ii)).

i) Impairment of assets

i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries and associate.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whether the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rate basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

j) Inventories

i) Horticultural services

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the standard cost basis (which approximates the average actual cost) and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing cost capitalised (see note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

k) Construction contracts

The accounting policy for contract revenue is set out in note 1(s)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Trade and other receivables”. Amounts received before the related work is performed are included in the balance sheet, as a liability, as “Advances received”.

l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(i)).

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

p) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax liabilities on a net basis or realise and settle simultaneously.

r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits and instalments received.

iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deductible of any trade discounts.

iv) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimate total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

v) Management fee income

Management fee income is recognised at the time when the services are rendered.

vi) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

vii) Interest income

Interest income is recognised as it accrues using the effective interest method.

t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

v) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. TURNOVER

The principal activities of the Group were property investment and management, property development and construction, and provision of horticultural services.

Turnover represents the rental income, proceeds from sales of properties, revenue from provision of property management services and revenue from provision of horticultural services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Gross rentals from investment and other properties	36,146	32,729	20,488
Gross proceeds from properties sold	6,201	92,156	2,091
Revenue from provision of property management services	913	398	389
Revenue from provision of horticultural services	3,181	3,066	3,201
	46,441	128,349	26,169

3. OTHER REVENUE AND NET INCOME/(LOSS)

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Other revenue			
Interest income			
– bank	15	81	139
– others	2	23	63
	17	104	202
Dividend income from unlisted securities	–	142	–
Compensation received on termination of management services	1,320	–	–
Others	537	160	107
	1,874	406	309
Other net income/(loss)			
Net gain/(loss) on disposal of fixed assets	(9)	28,054	(150)
Net realised and unrealised gains on trading securities	172	–	–
Loss on disposal of non-current financial assets	–	–	(208)
(Reversal of provision)/provision for impairment of properties held for sale	26,000	(360)	–
Impairment loss on property held for future development	–	(67,500)	–
Impairment loss on available-for-sale equity securities	–	(2,027)	–
Revaluation gains/(losses) on buildings	133	(18)	(48)
Write-off of long outstanding creditors	–	704	2,358
Net foreign exchange gain	–	–	17
	26,296	(41,147)	1,969

4. PROFIT BEFORE TAXATION

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

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
a) Finance costs			
Interest on bank borrowings			
– wholly repayable within five years	2,976	14,850	17,083
– repayable after five years	7,540	5,318	7,291
	10,516	20,168	24,374
b) Staff costs (including directors' remuneration)			
Contributions to defined contribution retirement plan	292	346	290
Equity-settled share-based payment expenses	–	8,911	–
Salaries, wages and other benefits	16,748	21,110	24,072
	17,040	30,367	24,362
c) Other items			
Amortisation of land lease premium	47	35	12
Depreciation of fixed assets	948	723	655
Auditors' remuneration			
– audit services	274	279	444
– tax services	–	54	18
– other services	–	40	55
Operating lease charges: minimum lease payments			
– hire of plant and machinery	–	9	9
– hire of other assets	274	641	2,463
Impairment loss for bad and doubtful debts	–	–	379
Bad debts written off	–	–	232
Share of an associate's taxation	564	(185)	230
Rentals receivable from investment and other properties less direct outgoings of HK$6,070,000 (2005: HK$7,539,000; 2004: HK$9,081,000)	(27,065)	(25,190)	(14,418)
Cost of inventories *(note 15(c))*	(14,920)	73,507	2,130

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Taxation in the consolidated income statements for the years ended 31 December 2004, 2005 and 2006 represented:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Current tax – Hong Kong Profits Tax			
Under-provision in respect of prior years	25	14	10
Current tax – PRC Income Tax			
Over-provision in respect of prior years	–	–	(14)
Deferred tax			
Origination and reversal of temporary differences	93,000	28,230	4,059
	93,025	28,244	4,055

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the Relevant Periods.

b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	547,386	140,306	154,587
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	95,792	24,554	27,053
Tax effect of non-deductible expenses	664	752	1,585
Tax effect on non-taxable income	(5,080)	(8,545)	(1,310)
Tax effect on unused tax losses not recognised	3,384	18,738	7,788
Tax effect of prior years' tax losses utilised this year	(926)	(1,554)	(403)
Tax effect of share of profit of an associate	79	(5,333)	(31,162)
Under-provision in prior years			
– Hong Kong Profits Tax	25	14	10
Over-provision in prior years			
– PRC Income Tax	–	–	(14)
Others	(913)	(382)	508
Actual tax expense	93,025	28,244	4,055

6. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

Year ended 31 December 2004:	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share-based payments	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Cheong Pin Chuan, Patrick	–	873	–	–	12	885
Cheong Kim Pong	–	84	–	–	–	84
Cheong Sim Eng	–	1,305	–	–	12	1,317
Cheong Pin Seng *(note (i))*	–	988	–	–	12	1,000
Independent non-executive directors:						
Kan Fook Yee	100	–	–	–	–	100
Lai Hing Chiu, Dominic	100	–	–	–	–	100
Chan Yee Hoi, Robert	33	–	–	–	–	33
Non-executive directors:						
Lim Ghee	–	–	–	–	–	–
	233	3,250	–	–	36	3,519

Year ended 31 December 2005:	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Share-based payments** *(note (iii))*	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Cheong Pin Chuan, Patrick	–	1,755	–	2,228	12	3,995
Cheong Kim Pong	–	93	–	2,228	–	2,321
Cheong Sim Eng	–	1,317	500	2,228	12	4,057
Cheong Pin Seng *(note (i))*	–	–	–	–	–	–
Independent non-executive directors:						
Kan Fook Yee	100	–	–	–	–	100
Lai Hing Chiu, Dominic	100	–	–	–	–	100
Chan Yee Hoi, Robert	100	–	–	–	–	100
Non-executive directors:						
Lim Ghee	200	–	–	–	–	200
Cheong Hooi Kheng *(note (ii))*	–	143	–	2,227	7	2,377
	500	3,308	500	8,911	31	13,250

Year ended 31 December 2006:	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Share-based payments**	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Cheong Pin Chuan, Patrick	–	2,176	–	–	12	2,188
Cheong Kim Pong	–	98	–	–	–	98
Cheong Sim Eng	–	1,317	1,500	–	12	2,829
Independent non-executive directors:						
Kan Fook Yee	100	–	–	–	–	100
Lai Hing Chiu, Dominic	100	–	–	–	–	100
Chan Yee Hoi, Robert	100	–	–	–	–	100
Non-executive directors:						
Lim Ghee	–	–	300	–	–	300
Cheong Hooi Kheng *(note (ii))*	–	143	–	–	7	150
	300	3,734	1,800	–	31	5,865

Notes:

i) Mr. Cheong Pin Seng resigned as director on 12 January 2005.

ii) Ms. Cheong Hooi Kheng's directorship is alternate to Madam Lim Ghee.

iii) These represented the estimated value of share options granted to certain directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 22.

The above emoluments do not include the monetary value of the rent-free accommodation provided to Mr. Cheong Pin Chuan, Patrick, an executive director of the Company, through a property owned by the Group. During the years ended 31 December 2004, 2005 and 2006, the monetary value of such residential accommodation provided to this executive director based on the tenancy agreement entered into by the Group was HK$720,000, HK$720,000 and HK$720,000, respectively.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two are directors for the year ended 31 December 2006 (2005: four; 2004: three) whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other three (2005: one; 2004: two) individuals are as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other emoluments	5,137	3,491	6,301
Discretionary bonuses	–	500	3,530
Retirement scheme contributions	24	12	36
	5,161	4,003	9,867

The emoluments of three individuals (2005: one individual; 2004: two individuals) with the highest emoluments are within the following bands.

	2004	**2005**	**2006**
	Number of individuals	*Number of individuals*	*Number of individuals*
HK$1,500,001 – HK$2,000,000	1	–	1
HK$3,500,001 – HK$4,000,000	1	–	1
HK$4,000,001 – HK$4,500,000	–	1	–
HK$5,000,001 – HK$5,500,000	–	–	1

8. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$424,730,000 for the year ended 31 December 2004, a loss of HK$9,267,000 for the year ended 31 December 2005 and a loss of HK$441,000 for the year ended 31 December 2006 which have been dealt with in the financial statements of the Company.

9. EARNINGS PER SHARE

a) Basis earnings per share

The calculation of basis earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$150,532,000 for the year ended 31 December 2006 (2005: HK$115,131,000; 2004: HK$454,440,000) and the weighted average of 1,492,410,986 (2005: 1,492,410,986; 2004: 1,492,410,986) ordinary shares in issue during the year ended 31 December 2006.

b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2006 is based on the profit attributable to ordinary equity shareholders of the Company of HK$150,532,000 (2005: HK$115,131,000) and the weighted average number of ordinary shares of 1,502,927,847 (2005: 1,503,304,597) shares, calculated as follows:

	2005	**2006**
Weighted average number of ordinary shares at 31 December	1,492,410,986	1,492,410,986
Effect of deemed issue of shares under the Company's share option scheme (note 22) for nil consideration	10,893,611	10,516,861
Weighted average number of ordinary shares (diluted) at 31 December	1,503,304,597	1,502,927,847

The diluted earnings per share for the year ended 31 December 2004 was not shown because there was no dilutive potential ordinary shares in existence as at 31 December 2004.

10. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

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' values in the long term, and provision of building management services.

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

Horticultural services: the provision for horticultural services.

	Property investment and management			Property construction and development			Horticultural services			Inter-segment elimination			Unallocated			Consolidated		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	37,059	119,917	21,115	6,201	5,366	1,853	3,181	3,066	3,201	–	–	–	–	–	–	46,441	128,349	26,169
Inter-segment revenue	5,159	2,835	761	4,719	3,657	11,912	–	28	16	(9,878)	(6,520)	(12,689)	–	–	–	–	–	–
Other revenue from external customers	1,320	133	73	–	16	28	–	–	4	–	–	–	537	153	2	1,857	302	107
Total	43,538	122,885	21,949	10,920	9,039	13,793	3,181	3,094	3,221	(9,878)	(6,520)	(12,689)	537	153	2	48,298	128,651	26,276
Segment result	570,982	221,831	31,662	(808)	(64,828)	11,261	–	114	6	(9,878)	(6,520)	(12,689)	(2,119)	(20,699)	(29,551)	558,177	129,898	689
Unallocated operating income and expenses																17	104	202
Profit from operations																558,194	130,002	891
Finance costs																(10,516)	(20,168)	(24,374)
Profit on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	156	–	–
Share of profit of an associate	(448)	30,472	178,070	–	–	–	–	–	–	–	–	–	–	–	–	(448)	30,472	178,070
Income tax																(93,025)	(28,244)	(4,055)
Profit for the year																454,361	112,062	150,532
Impairment loss on property held for future development	–	–	–	–	67,500	–	–	–	–									
Depreciation and amortisation for the year	382	345	173	1	1	2	57	57	65									

	Property investment and management			Property construction and development			Horticultural services			Consolidated		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,925,691	1,986,916	2,000,436	88,806	14,610	12,995	967	790	996	2,015,464	2,002,316	2,014,427
Interest in an associate	373,159	393,602	612,771	–	–	–	–	–	–	373,159	393,602	612,771
Unallocated assets										9,292	10,262	13,804
Total assets										2,397,915	2,406,180	2,641,002
Segment liabilities	803,843	698,688	749,599	7,078	5,807	6,187	93	93	216	811,014	704,588	756,002
Unallocated liabilities										6,427	9,032	710
Total liabilities										817,441	713,620	756,712
Capital expenditure incurred during the year	–	94	10,780	–	–	14	4	3	305			

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong and Mainland China			**Singapore**			**Total**		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	46,441	128,349	26,169	–	–	–	46,441	128,349	26,169
Other revenue from external customer	1,857	302	107	–	–	–	1,857	302	107
Segment assets	2,024,549	2,012,439	2,028,144	373,366	393,741	612,858	2,397,915	2,406,180	2,641,002
Capital expenditure incurred during the year	931	678	14,198	–	–	–	931	678	14,198

11. FIXED ASSETS

a) THE GROUP

	Buildings held for own use carried at fair value *HK$'000*	Furniture, equipment and other fixed assets *HK$'000*	Sub-total *HK$'000*	Investment property *HK$'000*	Property held for future development *HK$'000*	Interests in leasehold land held for own use under operating leases *HK$'000*	Total fixed assets *HK$'000*
Cost or valuation:							
At 1 January 2004	6,520	12,119	18,639	1,269,820	215,652	30,300	1,534,411
Exchange adjustments	–	35	35	–	–	–	35
Additions	–	931	931	–	–	–	931
Disposal	–	(374)	(374)	–	–	–	(374)
Disposal of subsidiaries	–	–	–	(2,196)	–	–	(2,196)
Surplus on revaluation	133	–	133	–	–	–	133
Less: elimination of accumulated depreciation	(163)	–	(163)	–	–	–	(163)
Fair value adjustment	–	–	–	533,016	–	–	533,016
At 31 December 2004	6,490	12,711	19,201	1,800,640	215,652	30,300	2,065,793
Representing:							
Cost	–	12,711	12,711	–	215,652	30,300	258,663
Valuation – 2004	6,490	–	6,490	1,800,640	–	–	1,807,130
	6,490	12,711	19,201	1,800,640	215,652	30,300	2,065,793
At 1 January 2005	6,490	12,711	19,201	1,800,640	215,652	30,300	2,065,793
Exchange adjustments	–	(6)	(6)	–	–	–	(6)
Reclassified to property held for sale	–	–	–	–	(32,252)	–	(32,252)
Additions	–	678	678	–	–	–	678
Disposal	(6,000)	(138)	(6,138)	–	–	(29,700)	(35,838)
Deficit on revaluation	(18)	–	(18)	–	–	–	(18)
Less: elimination of accumulated depreciation	(12)	–	(12)	–	–	–	(12)
Fair value adjustment	–	–	–	166,000	–	–	166,000
At 31 December 2005	460	13,245	13,705	1,966,640	183,400	600	2,164,345
Representing:							
Cost	–	13,245	13,245	–	183,400	600	197,245
Valuation – 2005	460	–	460	1,966,640	–	–	1,967,100
	460	13,245	13,705	1,966,640	183,400	600	2,164,345
At 1 January 2006	460	13,245	13,705	1,966,640	183,400	600	2,164,345
Exchange adjustment	–	22	22	–	–	–	22
Additions	–	3,484	3,484	7,037	–	–	10,521
Disposal	–	(3,200)	(3,200)	(320)	–	–	(3,520)
Deficit on revaluation	(48)	–	(48)	–	–	–	(48)
Less: elimination of accumulated depreciation	(12)	–	(12)	–	–	–	(12)
Fair value adjustment	–	–	–	20,963	–	–	20,963
At 31 December 2006	400	13,551	13,951	1,994,320	183,400	600	2,192,271
Representing:							
Cost	–	13,551	13,551	–	183,400	600	197,551
Valuation 2006	400	–	400	1,994,320	–	–	1,994,720
	400	13,551	13,951	1,994,320	183,400	600	2,192,271

	Buildings held for own use carried at fair value HK$'000	Furniture, equipment and other fixed assets HK$'000	Sub-total HK$'000	Investment property HK$'000	Property held for future development HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Accumulated amortisation and depreciation:							
At 1 January 2004	–	10,685	10,685	–	135,652	275	146,612
Exchange adjustments	–	35	35	–	–	–	35
Charge for the year	163	785	948	–	–	47	995
Written back on disposal	–	(359)	(359)	–	–	–	(359)
Elimination on revaluation	(163)	–	(163)	–	–	–	(163)
At 31 December 2004	–	11,146	11,146	–	135,652	322	147,120
At 1 January 2005	–	11,146	11,146	–	135,652	322	147,120
Exchange adjustments	–	(6)	(6)	–	–	–	(6)
Reclassified to property held for sale	–	–	–	–	(19,752)	–	(19,752)
Charge for the year	112	611	723	–	–	35	758
Impairment loss	–	–	–	–	67,500	–	67,500
Written back on disposal	(100)	(121)	(221)	–	–	(233)	(454)
Elimination on revaluation	(12)	–	(12)	–	–	–	(12)
At 31 December 2005	–	11,630	11,630	–	183,400	124	195,154
At 1 January 2006	–	11,630	11,630	–	183,400	124	195,154
Exchange adjustments	–	22	22	–	–	–	22
Charge for the year	12	643	655	–	–	12	667
Written back on disposal	–	(3,029)	(3,029)	–	–	–	(3,029)
Elimination on revaluation	(12)	–	(12)	–	–	–	(12)
At 31 December 2006	–	9,266	9,266	–	183,400	136	192,802
Net book value:							
At 31 December 2004	6,490	1,565	8,055	1,800,640	80,000	29,978	1,918,673
At 31 December 2005	460	1,615	2,075	1,966,640	–	476	1,969,191
At 31 December 2006	400	4,285	4,685	1,994,320	–	464	1,999,469

Impairment loss

Impairment loss of approximately HK$67,500,000 was raised on property held for future development for the year ended 31 December 2005. In prior years, the land, which is located in the People's Republic of China (the "PRC"), was planned to be developed in four phases as a comprehensive private housing development, the Group has completed certain portion of the first phase of this development project. In view of the market condition and the economic policy of the PRC government, the Group postponed the further development to wait for an opportune time. As at 31 December 2005 and 2006, the Directors were of the view that development would not be recommenced in the foreseeable future and assessed the recoverable amount of the undeveloped land on such basis. Based on this assessment, the carrying amount of this portion of land was written down by HK$67,500,000. The estimates of recoverable amount were based on the experience of the Directors by reference to the PRC property market.

Notes:

a) All investment properties of the Group were revaluated as at 31 December 2006 on an open market value basis calculated by reference to recent market transactions in comparable properties (2004 and 2005: net rental income allowing for reversionary income potential). The valuations were carried out by an independent firm of CB Richard Ellis Limited (2004 and 2005: Savills Valuation and Professional Services Limited), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

b) The buildings held by the Group for own use were revalued as at 31 December 2004, 2005 and 2006 at their open market value by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of CB Richard Ellis Limited (2004 and 2005: Savills Valuation and Professional Services Limited), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

The revaluation deficits of HK$48,000 for the year ended 31 December 2006 (2005: deficits of HK$18,000; 2004: surplus of HK$133,000) have been transferred to the income statement of the Group.

Had these buildings held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been HK$551,000 as at 31 December 2006 (2005: HK$570,000; 2004: HK$7,560,000).

c) The analysis of net book value of properties as at 31 December 2004, 2005 and 2006 is as follows:

		The Group	
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
In Hong Kong			
– long leases	1,830,490	1,961,000	1,989,000
– medium-term leases	1,618	1,576	1,184
	1,832,108	1,962,576	1,990,184
Outside Hong Kong			
– long leases	85,000	5,000	5,000
	1,917,108	1,967,576	1,995,184
Representing:			
Building held for own use carried at fair value	6,490	460	400
Investment property	1,800,640	1,966,640	1,994,320
Property held for future development	80,000	–	–
Interests in leasehold land held for own use under operating leases	29,978	476	464
	1,917,108	1,967,576	1,995,184

d) Fixed assets leased out under operating leases

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

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

As at 31 December 2004, 2005 and 2006, the Group's total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	16,882	9,387	6,437
After 1 year but within 5 years	579	–	–
	17,461	9,387	6,437

12. INVESTMENTS IN SUBSIDIARIES

	The Company		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	1,418,163	1,418,163	1,418,163

The particulars of principal subsidiaries of the Group have been disclosed in the introduction of this report. All of the Company's controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group's Financial Information.

13. INTEREST IN AN ASSOCIATE

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	373,159	393,602	612,771
Market value of shares listed in the Republic of Singapore	135,781	251,723	561,912

Particulars of the associate, which is a listed corporate entity, are as follows:

			Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place incorporation and operation**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Hong Fok Corporation Limited ("HFC")*	Incorporated	Republic of Singapore	20.2%	–	20.2%	Investment holding

* Audited by KPMG, Singapore

Summary financial information on associate

	Assets	Liabilities	Equity	Revenues	Profit/(loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2004					
100 per cent	4,936,390	2,375,462	2,560,928	190,376	6,267
Group's effective interest					(448)
2005					
100 per cent	5,128,848	2,386,443	2,742,405	180,555	(42,135)
Group's effective interest					30,472
2006					
100 per cent	6,371,237	2,578,616	3,792,621	321,807	(81,934)
Group's effective interest					178,070

The above financial information of the associate is a summary of the consolidated operating results and financial position of the associate, which are based on its financial statements. The Group's share of the associate's results are based on the associate's financial statements and adjusted for the cross-holding between the Company and the associate as well as the alignment of the associate's accounting policies with those of the Group. In particular as they relate to Singapore Financial Reporting Standard 40 "Investment Property" (the equivalent of HKAS 40), which was not adopted by the associate during the years ended 31 December 2004, 2005 and 2006.

Financial guarantees

At 31 December 2006, HFC had given corporate guarantee to banks and financial institution in respect of credit facilities utilised by its subsidiaries amounting to approximately HK$2,550,381,000 (2005: HK$2,369,893,000; 2004: HK$2,334,686,000).

14. OTHER FINANCIAL ASSETS

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale equity securities, at fair value	3,278	1,350	1,610
Unlisted debentures, at cost	100	100	–
Investment in club membership	310	310	–
Loan receivable	–	990	990
	3,688	2,750	2,600

Note: Loan receivable is unsecured, interest bearing at HIBOR plus 2% per annum and repayable on 31 August 2010.

15. INVENTORIES

a) Inventories in the consolidated balance sheets as at 31 December 2004, 2005 and 2006 comprised:

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Plants	251	224	228
Properties held for sale	74,652	14,146	12,500
	74,903	14,370	12,728

b) The analysis of carrying value of properties as at 31 December 2004, 2005 and 2006 was as follows:

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
In Hong Kong			
– 50 years or more (long leases)	74,652	1,646	–
Outside Hong Kong			
– 50 years or more (long leases)	–	12,500	12,500
	74,652	14,146	12,500

c) The analysis of the amount of inventories recognised as an expense for the years ended 31 December 2004, 2005 and 2006 was as follows:

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Plants:			
Carrying amount of inventories sold	450	501	484
Properties:			
Carrying amount of inventories sold	10,630	72,646	1,646
Write down of inventories	–	360	–
Reversal of write-down of inventories	(26,000)	–	–
	(15,370)	73,006	1,646

During the year ended 31 December 2004, the reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain properties as a result of a change in property market.

All of the inventories are expected to be recovered within one year.

16. TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	2004	2005	2006	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from a subsidiary	–	–	–	231,227	230,970	230,520
Tax reserve certificate	14,449	14,449	–	–	–	–
Trade debtors	923	432	738	–	–	–
Gross amounts due from customers for contract work *(note 17)*	595	595	595	–	–	–
Retentions receivable *(note 17)*	338	338	338	–	–	–
Other debtors, deposits and prepayments	5,100	4,123	6,426	273	273	293
	21,405	19,937	8,097	231,500	231,243	230,813

The amount due from the subsidiary is unsecured, non-interest bearing and has no fixed terms of repayment.

All of the trade and other receivables (including amount due from a subsidiary), apart from amount due to the subsidiary and those mentioned in note 17, are expected to be recovered within one year.

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of 31 December 2004, 2005 and 2006:

	The Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	809	374	561
1 to 3 month	48	54	171
More than 3 months but less than 12 months	66	4	6
	923	432	738

The Group's credit policy is set out in note 26(a).

17. CONSTRUCTION CONTRACTS

	The Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Costs incurred plus recognised profits less recognised losses to date	75,333	75,333	75,333
Progress payments received and receivable	(74,738)	(74,738)	(74,738)
Gross amounts due from customers for contract work	595	595	595

These amounts are related to construction contracts which have been completed in prior years. Since there are ongoing negotiations on the determination of, inter alia, final contract sums or variation orders between the Group and its contract employers, suppliers, subcontractors and subcontractors' employees, the directors have not been able to agree final completion accounts for these construction contracts.

The gross amounts due from customers for contract work at 31 December 2004, 2005 and 2006 that were expected to be recovered after more than one year were HK$595,000, HK$595,000, HK$595,000, respectively.

In respect of construction contracts completed in prior years, the amount of retentions receivable from customers at 31 December 2004, 2005 and 2006 were HK$338,000, HK$338,000, HK$338,000, respectively. The amounts of those retentions at 31 December 2004, 2005 and 2006 that were expected to be recovered after more than one year were HK$338,000, HK$338,000, HK$338,000, respectively. The amount of retentions payable to suppliers at 31 December 2004, 2005 and 2006 were HK$3,639,000, HK$2,795,000, HK$2,040,000, respectively, which were expected to be payable after more than one year.

18. CASH AND CASH EQUIVALENTS

	The Group			**The Company**		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks and other financial institutions	200	–	–	–	–	–
Cash in hand and at bank	4,873	4,527	5,254	6	7	12
	5,073	4,527	5,254	6	7	12
Pledged bank balances and time deposits for bank borrowings	(4,191)	(912)	(912)	–	–	–
Cash and cash equivalents	882	3,615	4,342	6	7	12

19. TRADE AND OTHER PAYABLES

	The Group			**The Company**		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	2,314	2,241	1,893	–	–	–
Other creditors and accrued charges	5,712	8,052	14,742	285	385	401
Retentions payable *(note 17)*	3,639	2,795	2,040	–	–	–
Deposits received	6,727	4,646	3,630	–	–	–
	18,392	17,734	22,305	285	385	401

All of the trade and other payables, apart from those mentioned in note 17, are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of 31 December 2004, 2005 and 2006:

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	129	80	30
After 1 month but within 3 months	37	50	10
After 3 months but within 6 months	44	24	16
After 6 months but within 12 months	90	23	15
Over 1 year	2,014	2,064	1,822
	2,314	2,241	1,893

20. BANK BORROWINGS, SECURED

As at 31 December 2004, 2005 and 2006, the secured bank borrowings were repayable as follows:

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year or on demand as classified under current liabilities	32,722	80,204	81,891
After 1 year but within 2 years	121,078	41,027	22,745
After 2 years but within 5 years	148,786	234,680	314,848
After 5 years	257,035	71,512	58,641
After 1 year as classified under non-current liabilities	526,899	347,219	396,234
	559,621	427,423	478,125

As at 31 December 2006, the bank facilities of certain subsidiaries were secured by:

i) fixed charges over certain of the Group's investment properties situated in Hong Kong with an aggregate carrying value of HK$1,989,000,000 as at 31 December 2006 (2005: HK$1,961,000,000; 2004: HK$1,795,000,000);

ii) assignment of insurance, sale and rental proceeds of the aforementioned investment properties situated in Hong Kong;

iii) charges over certain of the Group's bank balances of HK$912,000 as at 31 December 2006 (2005: HK$912,000; 2004: HK$4,191,000) for the purpose of assignment of sales and rental proceeds and issued shares of certain wholly-owned subsidiaries of the Group;

iv) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Group in favour of the banks;

v) floating charges over the assets of Hugoton Limited and Super Homes Limited ("SHL"), wholly-owned subsidiaries of the Group;

vi) share mortgages over the entire issued share capital of SHL; and

vii) corporate guarantees given by the Company (2004 and 2005: the Company and a subsidiary, Luxurious Time Properties Limited).

For the year ended 31 December 2006, the effective interest rates for bank borrowings ranged from 4.86% to 6.14% (2005: 3.84% to 5.88%; 2004: 1.25% to 3.02%) per annum.

21. DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 15 April 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company. The options vest from the date of grant and are then exercisable within a period of not more than ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

a) The terms and conditions of the grants that existed during the years ended 31 December 2005 and 2006 are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	**Vesting conditions**	**Contractual life of options**
Options granted to directors/employees:			
– on 18 January 2005	53,040,000	From the date of grant	7.25 years

b) The number and weighted average exercise prices of share options are as follows:

	2004		**2005**		**2006**	
	Weighted average exercise price	**Number of options** *'000*	**Weighted average exercise price**	**Number of options** *'000*	**Weighted average exercise price**	**Number of options** *'000*
Outstanding at the beginning of the year	–	–	–	–	HK$0.377	53,040
Granted during the year	–	–	HK$0.377	53,040	–	–
Outstanding at the end of the year	–	–	HK$0.377	53,040	HK$0.377	53,040
Exercisable at the end of the year	–	–	HK$0.377	53,040	HK$0.377	53,040

The options outstanding at 31 December 2006 had an exercise price of HK$0.377 (2005: HK$0.377; 2004: No options outstanding) and a weighted average remaining contractual life of 5.3 years (2005: 6.3 years; 2004: No options outstanding).

c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Option Pricing Model ("B-S Model"). The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the B-S Model.

Fair value of share options and assumptions

	2005
Fair value at measurement date	HK$0.168
Market price per share	HK$0.365
Exercise price per share	HK$0.377
Expected volatility (expressed as weighted average volatility used in the modelling under B-S model)	62%
Time to expiration	3.62 years
Expected dividend	0%
Risk-free interest rate (based on Hong Kong government bond)	2.4%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

23. INCOME TAX IN THE BALANCE SHEET

a) Current taxation as at 31 December 2004, 2005 and 2006 in the consolidated balance sheets represented:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Balance of Hong Kong Profits Tax provision relating to prior years	14,449	14,449	–

b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheets and the movements during the Relevant Periods are as follows:

	Revaluation of investment property *HK$'000*	Depreciation allowances in excess of the related depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
Deferred tax arising from:				
At 1 January 2004	125,000	1,426	(1,015)	125,411
Charged to profit or loss	93,000	–	–	93,000
At 31 December 2004	218,000	1,426	(1,015)	218,411
At 1 January 2005	218,000	1,426	(1,015)	218,411
Charged/(credited) to profit or loss	29,050	544	(1,364)	28,230
At 31 December 2005	247,050	1,970	(2,379)	246,641
At 1 January 2006	247,050	1,970	(2,379)	246,641
Charged/(credited) to profit or loss	3,650	(1,970)	2,379	4,059
At 31 December 2006	250,700	–	–	250,700

	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*
Net deferred tax asset recognised on the balance sheet	(986)	(1,791)	–
Net deferred tax liability recognised on the balance sheet	219,397	248,432	250,700
	218,411	246,641	250,700

c) Deferred tax assets not recognised

i) The Group

In accordance with the accounting policy set out in note 1(q), at 31 December 2006, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$679,697,000 (2005: HK$625,136,000; 2004: HK$523,026,000) as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation

ii) The Company

At 31 December 2006, the Company has cumulative tax losses of HK$9,042,000 (2005: HK$10,099,000; 2004: HK$945,000) available for against future taxable profits for an unlimited period of time. No deferred tax asset has been recognised in respect of such cumulative tax losses as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and such tax losses are subject to the agreement with the tax authority.

24. CAPITAL AND RESERVES

a) Share capital

i) Authorised and issued share capital

	2004		2005		2006	
	Number of shares		Number of shares		Number of shares	
	'000	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*
Authorised:						
Ordinary shares of HK$0.05 each	2,000,000	100,000	2,000,000	100,000	2,000,000	100,000
Ordinary shares issued and fully paid:						
At 1 January and 31 December	1,492,411	74,620	1,492,411	74,620	1,492,411	74,620

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

ii) Terms of unexpired and unexercised share options at balance sheet date.

Exercise period	Exercise price	2004 Number	2005 Number	2006 Number
18 January 2005 to 14 April 2012	HK$0.377	–	53,040,000	53,040,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 22 to the financial statements.

b) Nature and purpose of reserves

i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by the Bermuda Companies Act.

ii) Contributed surplus

The contributed surplus of the Group and the Company represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium accounts of the subsidiaries acquired pursuant to the group reorganization in 1996. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

iii) Exchange reserve

The exchange reserve comprises all 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 set out in note 1(t).

iv) Share-based compensation reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 1(p)(ii).

v) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 1(e) and (i).

c) Distributability of reserves

As at 31 December 2004, 2005 and 2006, the aggregate amounts of reserves available for distribution to equity shareholders of the Company were HK$1,377,770,000, HK$1,368,503,000 and HK$1,368,062,000, respectively.

d) Dividend

The Directors do not recommend the payment of a dividend for the Relevant Periods.

25. NOTE TO CONSOLIDATED CASH FLOW STATEMENTS

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed of:			
Investment properties	2,196	–	–
Other long term asset	700	–	–
Other receivables	6	–	–
Other payables and accruals	(15)	–	–
Gain on disposal	156	–	–
	3,043	–	–
Satisfied by:			
Cash	3,043	–	–
An analysis of the inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:			
Cash receipt	3,043	–	–

26. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

b) Interest rate risk

The interest rates and maturity information of the Group's non-current loan receivable and bank loans are disclosed in notes 14 and 20 respectively.

c) Foreign currency risk

As most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollars and the Group conducted its business transactions principally in Hong Kong Dollars. The Group considers that as the exchange rate risk of the Group is not significant, the Group did not employ any financial instruments for hedging purposes.

d) Fair values

All financial instruments are carried at amounts not materially different from fair values as at 31 December 2004, 2005 and 2006.

e) Estimation of fair values

The estimation of fair values of share-based compensation is disclosed in note 22.

27. COMMITMENTS

a) Capital commitments outstanding at 31 December 2004, 2005 and 2006 not provided for in the Financial Information were as follows:

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Contracted for	1,170	13,887	13,498

b) At 31 December 2004, 2005 and 2006, the total future minimum lease payments under non-cancellable operating leases in respect of office properties and office equipment are payable as follows:

	The Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	656	1,168	2,744
After 1 year but within 5 years	248	18	3,798
	904	1,186	6,542

Significant leasing arrangements in respect of land and buildings classified as being held under finance leases and properties held for sale are described in notes 11 and 15.

Apart from these leases, the Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

c) At 31 December 2004, 2005 and 2006, the Company had no material commitments.

28. CONTINGENT LIABILITIES

a) At 31 December 2006, the Company had given unconditional guarantees to banks to secure loan facilities made available to subsidiaries to the extent of approximately HK$658 million (2005: HK$496 million; 2004: HK$604 million). The extent of such facilities utilised by the subsidiaries at 31 December 2006 amounted to approximately HK$478 million (2005: HK$427 million; 2004: HK$560 million).

Upon refinancing of an old loan of a subsidiary in January 2007, old guarantee in the amount of approximately HK$238 million was released and new guarantee in the amount of approximately HK$559 million was provided by the Company to secure the new loan facilities. The guarantees provided by the Company after refinancing in January 2007 have increased to approximately HK$979 million.

b) At 31 December 2004, 2005 and 2006, the Company had given corporate guarantees to a bank for issuing letters of indemnity to third parties in respect of contracts undertaken by a subsidiary amounting to approximately HK$5.4 million, HK$5.4 million and HK$402,000, respectively.

29. MATERIAL RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors as disclosed in note 6, is as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	3,483	4,308	5,834
Post-employment benefits	36	31	31
Equity compensation benefits	–	8,911	–
	3,519	13,250	5,865

Total remuneration is included in "staff costs" (see note 4(b)).

b) Financing arrangement

	Amount owed by related party As at 31 December			Related interest income Year ended 31 December		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loan to a director of a wholly-owned subsidiary	–	990	990	–	20	61

Note: The loan bears interest at HIBOR plus 2% per annum, is unsecured and repayable on 31 August 2010. The loan is included in note 14 "Other financial assets".

30. ACCOUNTING ESTIMATES AND JUDGEMENTS

The method, estimates and judgements the management use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Certain critical accounting judgements in applying the Group's accounting policies are described below.

a) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The management reviews annually the useful life of an asset and its residual value, if any. Interests in leasehold land held for own use under operating leases are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

b) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the management performs an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

c) Impairments

If circumstances indicate that the carrying value of fixed assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of fixed assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount is reduced to recoverable amount. The recoverable amount of fixed assets is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's asset are not available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
Amendment to HKAS 1	Presentation of Financial Statements: Capital Disclosure	1 January 2007

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. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

32. SUBSEQUENT EVENTS

Acquisition of subsidiaries

On 25 May 2007, the Group has entered into a conditional agreement with HFC, an associate of the Company, to acquire the entire equity interest in Goldease Investments Limited ("Goldease") and its subsidiaries (collectively, the "Goldease Group"). Goldease Group is principally engaged in property development, and its principal assets are the Singapore properties.

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

	Pre-acquisition carrying amounts *HK$'000*	**Fair value adjustments** *HK$'000*	**Recognised values on acquisitions** *HK$'000*
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	(89,588)	(12,589)	(102,177)
Add: Amount due from Goldease Group			182,504
Goodwill on acquisition			33,673
Consideration paid			114,000

Capital and group reorganisation

After 31 December 2006, the Group proposed a capital and group reorganisation. Further details are set out in the section headed "Letter from the Board" of the Circular.

Pursuant to the group reorganisation, the Company will distribute all of ordinary shares of HK$0.05 each in the issued share capital of Hong Fok Land International Limited ("HF Land"), a company incorporated in Bermuda with limited liability and a wholly-owned subsidiary of the Company as at the date of this report.

The assets and liabilities of HF Land and its subsidiaries (hereinafter collectively referred to as the "HF Land Group") as at 31 December 2004, 2005 and 2006, and the results and cash flows of the HF Land Group for the years ended 31 December 2004, 2005 and 2006 are set out in the Appendix IV of the Circular.

SUBSEQUENT FINANCIAL STATEMENTS

No financial statements of the Group have been audited in respect of any period subsequent to 31 December 2006."

II. UNAUDITED INTERIM RESULT OF THE WINFOONG GROUP

Set out below is the unaudited financial information on the Winfoong Group for the six months ended 30 June 2006, extracted from the interim report of the Winfoong Group, which is available for inspection as referred to in the section headed "Documents available for inspection" in appendix XV to this Composite Offer Document:

"**Condensed consolidated income statement for the six months ended 30 June 2007**

		Unaudited six months ended 30 June	
	Note	**2007**	**2006**
		HK$'000	*HK$'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		(2.85 cents)	(1.88 cents)

Condensed consolidated balance sheet
30 June 2007

	Note	**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
		2,009,116	1,999,469
Interest in an associate		587,316	612,771
Pledged bank deposits		515	912
Other financial assets	*10*	2,445	2,600
		2,599,392	2,615,752
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
		25,031	25,250
Total assets		2,624,423	2,641,002
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		1,844,260	1,884,290

	Note	Unaudited 30 June 2007 HK$'000	Audited 31 December 2006 HK$'000
Non-current liabilities			
Bank borrowings	13	493,750	396,234
Deferred income		5,511	5,582
Deferred tax liabilities		251,790	250,700
		751,051	652,516
Current liabilities			
Trade and other payables	14	17,712	22,305
Bank borrowings	13	11,400	81,891
		29,112	104,196
Total liabilities		780,163	756,712
Total equity and liabilities		2,624,423	2,641,002

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	Share premium	Capital redemption reserve	Contributed surplus	Exchange reserve	Share-based compensation reserve	Fair value reserve	Retained profits	Total	Minority interests	Total Equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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 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	74,620	196,873	121	618,098	(100,807)	–	1,197	1,054,158	1,844,260	–	1,844,260
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	74,620	196,873	121	618,098	8,911	559	(116,856)	909,196	1,691,522	–	1,691,522

Condensed consolidated cash flow statement for the six months ended 30 June 2007

	Unaudited six months Ended 30 June	
	2007	2006
	HK$'000	*HK$'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	2,179	9,469

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 (Amendment) 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.

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.

	Property investment and management *HK$'000*	Property construction and development *HK$'000*	Horticultural services *HK$'000*	Inter-segment elimination *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
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	11,703	2,834	1,566	(3,093)	–	13,010
Segment result	13,577	3,337	84	(3,093)	(15,817)	(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)
						(41,390)
Income tax						(1,090)
Loss for the period						(42,480)

	Property investment and management *HK$'000*	Property construction and development *HK$'000*	Horticultural services *HK$'000*	Inter-segment elimination *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
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	10,699	5,548	1,547	(4,054)	59	13,799
Segment result	4,680	3,581	136	(4,054)	(12,959)	(8,616)
Unallocated operating income and expenses						92
Profit from operating activities						(8,524)
Finance costs						(12,339)
Share of loss of an associate	(7,136)					(7,136)
						(27,999)
Income tax						–
Profit for the period						(27,999)

3. FINANCE COSTS

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

* 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 properties less direct outgoing of HK$2,761,000 (2006: HK$2,832,000)	(8,277)	(7,269)
Interest income	(83)	(92)

5. INCOME TAX

	Unaudited six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Deferred taxation	1,090	–

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 earnings 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 earnings 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	**Audited 31 December 2006**
	HK$'000	*HK$'000*
Within 1 year	5,473	6,437

9. OTHER PROPERTIES, PLANTS AND EQUIPMENT

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

10. OTHER FINANCIAL ASSETS

	Unaudited 30 June 2007	**Audited 31 December 2006**
	HK$'000	*HK$'000*
Available-for-sale equity securities, at fair value	1,955	1,200
Loan receivable	490	990
	2,445	2,600

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2007 *HK$'000*	**Audited 31 December 2006** *HK$'000*
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
	597	738
Prepayments, deposits and other receivables	9,098	7,021
Retention money receivable	338	338
	10,033	8,097

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

12. SHARE CAPITAL

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

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
	505,150	478,125

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
	17,712	22,305

15. EQUITY SETTLED SHARE-BASED TRANSACTIONS

No share option has been granted or exercised during the six moths 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	32,910	13,498

(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	2,456	3,798
	5,200	6,542

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) As 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	**Fair value adjustments**	**Recognised values on acquisitions**
	HK$'000	*HK$'000*	*HK$'000*
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	(89,588)	(12,589)	(102,177)
Add: Amount due from Goldease Group			182,504
Goodwill on acquisition			33,673
Consideration paid			114,000

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."

III. OTHERS

There were no extraordinary items and no dividend has been paid during the three years ended 31 December 2006 and the six months ended 30 June 2007. The exceptional items are set out in note 3 "other revenue and net income/(loss)" under the section headed "AUDITED FINANCIAL INFORMATION ON THE WINFOONG GROUP" in this appendix.

I. AUDITED FINANCIAL INFORMATION ON THE GOLDEASE GROUP

Set out below is the audited financial information on the Goldease Group for the three years ended 31 December 2006, extracted from the circular of Winfoong dated 30 June 2007, which is available for inspection as referred to in the section headed "Documents available for inspection" in appendix XV to this Composite Offer Document:

"**Combined Balance Sheets**
As At 31 December

	Note	**2004**	**2005**	**2006**
		S$	*S$*	*S$*
Non-current assets				
Fixed assets	*4*	2,404	11,840	143,166
Current assets				
Development properties	*5*	39,953,389	49,634,740	31,901,828
Trade and other receivables	*6*	122,647	124,797	1,162,858
Cash at banks		21,827	218,379	133,617
		40,097,863	49,977,916	33,198,303
Total assets		40,100,267	49,989,756	33,341,469
Share capital	*7*	1,000,004	1,000,004	1,000,004
Accumulated losses		(17,105,103)	(17,462,956)	(18,604,138)
Total equity		(16,105,099)	(16,462,952)	(17,604,134)
Non-current liabilities				
Amounts due to related corporations	*9*	27,675,193	37,185,585	35,862,005
Interest bearing loans	*10*	27,190,323	9,195,391	13,845,391
		54,865,516	46,380,976	49,707,396
Current liabilities				
Trade and other payables	*11*	342,965	2,076,800	1,238,207
Amount due to a related corporation	*9*	1,953	–	–
Interest bearing loans	*10*	994,932	17,994,932	–
		1,339,850	20,071,732	1,238,207
Total liabilities		56,205,366	66,452,708	50,945,603
Total equity and liabilities		40,100,267	49,989,756	33,341,469

The accompanying notes form an integral part of these financial statements.

Combined Profit and Loss Accounts
Year Ended 31 December

	Note	**2004** *S$*	**2005** *S$*	**2006** *S$*
Revenue	*12*	349,070	360,386	23,436,967
Other income		11,936	3,627	84,138
		361,006	364,013	23,521,105
(Allowance made)/write-back of allowance for foreseeable losses or diminution in value of development properties, net		(400,000)	–	849,430
Depreciation of fixed assets	*4*	(5,044)	(3,844)	(36,658)
Cost of sales of development properties		–	–	(23,077,567)
Other operating expenses		(287,352)	(89,582)	(640,766)
Finance costs	*13*	(405,576)	(628,440)	(1,756,726)
Loss from operations before taxation	*14*	(736,966)	(357,853)	(1,141,182)
Income tax expense	*15*	–	–	–
Loss for the year		(736,966)	(357,853)	(1,141,182)

The accompanying note form an integral part of these financial statements.

Combined Statements of Changes in Equity
Year Ended 31 December

	Share capital	Accumulated losses	Total
	S$	*S$*	*S$*
At 1 January 2004	1,000,004	(16,368,137)	(15,368,133)
Loss for the year	–	(736,966)	(736,966)
Total recognised income and expense for the year	–	(736,966)	(736,966)
At 31 December 2004	1,000,004	(17,105,103)	(16,105,099)
At 1 January 2005	1,000,004	(17,105,103)	(16,105,099)
Loss for the year	–	(357,853)	(357,853)
Total recognised income and expense for the year	–	(357,853)	(357,853)
At 31 December 2005	1,000,004	(17,462,956)	(16,462,952)
At 1 January 2006	1,000,004	(17,462,956)	(16,462,952)
Loss for the year	–	(1,141,182)	(1,141,182)
Total recognised income and expense for the year	–	(1,141,182)	(1,141,182)
At 31 December 2006	1,000,004	(18,604,138)	(17,604,134)

The accompanying notes form an integral part of these financial statements.

Combined Statements of Cash Flows
Year Ended 31 December

	2004	2005	2006
	S$	*S$*	*S$*
Operating activities			
Loss from operations before taxation	(736,966)	(357,853)	(1,141,182)
Adjustments for:			
Amortisation of transaction cost of interest bearing loans	23,584	5,068	5,068
Depreciation of fixed assets	5,044	3,844	36,658
Loss on disposal of fixed assets	–	525	–
Allowance made/(write-back of allowance) for foreseeable losses or diminution in value of development properties, net	400,000	–	(849,430)
Interest income	(108)	(85)	(2,501)
Interest expenses	405,576	628,440	1,756,726
Operating profit/(loss) before working capital changes	97,130	279,939	(194,661)
Changes in working capital:			
Development properties	(354,967)	(8,738,609)	18,871,185
Trade and other receivables	(1,055)	(2,150)	(1,038,061)
Trade and other payables	(67,027)	1,723,704	(833,334)
Cash (used in)/generated from operations	(325,919)	(6,737,116)	16,805,129
Interest received	108	85	2,501
Cash flows from operating activities	(325,811)	(6,737,031)	16,807,630
Investing activities			
Purchase of fixed assets	(2,026)	(13,805)	(167,984)
Cash flows from investing activities	(2,026)	(13,805)	(167,984)
Financing activities			
Interest paid	(1,033,724)	(1,561,051)	(2,050,828)
Repayment of interest bearing loans	–	(1,000,000)	(13,350,000)
Increase/(Decrease) in amounts due to related corporations	1,345,298	9,508,439	(1,323,580)
Cash flows from financing activities	311,574	6,947,388	(16,724,408)
Net (decrease)/increase in cash at banks	(16,263)	196,552	(84,762)
Cash at banks at beginning of the year	38,090	21,827	218,379
Cash at banks at end of the year	21,827	218,379	133,617

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Company's Board of Directors on 30 June 2007.

1 Basis of Preparation

For the purpose of this report, the financial statements have been prepared to reflect the reorganisation of the entities under common control, in which Goldease Investments Limited (the "Company"), Arundel Trading Pte Ltd, Firth Enterprises Pte Ltd and Hong Fok Development (Newton) Pte Ltd (collectively, referred to as "Subsidiaries") are ultimately controlled by Hong Fok Corporation Limited before and after the completion of the Reorganisation. Pursuant to the Reorganisation which was completed on 23 May 2007, Goldease Investments Limited became the holding company of the Subsidiaries.

The principal activity of the Company is that of investment holding. The principal activities of the Subsidiaries consist of property development in Singapore.

For the purpose of this report, the combined financial statements relate to the Company and its Subsidiaries (together referred to as the "Group"). The balance sheets of the Group as at 31 December 2004, 2005 and 2006, the profit and loss accounts, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2004, 2005 and 2006 (the "Relevant Reporting Period") have been prepared on a combined basis and include the financial information of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Reporting Period as prescribed by Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

All material intra-group transactions and balances have been eliminated on combination.

2 Going Concern

The financial statements have been prepared on a going concern basis notwithstanding the deficiency in net assets as Hong Fok Corporation Limited has undertaken to provide such financial support as is necessary to enable the Group to continue its operations for the foreseeable future.

3 Summary of Significant Accounting Policies

A Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities that are stated at their fair values.

The financial statements are presented in Singapore dollars which is the functional currency of the companies within the Group.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 5 – valuation of development properties.

The accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

B Fixed assets

Owned assets

Fixed assets are stated in the financial statements at cost less accumulated depreciation and impairment loss.

Depreciation

Fixed assets are depreciated on a straight-line basis to write off their costs over their estimated useful lives at an annual rate of 20%.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

C Development properties

Development properties are properties which are held with the intention of sale in the ordinary course of business and are classified as current assets. They include completed properties and properties under development.

Completed properties are stated at the lower of cost and directors' estimate of net realisable value. Cost includes cost of land, interest cost and other related expenditure. Capitalisation of interest cost and other related expenditure ceases when the temporary occupation permit for the development is issued by the authorities or when active development is suspended for extended periods. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

Properties under development are stated at cost less any allowance considered necessary by the directors.

D Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash at banks, trade and other payables and financial liabilities.

Non-derivative financial instruments are recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less allowance for impairment.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

E Impairment

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are tested for impairment on an individual basis. Any impairment loss is recognised in the profit and loss account.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to profit and loss account.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value to use less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment loss recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists for all assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognised.

F Revenue recognition

Profits on development properties are recognised using the percentage of completion method. The percentage of completion is measured by reference to the costs incurred to date and the estimated total costs for each contract. Profits are recognised only in respect of finalised sales agreements and to the extent that such profits relate to the progress of the construction work.

Rental income is recognised on a straight-line basis over the term of the leases.

Interest income from late payment by tenants is recognised on an accrual basis.

G Borrowing costs

Borrowing costs comprise interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset less any income on the temporary investment of these borrowings. The capitalisation rate is based on the attributable cost of the specific borrowings. All other borrowing costs are written off to the profit and loss account in the year in which they are incurred except for fees for the arrangement of financing facilities which are recognised over the period of the facilities on an effective interest basis.

H Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of the prior years.

Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised on initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

I Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

J Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group comprises one business and geographical segment which is property development in Singapore.

4 Fixed Assets

	Furniture
	S$
Cost	
At 1 January 2004	23,195
Additions	2,026
At 31 December 2004	25,221
Additions	13,805
Disposals	(1,425)
At 31 December 2005	37,601
Additions	167,984
At 31 December 2006	205,585
Accumulated depreciation	
At 1 January 2004	17,773
Depreciation for the year	5,044
At 31 December 2004	22,817
Depreciation for the year	3,844
Disposals	(900)
At 31 December 2005	25,761
Depreciation for the year	36,658
At 31 December 2006	62,419
Carrying amount	
At 1 January 2004	5,422
At 31 December 2004	2,404
At 31 December 2005	11,840
At 31 December 2006	143,166

5 Development Properties

	Note	**2004** *S$*	**2005** *S$*	**2006** *S$*
Properties in Singapore:				
Freehold properties under development		37,736,954	47,461,131	–
Allowance for foreseeable losses		(16,100,000)	(16,100,000)	–
		21,636,954	31,361,131	–
Progress payments		(1,183,565)	(1,226,391)	–
		20,453,389	30,134,740	–
Freehold completed properties held for resale		22,348,653	22,348,653	39,367,048
Allowance for diminution in value		(2,848,653)	(2,848,653)	(7,465,220)
		19,500,000	19,500,000	31,901,828
		39,953,389	49,634,740	31,901,828
Amount of interest capitalised during the year	*13*	577,170	942,742	288,843

Freehold properties under development were completed in 2006 and accordingly, reclassified to freehold completed properties held for resale.

Significant assumptions are required in determining the valuation of development properties which involves estimates of the stage of completion, the extent of the cost incurred, the estimated total cost and net realisable value. In making the assumptions, the Group evaluates by relying on past experience and the work of professionals.

Professional valuations obtained for certain properties are prepared using the sales comparison method of valuations in determining the open market value of the properties, taking into account the tenure and location of the properties and the general prevailing economic conditions of the property market.

The development properties are mortgaged to banks for banking facilities extended to the Subsidiaries (Note 10).

6 Trade and Other Receivables

	2004 *S$*	**2005** *S$*	**2006** *S$*
Trade receivables	65	75	1,153,597
Deposits and prepayments	122,582	124,722	9,261
	122,647	124,797	1,162,858

Trade receivables relate mainly to remaining consideration due for the sale of development properties.

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2004	**2005**	**2006**
	S$	*S$*	*S$*
Current or less than 1 month	–	10	–
1 to 3 months	–	–	678,545
More than 3 months but less than 12 months	65	–	474,977
More than 12 months	–	65	75
	65	75	1,153,597

7 Share Capital

The Company was incorporated after 31 December 2006.

For the purpose of this report, share capital represents the aggregate amount of issued share capital of the Subsidiaries.

8 Holding Company

The immediate and ultimate holding company is Hong Fok Corporation Limited, a company incorporated in the Republic of Singapore and listed on the Singapore Exchange Securities Trading Limited.

9 Amounts Due To Related Corporations

The amounts due to related corporations are generally non-trade in nature and unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

Interest incurred by related corporations on bank borrowings taken to provide financing to the companies within the Group is charged to the relevant companies based on the utilisation of funds.

The effective interest rates as at the balance sheet date for 2004, 2005 and 2006 ranges from 2.6% to 5.8%, 4.6% to 5.8% and 4.8% to 5.8% per annum respectively. The interest rates will be repriced within six months of the balance sheet date.

The repayment of these amounts is subordinated to the repayment of the bank loans granted to two of the subsidiaries.

10 Interest Bearing Loan

	2004	**2005**	**2006**
	S$	*S$*	*S$*
Singapore dollar secured floating rate bank loans	28,200,000	27,200,000	13,850,000
Unamortised transaction cost	(14,745)	(9,677)	(4,609)
	28,185,255	27,190,323	13,845,391
Repayable:			
Within 1 year	994,932	17,994,932	–
After 1 year but within 5 years	27,190,323	9,195,391	13,845,391
	28,185,255	27,190,323	13,845,391

(a) The floating rate bank loans are secured by:

(i) mortgages on development properties (Note 5) and the assignment of the rights, titles and interest in the sale and purchase agreements, tenancy agreements, building contract, performance bonds and insurances from these properties; and

(ii) guarantees by the ultimate holding company, Hong Fok Corporation Limited.

(b) The floating rate bank loans comprise the following:

(i) S$11,200,000, S$10,200,000 and S$9,200,000 as at 31 December 2004, 2005 and 2006 respectively which are repayable by six-monthly instalments of S$500,000 from May 2005 to November 2006 and S$9,200,000 repayable by November 2007. It is classified as a non-current liability in the balance sheet for 2006 as an agreement has been reached with the bank to extend the final maturity of the loan from November 2007 to November 2009; and

(ii) S$17,000,000 as at 31 December 2004 and 2005 was repayable by June 2006 or the date falling 3 months after the date of issuance of temporary occupation permit for the project, whichever is the earlier and S$4,650,000 as at 31 December 2006 is repayable by June 2008.

(c) The effective interest rate for the floating bank loans as at 31 December 2004, 2005 and 2006 ranges from 2.8%, 4.8% to 4.9% and 4.9% to 5.1% per annum respectively. The floating interest rates will be repriced within six months of the balance sheet date.

11 Trade and Other payables

	2004	**2005**	**2006**
	S$	*S$*	*S$*
Trade payables	223,794	1,218,366	365,041
Accrued operating expenses	52,238	34,345	118,668
Accrued development expenditure	–	765,457	622,281
Tenancy deposits	66,200	57,900	45,100
Other payables	733	732	87,117
	342,965	2,076,800	1,238,207

Included in trade and other payable are trade creditors with the following ageing analysis as of the balance sheet date:

	2004	**2005**	**2006**
	S$	*S$*	*S$*
Due within 1 month or on demand	223,794	1,186,116	332,791
Due after 1 month but within 3 months	–	13,500	13,500
Due after 3 months but within 12 months	–	18,750	18,750
	223,794	1,218,366	365,041

12 Revenue

	2004	2005	2006
	S$	*S$*	*S$*
Gross rental income	348,962	360,301	364,035
Sale of development properties	–	–	23,070,431
Interest income on late payments	108	85	2,501
	349,070	360,386	23,436,967

13 Finance Costs

	2004	2005	2006
	S$	*S$*	*S$*
Interest charged and chargeable by:			
Related corporations	376,519	664,854	1,064,215
Banks	675,895	1,008,680	1,111,486
	1,052,414	1,673,534	2,175,701
Interest recovered from a related corporation	(69,668)	(102,352)	(130,132)
Interest capitalised into development properties	(577,170)	(942,742)	(288,843)
	405,576	628,440	1,756,726

14 Loss From Operations before Taxation

The following items have been included in arriving at loss from operations before taxation:

	2004	2005	2006
	S$	*S$*	*S$*
Statutory audit fees	4,000	8,750	7,500
Professional fees	46,641	18,240	16,240
Property tax expense/(refund)	37,896	(132,919)	43,757
Upkeep of properties	134,486	108,497	336,634
Rental income less direct outgoings of 2004: S$171,801, 2005: S$133,363 and 2006: S$318,434	(177,161)	(226,938)	(45,601)
Amortisation of transaction cost of interest bearing loans	23,584	5,068	5,068

15 Income Tax Expense

	2004	2005	2006
	S$	*S$*	*S$*
Income tax expense	–	–	–
Reconciliation of effective tax rate			
Loss from operations before taxation	(736,966)	(357,853)	(1,141,182)
Income tax using Singapore tax rate at 20%	(147,393)	(71,571)	(228,237)
Income not subject to tax	–	(28,925)	–
Expenses not deductible for tax purposes	7,036	5,700	193,073
Tax benefits not recognised	183,255	1,961	35,164
Tax benefits transferred to a related corporation	–	92,835	–
Utilisation of previously unrecognised tax losses	(42,898)	–	–
Income tax expense	–	–	–

In 2005, unutilised tax losses of S$464,177 were transferred to a related corporation under the Group Relief System.

Deferred tax assets have not been recognised in respect of the following temporary differences:

	2004	2005	2006
	S$	*S$*	*S$*
Deductible temporary differences	11,849,590	11,818,987	1,404,087
Unutilised tax losses	1,525,217	1,507,026	12,118,550
	13,374,807	13,326,013	13,522,637

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. The unutilised tax losses are available for offset against future taxable income subject to agreement with the tax authority. With effect from year of assessment 2008, Singapore corporate tax rate has been revised to 18%.

16 Financial Instruments

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Exposure to credit and interest rate risks arises in the normal course of the Group's business. This section provides details of the Group's exposure to financial risk and describes the methods used by the management to control such risk.

Credit risk

Credit risk is the potential risk of financial loss resulting from failure of a customer in meeting its financial and contractual obligations to the Group, as and when they fall due.

The Group's primary exposure to credit risk arises from its trade and other receivables and cash at banks. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The credit policy also requires a security deposit from customers to secure tenancy commitments.

Cash is placed with financial institutions with good credit ratings.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest bearing financial liabilities. Interest rate risk is managed by a related corporation on an ongoing basis with the primary objective of limiting the extent to which interest expense could be impacted from an adverse movement in interest rates.

Estimation of fair values

The carrying amounts of financial assets and liabilities approximate their fair values as they are either short-term in nature or repriceable.

17 New Accounting Standards and Interpretations Not Yet Adopted

The Group has not applied the following accounting standards and interpretations that have been issued as of 31 December 2006 but are not yet effective:

- IFRS 7 — Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures
- IFRS 8 — Operating Segments
- IFRIC 7 — Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 — Scope of IFRS 2 Share-based Payment
- IFRIC 9 — Reassessment of Embedded Derivatives
- IFRIC 10 — Interim Financial Reporting and Impairment
- IFRIC 11 — IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 — Service Concession Arrangements

The initial application of these standards and interpretations is not expected to have any material impact on, save for new or amended disclosure to be included in the Group's financial statements. The Group has not considered the impact of accounting standards issued after 31 December 2006.

18 Significant Related Party Transactions

Other than as disclosed elsewhere in the financial statements, significant transactions with related parties are as follows:

	2004	**2005**	**2006**
	S$	*S$*	*S$*
Paid and payable to related corporations:			
General and administrative expenses			
– Capitalised in development properties	23,960	170,196	37,082
– Included in cost of sales of development properties	–	–	461,409
– Included in other operating expenses	34,896	36,030	36,403
Contract services	317	4,192	511

Remuneration of key management personnel of the Group is borne by related corporations and recharged to the Group by way of general and administrative expenses disclosed above. No separate directors' remuneration is paid by the Group.

19 Subsequent Events

On 25 May 2007, the ultimate holding company, Hong Fok Corporation Limited ("HFC") has entered into a sales and purchase agreement with Winfoong International Limited and Winfoong Assets Limited ("WAL") to sell its interest in the Company, and to transfer the outstanding amounts owing by the Group to subsidiaries of HFC (Note 9) at completion, at an aggregated consideration of S$22,242,122, which will be satisfied by way of cash of S$4,681,146 payable by WAL to HFC and the allotment and issue of 900,000,000 ordinary shares in the share capital of Winfoong International Limited upon completion.

20 Subsequent Financial Statements

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 December 2006."

II. OTHERS

There were no extraordinary or exceptional items and no dividend has been paid during the three years ended 31 December 2006.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED WINFOONG GROUP

Set out below is the unaudited pro forma financial information on the Enlarged Winfoong Group and the comfort letter thereon, extracted from the circular of Winfoong dated 30 June 2007, which is available for inspection as referred to in the section headed "Documents available for inspection" in appendix XV to this Composite Offer Document:

"(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

Introduction to the audited pro forma financial information

The accompanying unaudited pro forma financial information of the Group immediately after the completion of the proposed acquisition (the "Acquisition") of the entire equity interest in Goldease Investments Limited ("Goldease") and the proposed distribution (the "Distribution in Specie") of the entire interest held by the Company in Hong Fok Land International Limited ("HF Land") (together referred to as the "Enlarged Remaining Group"), including the unaudited pro forma combined income statement and unaudited pro forma combined cash flow statement for the year ended 31 December 2006, which gives effect to the Acquisition and Distribution in Specie as if the Acquisition and Distribution in Specie had been completed on 1 January 2006, and the unaudited pro forma combined balance sheet prepared based on the consolidated balance sheet of the Group as at 31 December 2006 and the combined balance sheets of the Goldease Group and the HF Land Group as at 31 December 2006, which gives effect to the Acquisition and Distribution in Specie as if the Acquisition and Distribution in Specie had been completed on 31 December 2006 (the "Unaudited Pro Forma Financial Information").

The unaudited pro forma combined income statement and unaudited pro forma combined cash flow statement of the Enlarged Remaining Group are prepared based upon the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31 December 2006 as at out in Appendix II to this circular and the audited combined income statement and audited combined cash flow statements of the Goldease Group and the HF Land Group for the year ended 31 December 2006 as set out in respective Appendix III and IV to this circular after incorporating the unaudited pro forma adjustments described in the accompanying notes. The unaudited pro forma combined balance sheet of the Enlarged Remaining Group is prepared based upon the consolidated balance sheet of the Group as at 31 December 2006 as set out in Appendix II to this circular and the audited combined balance sheets of the Goldease Group and the HF Land Group as at 31 December 2006 as set out in respective Appendix III and IV after incorporating the unaudited pro forma adjustments described in the accompanying notes. A narrative description of the unaudited pro forma adjustments of the Acquisition and Distribution in Specie that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) expected to have a continuing impact on the Enlarged Remaining Group; and (iii) factually supportable, are summarised in the accompanying notes.

The combined balance sheet of the Goldease Group as at 31 December 2006, and combined income and cash flow statements of the Goldease Group for the year ended 31 December 2006 as set out in Appendix III to this circular have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). In the opinion of CCIF CPA Limited, the reporting accountants of the Group, there is no difference of transition from IFRSs to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants on the combined financial statements of the Goldease Group as set out in Appendix III to this circular, and there is also no difference between the accounting policies adopted by the Goldease Group and the Group.

The Unaudited Pro Forma Financial Information of the Enlarged Remaining Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Remaining Group does not purport to describe the actual financial position of the Enlarged Remaining Group that would have been attained had the Acquisition and Distribution in Specie been completed on 31 December 2006, or the results and cash flows of the Enlarged Remaining Group that would have been attained had the Acquisition and Distribution in Specie been completed on 1 January 2006. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Remaining Group does not purport to predict the Enlarged Remaining Group's future financial position, results or cash flows.

The Unaudited Pro Forma Financial Information of the Englarged Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix II to this circular, the financial information of the Goldease Group and the HF Land Group as set out in respective Appendix III and IV to this circular and other financial information included elsewhere in this circular .

1. Unaudited pro forma combined income statement for the year ended 31 December 2006

	The Group	Goldease Group	Pro forma adjustment	Pro forma the Enlarged Group	Pro forma adjustments		Pro forma the Enlarged Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			Note 4(c)		*Note 4(d)*	*Note 4(e)*	
Turnover	26,169	115,226		141,395	(21,217)		120,178
Cost of sales	(8,743)	(113,459)		(122,202)	7,477		(114,725)
Gross profit	17,426	1,767		19,193			5,453
Net valuation gains/(loss) on investment property	20,963	–		20,963	(50,000)		(29,037)
Other revenue	309	4,176		4,485	(620)		3,865
Other net income/(loss)	1,969	–		1,969	209		2,178
Operating and administrative expenses	(39,776)	(2,917)		(42,693)	30,640		(12,053)
Profit/(loss) from operations	891	3,026		3,917			(29,594)
Finance costs	(24,374)	(8,637)	4,592	(28,419)	23,633		(4,786)
Share of (loss)/profit of an associate	178,070	–		178,070	(175,690)	(2,380)	–
Profit/(loss) before taxation	154,587	(5,611)		153,568			(34,380)
Income tax	(4,055)	–		(4,055)	8,302		4,247
Profit/(loss) for the year	150,532	(5,611)		149,513			(30,133)
Attributable to:							
Equity shareholders of the Company	150,532	(5,611)		149,513			(30,133)
Minority interests	–	–		–			–
Profit/(loss) for the year	150,532	(5,611)		149,513			(30,133)

See accompanying notes to the Unaudited Pro Forma Financial Information of the Enlarged Remaining Group.

2. Unaudited pro forma combined balance sheet

	The Group	Goldease Group	Pro forma adjustments		Pro forma the Enlarged Group	Pro forma adjustments		Pro forma the Enlarged Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			Note 4(a)	*Note 4(b)*		*Note 4(d)*	*Note 4(e)*	
Non-current assets								
Fixed assets								
– Investment properties	1,994,320	–			1,994,320	(1,752,000)		242,320
– Property held for future development	–	–			–	–		–
– Other property, plant and equipment	4,685	729			5,414	(912)		4,502
– Interests in leasehold land held for own use under operating leases	464	–			464	–		464
	1,999,469	729			2,000,198			247,286
Interest in an associate	612,771	–			612,771	(619,829)	7,058	–
Goodwill	–	–	114,000	(80,327)	33,673	–		33,673
Pledged bank deposits	912	–			912	(899)		13
Other financial assets	2,600	–			2,600			2,600
	2,615,752	729			2,650,154			283,572
Current assets								
Inventories	12,728	162,350		(12,589)	162,489	(12,500)		149,989
Trade and other receivables	8,097	5,918			14,015	(5,843)		8,172
Tax recoverable	83	–			83	(72)		11
Cash and cash equivalents	4,342	680			5,022	(4,133)		889
Net amount due from HF Land Group to the Enlarged Remaining Group	–	–			–	14,760		14,760
	25,250	168,948			181,609			173,821
Current liabilities								
Trade and other payables	(22,305)	(6,301)			(28,606)	17,487		(11,119)
Bank borrowings	(81,891)	–			(81,891)	81,891		–
Current taxation	–	–			–			–
	(104,196)	(6,301)			(110,497)			(11,119)
Net current assets/(liabilities)	(78,946)	162,647			71,112			162,702
Total assets less current liabilities	2,536,806	163,376			2,721,266			446,274
Non-current liabilities								
Bank borrowings	(396,234)	(70,460)	(24,000)		(490,694)	306,234		(184,460)
Due to related companies	–	(182,504)		182,504	–	–		–
Deferred income	(5,582)	–			(5,582)	5,582		–
Deferred tax liabilities	(250,700)	–			(250,700)	250,700		–
	(652,516)	(252,964)			(746,976)			(184,460)
NET ASSETS/(LIABILITIES)	1,884,290	(89,588)			1,974,290			261,814
CAPITAL AND RESERVES								
Share capital	74,620	5,089	45,000	(5,089)	119,620			119,620
Reserves	1,809,670	(94,677)	45,000	94,677	1,854,670	(1,719,534)	7,058	142,194
Total equity/(deficiency) attributable to equity shareholders	1,884,290	(89,588)			1,974,290			261,814
Minority interests	–	–			–			–
TOTAL EQUITY/ (DEFICIENCY)	1,884,290	(89,588)			1,974,290			261,814

See accompanying notes to the Unaudited Pro Forma Financial Information of the Enlarged Remaining Group.

3. Unaudited pro forma condensed combined cash flow statement for the year ended 31 December 2006

	The Group	Goldease Group	Pro forma adjustments		Pro forma the Enlarged Group	Pro forma adjustments	Pro forma the Enlarged Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			Notes 4(a) and 4(b)	*Note 4(c)*		*Note 4(d)*	
Net cash generated from/(used in) operating activities	(16,962)	82,633		(4,592)	61,079	(43,628)	17,451
Net cash from/(used in) investing activities	(9,776)	(826)	24,000		13,398	(111)	13,287
Net cash from/(used in) financing activities	27,452	(82,224)	(24,000)	4,592	(74,180)	42,966	(31,214)
Net increase/(decrease) in cash and cash equivalents	714	(417)			297		(476)
Cash and cash equivalents at 1 January 2006	3,615	1,018			4,633	(3,359)	1,274
Effect of foreign exchange rate changes	13	79			92	(1)	91
Cash and cash equivalents at 31 December 2006	4,342	680			5,022		889

See accompanying notes to the Unaudited Pro Forma Financial Information of the Enlarged Remaining Group.

4. Notes to the Unaudited Pro Forma Financial Information

(a) Funding of the Acquisition

Pursuant to an agreement dated 25 May 2007 entered into between the Winfoong Assets Limited ("WAL") (a wholly-owned subsidiary of the Company) and Hong Fok Corporation Limited ("HFC"), the aggregate consideration payable by WAL for the proposed acquisition of the entire equity interest in Goldease and the outstanding loan owed by the Goldease Group to the subsidiaries of HFC is HK$114,000,000, to be satisfied by cash of approximately HK$24,000,000 and the remaining HK$90,000,000 by allotment and issue to HFC of 900,000,000 new shares by the Company at an issue price of HK$0.10 each.

These unaudited pro forma adjustments will not have continuing income statement and cash flow effect on the Enlarged Remaining Group, however the final amounts of these adjustments will be determined on the completion date of such allotment and issue.

(b) *Excess of consideration of the Acquisition over the net fair value of the acquired net assets*

Upon completion of the Acquisition, identifiable assets and liabilities of the Goldease Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the purchase method of accounting. The identifiable assets and liabilities of the Goldease Group are recorded in the unaudited pro forma combined balance sheet of the Enlarged Group at their fair value as if the Acquisition was completed on 31 December 2006. The inventories in respect of development properties decreased by approximately HK$12,589,000 as a result of the fair value adjustment.

The amount of excess of consideration of the Acquisition over the net fair value of the acquired net assets of HK$33,673,000 is recognised as goodwill in the unaudited pro forma combined balance sheet as if the Acquisition was completed on 31 December 2006.

The fair value adjustment on development properties is determined by the directors of the Company (the "Directors") based on the valuation performed by Savills (Singapore) Pte. Ltd. as at 30 April 2007. The Directors are of the opinion that no fair value adjustment is required for other assets as the carrying value of other assets approximates their fair value.

These unaudited pro forma financial information adjustments will not have continuing income statement and cash flow effect on the Enlarged Remaining Group, however the final amounts of these adjustments will be determined on the completion date of the Acquisition which may be different from the amounts presented in this Appendix.

(c) *Elimination of inter-company finance costs*

The unaudited pro forma adjustment reflects the elimination of interest paid to the subsidiaries of HFC by the Goldease Group for the year ended 31 December 2006 as if the outstanding loan owed by the Goldease Group to the subsidiaries of HFC as mentioned in note 4(a) has been acquired by the Group on 1 January 2006.

(d) *Distribution of all the issued capital of HF Land*

Pursuant to the Group Reorganisation, all the issued capital of HF Land will be distributed in specie to the shareholders of the Company on the basis of one HF Land's share for one share of the Company.

The assets and liabilities of HF Land Group as at 31 December 2006 as set out in Appendix IV are deducted from the unaudited pro forma combined balance sheet as if the Distribution in Specie had been completed on 31 December 2006. The results of HF Land Group for the year ended 31 December 2006 are deducted from the unaudited pro forma combined income statement as if the Distribution in Specie had been completed on 1 January 2006.

These unaudited pro forma adjustments will not have continuing income statement and cash flow effect on the Enlarged Remaining Group, however the final amounts of these adjustments will be determined on the completion of the Distribution in Specie which may be different from the amounts presented in this Appendix.

The above unaudited pro forma adjustment reflects the reduction in the profit for the year ended 31 December 2006 of HK$177,266,000 and the decrease in the net assets of HK$1,719,534,000 as at 31 December 2006.

(e) *Adjustment for share of net assets and results of the associate*

The unaudited pro forma adjustment reflects the adjustment for the cross-holding between the Group and the HF Land Group.

(f) *Basis of translation*

Translation of S$ into HK$ is made in the Unaudited Pro Forma Financial Information of the Enlarged Remaining Group at the average rate of HK$1 = S$0.2034 for the preparation of unaudited pro forma combined income statement and combined cash flow statement and the closing rate of HK$1 = S$0.1965 for the preparation of unaudited pro forma combined balance sheet.

(B) COMFORT LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

30 June 2007

The directors
Winfoong International Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Group immediately after the completion of the proposed acquisition of the entire equity interest in Goldease Investment Limited and the proposed distribution of the entire equity interest in Hong Fok Land International Limited by the Company (collectively, the Enlarged Remaining Group) set out in Section (A) of Appendix VI to the circular of Winfoong International Limited (the "Company", together with its subsidiaries are referred to as the "Group") dated 30 June 2007 which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisition of the entire interest in Goldease Investments Limited ("Goldease") and its subsidiaries (collectively, the "Goldease Group") and the proposed distribution of the entire interest in Hong Fok Land International Limited ("HF Land") and its subsidiaries (collectively, the "HF Land Group"), might have affected the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31 December 2006, and the audited consolidated balance sheet of the Group as at 31 December 2006. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the section headed "Introduction to the unaudited pro forma financial information" and notes to the Unaudited Pro Forma Financial Information in the Section (A) of the Appendix VI of this circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by Paragraph 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Report on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the results and cash flows of the Enlarged Remaining Group for the year ended 31 December 2006 or any future periods; or
- the financial position of the Enlarged Remaining Group as at 31 December 2006 or any future date.

Opinion

In our opinion:

a) the accompanying Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong
Yau Hok Hung
Practising Certificate Number P04911"

Set out below is the text of the property valuation report on the HF Land Group as of the dates of valuation 31 December 2006 and 31 May 2007 respectively prepared by CB Richard Ellis Limited for incorporation in this Composite Offer Document:

CBRE
CB RICHARD ELLIS
世邦魏理仕

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T 852 2820 2800
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香港灣仔港灣道十八號中環廣場三四零一室
電話852 2820 2800 傳真 852 2810 0830

24 August 2007

The board of directors
Hong Fok Land International Limited
Room 3201,
9 Queen's Road Central,
Hong Kong

Dear Sirs,

RE: VALUATION OF VARIOUS PROPERTIES IN HONG KONG AND THE PEOPLE'S REPUBLIC OF CHINA ("THE PRC")

In accordance with the instruction for us, we, CB Richard Ellis Limited have prepared the following valuation report providing the market value of the property interests held by Hong Fok Land International Limited (referred to as the "HF Land") and the companies held by HF Land (hereinafter together referred to as the "HF Land Group") located in the Hong Kong and the PRC. We confirm that we have carried out inspection, made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the property interests as at 31 December 2006 and 31 May 2007 respectively.

Our valuation is prepared in accordance with the "HKIS Valuation Standard on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors, the relevant provisions of the Companies Ordinance and Chapter 5, Practice Notes 12 and 16 of Listing Rules published by the Stock Exchange of Hong Kong Limited.

Our opinion of Market Value is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Property Categorization

In the course of our valuation, the property interests held by the HF Land Group is categorized into the following groups:

Group I:

Properties in Group I are held by the HF Land Group in Hong Kong for investment.

Group II:

Property in Group II is held by the HF Land Group in the PRC for investment.

Group III:

Property in Group III is held by the HF Land Group in the PRC for sale.

Group IV:

Property in Group IV is held by the HF Land Group in the PRC for future development

Valuation Methodologies

In valuing the properties, we have adopted market approach by reference to sales evidence as available on the market and information provided to us including tenancy details, and other relevant information.

Title Investigations

For the properties held by the HF Land Group in Hong Kong, we have caused searches to be made at the Land Registry, but have not been given any legal advice in respect of title. We have not searched the original documents to verify the correctness of any information or to verify whether any amendments have been made which do not appear on the copies handed to us.

For the properties held by the HF Land Group in the PRC, we have been given extracted copies of relevant title documents. We have not checked the titles to the properties and have not scrutinized the original title documents. We have relied on the advice given by the HF Land Group and its legal advisers on PRC laws, Shu Jin Law Firm (廣東信達律師事務所) regarding the titles to the property interests located in the PRC. For the purpose of our valuations, we have assumed that the fellow subsidiaries of HF Land Group has enforceable title to the property interests. In our valuations, we have taken into account the legal opinion of the PRC's legal advisers, and while we have exercised our professional judgment in arriving at our valuations, you are urged to consider our valuation assumptions with caution.

Valuation Assumptions

In valuing the property interests, we have assumed that owners of the property interests have free and uninterrupted rights to us and assign the properties during the whole of respective unexpired terms granted.

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the values of the properties.

Other special assumptions for each of the properties, if any, have been stated in the footnotes of the valuation certificate for the respective properties.

Valuation Considerations

We have relied to a very considerable extent on information given by the HF Land Group of the property interests and have accepted information given to us of such matters as planning approvals or statutory notices, easements, tenure, lettings, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the HF Land Group which is material to our valuations and have been advised by the HF Land Group that no material facts have been omitted from the information provided.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have assumed that all applicable zoning, use regulations and restrictions have been complied with. We have further assumed that the utilizations and improvements of land are within the boundaries of the properties held by the owner or permitted to be occupied by the owner. Unless otherwise stated, no encroachment or trespass exits are considered.

We have inspected that properties to such extent that we consider necessary for the purpose of this valuation. No structural survey has been made nor were any tests carried out on any of the services provided in the properties. We are therefore unable to report whether the properties are free from rot, infestation or any other structural defects.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximate.

For properties situated in the PRC, the type of taxes that could arise when those properties are sold include enterprise income tax (33% on taxable income), business tax (5% on taxable income), land appreciation tax (progressive rates ranging from 30% to 60% on taxable profit) and stamp duty (0.03% on selling price). For those properties in Hong Kong, the tax that could arise when the property is sold is profits tax (17.5% on taxable profit). According to the information provided by the management of the HF Land Group, except the property in Group III, there is no plan to sell the properties in Group I, Group II and Group IV. For Group III property when sold, the potential tax liability will be enterprise income tax, business tax and land appreciation tax.

Unless otherwise stated, all money amounts are stated in Hong Kong Dollars. The exchange rates adopted in our valuation are HK$100.00 = RMB100.38 and HK$100.00 = RMB98.54, which were the approximate exchange rate prevailing as 31 December 2006 and 31 May 2007 respectively.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited

Gilbert C. H. Chan *MHKIS MRICS RPS (GP)*
Director
Valuation & Advisory Services

Mr Gilbert C H Chan is Registered Professional Surveyor with over 13 years' valuation experience on all landed properties in Hong Kong and in the PRC.

SUMMARY OF VALUES

No.	Property	Interest attributable to the HF Land Group	Capital values in existing state as at 31 December 2006	Capital values in existing state as at 31 May 2007
		(%)	*HK$*	*HK$*
Group I – Properties held for investment by the HF Land Group in Hong Kong				
1.	Magazine Gap Towers, No. 15 Magazine Gap Road, Mid-Levels, Hong Kong	100%	HK$837,000,000	HK$840,000,000
2.	Magazine Heights, No. 17 Magazine Gap Road, Mid-Levels, Hong Kong	100%	HK$910,000,000	HK$913,000,000
		Sub-Total	HK$1,747,000,000	HK$1,753,000,000
Group II – Property held for investment by the HF Land Group in People's Republic of China				
3.	Units A and B on Levels 2 and 3 of Block Nos. 1, 2, 3, 5, 6, 7, 8, 9 and 10. Chuang's Metropolis, Panyu, Guangdong Province, The PRC	100%	HK$5,000,000	HK$5,000,000
		Sub-Total	HK$5,000,000	HK$5,000,000
Group III – Property held for sale by the HF Land Group in People's Republic of China				
4.	16 row houses, 13 semi-detached houses and 28 apartment units of Phase 1A, Riverside Villa, Tangxia Town, Jiangmen, Guandong Province The PRC	92%	HK$12,500,000	HK$12,500,000
		Sub-Total	HK$12,500,000	HK$12,500,000
Group IV – Property held for future development by the HF Land Group in People's Republic of China				
5.	The remaining portion of land, Riverside Villa, Tangxia Town, Jiangmen, Guangdong Province The PRC	92%	HK$67,500,000	HK$67,500,000
		Sub-Total	HK$67,500,000	HK$67,500,000
		Grand total	**HK$1,832,000,000**	**HK$1,838,000,000**

VALUATION CERTIFICATE

Group I – Properties held for investment by the HF Land Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2006	Capital value in existing state as at 31 May 2007
1.	Magazine Gap Towers, No.15 Magazine Gap Road, Mid-Levels, Hong Kong Inland Lot No. 2570 and the Extension thereto	The property comprises a 12-storey residential building over ground floor and lower ground floor carport/ recreation podium. It was completed in about 1967 and has been refurbished in 1989. The subject lot has a registered site area of approximately 19,000 sq.ft. (1,765.14 sq.m.). There are a total of 24 apartments and 36 parking spaces, a communal swimming pool and a gymnasium provided within the building. The total gross floor area of the apartments is approximately 55,200 sq.ft. (5,128.21 sq.m.) (excluding car parking spaces). The property is held under a Government lease and Conditions of Extension for common term of 75 years from 4 June 1925 renewed for a further term of 75 years.	Except 17 apartment units are vacant, the property is subject to various tenancies for terms mostly for 2 years with the last to be expired in August 2009. The total monthly rent receivable is HK$437,800.	HK$837,000,000 *(100% interest attributable to the HF Land Group)*	HK$840,000,000 *(100% interest attributable to the HF Land Group)*

Notes:

1. The registered owner of the property is Hugoton Limited which is a wholly-owned subsidiary of HF Land.

2. The property is subject to the following encumbrances:

    (i) Deed of Variation of Crown Lease vide Memorial No. UB545645 dated 2 June 1966;

    (ii) Modification Letter vide Memorial No. UB3153769 dated 18 August 1986;

    (iii) Letter with Certified True Copy Carpark Lay-out Plan vide Memorial No. UB3549246 dated 19 November 1987;

    (iv) Deed Polls vide Memorial No. UB8663823 dated 8 April 2002; and

    (v) Debenture and Mortgage and Floating Charge in favour of Nanyang Commercial Bank Limited "Agent" in its own right and as agent for and on behalf of the banks vide Memorial No. 0702070006089 dated 8 January 2007.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2006	Capital value in existing state as at 31 May 2007
2.	Magazine Heights, No. 17 Magazine Gap Road, Mid-Levels, Hong Kong Inland Lot No. 8021 and the Extension thereto	The property comprises a 12-storey residential building over ground floor and lower ground floor carport/ recreation podium. It was completed in about 1968 and has been refurbished. The subject lot has a registered site area of approximately 23,030 sq.ft. (2,139.54 sq.m.). There are a total of 23 apartments and 40 parking spaces and a gymnasium provided within the building. The total gross floor area of the apartments is approximately 60,000 sq.ft. (5,574.14 sq.m.) (excluding car parking spaces). The property is held under a Government lease and Conditions of Extension for common term of 75 years from 28 August 1920 renewed for a further term of 75 years.	Except 3 apartment units which are vacant, the property is subject to various tenancies for terms mostly for 1 year with the last to be expired in August 2009. The total monthly rent receivable is HK$1,366,000.	HK$910,000,000 *(100% interest attributable to the HF Land Group)*	HK$913,000,000 *(100% interest attributable to the HF Land Group)*

Property 2:

Notes:

1. The registered owners of the property are Giant Yield Limited (3/24th) and Bossiney limited (21/24th) (Tenants in Common) both of which are wholly-owned subsidiaries of HF Land.

2. The property is subject to the following encumbrances:

   (i) Deed of Covenant vide Memorial No. UB8205618 dated 10 August 1971;

   (ii) Modification Letter vide Memorial No. UB6570640 dated 13 March 1996;

   (iii) Mortgage by Bossiney Limited and Gaint Yield Limited in favour of Nanyang Commercial Bank Limited vide Memorial No. UB8312581 dated 22 January 2001 and re-registered vide Memorial No. UB8577556;

   (iv) Assignment of Rentals by Giant Yield Limited (Re: 3/24 shares) in favour of Nanyang Commercial Bank Limited vide Memorial No. UB8312582 dated 22 January 2001;

   (v) Assignment of Rentals by Bossiney Limited (Re: 21/24 shares) in favour of Nanyang Commercial Bank Limited vide Memorial No. UB8312583 dated 22 January 2001;

   (vi) Second Mortgage by Bossiney Limited and Giant Yield Limited in favour of Nanyang Commercial Bank Limited vide Memorial No. UB9137109 dated 26 January 2004;

   (vii) Rental Assignment and Charge on account by Bossiney Limited (Re: 21/24 shares) in favour of Nanyang Commercial Bank Limited vide Memorial No. UB9138036 dated 26 January 2004; and

   (viii) Rental Assignment and Charge on account by Giant Yield Limited (Re: 3/24 shares) in favour of Nanyang Commercial Bank Limited vide Memorial No. UB9138037 dated 26 January 2004.

VALUATION CERTIFICATE

Group II – Property held for investment by the HF Land Group in People's Republic of China

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2006	Capital value in existing state as at 31 May 2007
3.	Units A and B on Levels 2 and 3 of Block Nos. 1, 2, 3, 5, 6, 7, 8, 9 and 10, Chuang's Metropolis, Panyu, Guangdong Province, The PRC	The property comprises a total of 36 apartment units on the 2nd and 3rd levels of nine blocks of 4-storey composite building completed in about 1997. The property has a total gross floor area of approximately 2,866.22 sq.m. (30,852 sq.ft.) Pursuant to the supplemental sale and purchase agreements all dated 6 November 1995, the land use right granted is for a term of 70 years from 22 December 1992 to 22 December 2062.	The property is vacant.	HK$5,000,000 *(100% interest attributable to the HF Land Group)*	HK$5,000,000 *(100% interest attributable to the HF Land Group)*

Notes:

1. Pursuant to thirty-six Sale and Purchase Agreements all entered into between Panyu Shilou Xindu Real Estate Development Co. Ltd. (Part A) and China Charm Company Limited which is a wholly-owned subsidiary of HF Land (Party B) on 6 November, 1995, Party A agreed to sell the property to Party B at a total consideration of HK$7,281,156 for residential use.

2. We have been provided with a legal opinion on the title of the property by the HF Land Group's legal advisor which contains, inter-alia, the following information:

   (i) According to the officer of the Finance Department of Guangzhou Panyu Chuang's Real Estate Development Company Limited (an associate of Panyu Shilou Xindu Real Estate Development Co. Ltd.), the subject property has been purchased by China Charm Company Limited. Owing to the transaction process had undertaken in Hong Kong, it was not known whether the consideration had been fully paid. In addition, since completion in 1997, China Charm Company Limited has not proceeded to take possession with the property, submitted related information for the application of real estate certificate and paid the related tax, therefore, the legal title is not confirmed to be vested into China Charm Company Limited.

   (ii) On the assumption that China Charm Company Limited had fully paid consideration for the purchase of the subject property and subject to re-confirmation of sales and purchase agreement under the prevailing format with the vendor, taken possession of the property and payment of all relevant tax fee according to the provisions of relevant authority governing the sale and purchase of real estate, the China Charm Company Limited after obtaining the Certificate for Real Estate Title of the property, can legally possess, occupy and assign the subject property. Such legal interests are protected and enforceable by the PRC Law.

3. In our valuation, we have taken into account the PRC legal opinion. Our valuation represents the capital value of the property assuming it is freely disposable on the valuation date and the property has been completed and finished in compliance with all relevant regulations.

VALUATION CERTIFICATE

Group III – Property held for sale by the HF Land Group in People's Republic of China

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2006	Capital value in existing state as at 31 May 2007
4.	16 row houses, 13 semi-detached houses and 28 apartment units of Phase 1A, Riverside Villa, Tangxia Town, Jiangmen, Guangdong Province The PRC	The property comprises 16 row houses, 13 semi-detached houses and 28 apartment units of Phase 1A of Riverside Villa. Riverside Villa is planned to be developed in four phases as a comprehensive private housing development, comprising detached houses, row houses and low and high -rise apartment buildings. The total gross floor area of the property is approximately 6,110.18 sq.m. (65,770 sq.ft.). The property is held for a term of 70 years from 8 October 1992 to 8 October 2062.	The property is vacant.	HK$12,500,000 *(92% interest attributable to the HF Land Group: HK$11,500,000)*	HK$12,500,000 *(92% interest attributable to the HF Land Group: HK$11,500,000)*

Notes:

1. The property comprises Unit Nos. 4A, 4B, 3B, 2B and 1B in Block L1, Unit Nos. 4A, 3A, 2A, 1A, 3B, 2B and 1B in Block L2, Unit Nos. 2A, 1A and 2B in Block L3, Unit Nos. 2A, 1A and 1B in Block L4, Unit No. 2A in Block L6, Unit Nos. 4A, 3A, 2A, 1A, 4B, 3B, 2B and 1B in Block L8, Unit No 3A in Block L5; Block Nos. R-01, R-02, R-06, R-07, R-11, R-12, R-13, R-14, R-17, R-18, R-19, R-26, R-27, R-30, R-31, R-32 and S-01, S-04, S-07, S-09, S-10, S-11, S-15, S-19, S-20, S-21, S-22, S-23 and S-24 of Phase 1A of Riverside Villa.

2. Jiangmen Tangquan Real Estate Company Limited is a 92%-owned subsidiary of HF Land.

3. Jiangmen Tangquan Real Estate Company Limited ("the Tangquan Company") is an equity joint venture company between 棠下鎮村鎮建設開發公司 (Tangxiazhen Town and Village Planning and Development Company) ("Party A") and Wellpool International Limited ("Party B"), legally established on 23 September 1992. Its joint venture period is 30 years commencing on 23 September 1992.

4. According to the Joint Venture Contract, the equity contribution of the Tangquan Company between Party A and Party B is 8% and 92% respectively, amounting a registered capital of US$10,000,000. Party B may obtain 92% of the profits of the Tangquan Company.

5. Pursuant to the Certificate for the Use of State-owned Land No. (1992) 1900693 dated 16th October 1992 and issued by the People's of Government of Xinhui County (now under Jiangmen City), the land use right of a parcel of land situated at Zhulinyuan of Tangxia Town is vested in Jiangmen Tangquan Real Estate Company Limited for a term of 70 years from 8 October 1992 to 8 October 2062. The land is for real estate use comprising a site area of approximately 312,770.30 sq.m..

6. Pursuant to the Grant of Contract of Land Use Rights entered into between Xinhui County Land Administration Bureau (now under Jiangmen City) (Party A) and Tangquan Company (Party B) on 8 October 1992, Party A has agreed to grant the land use right of a parcel of land situated at Zhulinyuan of Tangzia Town to Party B. The salient conditions are summarised as follows:

(i)	Site Area	:	312,770.30 sq.m.
(ii)	Uses	:	the development of commercial/residential buildings, shopping arcade, club house and community facilities
(iii)	Plot ratio	:	3.6
(iv)	Site coverage	:	40%
(v)	Total gross floor area	:	not exceeding 1,122,000 sq.m.
(vi)	No. of storeys	:	maximum of 40 storeys (average of 20 storeys)
(vii)	Green area ratio	:	5%
(viii)	Land premium	:	RMB 2,189,400
(ix)	Building covenant	:	Party B shall complete the gross floor area of the proposed development of not less than 41,000 sq.m. by 30 October 1995 and shall complete the whole development by 22 September 2007.

7. Pursuant to the Business Licence No. 003202 dated 25 November 2002, Tangquan Company was Incorporated with a registered capital of US$10,000,000 and has an operation period from 23 September 1992 to 22 September 2022.

8. We have noted that the said Grant Contract requires a building covenant regarding the completion of the gross floor area of the proposed development of not less than 41,000 sq.m. by 30 October 1995. It appears that such building covenant has not been fulfilled. However, as instructed by HF Land Group, we have valued on the assumption that the breach of the said building covenant would not affect the title of the property.

9. The completed houses of phase 1A of Riverside villa are of 2 to 3-storeys high with individual garden and garage area. The sizes of the houses range from approximately 119.60 sq.m. (1,287 sq.ft.) to 139.43 sq.m. (1,501 sq.ft.). The completed apartment buildings are of 4-storeys with unit sizes ranging from approximately 71.67 sq.m. (771 sq.ft.) to 89.46 sq.m. (963 sq.ft.).

10. As advised by HF Land Group, the approximate gross floor area of each type of subject property is as follows:

Uses	**Approximate gross floor area**	
	sq.m.	*sq.ft.*
Row Houses	1,913.64	20,598
Semi-detached houses	1,812.58	19,511
Apartment units	2,383.96	25,661
Total	**6,110.18**	**65,770**

11. We have been provided with a legal opinion on the title of the property by HF Land Group's legal advisor which contains, inter-alia, the following information:

(i) Pursuant to the Grant of Contract of Land Use Rights signed between Tangquan Company and Xinhui County Land Administration Bureau on 8 October 1992 and the Certificate for the Use of State-owned Land No. (1992) 1900693 (新府國用(1992)字第1900693號), it is a parcel of land of 312,770 square metres for real estate purpose, situated at Zhulinyuan of Tangxia Town for a land tenure of 70 years from 8 October 1992 to 8 October 2062.

(ii) According to the "Construction Land Planning Application" dated 18 October 1992 by the Tangquan Company, the proposed development will be of five phases with the first phase site area of 62,554 square metres, gross floor area of 224,400 square metres and 7-storey medium-density low rise residential development. The application was finally approved by Xinhui Municipal Construction Committee.

According to the evidence provided by Tangquan Company on 7 June 2007 and confirmed by Jiangmen Shi Real Estate Record Office, Tangquan Company has developed 111 residential units of which 54 units have been sold. However, the Phase I development has not been fully completed.

(iii) In view of Tangquan Company has not within the time limit fully developed the whole subject site, those undeveloped part of the subject site was confirmed as idle land by Jiangmen Municipal Bureau of State Land and Resources on 9 August 2005.

(iv) In connection with Idle Land for Non-agricultural Development Management Reinforcement Notice (粵府[1998]72號) issued by Guangdong Provincial Government stipulates that:

Regulation 5: For confirmed idle land, the State Land Authority has the right to levy idle land fee at a standard rate of not more than 15% of land premium per annum for real estate development land;

Regulation 6: If idle land status lasts for more than one year, the State Land Authority should order the owner to develop the land within a specific time period. Should the owner could not implement the development project, the land could be offered for other developer subject to proper reimbursement to the original owner. If idle land status lasts for more than two years, the land use rights may be repossessed by the authority with prior permission from the County People's Government or above. If pre-development preparation works are planned with sufficient financial sources and definite development time schedule, the authority has discretionary power to extend the building covenant once for not more than two years subject to payment for the idle land fee.

(v) Simultaneously, according to the condition 4.4 of the Contract of Land Use Rights, the land user should complete the development prior to 22 September 2007. Late charge will be levied at 0.3% of the land premium per day. If the delay for completion is over 360 days, Municipal (County) Bureau of State Land and Resource has the right to repossess the land and void the Certificate for the Use of State-owned Land.

(vi) On 7 June 2007, Jiangmen Shi Real Estate Record Office certified that the Tangquan Company retains 57 completed units for sale in "Riverside Villa" located at Zhulinyuan of Tangxia Town in Pengjiang District of Jiangmen Shi. They are completed units with their ownership vested in Tangquan Company and no seizure and mortgage records.

(vii) Based on the above, Shu Jin Law Firm opines that the Tangquan Company owns the 57 units in Riverside Villa. The Tangquan Company can occupy, use and assign the property and subject to the bank's approval, mortgage and charge the property. However, there is legal risk that the land use rights of the land and all structures attached on the land might be repossessed by the State Land Authority without compensation.

12. In our valuation, we have taken into account the PRC legal opinion. However, we have been instructed by HF Land Group to value the property assuming there is no legal risk on the repossession and the breach of the building covenant as described in Note 8 above would not affect the title of the property. Further, our valuation represents the capital value of the property assuming it is freely disposable on the valuation date.

VALUATION CERTIFICATE

Group IV – Property held for future development by the HF Land Group in People's Republic of China

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2006	Capital value in existing state as at 31 May 2007
5.	The remaining portion of land, Riverside Villa, Tangxia Town, Jiangmen, Guangdong Province The PRC	The subject site is an irregular shaped site having a total site area of approximately 312,770.30 sq.m. (3,366,660 sq.ft.) Riverside Villa is planned to be developed in four phases as a comprehensive private housing development, comprising detached house, row houses and low and high -rise apartment buildings at a total gross floor area of approximately 1,122,000 sq.m. (12,077,208 sq.ft.). As advised by HF Land Group, the gross floor area of the respective types of use is as follows:	The property is vacant.	HK$67,500,000 *(92% interest attributable to the HF Land Group: HK$62,100,000)*	HK$67,500,000 *(92% interest attributable to the HF Land Group: HK$62,100,000)*

Uses	Approximate Gross Floor Area *sq.m.*	*sq.ft.*
Villa/ Townhouse	198,000	2,131,272
Medium-rise apartment	216,000	2,325,024
High-rise apartment	703,000	7,567,092
Ancillary commercial and recreational facilities	5,000	53,820
Total	**1,122,000**	**12,077,208**

As advised by HF Land Group, Phase 1A of Riverside Villa, comprising 3 detached houses, 24 semi-detached houses, 28 row houses and 56 apartment units and making of total gross floor area of approximately 12,532.92 sq.m. (134,904 sq.ft.) (based on 竣工紙) has been completed.

The remaining phases of the proposed development are in preliminary planning stage and no planning or other regulatory consent has been obtained. As a result, no value after the development has been completed, estimated cost or anticipated date of completion and of letting or occupation could be provided.

The property comprises the vacant and undeveloped land of the Riverside Villa.

The property is held for a term of 70 years from 8 October 1992 to 8 October 2062.

Notes:

1. Jiangmen Tangquan Real Estate Company Limited is a 92%-owned subsidiary of HF Land.

2. Jiangmen Tangquan Real Estate Company Limited ("the Tangquan Company") is an equity joint venture company between 棠下鎮村鎮建設開發公司 (Tangxiazhen Town and Village Planning and Development Company) ("Party A") and Wellpool International Limited ("Party B"), legally established on 23 September 1992. Its joint venture period is 30 years commencing on 23 September 1992.

3. According to the Joint Venture Contract, the equity contribution of the Tangquan Company between Party A and Party B is 8% and 92% respectively, amounting a registered capital of US$10,000,000. Party B may obtain 92% of the profits of the Tangquan Company.

4. Pursuant to the Certificate for the Use of State-owned Land No. (1992) 1900693 dated 16th October 1992 and issued by the People's of Government of Xinhui County (now under Jiangmen City), the land use right of a parcel of land situated at Zhulinyuan of Tangxia Town is vested in Tangquan Company for a term of 70 years from 8 October 1992 to 8 October 2062. The land is for real estate use comprising a site area of approximately 312,770.30 sq.m..

5. Pursuant to the Grant of Contract of Land Use Rights entered into between Xinhui County Land Administration Bureau (now under Jiangmen City) (Party A) and Tangquan Company (Party B) on 8 October 1992, Party A has agreed to grant the land use right of a parcel of land situated at Zhulinyuan of Tangzia Town to Party B. The salient conditions are summarised as follows:

(i)	Site Area	:	312,770.30 sq.m.
(ii)	Uses	:	the development of commercial/residential buildings, shopping arcade, club house and community facilities
(iii)	Plot ratio	:	3.6
(iv)	Site coverage	:	40%
(v)	Total gross floor area	:	not exceeding 1,122,000 sq.m.
(vi)	No. of storeys	:	maximum of 40 storeys (average of 20 storeys)
(vii)	Green area ratio	:	5%
(viii)	Land premium	:	RMB 2,189,400
(ix)	Building covenant	:	Party B shall complete the gross floor area of the proposed development of not less than 41,000 sq.m. by 30 October 1995 and shall complete the whole development by 22 September 2007.

6. Pursuant to the Business Licence No. 003202 dated 25 November 2002, Tangquan Company was incorporated with a registered capital of US$10,000,000 and has an operation period from 23 September, 1992 to 22 September, 2022.

7. We have noted that the said Grant Contract requires a building covenant regarding the completion of the gross floor area of the proposed development of not less than 41,000 sq.m. by 30 October 1995. It appears that such building covenant has not been fulfilled. However, as instructed by HF Land Group, we have valued on the assumption that the breach of the said building covenant would not affect the title of the property.

8. We have valued the property in its existing state as vacant land.

9. We have been provided with a legal opinion on the title of the property by HF Land Group's legal advisor which contains, inter-alia, the following information:

   (i) Pursuant to the Grant of Contract of Land Use Rights signed between Tangquan Company and Xinhui County Land Administration Bureau on 8 October 1992 and the Certificate for the Use of State-owned Land No. (1992) 1900693 (新府國用(1992)字第1900693號), it is a parcel of land of 312,770 square metres for real estate purpose, situated at Zhulinyuan of Tangxia Town for a land tenure of 70 years from 8 October 1992 to 8 October 2062.

(ii) According to the "Construction Land Planning Application" dated 18 October 1992 by the Tangquan Company, the proposed development will be of five phases with the first phase site area of 62,554 square metres, gross floor area of 224,400 square metres and 7-storey medium-density low rise residential development. The application was finally approved by Xinhui Municipal Construction Committee.

According to the evidence provided by Tangquan Company on 7 June 2007 and confirmed by Jiangmen Real Estate Record Office, Tangquan Company has developed 111 residential units of which 54 units have been sold. However, the Phase I development has not been fully completed.

(iii) In view of Tangquan Company has not within the time limit fully developed the whole subject site, those undeveloped part of the subject site was confirmed as idle land by Jiangmen Municipal Bureau of State Land and Resources on 9 August 2005.

(iv) In connection with Idle Land for Non-agricultural Development Management Reinforcement Notice (粵府[1998]72號) issued by Guangdong Provincial Government stipulates that:

Regulation 5: For confirmed idle land, the State Land Authority has the right to levy idle land fee at a standard rate of not more than 15% of land premium per annum for real estate development land;

Regulation 6: If idle land status lasts for more than one year, the State Land Authority should order the owner to develop the land within a specific time period. Should the owner could not implement the development project, the land could be offered for other developer subject to proper reimbursement to the original owner. If idle land status lasts for more than two years, the land use rights may be repossessed by the authority with prior permission from the County People's Government or above. If pre-development preparation works are planned with sufficient financial sources and definite development time schedule, the authority has discretionary power to extend the building covenant once for not more than two years subject to payment for the idle land fee.

(v) Simultaneously, according to the condition 4.4 of the Contract of Land Use Rights, the land user should complete the development prior to 22 September 2007. Late charge will be levied at 0.3% of the land premium per day. If the delay for completion is over 360 days, Municipal (County) Bureau of State Land and Resource has the right to repossess the land and void the Certificate for the Use of State-owned Land.

(vi) Based on the above, Shu Jin Law Firm opines that the land use rights of the land for Rverside Villa is held by the Tangquan Company but there is a legal risk that the land use rights might be repossessed by the State Land Authority without compensation. It is advised that Tangquan Company should apply for extension of the building covenant at the relevant authority as soon as possible. Subject to the completion of the above procedure, the Tangquan Company could continue to hold the full legal interest of the land use rights of the subject land.

10. In our valuation, we have taken into account the PRC legal opinion. However, we have been instructed by HF Land Group to value the property assuming there is no legal risk on the repossession and breach of the building covenant as described in Note 7 above would not affect the title of the property. Further, our valuation represents the capital value of the property assuming it is freely disposable on the valuation date.

Set out below is the text of the property valuation reports on the Hong Fok Group as of the date of valuation 31 May 2007 prepared by Savills (Singapore) Pte Ltd. for incorporation in this Composite Offer Document:

Savills (Singapore) Pte Ltd
DL: 6536 8600
F: 6536 8611

No. 2 Shenton Way
#17 - 01 SGX Centre 1
Singapore 068804, Singapore

REG No.: 198703410D
T: (65) 6536 5022
savills.com

24 August 2007

The board of directors
Yorkwin Investments Limited
Room 3201,
9 Queen's Road Central,
Hong Kong

Dear Sirs

VALUATION OF 360 ORCHARD ROAD, INTERNATIONAL BUILDING AND EXCESS DEVELOPMENT LAND AT THE REAR, SINGAPORE 238869

1. PURPOSE OF REPORT

We refer to your recent instructions to carry out a valuation of the above-mentioned property so as to advise you on the **Open Market Values** as at 31 May 2007 for the purpose of inclusion into the Composite Offer Document of Yorkwin Investments Limited & Hong Fok Land International Limited dated 24 August 2007.

Open Market Value is defined as an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

(a) a willing seller;

(b) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

No allowances have been made for any expenses, or realisation, or for taxation which might arise in the event of a disposal. All properties are considered as if free and clear of all mortgages or other charges which may be secured thereon.

2. LOCATION

The subject building is situated about 100 metres from the junction of Orchard/Scotts Road. This junction is considered to be the focus of activity in Orchard Road which is the main shopping/entertainment corridor of Singapore. It adjoins the Shaw House and Lido Cineplex.

The surrounding area is also marked by high-rise hotels and commercial buildings including Shaw Centre, Liat Towers, Wheelock Place, Orchard Towers, Hilton International Singapore, Far East Shopping Centre, Grand Hyatt Singapore, Royal Plaza, Far East Plaza, Wisma Atria, etc.

The underground link from Lucky Plaza to Ngee Ann City through Wisma Atria, Orchard MRT Station, Marriott Hotel and Shaw House, also enhances the locality of International Building.

In addition, being just outside the Restricted Zone of the ERP Gantry, where vehicles need to pay a levy between 7.30 am to 7.00 pm on Mondays to Fridays to enter the zoned areas, the subject Building is in a commercially advantageous position.

(Please refer to Location Plan under APPENDIX ‘A’)

3. DESCRIPTION

Land

The subject site is a L-shaped land legally known as Lot 956X Town Subdivision 25. The site has an area of approximately **4,224.7 square metres (45,474 square feet)** and a frontage of approximately 29 metres to Orchard Road.

(Please refer to Site Plan under APPENDIX 'B')

Existing Building

INTERNATIONAL BUILIDING is a 12-storey (3-storey podium and a 9-storey tower block) office-cum-shopping development with a basement level.

The building is generally constructed of reinforced concrete framed structure with reinforced concrete floors, infilled brickwalls and reinforced concrete flat roof.

The building houses jewellery shop, beauty saloon, hair saloon, restaurants, dental clinic and cafes on the first and second levels. Office units are located on the third to twelfth storeys. The third storey is currently tenanted and used as a karaoke pub. The entrance foyer faces Orchard Road.

(Refer to Floor Layout Plans under APPENDIX 'C').

Vertical access within the building is facilitated by 3 lifts and 2 staircases, as well as 2 escalators between the first and second storeys.

The building is centrally air-conditioned and installed with fire protection equipment which comprises a fire sprinkler system, fire hose reels and dry risers on each floor.

Adequate male and female toilets are provided on every storey.

Finishes to the common areas include marble slab to the first and second storey corridor areas, carpet sheets to the office passage areas and granite tiles to the toilets. The toilet walls are tiled to ceiling height.

A 2-level carpark deck, accessible by Claymore Hill/Scotts Road, is located at the rear of the building. This is where the proposed development will be sited.

4. MASTER PLAN (1985)

Part "Permanent Residential" (maximum density of 185 persons per hectare) and part "main shopping".

According to the Written Statement:

Residential	Areas used or intended to be used mainly for residential development are shown as Permanent or Temporary Residential Zones. It is the intention that new developments in temporary Residential Zone should be for permanent residential buildings. Within the Central Area Map and Town Map, residential development intensity as controlled by density varies from area to area depending on the character of individual area. The quantum of all ancillary or non-residential uses needed for support or management of residential estate such as in condominium development are to be determined by the Competent Authority according to the scale of the residential development.
Main Shopping	Areas used or intended to be used mainly for commercial purposes where at least the first storey shall be for shopping use. Banks and post offices can be allowed on the first storey.

5. MASTER PLAN (2003)

Under the Master Plan (2003), the subject property falls under a "Commercial" zoned area with a base plot ratio of 5.6 (gross) and a building height of up to 30 storeys.

Variable increases over and above the fixed plot ratio will be considered if the site falls within the 200 metres, radius around the MRT station box:

– 10% increase in plot ratio if 50% or more of the site is within the area of influence

– 5% increase in plot ratio if less than 50% of the site is within the area of influence

Yat Yuen Hong Company Limited has engaged land surveyor, Messrs Tang Tuck Kim Registered Surveyor and they have determined that 67% of the subject site falls within the 200 metres radius of the Orchard MRT station box (please refer to Survey Plan No. TTK 279/88-Susan under APPENDIX 'D').

For the purpose of this valuation, Yat Yuen Hong Company Limited has advised us to take into account the survey carried out by Messrs Tang Tuck Kim. It is to be noted that this information has not been verified by the URA.

6. DEVELOPMENT POTENTIAL OF LAND AT THE REAR

We have been informed that the subject property has an approved Gross Floor Area of **15,059.75 square metres** and a paid-up Plot Ratio of 3.56 (gross).

Given that the existing paid-up plot ratio is 3.56, there is a potential to increase the plot ratio of the site by 2.6, subject to payment of Development Charge. (Please refer to Computation of Development Charge under Appendix 'E'). The overall allowable plot ratio of 6.16 (gross) assumes a variable increase of 10% bonus to the allowable fixed plot ratio of 5.6 (gross).

For the purpose of this valuation, it is assumed that Written Permission will be granted for the said development on the land at the rear.

7. TITLE DETAILS

(Based on title search carried out by Savills (Singapore) Pte Ltd)

Legal Description:	Lot 956X Town Subdivision 25
Tenure:	Freehold
Land Area:	Approximately 4,224.7 square metres (45,474 square feet)

8. PUBLIC SCHEME(S)

We have not carried out any requisitions and as such, we are unable to advise whether or not the subject property will be affected by any proposed public schemes. We suggest that requisitions be made to the relevant authorities.

Public schemes would include road widening, drainage reserves, MRT projects, conservation, etc.

9. METHODS OF VALUATION

We have adopted the **Sales Comparison Method** of Valuation in valuing the existing building and the **Residual Method** in valuing the redevelopment site at the rear.

Under the **Sales Comparison Method**, the market value of a property is assessed having regard to recent transactions of similar type properties, preferably in the same locality. Appropriate adjustments are made to account for differences in tenure, location, condition, etc. This method is based on the substitution principle whereby a prudent purchaser is assumed to pay no more for a particular property than it would cost to buy an equally desirable substitute property available in the market. This approach also takes into account the general prevailing economic condition affecting the property market.

Under the **Residual Method**, the site value is determined by the value of a property which has potential for development, redevelopment or refurbishment. The estimated total cost of work, including fees and other associated expenditure, plus an allowance for interest, developer's risk and profit, is deducted from the gross value of completed project. The resultant figure is then adjusted back to the date of valuation to give the residual value.

10. VALUATION

A. PROPERTIES OWN BY YAT YUEN HONG COMPANY LIMITED

(i) Existing Building

Levels	Use	Floor Area *(Sq ft)*	Rate *(S$psf)*	Open Market Value *(S$)*
Basement	Retail	4,553	1,450	6,601,850
1st	Retail	7,300	3,300	24,090,000
2nd	Retail	12,046	2,150	25,898,900
3rd to 12th (exclude 4th storey & #05-05)	Office	80,891	1,350	109,202,850
			Sub-Total	165,793,600
			Say	**165,790,000**

(ii) Value of Development Rights: **S$ 49,480,000**

(Based on Development Gross Plot Ratio of 6.16), and assuming that Planning Approval is granted (Please refer to APPENDIX 'F' for details)

TOTAL S$215,270,000

B. PROPERTIES OWN BY SUPER HOMES PTE LTD

(Existing International Building)

Levels	Use	Floor Area *(Sq ft)*	Rate *(S$psf)*	Open Market Value *(S$)*
4th Storey	Office	12,253	1,350	16,541,550
#05-05	Office	969	1,350	1,308,150
			TOTAL	17,849,700
			SAY	**S$ 17,850,000**
			GRAND TOTAL	**S$233,120,000**

11. OPINION OF VALUES

In view of the aforementioned and having taken into account the relevant factors and the prevailing market condition, we are of the considered opinion that the Open Market Values as at 31 May 2007 of the following properties are as follows:

(A) PROPERTIES OWNED BY YAT YUEN HONG COMPANY LIMITED

Existing International Building (excluding 4th storey and unit #05-05) and Development Rights (based on the Development Gross Plot Ratio of 6.16).

S$215,270,000/-

(Singapore Dollars Two Hundred And Fifteen Million Two Hundred And Seventy Thousand Only)

(B) PROPERTIES OWNED BY SUPER HOMES PTE LTD

(4th Storey and Unit #05-05 of International Building)

S$17,850,000/-

(Singapore Dollars Seventeen Million Eight Hundred And Fifty Thousand Only)

The estimated **Building Reinstatement Cost** (new) for Fire Insurance purposes of the existing building is **S$38,000,000/- (Singapore Dollars Thirty-Eight Million Only)**

Yours faithfully
SAVILLS (SINGAPORE) PTE LTD
DANIEL EE
Licensed Appraiser
B. Sc (Estate Management), MSISV

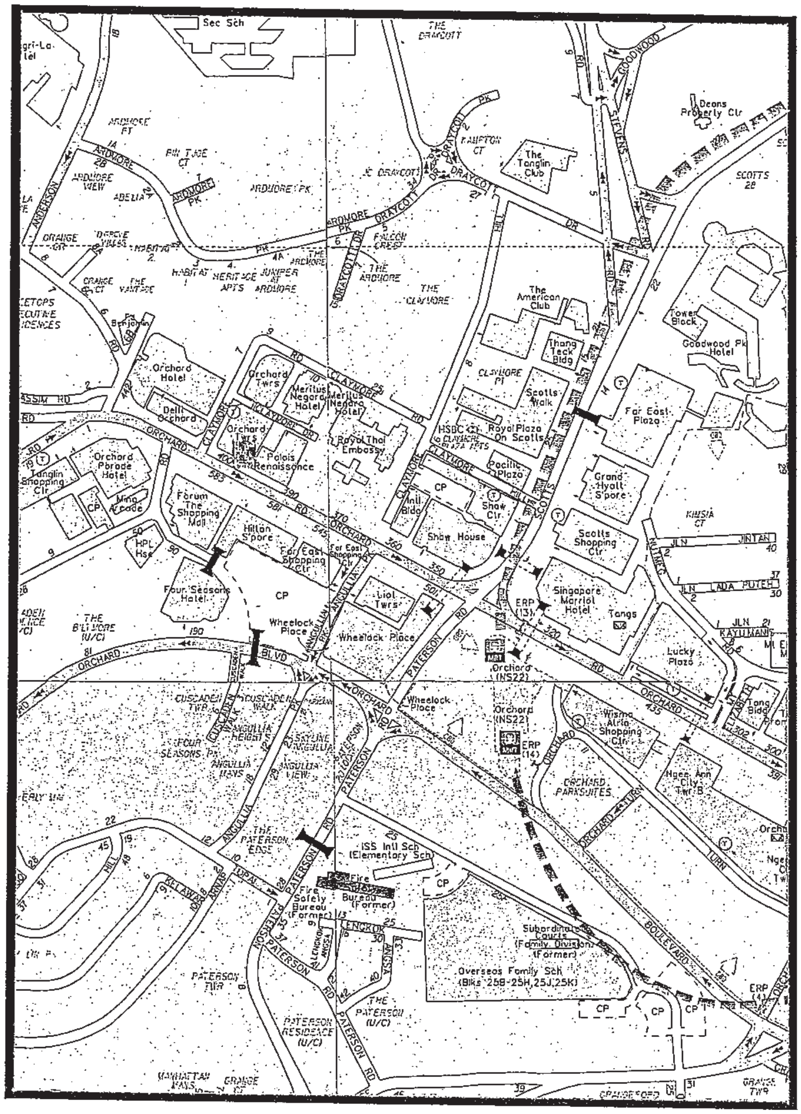
Note: Potential Tax Liability

Pursuant to the requirements of Rule 11.3 of the Takeovers Code, a valuation is required to state any potential tax liability which might arise on the assumption that the assets were sold at the amount of the valuation, accompanied by an appropriate comment as to the likelihood of any such liability crystallizing based on this assumption.

For properties situated in Singapore, the types of taxes that could arise when the properties are sold are income tax (the corporate rate is 20% for the year of assessment 2007 and 18% for the year of assessment 2008 onwards, subject to applicable deductions), stamp duty (at the rate of 3% of the consideration (assuming they are sold on the open market), less S$5,400) and goods and services tax ("GST") on the non-residential units of the properties sold (at the rate of 7% with effect from 1 July 2007).

According to information provided by the management of the Yat Yuen Hong Company Limited and Super Homes Pte Ltd, as the properties are held for investment purposes, the management is of the view that no liability for income tax would crystallize. Further, as the purchaser of the properties is liable for stamp duty, unless otherwise agreed, it is unlikely that stamp duty would be payable by Yat Yuen Hong Company Limited and Super Homes Pte Ltd as vendor. As Yat Yuen Hong Company Limited and Super Homes Pte Ltd are GST-registered persons and intend to contractually pass on to the purchaser of the property any GST liability that may accrue or arise, it is unlikely that any GST liability would crystallize on Yat Yuen Hong Company Limited and Super Homes Pte Ltd as vendor.

APPENDIX A
LOCATION PLAN



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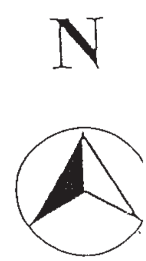
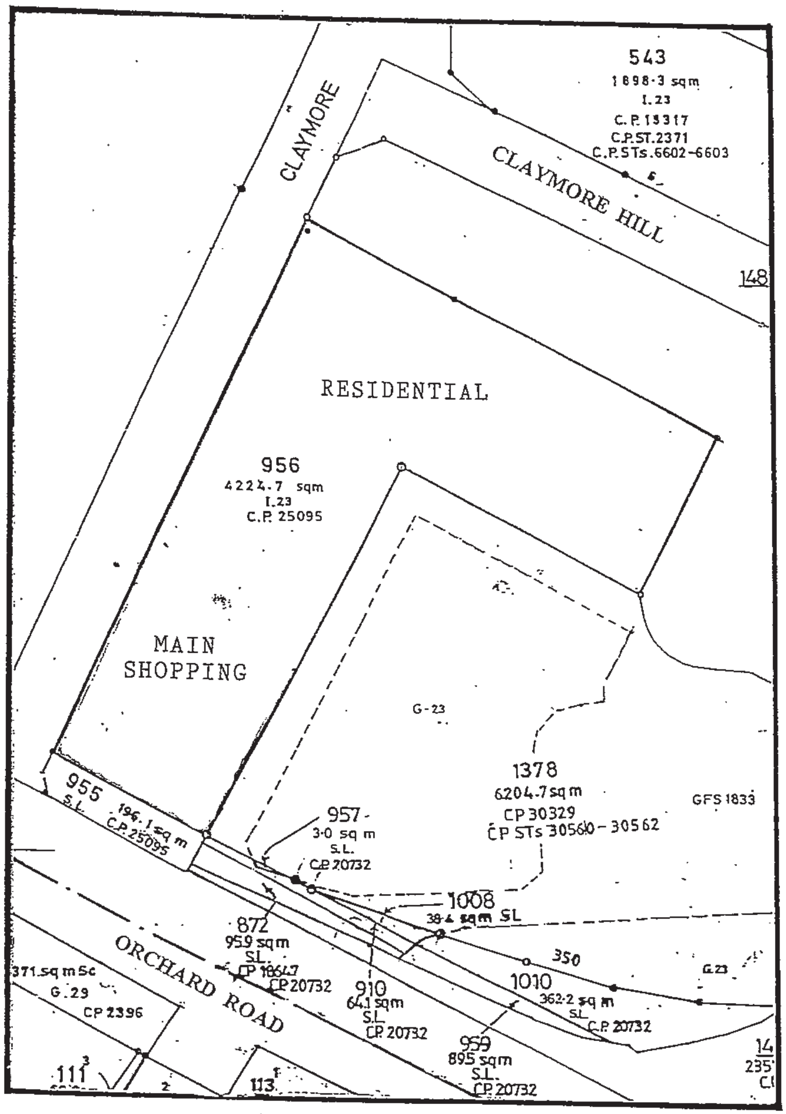
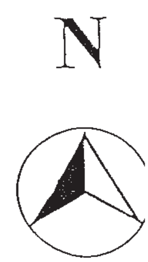


LEGEND

SITE OF SUBJECT DEVELOPMENT

APPENDIX B
SITE PLAN



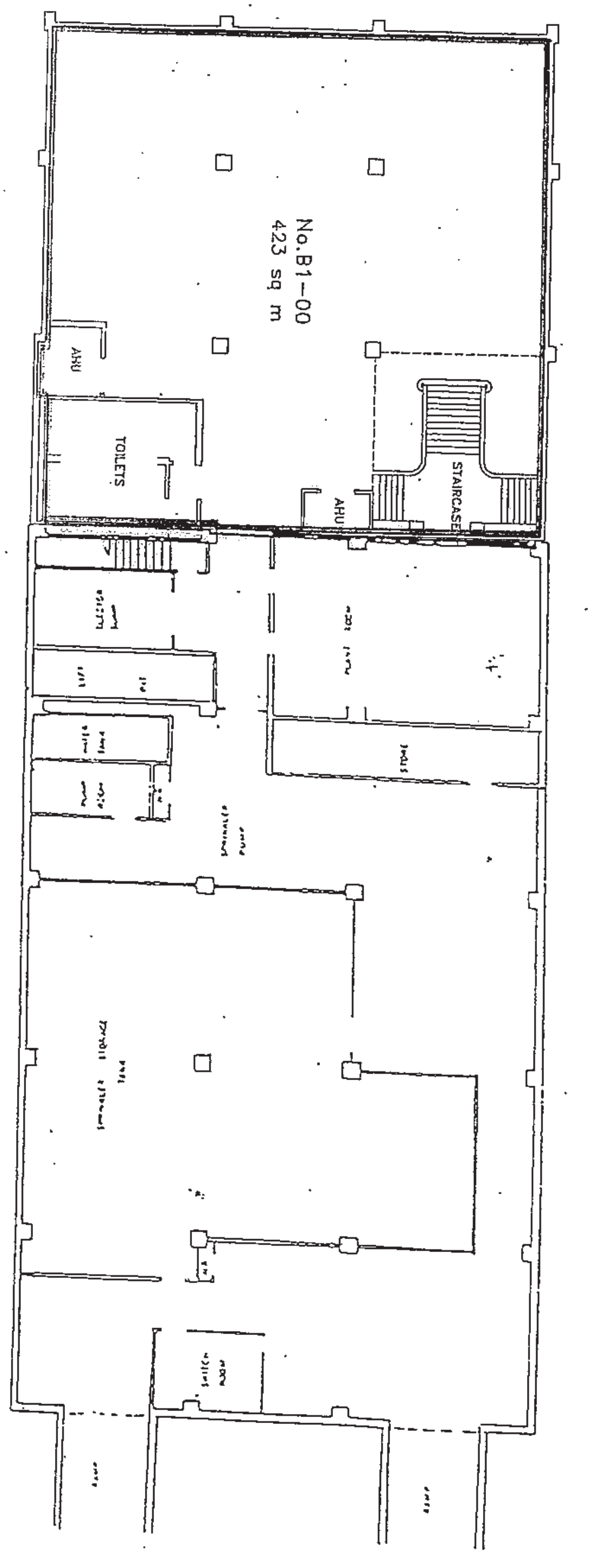


NOT TO SCALE

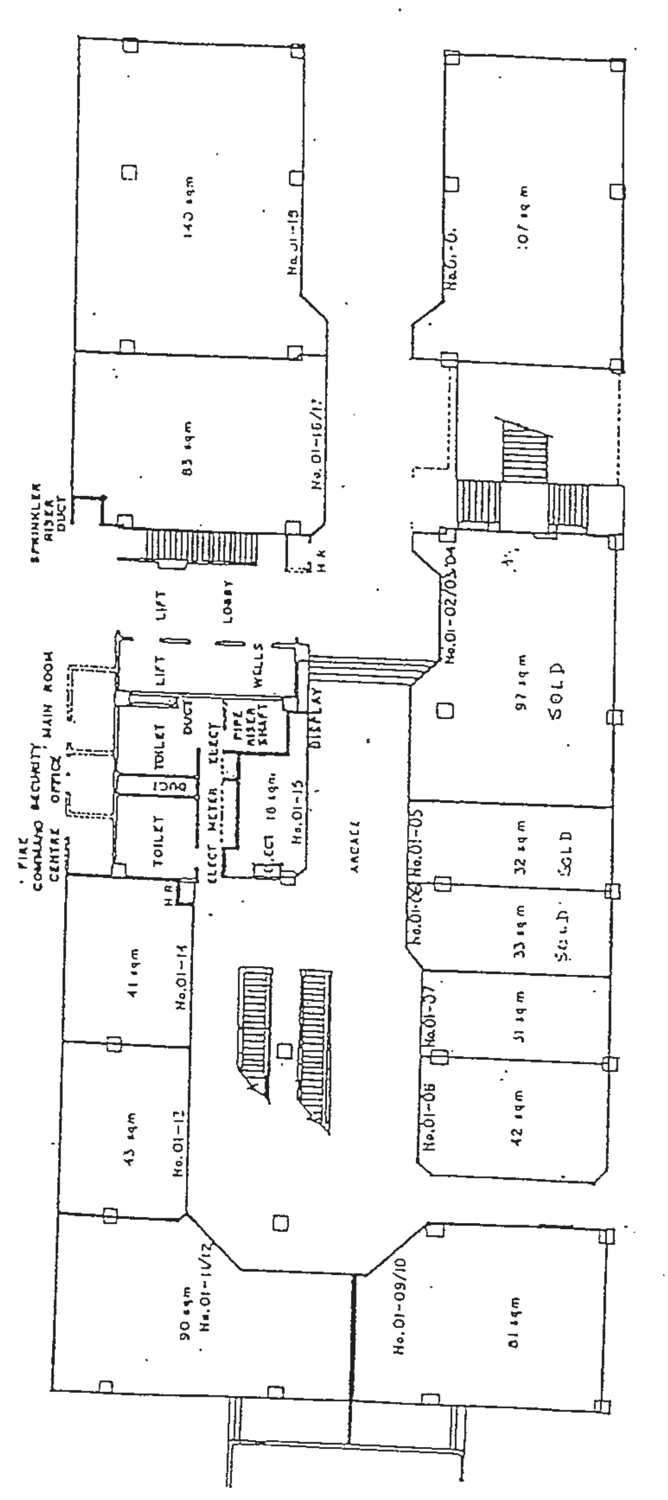
LEGEND

SITE OF SUBJECT PROPERTY

APPENDIX C
FLOOR LAYOUT PLAN

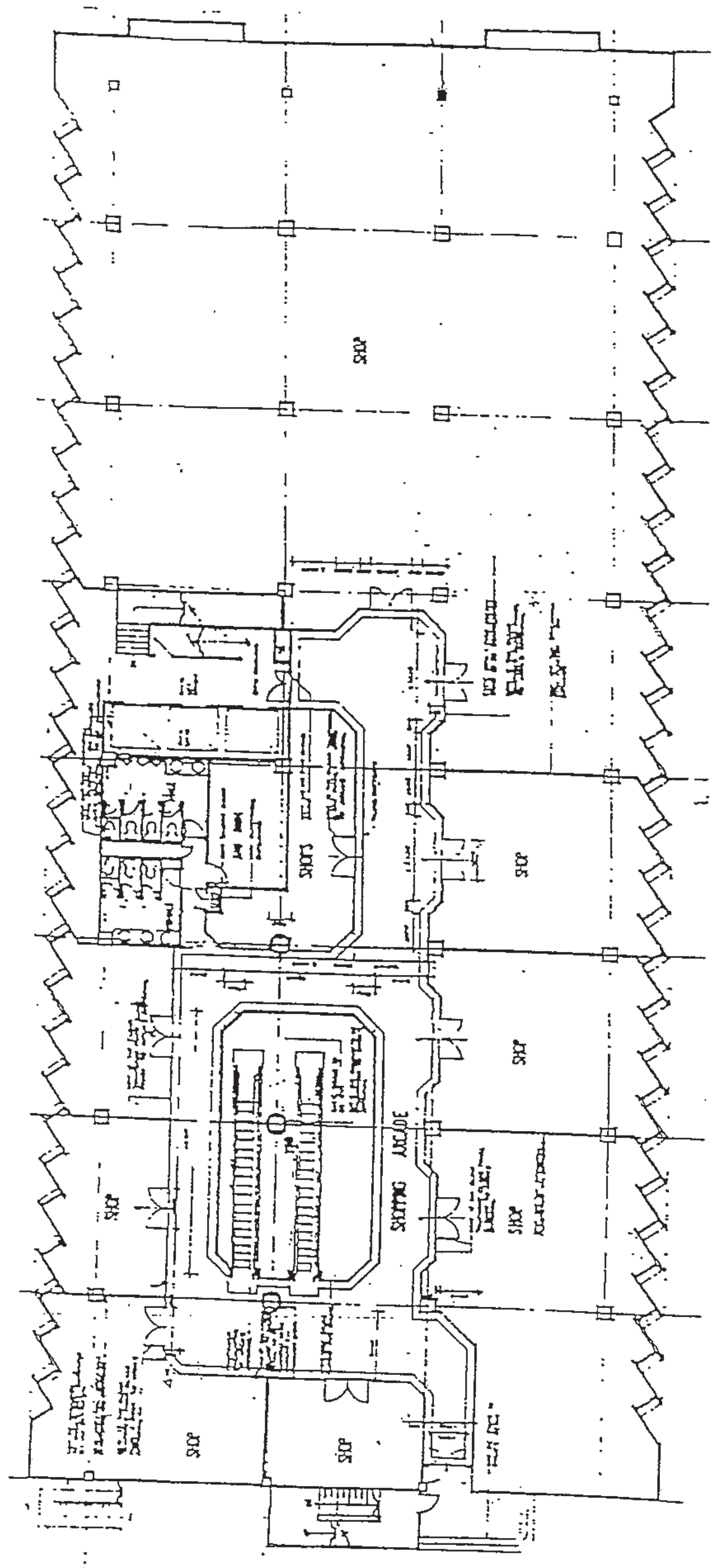


BASEMENT FLOOR LAYOUT PLAN
(Not to Scale)



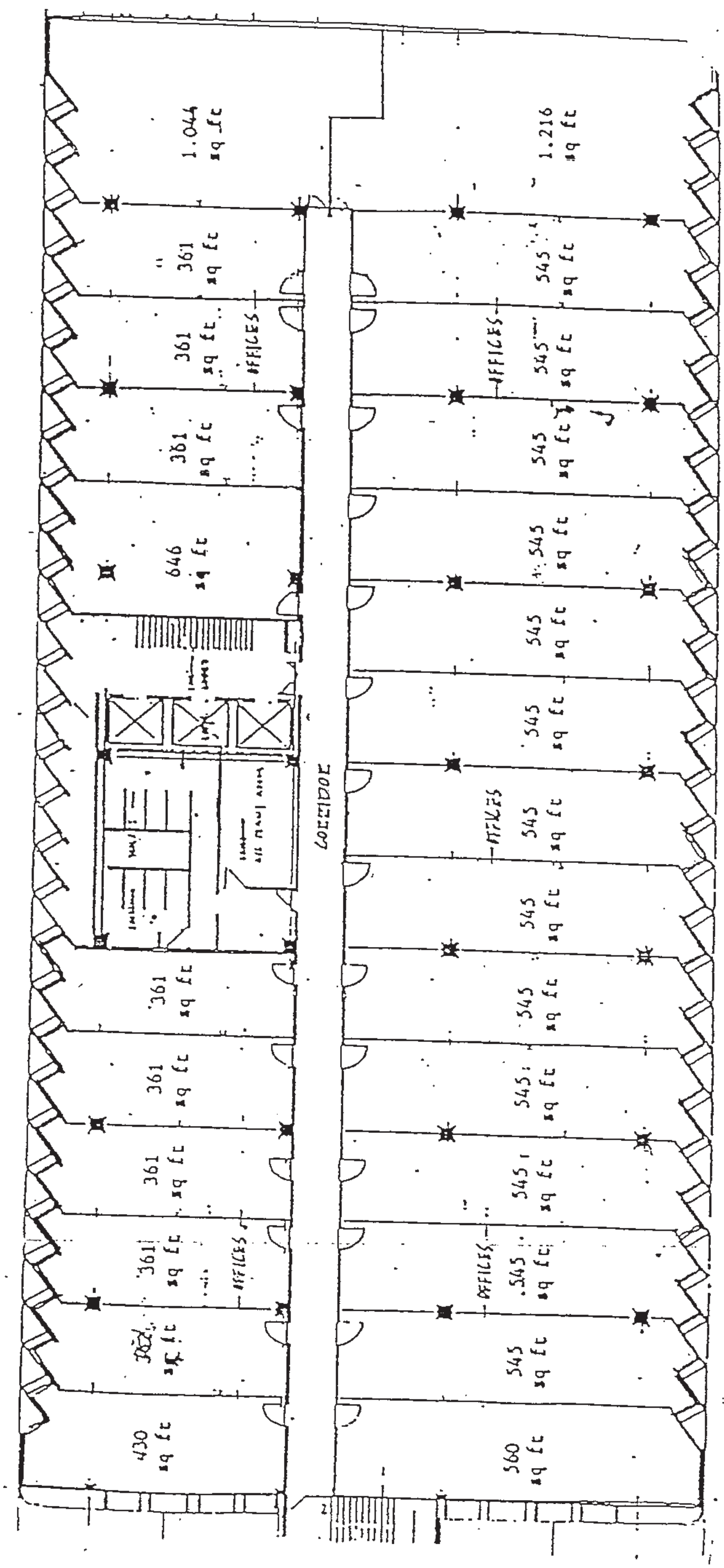
FIRST FLOOR LAYOUT PLAN

(Not to Scale)



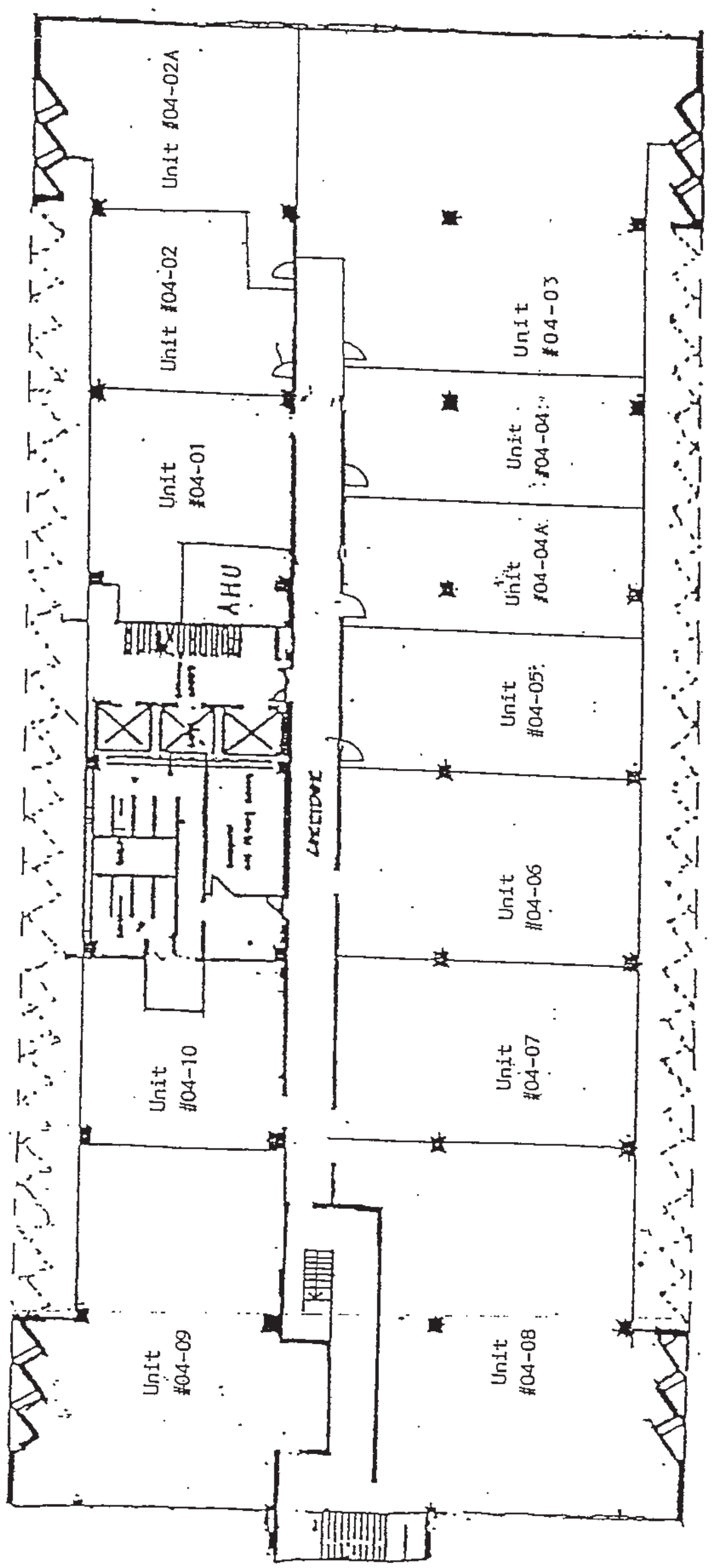
SECOND FLOOR LAYOUT PLAN

(Not to Scale)

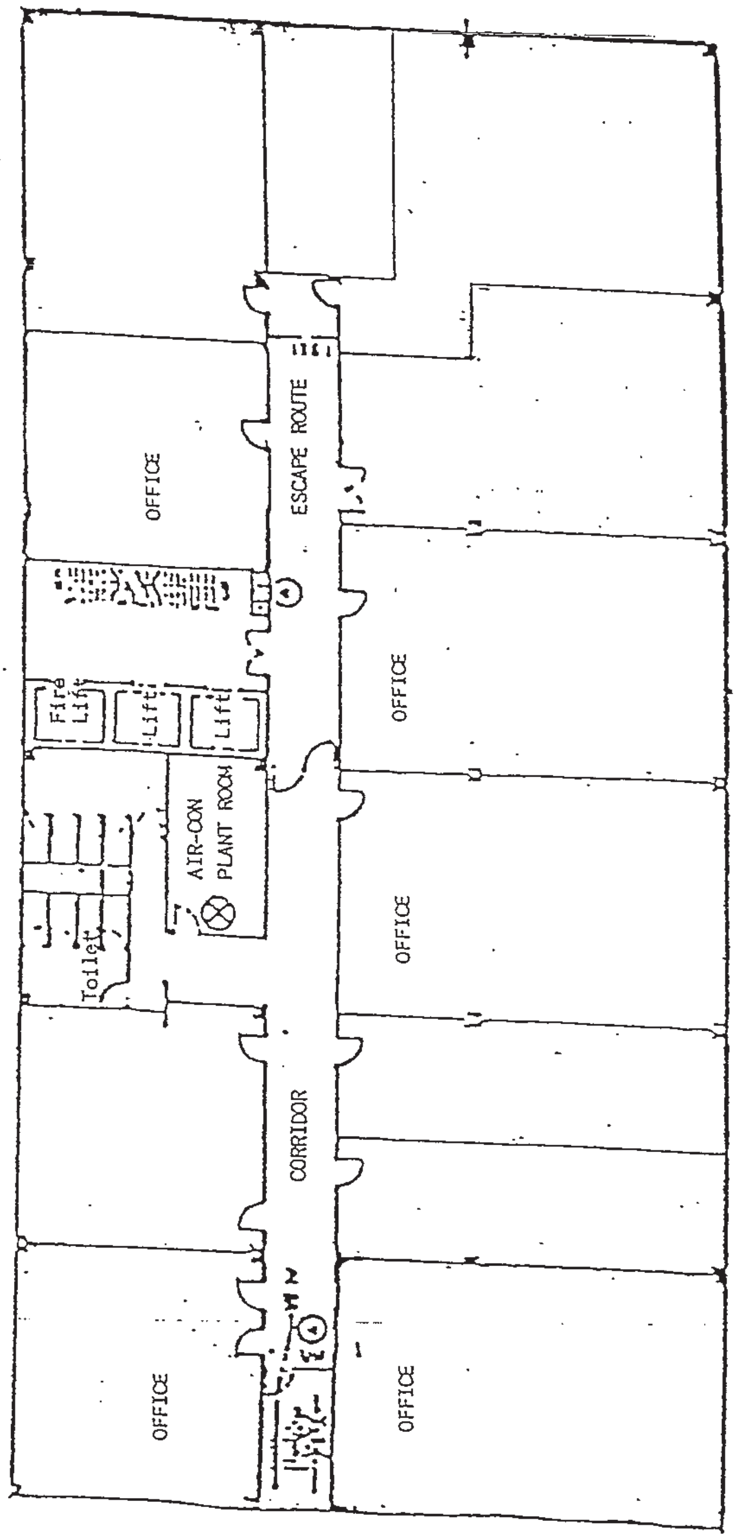


THIRD FLOOR LAYOUT PLAN

(Not to Scale)

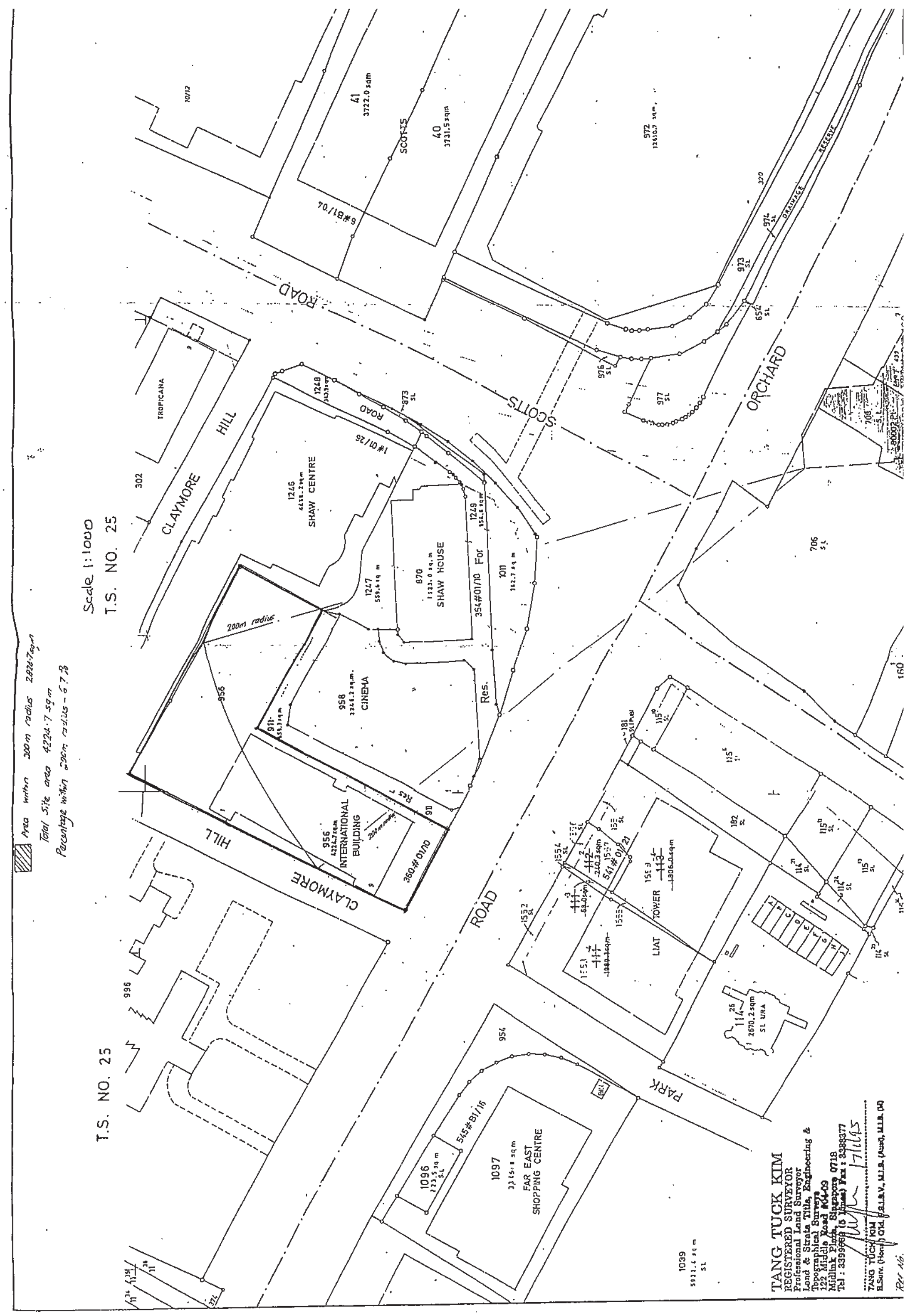


FOURTH FLOOR LAYOUT PLAN
(Not to Scale)



FIFTH TO TWELFTH FLOOR LAYOUT PLAN
(Not to Scale)

APPENDIX D
SURVEYED PLAN BY
TANG TUCK KIM REGISTERED SURVEYOR



APPENDIX E
COMPUTATION OF DEVELOPMENT CHARGE

Development Charge Payable = Proposed Amount – Base Amount

$$= \left[\begin{matrix}\text{Proposed Plot} \\ \text{Ratio*}\end{matrix} \quad x \quad \begin{matrix}\text{Land} \\ \text{Area}\end{matrix}\right] x \left[\begin{matrix}\text{Commercial Rate} \\ \text{(9/2006)}\end{matrix} - \begin{matrix}\text{Approved} \\ \text{GFA}\end{matrix}\right] x \begin{matrix}\text{Commercial Rate} \\ \text{(9/2006)}\end{matrix}$$

= [6.16* x 4,224.7sqm x $6,000psm**] – [15,059.75sqm x 6,000psm**]

= $[156,144,912 – 90,358,500]

= $65,786,412

For the purpose of valuing the redevelopment site at the rear, we have adopted the permissible plot ratio of 6.16 (gross)

** Based on Development Charge Rates Table with effect from 1 March 2007 Sector 42, Use Group A

APPENDIX F
RESIDUAL VALUATION FOR DEVELOPMENT LAND AT THE REAR

(1) Gross Development Value

		GFA	NFA			
		(sq m)	*(sq m)*	*$psm*	*$*	*$*
Total GDV		10,964	9,320	19,590		**182,578,800**
less						
Legal & Disposal Cost	@ 1% of GDV					1,825,788
						180,753,012
less						
Developer's Profit & Risk	@ 12% of GDV					21,909,456
						158,843,556

(2) Development Costs

Building Cost:			
Gross Floor Area (A)	10,964 sqm @ $2,960 psm	32,453,440	
Prof. Fees (B)	7% of Building Cost	2,271,741	
Contingency ©	5% of Building Cost & Prof. Fees	1,736,259	
Financial cost on construction	5% interest per annum @ 50% for 18 months (A & B)	1,302,194	
Development Charge (DC) Payable	@ $6,000 psm	65,786,412	
Financial cost on DC	5% interest per annum @ 50% for 18 months	2,466,990	
Total Development Cost			106,017,036
			52,826,520

(3) Residual Land Value

Sum Available for land, acquisition & holding cost less			
Finance Cost on Land:	5% interest per annum @ 50% of land value for 27 months	2,783,599	
Property Tax on Land	@ 10% x 5% of land value for 27 months	556,720	
			3,340,319
			49,486,201

(4) Land Value		**49,486,201**
	SAY	**49,480,000**

savills
第一太平戴維斯

Savills (Singapore) Pte Ltd
DL: 6536 8600
F: 6536 8611

No. 2 Shenton Way
#17 - 01 SGX Centre 1
Singapore 068804, Singapore

REG No.: 198703410D
T: (65) 6536 5022
savills.com

24 August 2007

The board of directors
Yorkwin Investments Limited
Room 3201,
9 Queen's Road Central,
Hong Kong

Dear Sirs

VALUATION OF 298 & 300 BEACH ROAD THE CONCOURSE SINGAPORE 199554 & 199555

1. PURPOSE OF REPORT

We refer to your recent instructions to carry out a valuation of the above-mentioned property so as to advise you on its **Open Market Value** as at 31 May 2007 for the purpose of inclusion into the Composite Offer Document of Yorkwin Investments Limited & Hong Fok Land International Limited dated 24 August 2007.

Open Market Value is defined as an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

(a) a willing seller;

(b) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

No allowances have been made for any expenses, or realisation, or for taxation which might arise in the event of a disposal. All properties are considered as if free and clear of all mortgages or other charges which may be secured thereon.

2. LOCATION

The Concourse is located at the junction of Beach Road and Jalan Sultan, outside the Electronic Road Pricing (ERP) Scheme Restricted Zone. Its strategic position offers easy and direct access to the eastern part of the island via East Coast Parkway (ECP); the wharves at Keppel Road and the western part of the island via the Ayer Rajah Expressway (AYE).

In recent years, Beach Road has emerged to be an important commercial area providing an alternative to the busy Raffles Place. The nearby twin-tower Gateway together with The Concourse reflects this fast changing trend in the area which was once characterised by shophouses. Slightly further away are the substantial Suntec City and Raffles City developments. Other developments along Beach Road include Shaw Leisure Gallery, as well as The Plaza and Key Point. Opposite the subject property, across Beach Road, is Kampong Glam Conservation Area, an urban renewal project and tourist attraction featuring restored pre-war houses.

The close proximity of Beach Road to the established financial district, Raffles Place, places The Concourse in an excellent position to attract spill over from the financial district. Accessibility to the subject property will be further enhanced by the proposed Nicoll Highway MRT Station, which will be located behind The Concourse, and linked to the subject property. This station will be located along the Circle Line which will run from Dhoby Ghaut to Marina Centre and then continue below Nicoll Highway to Stadium Boulevard, passing through landmarks such as the Singapore Art Museum, town campus of Singapore Management University, Suntec City, Millenia Walk, and the Singapore Indoor Stadium.

(Please refer to Location Plan under APPENDIX ‘A’)

3. DESCRIPTION

Site

The site occupies an area of approximately 20,491 square metres (220,563 square feet) and enjoys double frontages of approximately 200 metres to both Beach Road and Nicoll Highway.

(Please refer to Site Plan under APPENDIX 'B')

Development

The Concourse, designed by the world renowned American architect the late Paul Rudolph, comprises a 41-storey office tower block with a 5-storey office podium, an annexed 11-storey retail-cum-residential block, and 2 basements.

According to Hong Fok Land Ltd, the development has a gross floor area of approximately 105,917 square metres and total net lettable area of approximately 65,220 square metres. The breakdown of the lettable floor areas by commercial and residential elements are as follows:

	Lettable Area *(sq. m.)*
Retail	9,914
Office	46,754
Apartments	8,552
Total	**65,220**

(Please refer to Floor Layout Plans under APPENDIX 'C')

The general accommodation is as follows:

(i) 41-Storey Tower Block

Level	**Usage**
Basements 1 & 2	Car parks
1st Storey	Office lobby
2nd to 5th Storeys	Offices
6th to 8th Storeys	Plant and machinery
9th to 41st Storeys	Offices

(ii) 11-Storey Retail-Cum-Residential Block

Level	**Usage**
Basement 2	Car parks
Basement 1	Shops, restaurants and car parks
1st to 2nd Storeys	Shops and restaurants
3rd to 11th Storeys	Apartments

There are a total of 619 car park lots located on basements 1 and 2, accessible via Beach Road. Additionally, there are 5 lorry lots located on the 1st storey loading/unloading bay.

The recreational facilities available within the development are swimming pool and wading pool, a fully-equipped fitness centre, 2 saunas, 2 squash courts of which one is converted to a recreation room with a pool table, and male/female changing rooms. These facilities are located on the 3rd storey of the retail block.

The upper floor enjoys a panoramic view of the sea and cityscape.

Construction

The development is generally constructed of structured steel frames and beams, reinforced concrete floors and flat roof.

External Finishes

The facade of the building are generally cladded with smooth aluminium curtain walling with full height glass panels to the shopping and office floors and sloping aluminium frame windows.

Internal Finishes

AREA	**FLOOR**	**WALL**	**CEILING**
Typical Shop	cement screed, granite	plastered and painted	off-form concrete
Typical Office Unit	cement screed	plastered and painted	suspended ceiling
❖ Typical Apartment	carpet, ceramic	marble, wall paper, mirror panel	suspended ceiling
Common Areas	granite	aluminium cladding, spray textured, granite	suspended ceiling

❖ The apartments are fully furnished and fitted with kitchen cabinets, wardrobes and central air-conditioners.

Mechanical & Electrical Services

Lifts & Escalators

(i) Office Tower Block

The office tower block is divided into 2 zones (low-rise and high-rise zone), each being served by a set of 4 double-decker lifts. The set of lifts in the low-rise zone serves the 1st, 2nd and 9th to 24th storey while that in the high-rise zone serves the 1st, 2nd and 25th to 41st storey. In addition, there is a set of escalator linking the basement car parks to the 1st and 2nd storey atrium. There is also a fireman-cum-service lift serving basement 1 to 41st storey.

(ii) Office Podium (Within Tower Block)

There are 2 lifts serving basement 1 to the 5th storey.

(iii) Retail-Cum-Residential Block

This block is served by 2 passenger lifts and 2 service lifts with 2 sets of escalators per floor serving basement 1 to the 2nd storey. Access to the apartments on the 3rd to the 11th storey in this block is via a separate lift lobby served by 4 sets of lifts.

Air-conditioning

The Concourse is centrally air-conditioned by a chilled water system.

(i) Retail-Cum-Residential Block

Fan coil system for individual small shops and apartments, and variable air volume (VAV) AHU for large shops and restaurants.

(ii) Office Tower Block

Variable Air Volume (VAV) air handling unit with low pressure ductwork and diffusers for the 2nd to 5th storey. Ceiling mounted fan coil units for perimeter zones and CAV AHU for internal zones from the 9th to 41st storey.

Fire Protection

Fire-fighting equipment include fire sprinklers, dry and wet riser systems, fire alarm system, hosereel system, fire extinguishers and fireman intercom system. Fire indicator boards with zone diagrams are also installed on every level, with manual call points and alarms placed throughout the development at strategic points.

Emergency Power Supply

Essential building services including fire fighting services, elevators, lightings, ventilation fans and other safety equipment are fully backed up by 4 standby generators.

Light Fittings

Recessed lights mounted in suspended ceiling for all the offices areas.

Mechanical & Electrical System

The electricity supply for the offices is provided by 4 units of 60 amp 3-phase distribution boards, while that of the shops and restaurants are provided by 60 amp 3-phase or 60 amp single-phase electricity supply.

Telecommunications and computer services are provided by a 3-way flush floor trunking system. The installation of a Master Antennae Television System (MATV) also enables reception of Teleview, Teletext and Singapore Cable Vision.

Building Automation System (BAS)

The BAS monitors and controls M & E equipment including air-conditioning plant and air-handling equipment, ventilation fans, domestic water pumps, electrical services, standby generators and fire alarm detection. The installation of the system ensures efficient operation and maintenance of the building.

Other Services

We have been informed that The Concourse is now broadband enabled by Starhub Pte Ltd, Singtel and Pacific Internet.

4. PROPOSED ADDITIONS AND ALTERATIONS TO THE CONCOURSE

We have been informed that Written Permission from the URA was granted on 31 October 1996 for the proposed addition and alteration works to the existing building. This addition and alteration works involve the enclosing of approximately 8,882 square metres of the existing roof terraces in the office tower to office space. We have also been informed that the Development Charge payable has been fully paid and that this Written Permission has been extended and was lapsed on 31 October 2006. For the purpose of this valuation, we have assumed that the value of the additional gross floor area is still valid on the basis that the Development Charge has been fully paid for the said planning approval from the URA.

(Please refer to Grant of Written Permission dated 31 October 1996 in APPENDIX ‘D’)

The breakdown in the additional area of 8,882 square metres are as shown under APPENDIX ‘E’.

5. MASTER PLAN (2003)

The site is zoned 'Commercial'.

6. TITLE DETAILS

(Based on title search carried out by Savills (Singapore) Pte Ltd)

Legal Description & Land Area	:	Lot 1040T	TS13 –	19,901.3 sqm
		Lot 1043N	TS13 –	591.6 sqm
				20,492.9 sqm
Tenure	:	99 years commencing from 16 June 1980		
Registered Owner	:	Hong Fok Land Ltd		

7. INFORMATION PROVIDED TO US

For the preparation of this report, we have been furnished with the following:

(a) Floor Layout Plan

(b) Schedule of Floor Areas

(c) Number of Car Parks

(d) Floor area of proposed addition and alteration works to the 10th, 12th, 14th, 16th, 18th, 20th, 22nd, 24th, 26th, 28th, 30th, 32nd, 34th, 36th and 38th storeys.

(e) Floor area of the proposed addition and alteration works attributable to Concourse Shopping Mall

8. METHOD OF VALUATION

The **Sales Comparison Method** has been adopted in determining the **Open Market Value** of the subject property.

Under the **Sales Comparison Method**, the market value of the property is assessed having regard to recent transactions of similar type properties, preferably in the same locality. Appropriate adjustments are made to account for differences in tenure, location, condition, etc. This method is based on the substitution principle whereby a prudent purchaser is assumed to pay no more for a particular property than it would cost to buy an equally desirable substitute property available in the market. This approach also takes into account the general prevailing economic condition affecting the property market.

(Please refer to Evidence of Comparable Sales under APPENDIX 'F')

9. VALUATION

(i) Value of Existing Building

Type	Area	Approx. Overall Rate	Open Market Value
	(Square Metres)	*(S$psm)*	*(S$)*
Retail	9,914	15,050	149,207,486
Office	46,754	13,545	633,282,930
Apartments	8,552	7,981	68,252,584
Carpark (619 lots)			8,000,000
		cf	858,743,000

(ii) Value of Development Rights*

Proposed GFA 8,882 sq metres x $6,000 psm	=	53,292,000
	TOTAL	912,035,000
	Say	**$912,000,000**

* This involves the proposed enclosure of approximately 3,771 square metres of the existing roof terraces in the office tower to office space and transferring approximately 5,111 square metres of the freed-up roof terrace gross floor area for retail re-development, and assuming that all Development Charges have been fully paid.

(Please refer to Schedule of Valuation under APPENDIX 'G')

10. OPINION OF VALUES

In view of the aforementioned and having taken the relevant factors and the prevailing market condition into account, we are of the considered opinion that the **Open Market Value** of the subject property as at 31 May 2007 is **S$912,000,000/-** (Singapore Dollars Nine Hundred And Twelve Million Only).

Its **Forced Sale Value** and **Building Reinstatement Cost** for Fire Insurance (new) purposes are estimated at **S$770,000,000/-** (Singapore Dollars Seven Hundred And Seventy Million Only) and **S$300,000,000/-** (Singapore Dollars Three Hundred Million) respectively.

Yours faithfully
SAVILLS (SINGAPORE) PTE LTD
DANIEL EE
Licensed Appraiser
B. Sc (Estate Management), MSISV

Note: Potential Tax Liability

Pursuant to the requirements of Rule 11.3 of the Takeovers Code, a valuation is required to state any potential tax liability which might arise on the assumption that the assets were sold at the amount of the valuation, accompanied by an appropriate comment as to the likelihood of any such liability crystallizing based on this assumption.

For properties situated in Singapore, the types of taxes that could arise when the properties are sold are income tax (the corporate rate is 20% for the year of assessment 2007 and 18% for the year of assessment 2008 onwards, subject to applicable deductions), stamp duty (at the rate of 3% of the consideration (assuming they are sold on the open market), less S$5,400) and goods and services tax ("GST") on the non-residential units of the properties sold (at the rate of 7% with effect from 1 July 2007).

According to information provided by the management of Hong Fok Land Ltd, as the properties are held for investment purposes, the management is of the view that no liability for income tax would crystallize. Further, as the purchaser of the properties is liable for stamp duty, unless otherwise agreed, it is unlikely that stamp duty would be payable by Hong Fok Land Ltd as vendor. As Hong Fok Land Ltd is a GST-registered person and intends to contractually pass on to the purchaser of the property any GST liability that may accrue or arise, it is unlikely that any GST liability would crystallize on Hong Fok Land Ltd as vendor.

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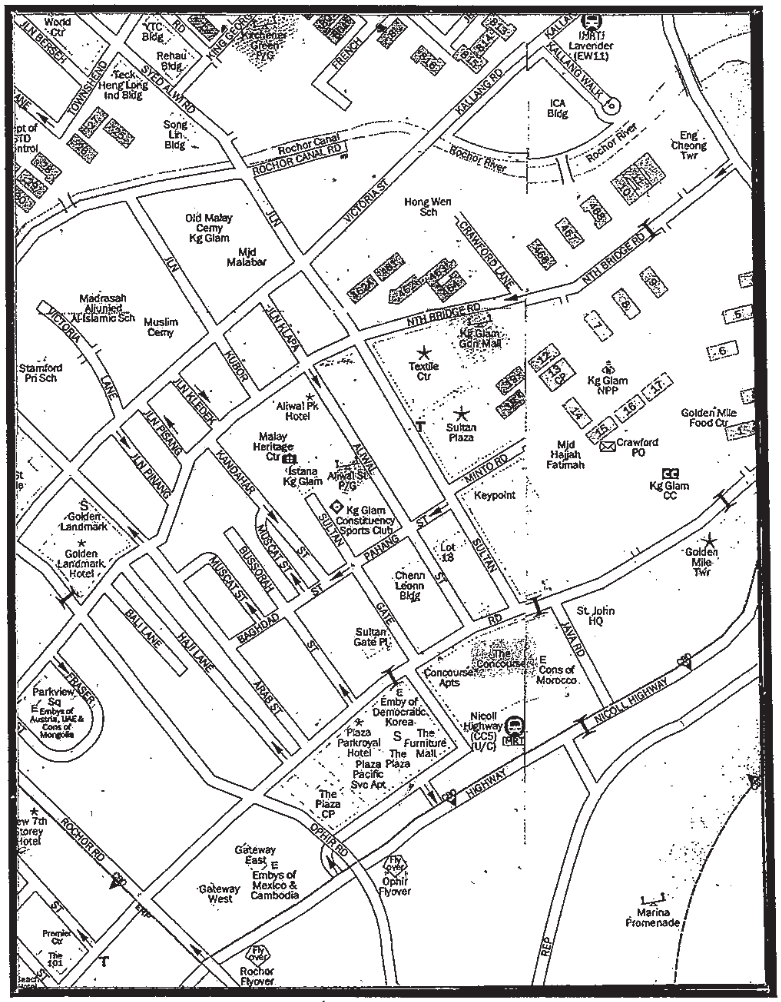
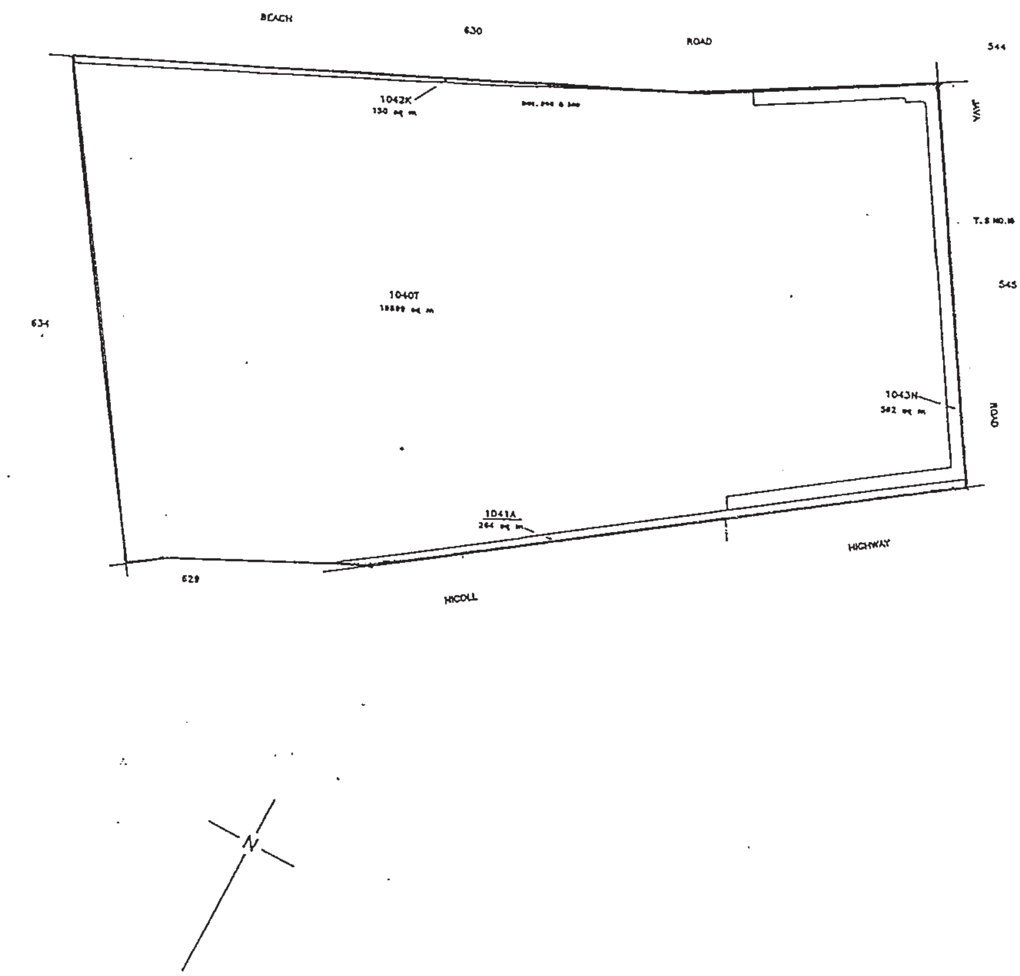
LOCATION PLAN



NOT TO SCALE

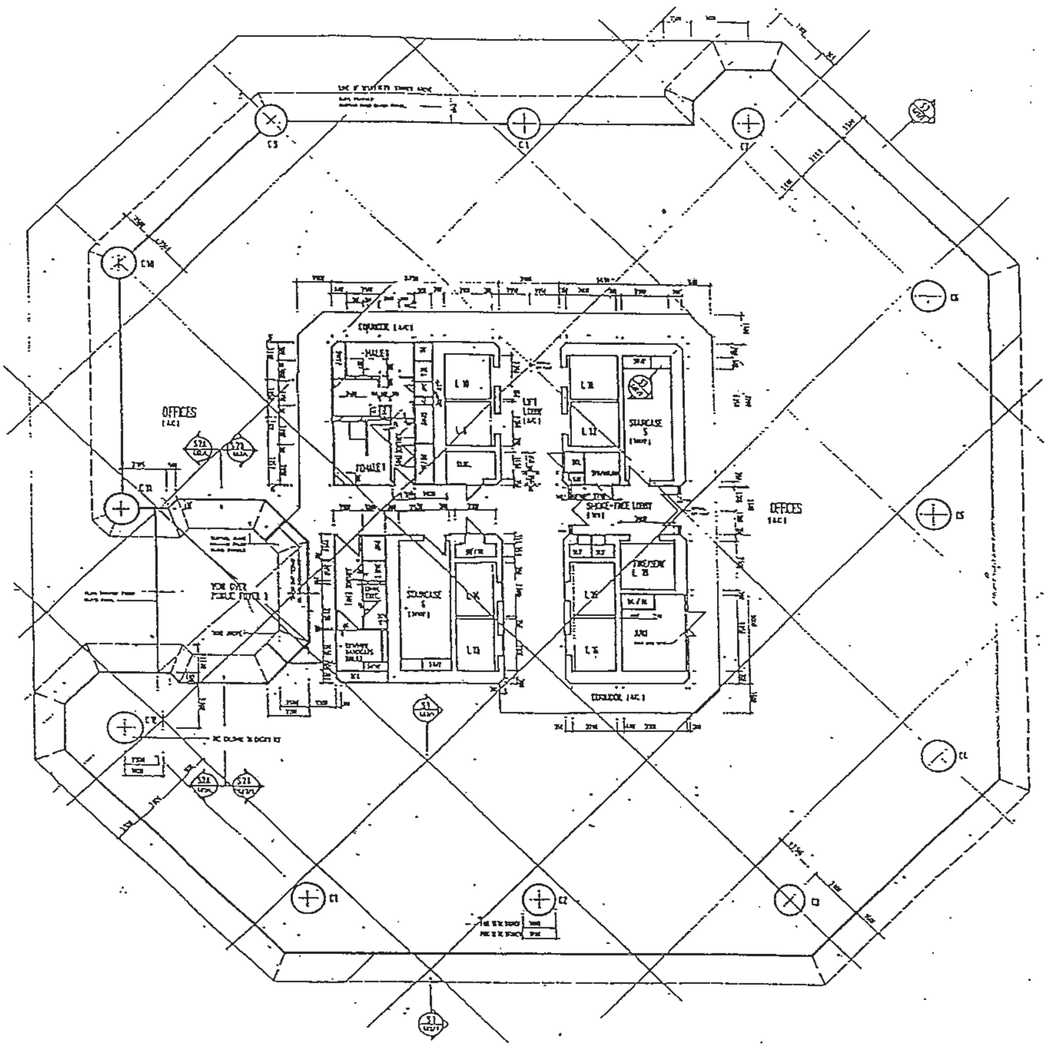
LEGEND
LOCATION OF SUBJECT PROPERTY

APPENDIX B
SITE PLAN

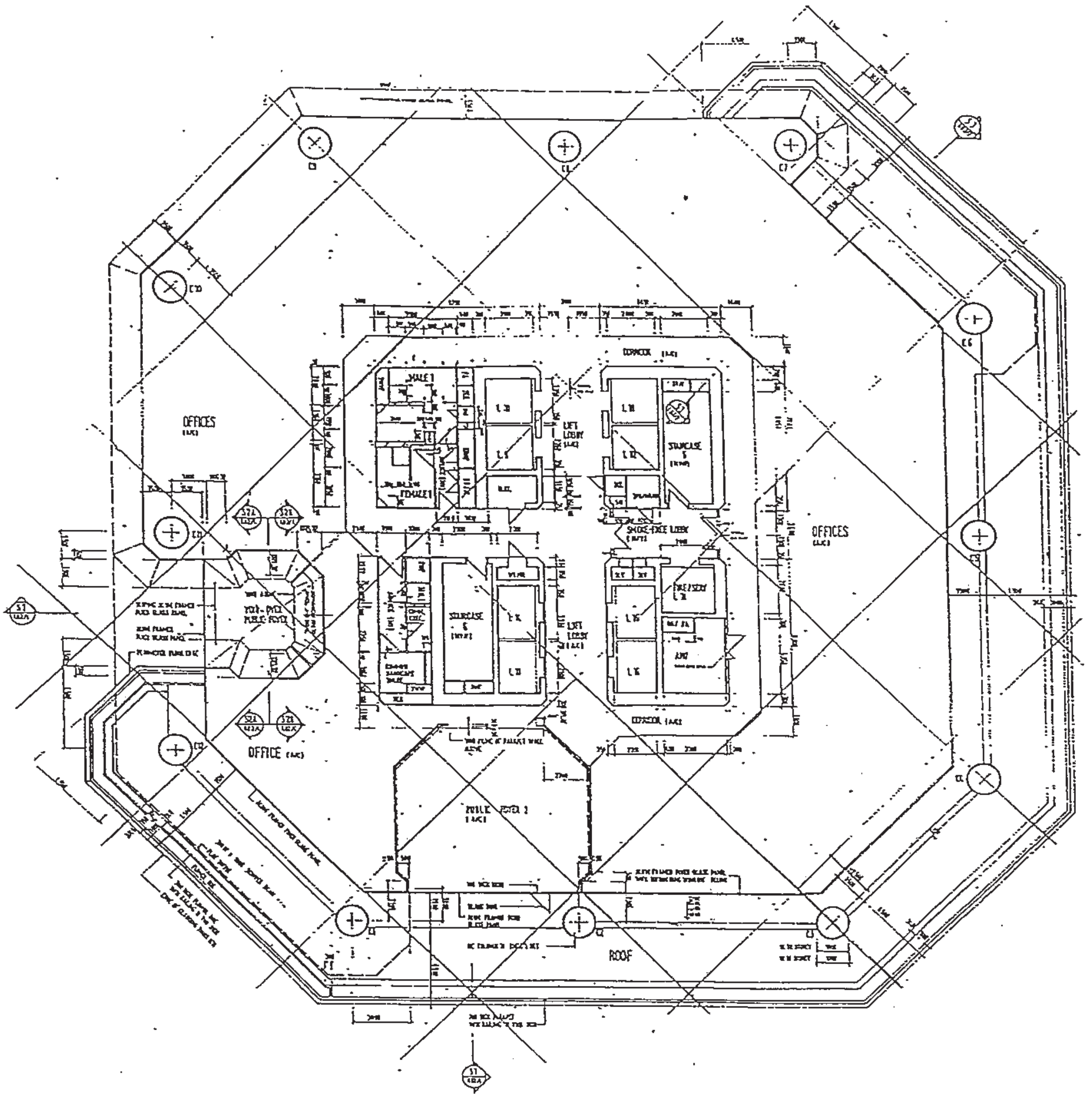


SITE PLAN
(Not To Scale)

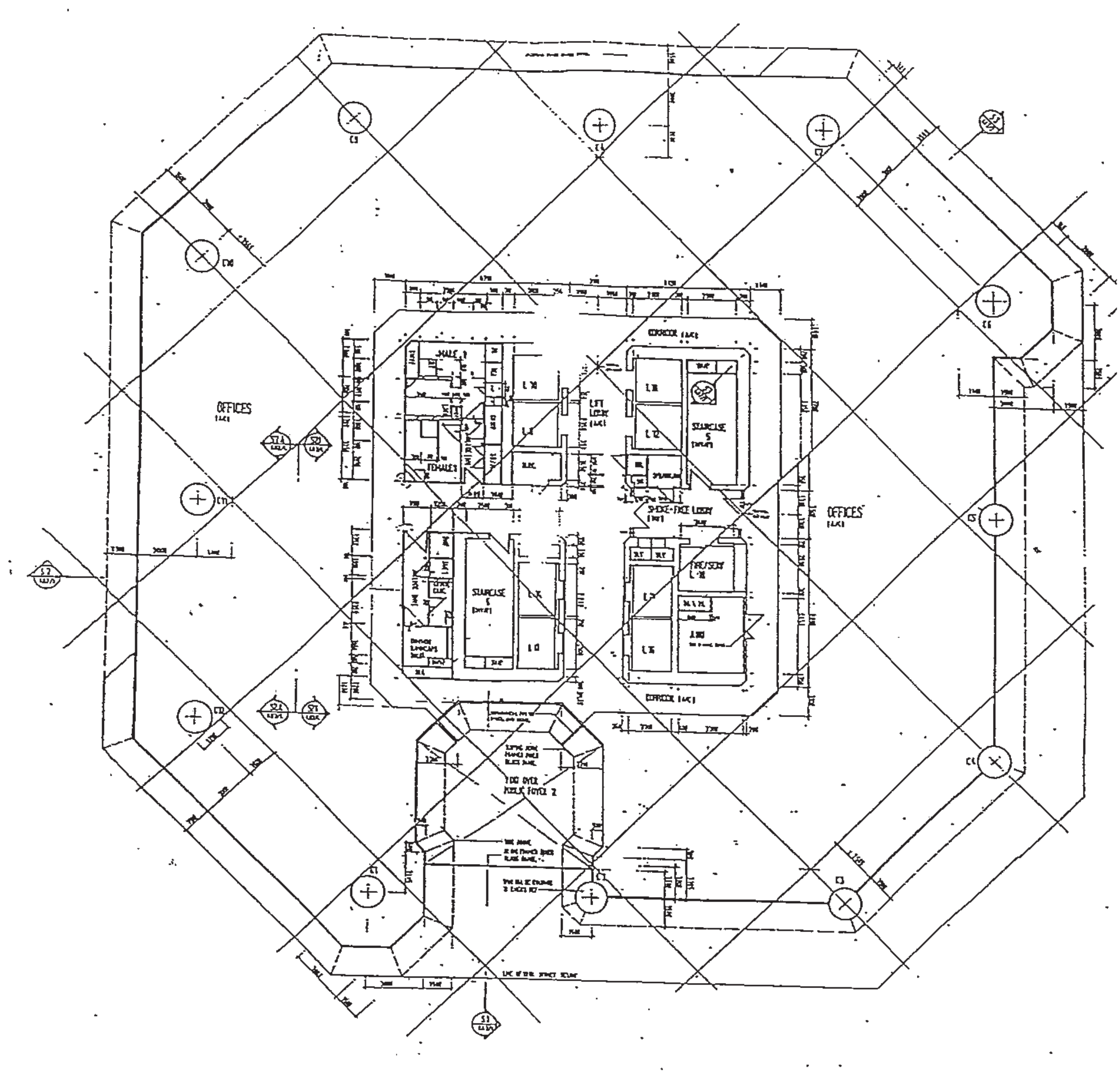
APPENDIX C
FLOOR LAYOUT PLANS



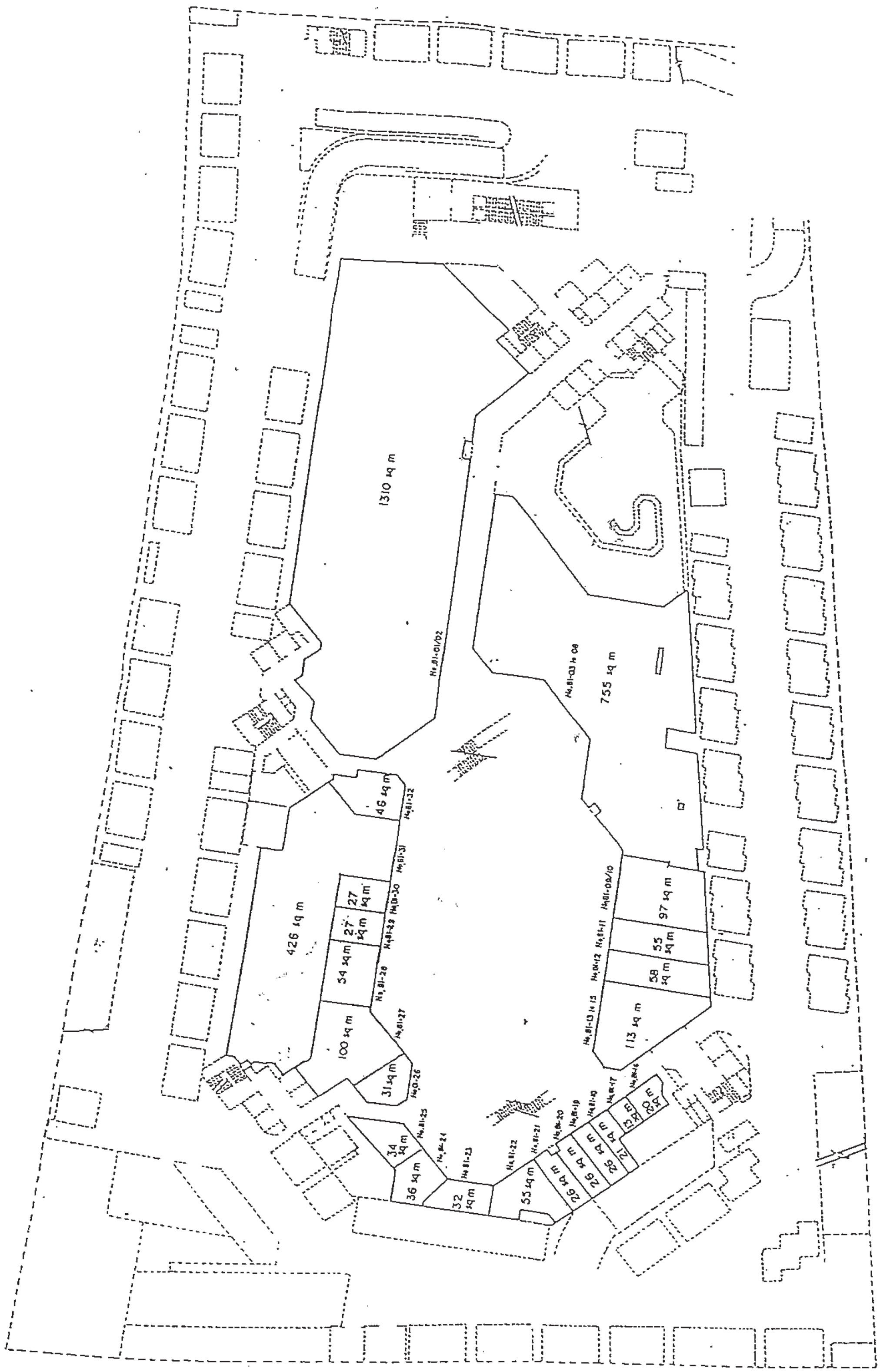
OFFICE TOWER BLOCK
TYPICAL 10th to 35th STOREY LAYOUT PLAN
(NOT TO SCALE)



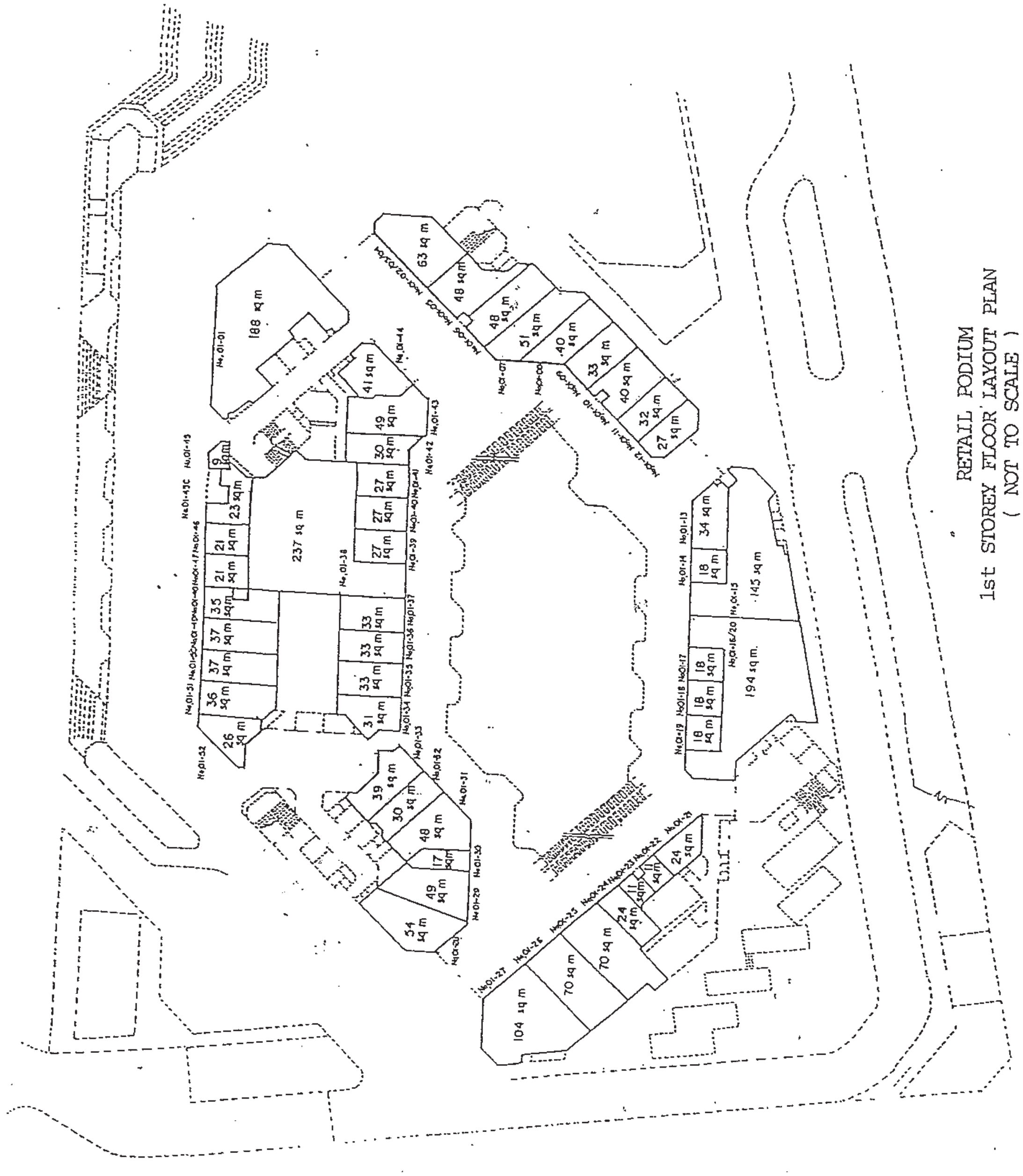
OFFICE TOWER BLOCK
TYPICAL 10th to 35th STOREY LAYOUT PLAN
(NOT TO SCALE)

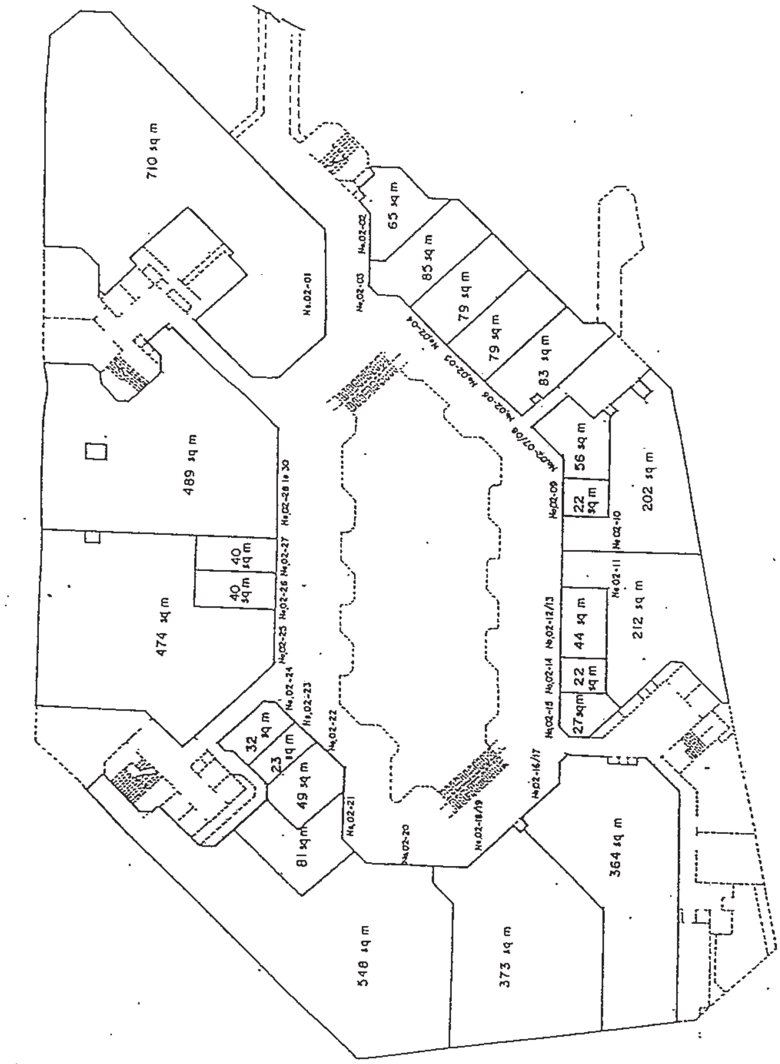


OFFICE TOWER BLOCK
TYPICAL 10th to 35th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)

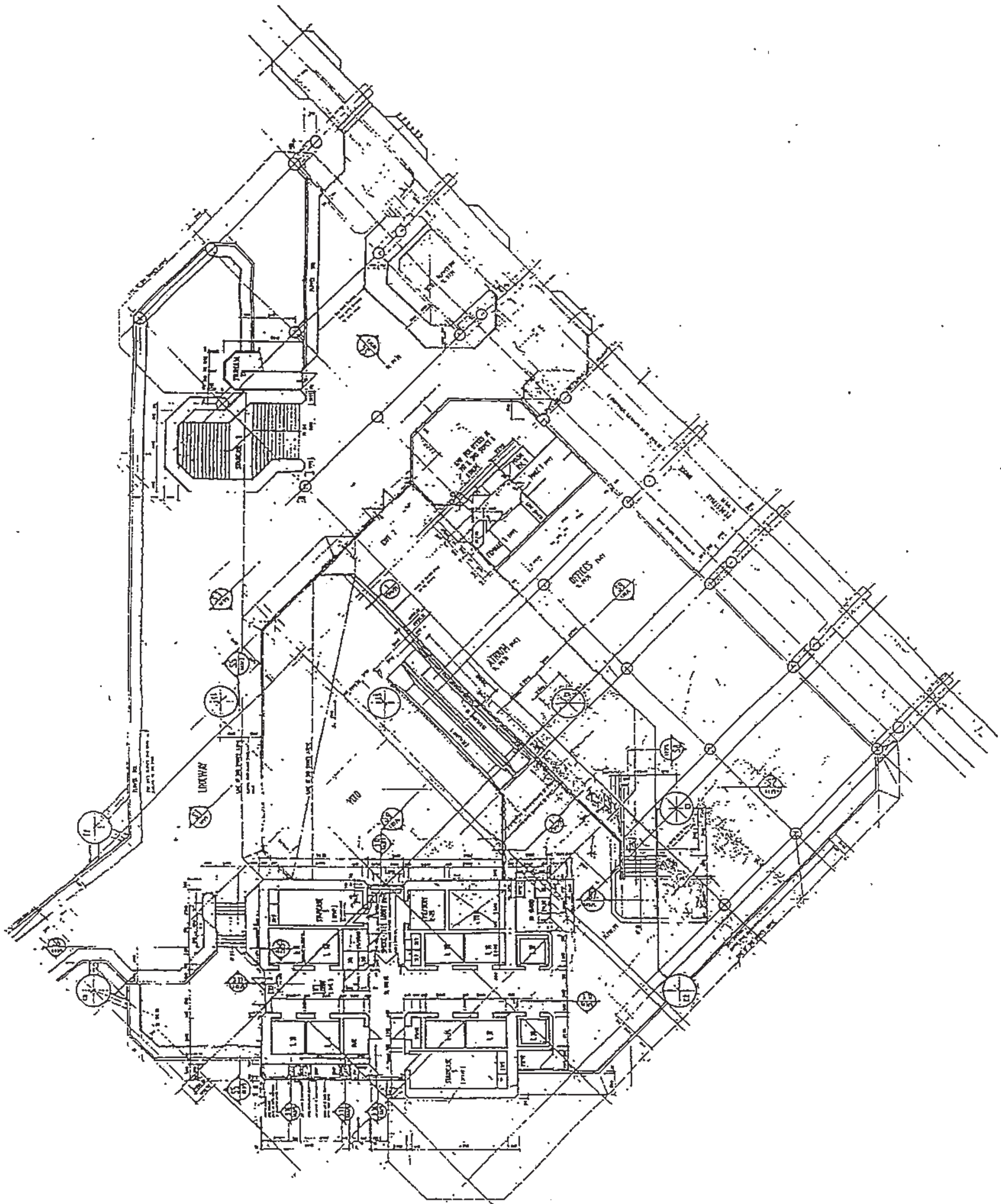


RETAIL PODIUM
1st BASEMENT FLOOR LAYOUT PLAN
(NOT TO SCALE)

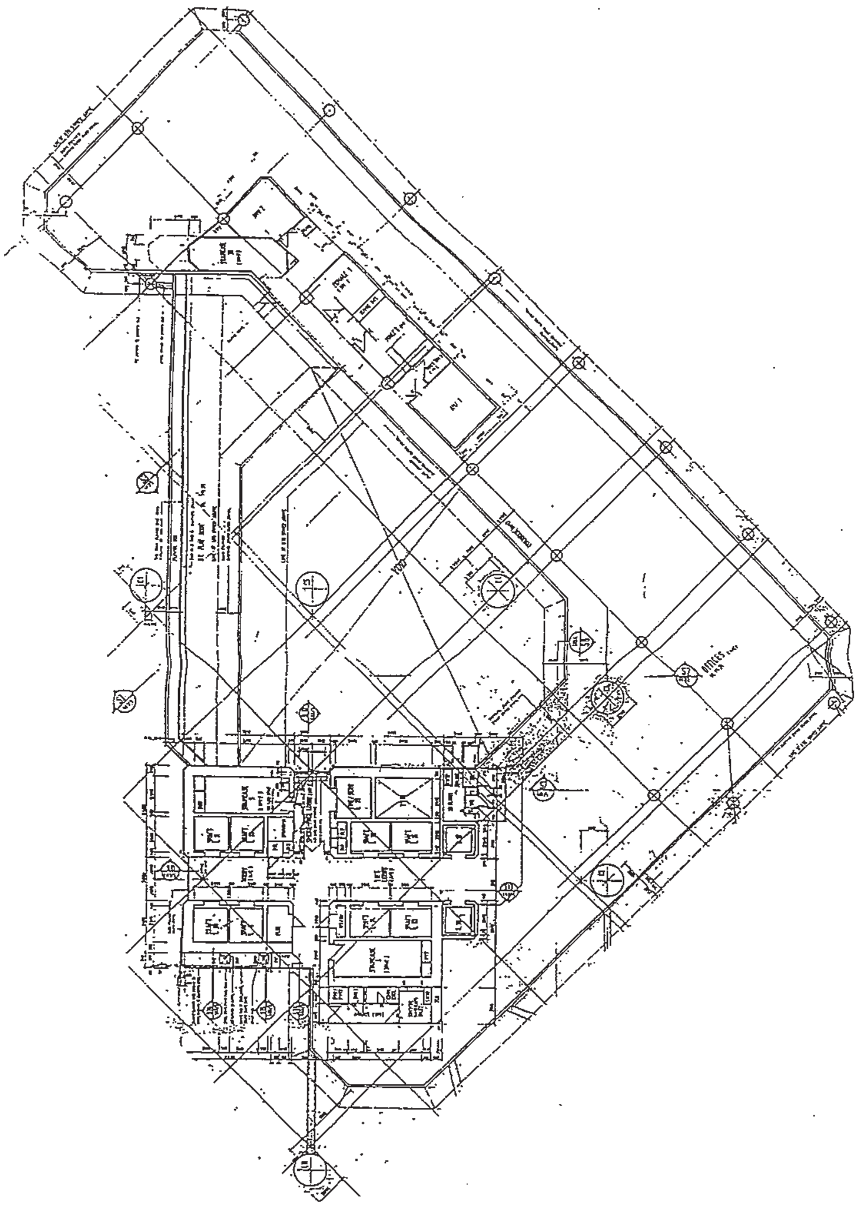

RETAIL PODIUM
1st STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



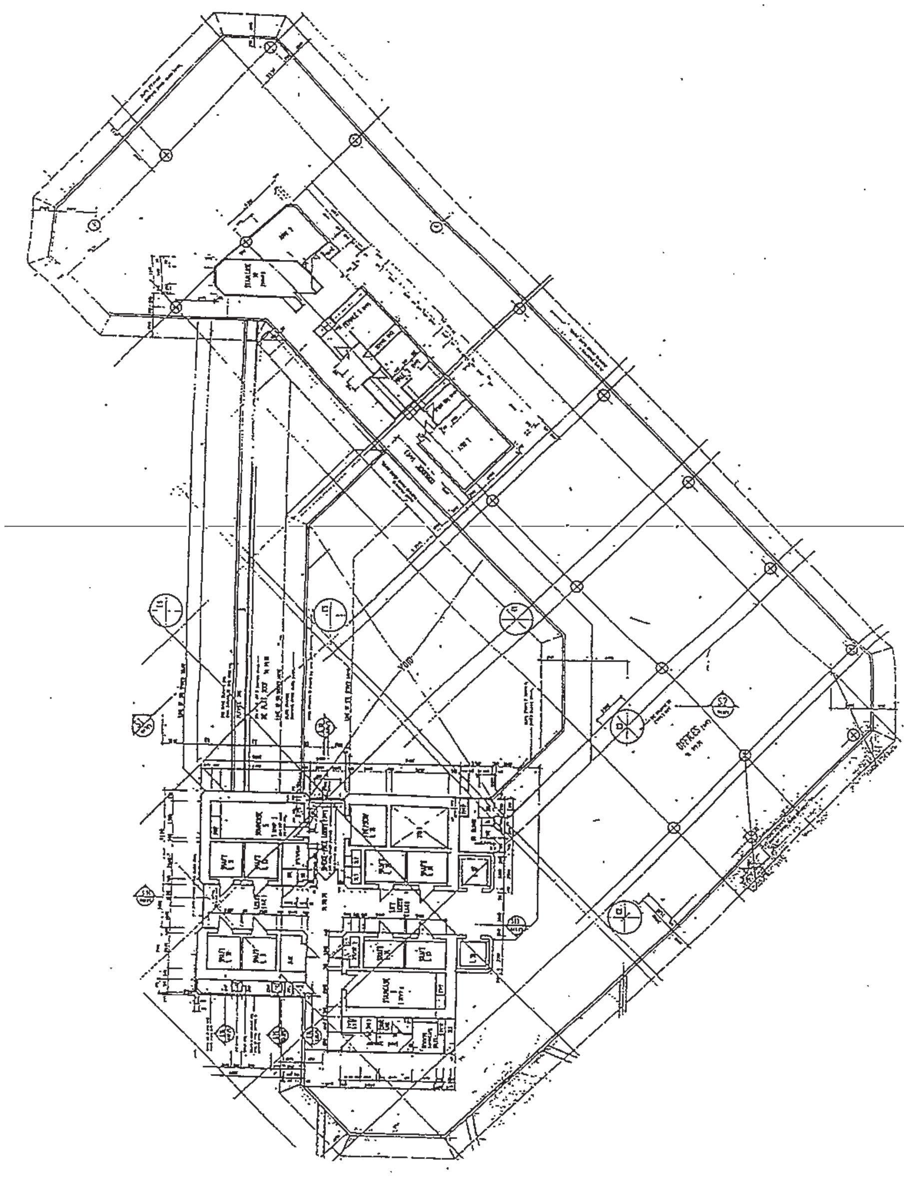
RETAIL PODIUM
2nd STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



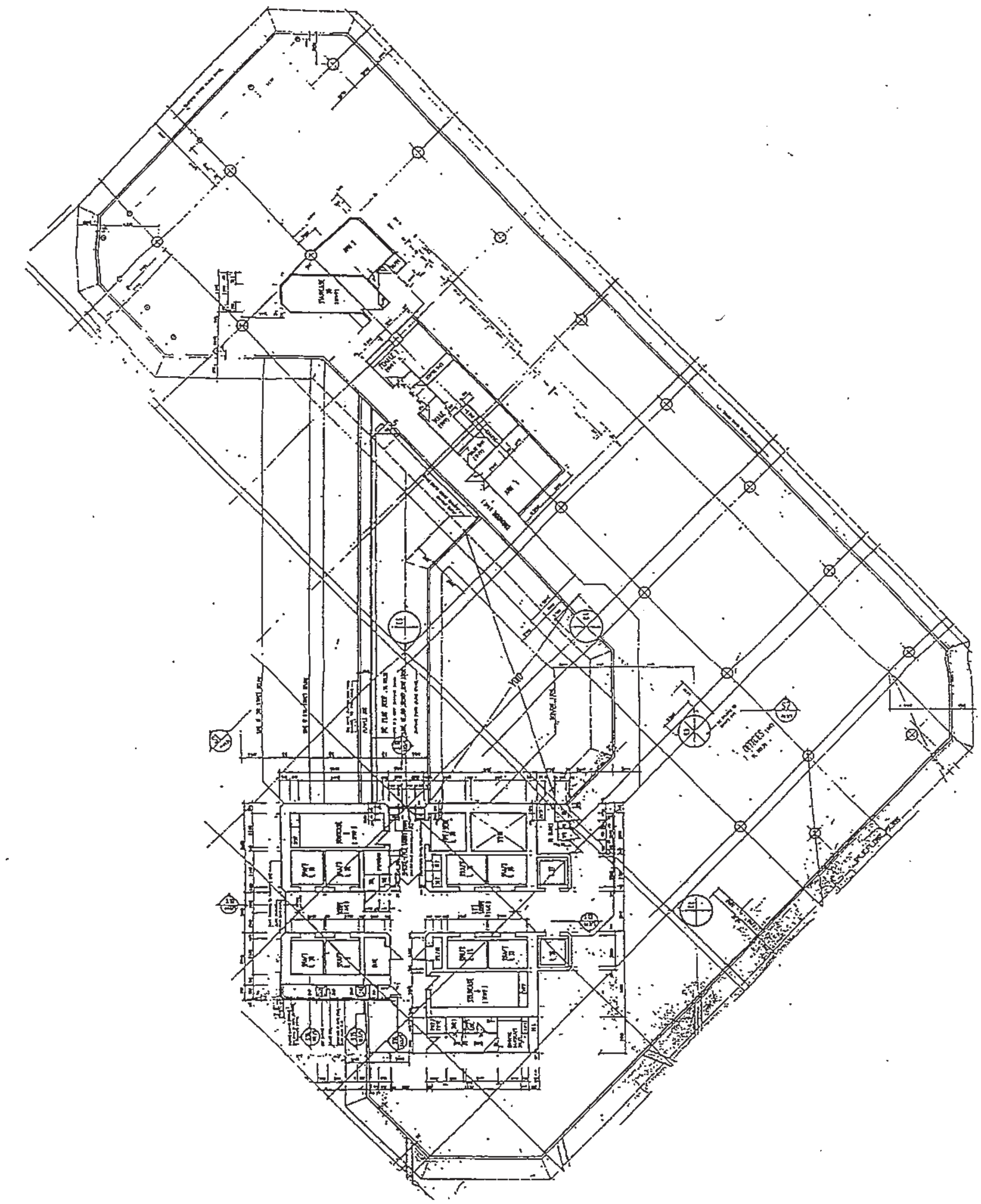
OFFICE TOWER BLOCK
2nd STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



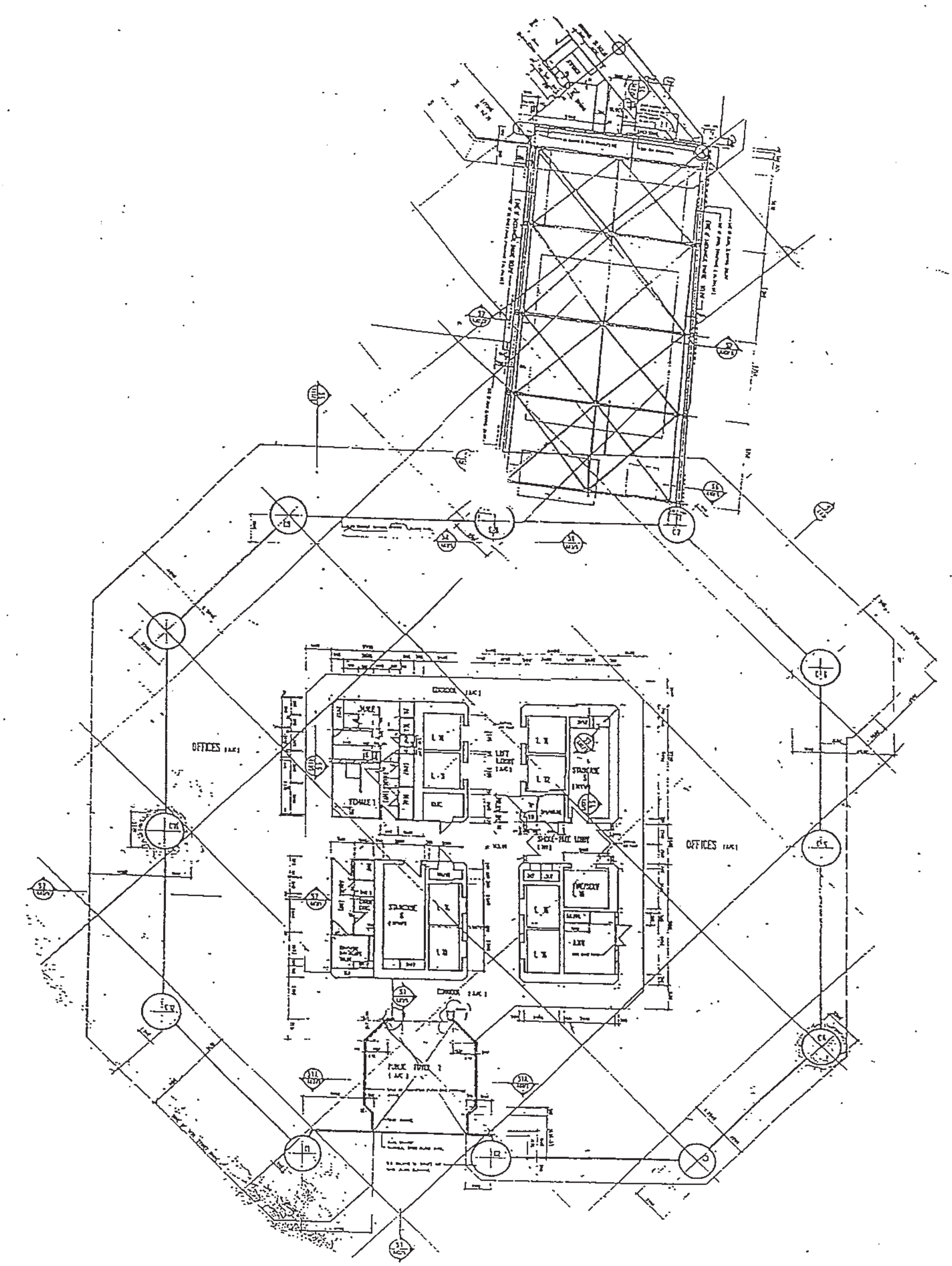
OFFICE TOWER BLOCK
3rd STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



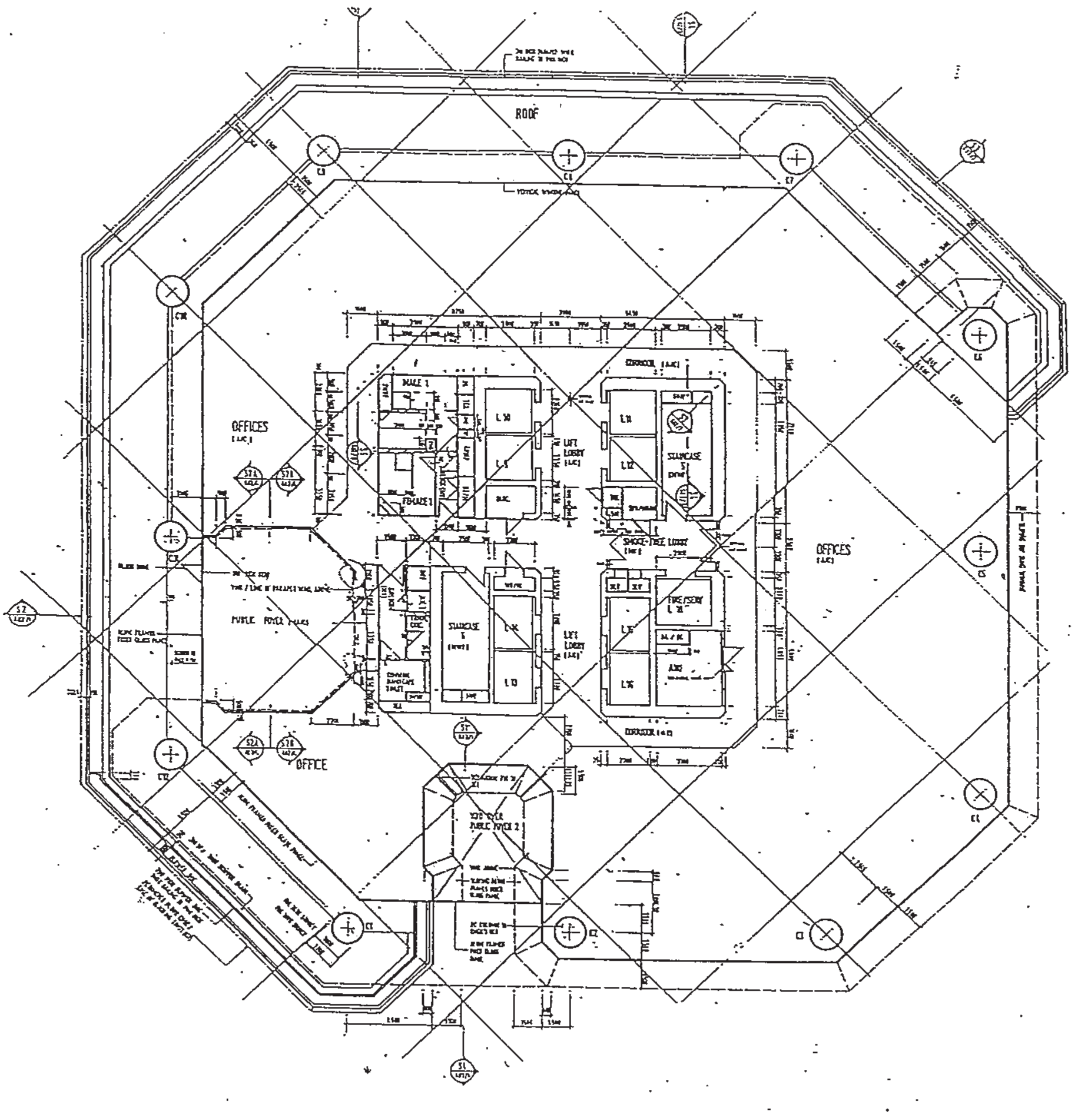
OFFICE TOWER BLOCK
4th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



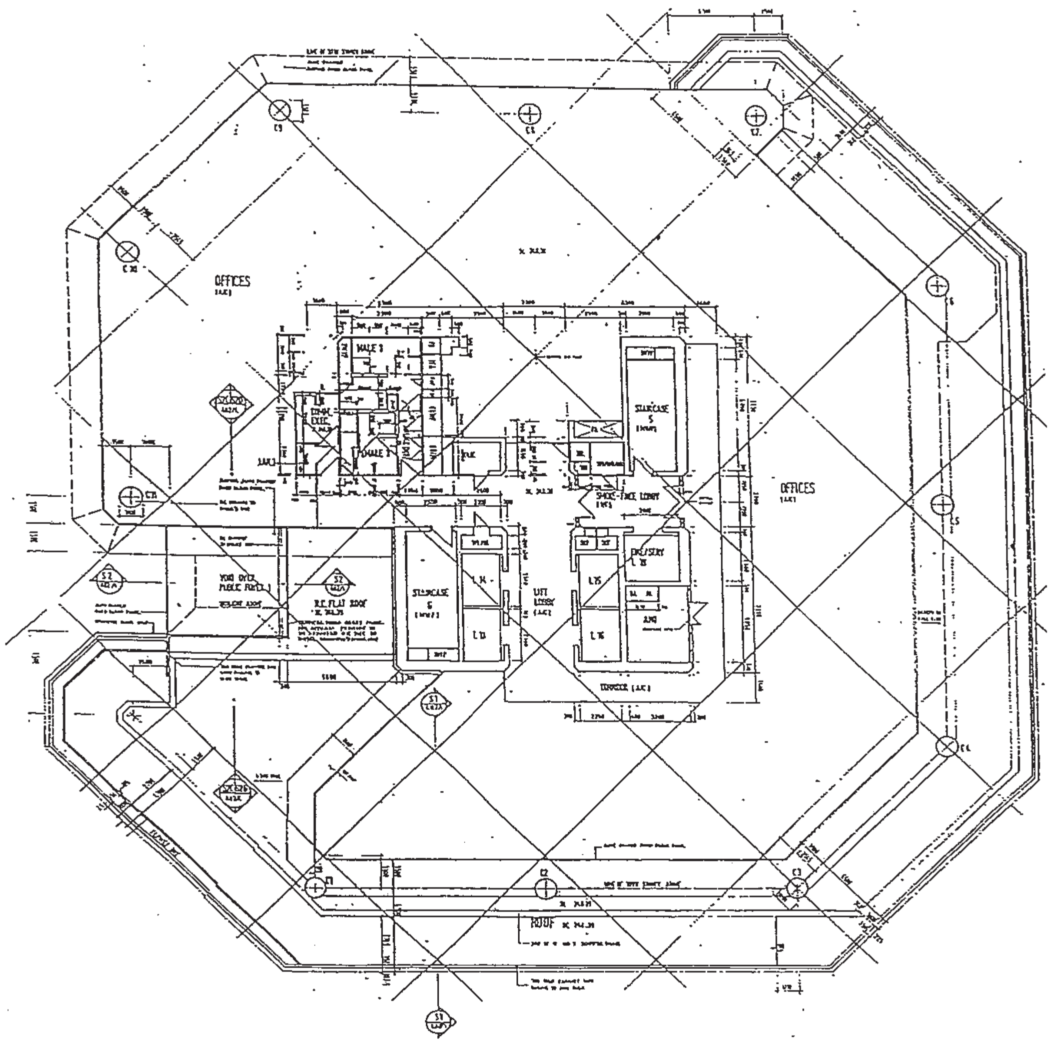
OFFICE TOWER BLOCK
5th STOREY FLOOR LAYOUT PLAN



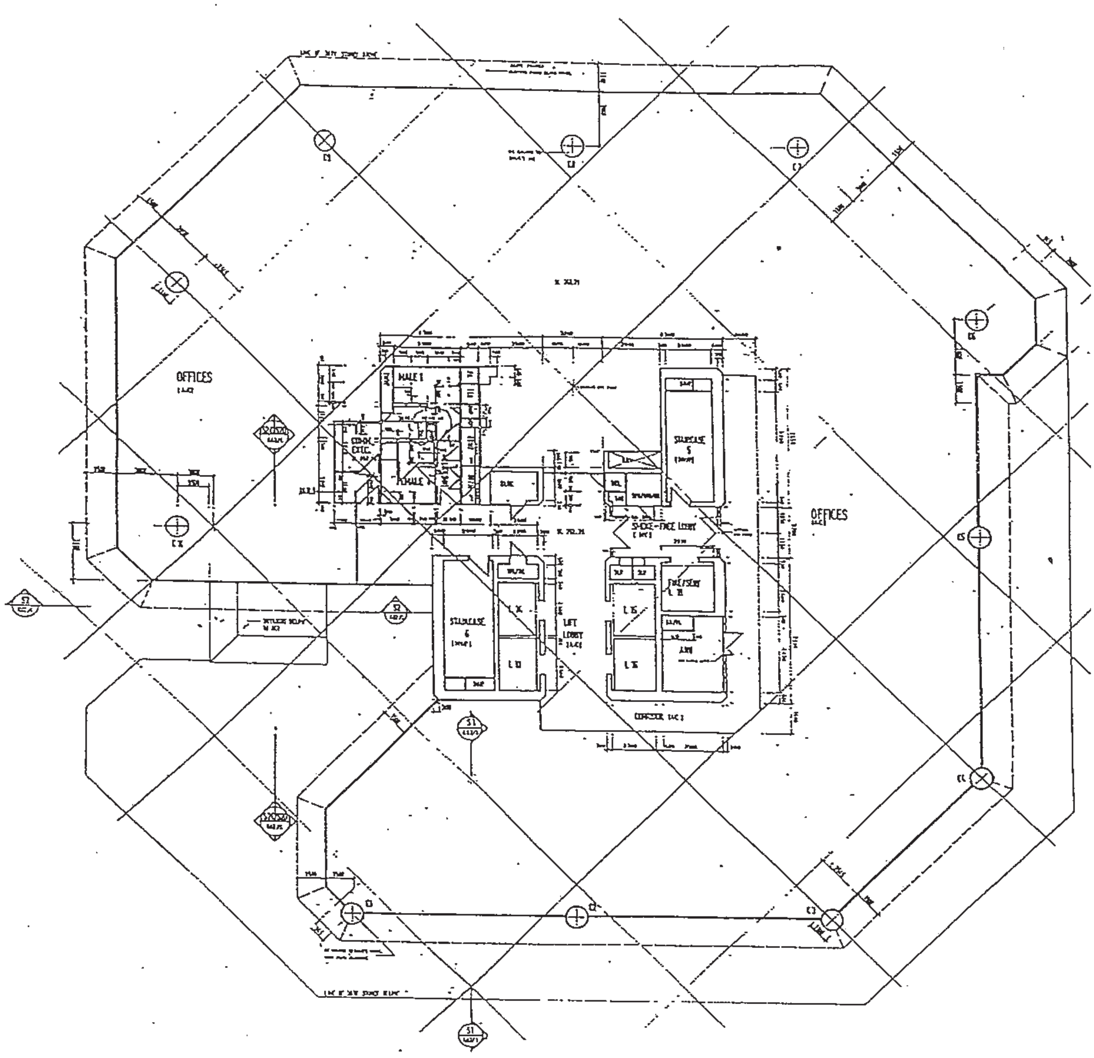
OFFICE TOWER BLOCK
9th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



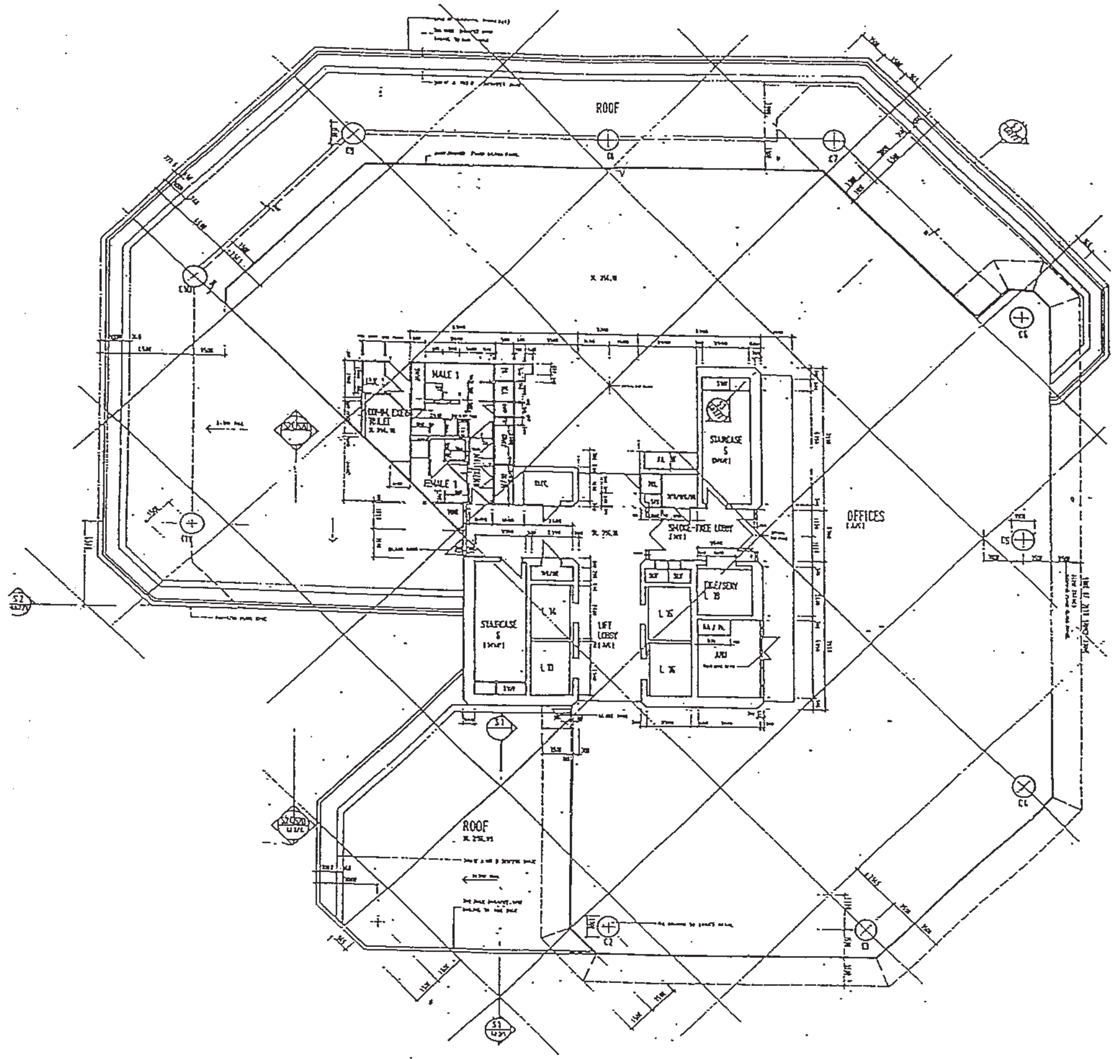
OFFICE TOWER BLOCK
TYPICAL 10th to 35th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



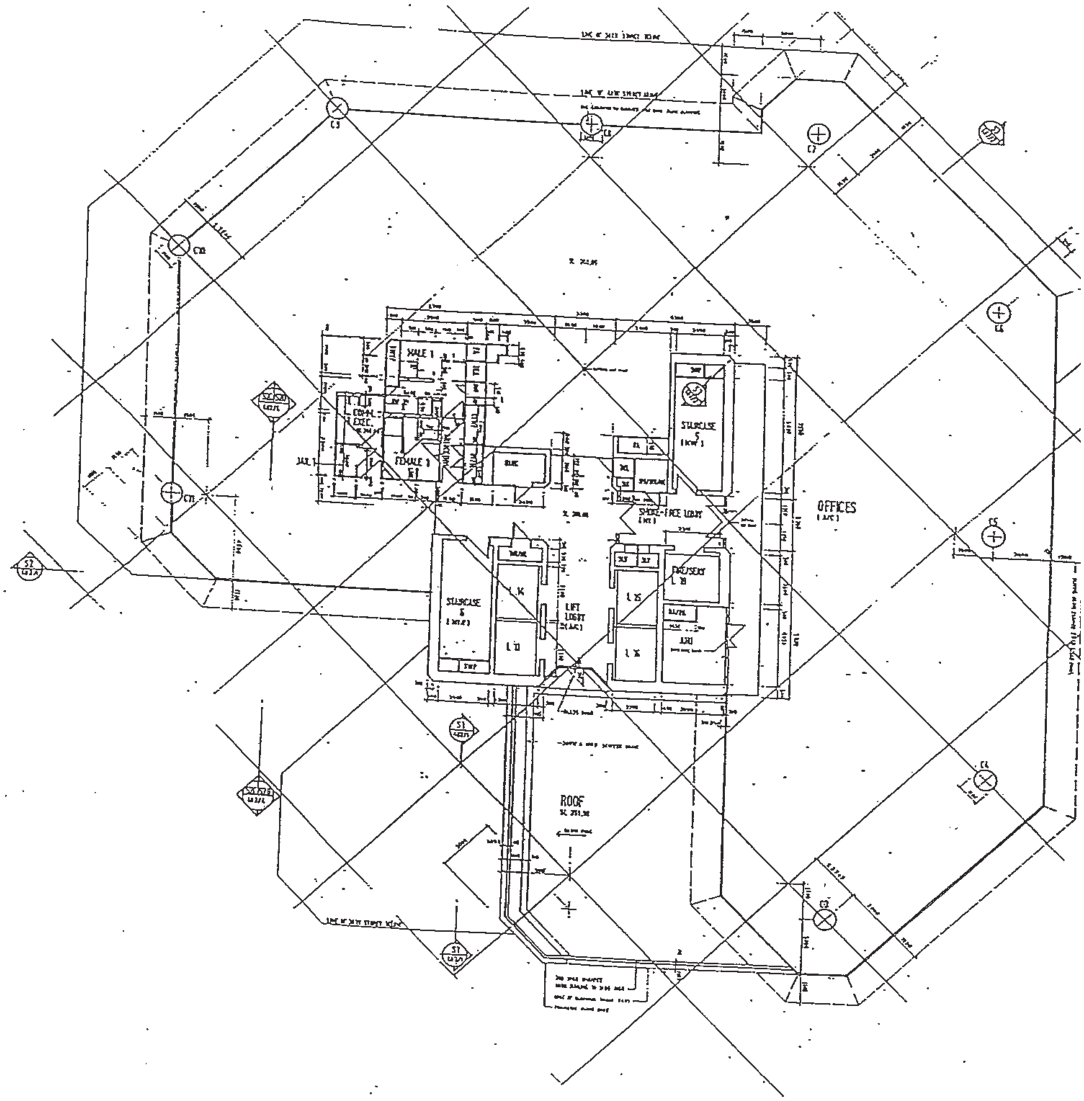
OFFICE TOWER BLOCK
36th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



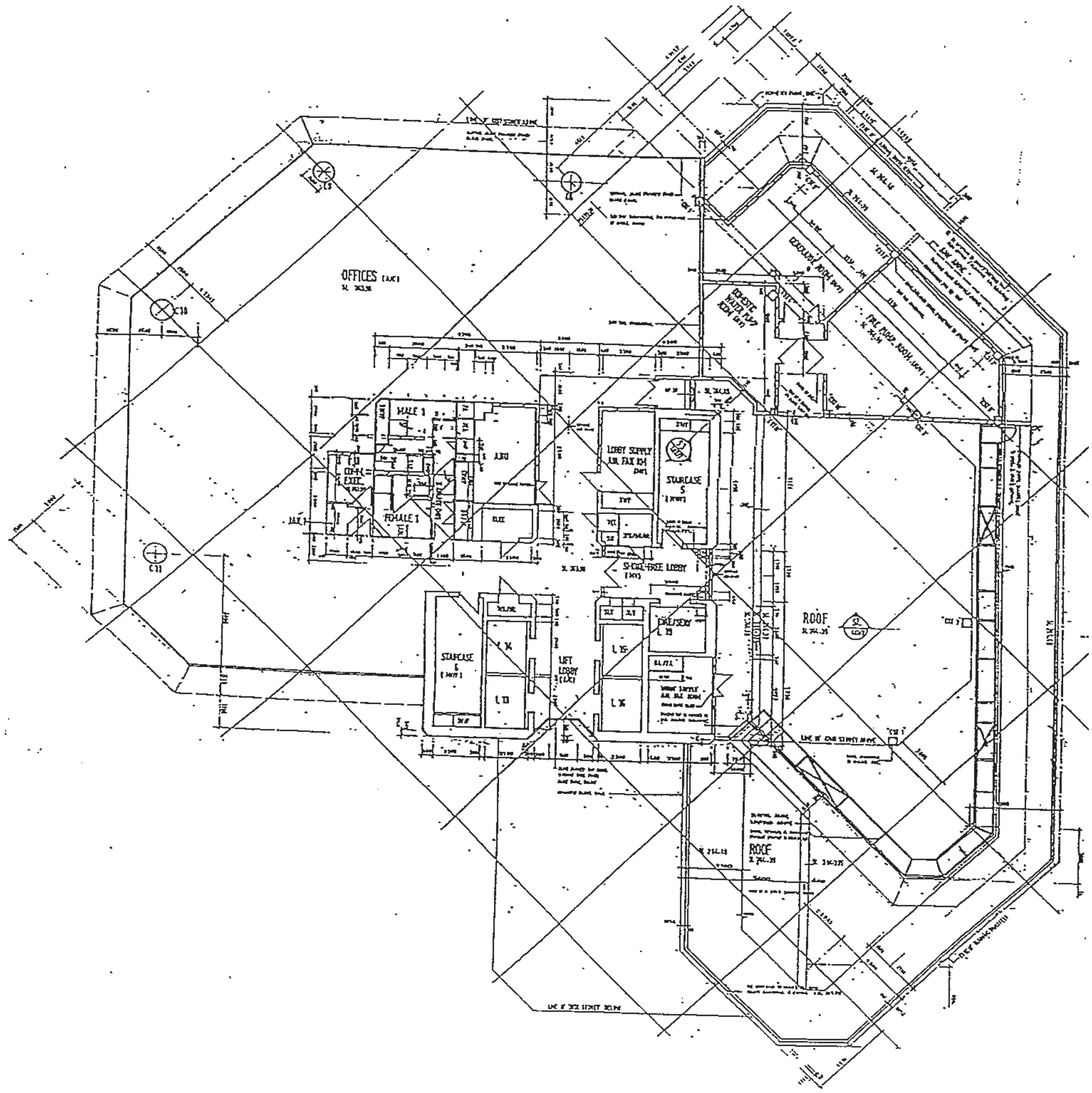
OFFICE TOWER BLOCK
37th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



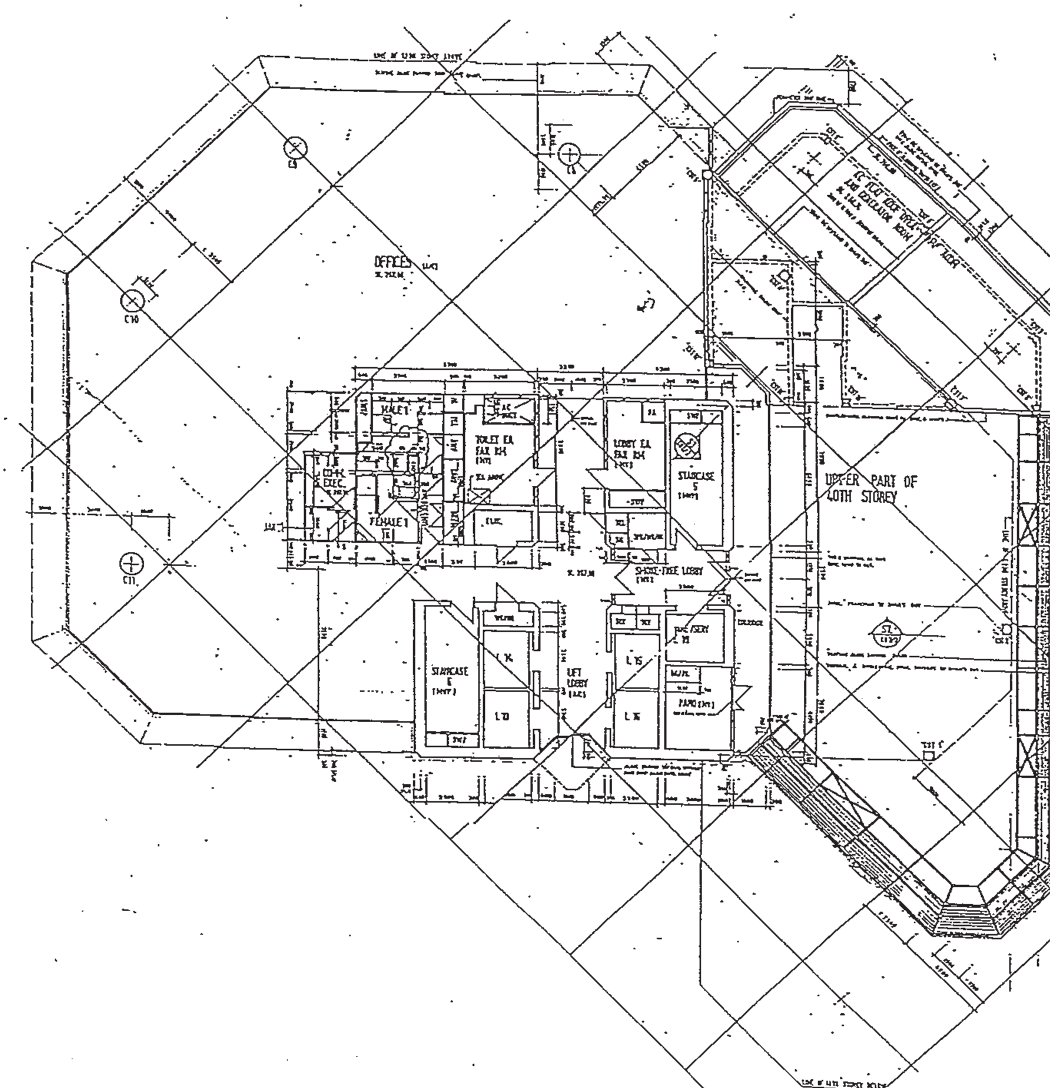
OFFICE TOWER BLOCK
38th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



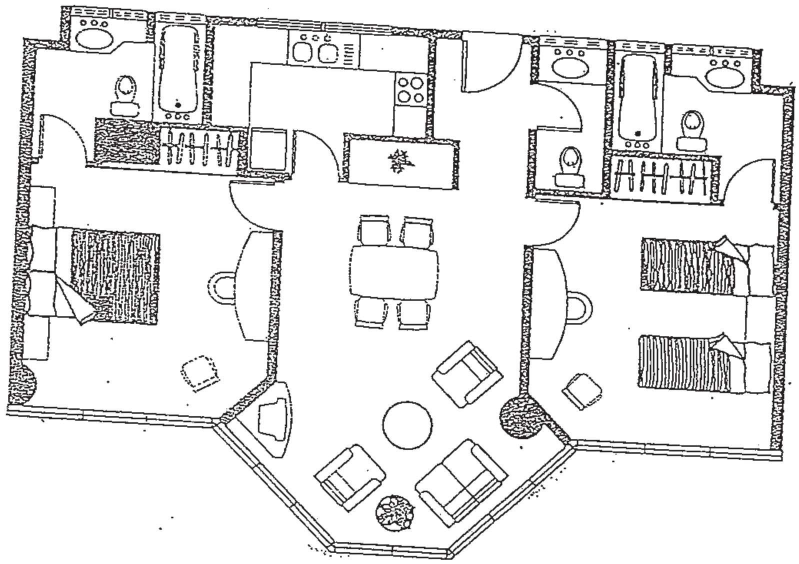
OFFICE TOWER BLOCK
39th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



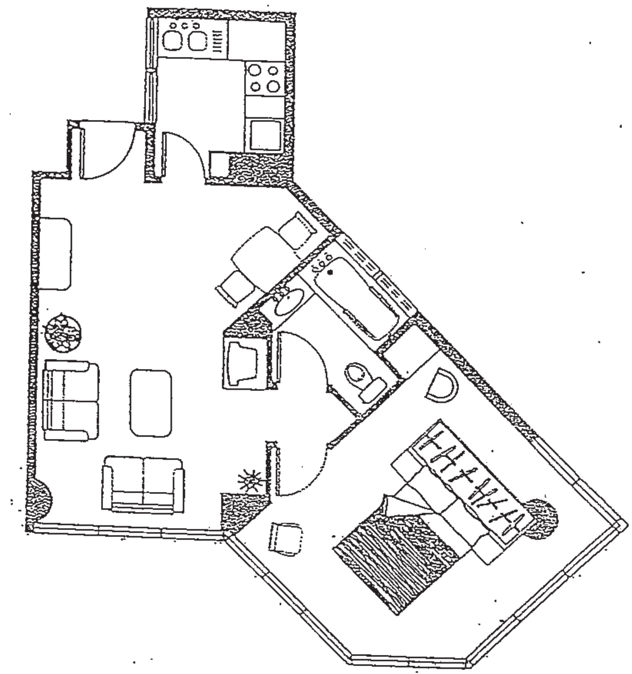
OFFICE TOWER BLOCK
40th STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



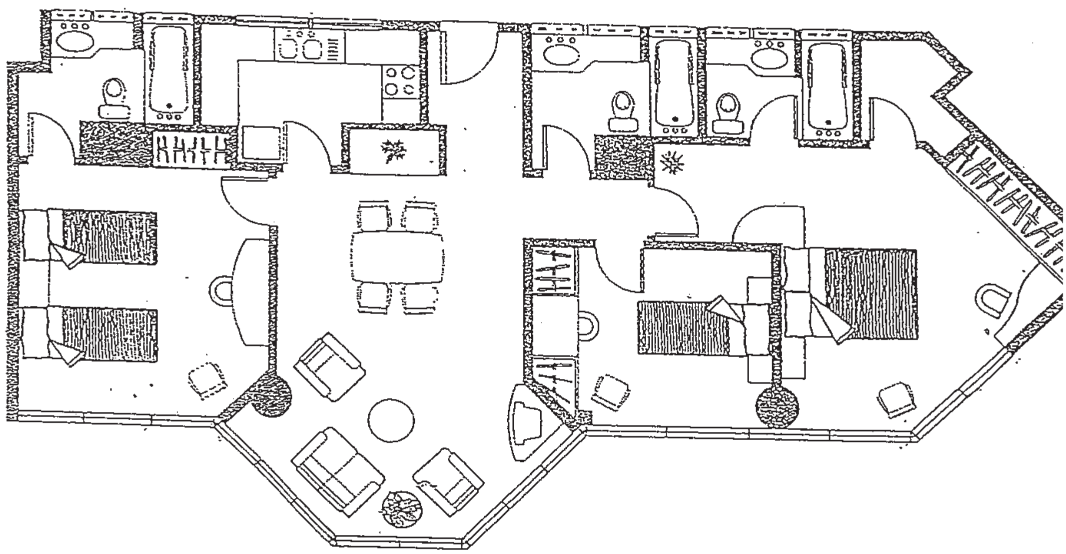
OFFICE TOWER BLOCK
41st STOREY FLOOR LAYOUT PLAN
(NOT TO SCALE)



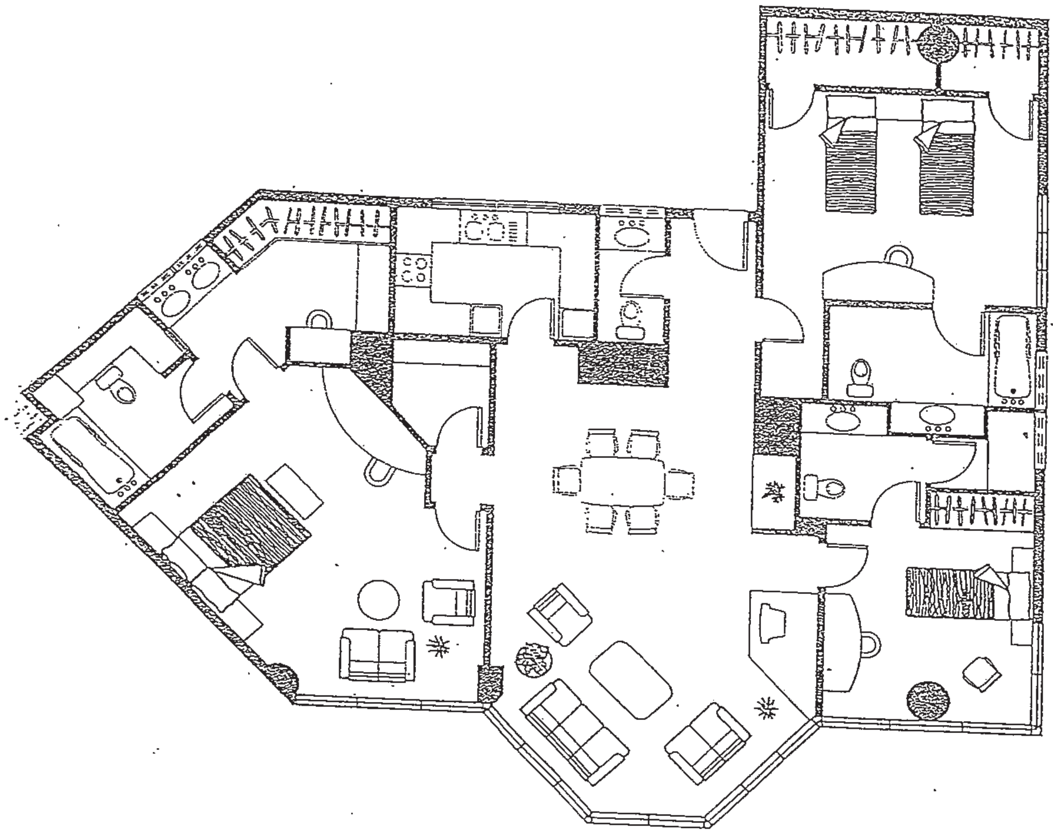
APARTMENT
TYPICAL FLOOR LAYOUT PLAN
(NOT TO SCALE)



APARTMENT
TYPICAL FLOOR LAYOUT PLAN
(NOT TO SCALE)



APARTMENT
TYPICAL FLOOR LAYOUT PLAN
(NOT TO SCALE)



PENTHOUSE
TYPICAL FLOOR LAYOUT PLAN
(NOT TO SCALE)

APPENDIX D
GRANT OF WRITTEN PERMISSION
DATED 31 OCTOBER 1996

NOTICE OF GRANT OF WRITTEN PERMISSION
(Under Planning Act Cap232, 1990 Ed)

URBAN REDEVELOPMENT AUTHORITY
TOWARDS A TROPICAL CITY OF EXCELLENCE

Our Ref :DC 502/81-9
Subm No. : 050896-30B1
Date : 31-10-1996

FOR OFFICE USE	
Decision No	:050896-30B1-Z000
CSS No	: -

Applicant
M/S ARCHITECTS 61
56 PRINSEP STREET #03-01
SINGAPORE 188648

PART I - PARTICULARS OF APPLICATION

1. Name and Address of Developer — HONG FOK LAND PTE LTD, 300 BEACH ROAD #41-00, SINGAPORE 199555
2. Date application received — 05-08-1996 (DEVELOPMENT CHARGE ON 24-10-96)
3. Land to be developed — URA LAND PARCEL 94 & 95 TS 13 AT 300 BEACH ROAD (KALLANG DGP)
4. Development forming the subject of the application -

PROPOSED ADDITION/ALTERATION TO THE APPROVED CONCOURSE DEVELOPMENT

PART II - PARTICULARS OF DECISION

In pursuance of the provision of Section 10(1) of the Planning Act (Cap. 232, 1990 Ed), I am to inform you that permission for the carrying out of the development referred to in Part I hereof has been granted by the Competent Authority subject to the conditions (page 3)

The approved plan registered as (A1) in DC 502/81-09 is enclosed herewith for your retention.

LOH TECK KIM
for CHIEF PLANNER
URBAN REDEVELOPMENT AUTHORITY
as Competent Authority

cc
HONG FOK LAND PTE LTD

ARCHITECTS 61 PRIVATE LIMITED
JC
CKC
HC
MN
TKK
TPG
- 4 NOV 1996
RECEIVED
Replied By:

DEVELOPMENT CONTROL DIVISION
9 Maxwell Road, 4th Storey, Annexe A MND Complex, Singapore 069112

-3-

Subject to the following conditions:

(a) The total gross floor area of the proposed building shall not exceed 105,917.53 sq.m. The overall plot ratio shall not exceed 5.09. (A breakdown of the floor area by uses is commercial gross floor area = 89,249.32 sq.m. and residential gross floor area = 16,668.21 sq.m.).

(b) Nothing shall be construed to exempt the person submitting the plan from otherwise complying with the provision of the Planning Act (Cap 232) or any rules made thereunder or any other Act or rules for the time being in force.

(c) The developer shall comply with The Planning (Provision of Car Parks) Rules and all requirements relating to the provision of car parks and car parking spaces imposed by the Land Transport Authority.

(d) The developer shall submit proposals and plans for the provision of car parks and car parking spaces to the Land Transport Authority at the same time as the developer submits building plans to the Building Authority for approval.

Footnotes

(i) The Written Permission is granted based on planning guidelines. The technical requirements of the relevant departments are to be complied with at Building Plan submission stage.

(ii) In accordance with Section 10(7) of the Planning Act (Cap 232, 1990 Ed) this Written Permission shall lapse on 31st Oct 98 if the development is not completed by the said date.

(iii) The developer may wish to note that differential premium, if any, may be leviable by Commissioner of Lands.

LOH TECK KIM (MRS)
FOR CHIEF PLANNER
URBAN REDEVELOPMENT AUTHORITY
AS COMPETENT AUTHORITY

PERMISSION IS GRANTED UNDER SECTION 10(1) OF THE PLANNING ACT (CAP 232, 19909 ED) FOR:

Proposed addition/alteration to the approved Concourse development on URA land parcel 94 & 95 TS 13 at 300 Beach Road as shown coloured on proposal/sketch plan (A) in DC 502/81-9.

LOH TECK KIM (MRS)
FOR CHIEF PLANNER
URBAN REDEVELOPMENT AUTHORITY
AS COMPETENT AUTHORITY

APPENDIX E
BREAKDOWN OF PROPOSED
FLOOR AREA
OF ROOF TERRACES TO BE ENCLOSED

65 2938689
14-JAN-2004 11:01 FROM HONG FOK GROUP TO 65385540 P.01
NO. 659 P. 1

architects61
singapore · kuala lumpur · shanghai

michael ngu
joseph cheang
tay lee soon

Ref: RS891/ADM/8619-fl

9 December 2003

VIA FAX AND MAIL

HK/KP 8 E
WK JY
(P)

Hong Fok Land Limited
300 Beach Road
#41-00 The Concourse
Singapore 199555

- 9 DEC 2003

Attention of Mr Jimmy Yeo

Dear Sirs

THE CONCOURSE AT BEACH ROAD
ROOF TERRACE ENCLOSURE

We refer to your recent request for floor areas of the roof terraces to be enclosed. The following are the areas based on latest URA's Planning Approval dated 21 November 2003 is:

i. 10th, 12th, 14th, 16th, 18th, 20th, 22nd, 24th, 26th, 28th, 30th, 32nd and 34th Storey is 253.69 m2 per floor = 3297.97

ii. 36th Storey is 193.20m2 193.20

iii. 38th Storey is 280.08m2 280.08

3771.25 m²

iv. The quantum of "freed-up" roof terrace GFA (i.e. even floors between 10th to 38th Storey) that can be transferred for commercial re-development elsewhere within the building is 5110.264m2.

Yours faithfully
architects 61 pte ltd

JOSEPH CHEANG

JC/SL/fl

architects61 pte ltd architecture · planning · interiors · management
36 prinsep street #03-01 singapore 188648 tel 65.6737 5977 fax 65.6732 5439

TOTAL P.01

APPENDIX F
EVIDENCE OF COMPARABLE SALES

EVIDENCE OF COMPARABLE SALES (RETAIL)

	Address	Unit No.	Floor Area *(square metre)*	Transacted Price *($)*	Rate *($psm)*	Date of Sale	Tenure
1)	Sim Lim Square (1 Rochor Canal Road)	#03-64	28	400,000	14,286	Apr 2007	99 years with effect from 8 April 1983
2)	Sim Lim Square (1 Rochor Canal Road)	#03-85	33	1,650,000	50,000	Apr 2007	99 years with effect from 8 April 1983
3)	Sim Lim Square (1 Rochor Canal Road)	#01-44	35	3,200,000	91,429	Feb 2007	99 years with effect from 8 April 1983
4)	Burlington Square (175 Bencoolen Street)	#01-50	46	603,280	13,115	Feb 2007	99 years with effect from 10 June 1996
5)	Sunshine Plaza (91 Bencoolen Street)	#01-36	21	348,888	16,614	Mar 2007	99 years with effect from 19 March 1997

EVIDENCE OF COMPARABLE SALES (OFFICE)

	Address	Unit No.	Floor Area *(square metre)*	Transacted Price *($)*	Rate *($psm)*	Date of Sale	Tenure
1)	Suntec City (7 Temasek Boulevard)	#11-01	1,336	23,250,000	17,403	Mar 2007	99 years with effect from 1 March 1989
2)	Suntec City (9 Temasek Boulevard)	#19-03	348	5,244,400	15,070	Dec 2006	99 years with effect from 1 March 1989
3)	Suntec City (9 Temasek Boulevard)	#37-03	272	4,611,600	16,954	Dec 2006	99 years with effect from 1 March 1989

EVIDENCE OF COMPARABLE SALES (RESIDENTIAL)

	Address	Unit No.	Floor Area *(square metre)*	Transacted Price *($)*	Rate *($psm)*	Date of Sale	Tenure
1)	Burlington Square (175B Bencoolen Street)	#17-12	87	700,000	8,046	Apr 2007	99 years with effect from 10 June 1996
2)	Burlington Square (175B Bencoolen Street)	#08-09	78	770,000	9,872	Apr 2007	99 years with effect from 10 June 1996
3)	Sunshine Plaza (10 Prinsep Link)	#09-12	105	840,000	8,000	Mar 2007	99 years with effect from 19 March 1997
4)	Sunshine Plaza (10 Prinsep Link)	#09-06	71	615,000	8,662	Mar 2007	99 years with effect from 19 March 1997

APPENDIX G
SCHEDULE OF VALUATION

SCHEDULE OF VALUATION

TYPE	NO. OF BEDROOMS	FLOOR AREA *(sm)*	RATES *(S$psm)*	MARKET VALUE *(S$)*	NO. OF UNITS	TOTAL MARKET VALUE *(S$)*
RETAIL						
Basement		3,388	13,729			46,513,852
1st Storey		2,388	19,214			45,883,032
2nd Storey		4,138	13,729			56,810,602
						149,207,486
OFFICES						
2nd to 41st Storeys		46,754	13,545			**633,282,930**
APARTMENTS						
A	1	60	8,749	524,940	5	2,624,700
B & B7	2	95	8,068	766,460	9	6,898,140
B1 to B6	2	96	8,068	774,528	44	34,079,232
C	2	118	7,791	919,338	1	919,338
D	2	110	7,791	857,010	4	3,428,040
E	2	92	8,068	742,256	3	2,226,768
F	2	95	8,068	766,460	3	2,299,380
G	2	104	7,791	810,264	3	2,430,792
H	3	123	7,387	908,601	3	2,725,803
J	2	109	7,791	849,219	2	1,698,438
K	2	124	7,387	915,988	2	1,831,976
L	3	177	7,064	1,250,328	2	2,500,656
M	2	101	7,791	786,891	2	1,573,782
N	1	80	8,403	672,240	2	1,344,480
O	1	56	8,749	489,944	1	489,944
P	1	67	8,749	586,183	1	586,183
Q	1	68	8,749	594,932	1	594,932
						68,252,584
				OPEN MARKET VALUE		**850,743,000**

Set out below is the text of the valuation report on the Winfoong Group as of the date of valuation 31 May 2007 prepared by CB Richard Ellis Limited for incorporation in this Composite Offer Document:

CBRE
CB RICHARD ELLIS
世邦魏理仕

Suite 3401 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
T 852 2820 2800
F 852 2810 0830

香港灣仔港灣道十八號中環廣場三四零一室
電話852 2820 2800 傳真 852 2810 0830

24 August 2007

The board of directors
Yorkwin Investments Limited
Room 3201,
9 Queen's Road Central,
Hong Kong

Dear Sirs,

RE: VALUATION OF VARIOUS PROPERTIES IN HONG KONG

In accordance with the instruction for us, we, CB Richard Ellis Limited have prepared the following valuation report providing the market value of the property interests held by Winfoong International Limited (referred to as the "Company") and its subsidiaries. We confirm that we have carried out inspection, made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the property interests as at 31 May 2007.

Our valuation is prepared in accordance with the "HKIS Valuation Standard on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors, the relevant provisions of the Companies Ordinance and Chapter 5 of Listing Rules published by the Stock Exchange of Hong Kong Limited.

Our opinion of Market Value is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Property Categorization

In the course of our valuation, the property interests held by the Winfoong Group is categorized into the following groups:

Group I:

Property in Group I is held by the Winfoong Group in Hong Kong for occupation.

Group II:

Property in Group II is held by the Winfoong Group in Hong Kong for development.

Group III:

Property in Group III is held by the Winfoong Group for investment.

Valuation Methodologies

In valuing the properties, we have adopted market approach by reference to sales evidence as available on the market and information provided to us including tenancy details, and other relevant information.

Title Investigations

We have caused searches to be made at the Land Registry, but have not been given any legal advice in respect of title. We have not searched the original documents to verify the correctness of any information or to verify whether any amendments have been made which do not appear on the copies handed to us.

Valuation Assumptions

In valuing the property interests, we have assumed that owners of the property interests have free and uninterrupted rights to us and assign the properties during the whole of respective unexpired terms granted.

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the values of the properties.

Other special assumptions for each of the properties, if any, have been stated in the footnotes of the valuation certificate for the respective properties.

Valuation Considerations

We have relied to a very considerable extent on information given by the Winfoong Group of the property interests and have accepted information given to us of such matters as planning approvals or statutory notices, easements, tenure, lettings, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Winfoong Group which is material to our valuations and have been advised by the Winfoong Group that no material facts have been omitted from the information provided.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have assumed that all applicable zoning, use regulations and restrictions have been complied with. We have further assumed that the utilizations and improvements of land are within the boundaries of the properties held by the owner or permitted to be occupied by the owner. Unless otherwise stated, no encroachment or trespass exits are considered.

We have inspected that properties to such extent that we consider necessary for the purpose of this valuation. No structural survey has been made nor were any tests carried out on any of the services provided in the properties. We are therefore unable to report whether the properties are free from rot, infestation or any other structural defects.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximate.

The tax that could arise when the property is sold is profits tax (17.5% on taxable profit). According to the information provided by the management of the Winfoong Group, there is no immediate plan to sell the properties.

Unless otherwise stated, all money amounts are stated in Hong Kong Dollars. We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited

Gilbert C. H. Chan *MHKIS MRICS RPS (GP)*
Director
Valuation & Advisory Services

Mr. Gilbert C H Chan is Registered Professional Surveyor with over 13 years' valuation experience on all landed properties in Hong Kong.

SUMMARY OF VALUES

No.	Property	Interest attributable to the Winfoong Group *(%)*	Capital values in existing state as at 31 May 2007 *HK$*
Group I – Property held for occupation by the Winfoong Group in Hong Kong			
1.	4th Floor, Lico Industrial Building, No. 324 Kwun Tong Road, Ngau Tau Kok, Kowloon, Hong Kong	100%	HK$1,100,000
		Sub-Total	HK$1,100,000
Group II – Property held for development by the Winfoong Group in Hong Kong			
2.	No. 38 Conduit Road Mid-Levels, Hong Kong	100%	HK$245,000,000
		Sub-Total	HK$245,000,000
Group III – Property held for investment by the Winfoong Group in Hong Kong			
3.	Goods Vehicle Space No. L7 On the Ground Floor, Wing Fok Centre, No. 1 Luen Chit Street, Fanling, New Territories, Hong Kong	100%	HK$320,000
		Sub-Total	HK$320,000
		Grand Total	**HK$246,420,000**

VALUATION CERTIFICATE

Group I – Properties held for occupation by the Winfoong Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2007
1.	4th Floor, Lico Industrial Building, No. 324 Kwun Tong Road, Ngau Tau Kok, Kowloon, Hong Kong 2/23rd parts or shares of and in Kwun Tong Inland Lot No. 549	The property comprises the whole of the 4th floor of a 10-storey industrial building. It was completed in about 1970. It has a saleable area of approximately 2,261 sq.ft (210.05 sq.m) The property is held under a Government Lease for a term of 99 years less the last three days thereof from 1 July 1898 which has been extended to 30 June 2047. The Government rent payable is equal to an amount equal to 3% of the rateable value of the lot.	The property is occupied by the Winfoong Group as a godown.	HK$1,100,000 *(100% interest attributable to the Winfoong Group)*

Notes:

1. The registered owner of the property is Donwin Property Limited which is an indirect wholly-owned subsidiary of Winfoong.

2. The property is subject to the following encumbrances:

   (i) Deed of Covenant vide Memorial No. UB789369 dated 28 December 1970.

VALUATION CERTIFICATE

Group II – Property held for development by the Winfoong Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2007
2.	No. 38 Conduit Road, Mid-Levels, Hong Kong The Remaining Portion of Inland Lot No. 1253	The Property comprises a site which is roughly trapezoidal in shape with a site area of approximately 7,313 sq.ft. (679.39 sq.m.). According to the proposed development scheme provided, the subject lot will be developed into a 21-storey (plus 3 levels of basement) residential tower. Upon completion, the total gross floor area of the proposed development will be approximately 36,097 sq.ft. (3,353.46 sq.m.). The proposed development is expected to complete by the end of 2009. The lot is held under a Government Lease for a term of 999 years commencing on 25 June 1861. The Government rent for the Lot is HK$28 per annum.	The foundation of the proposed development is under construction.	HK$245,000,000 *(100% interest attributable to the Winfoong Group)*

Notes:

1. The registered owner of the property is Super Homes Limited vide Memorial No. UB6935567 dated 30 January 1997 is an indirect wholly-owned subsidiary of Winfoong.

2. The property is subject to a Debenture and Mortgage and a Floating Charge in favour of Hang Seng Bank Limited vide Memorial No. 06110102450027 dated 5 October 2006.

3. The subject site lies within an area zoned "Residential (Group B)" on the Mid-Levels West Outline Zoning Plan No. S/H11/13 gazetted on 5 July 2002.

4. Under the subject Government lease, the use of the subject lot is virtually unrestricted except the usual non-offensive trades clause.

5. Estimated cost of completing the proposed development is approximately HK$84,800,000.

6. Estimated value after completion of the proposed development is HK$520,000,000.

5. As advised by the Winfoong Group, the approximate gross floor area and usage of the constituent floors of the proposed development is as follows:

Floor	Uses	Approximate gross floor area	
		sq.m.	*sq.ft.*
Basement I	4 car parking spaces	–	–
Basement II	9 car parking spaces	–	–
Basement III	Plant room / water tank	–	–
Ground	Entrance lobby	–	–
5th	Recreational facilities	–	–
7th to 15th and 17th to 22nd	3 domestic flats on each floor	2,865.70	30,846
16th	Communal sky garden and refuge floor	–	–
23rd	One domestic flat with a private swimming pool	155.38	1,673
25th	One domestic flat with a private swimming pool	126.86	1,366
26th	One domestic flat with a private swimming pool	102.76	1,106
27th	One domestic flat with a private swimming pool	102.76	1,106
	Total	**3,353.46**	**36,097**

VALUATION CERTIFICATE

Group III – Property held for Investment by the Winfoong Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2007
3.	Goods Vehicle Spaces No. L7 on the Ground Floor, Wing Fok Centre, No. 1 Luen Chit Street, Fanling, New Territories, Hong Kong 1/17,432th parts of shares of and in Fanling Sheung Shui Town Lot No. 69	The property is one of the various goods vehicle spaces on the ground floor of a Private Sector Participation Scheme housing development which was completed in about 1993. The property is held under New Grant No. N12528 from 28 November 1991 to 30 June 2047.	The parking space is vacant.	HK$320,000 *(100% interest attributable to the Winfoong Group)*

Notes:

1. The registered owner of the property is Sui Chong International (H.K.) Limited which is an indirect wholly-owned subsidiary of Winfoong.

2. The property is subject to the following encumbrances:

   (i) Occupation Permit No. NT 125/93 vide Memorial No. N293771 dated 21 September 1993.

   (ii) Deed of Mutual Covenant and Management Agreement vide Memorial No. N304510 dated 24 February 1994.

Set out below is the text of the property valuation reports on the Goldease Group as of the date of valuation 31 May 2007 prepared by Savills (Singapore) Pte Ltd. for incorporation in this Composite Offer Document:

savills
第一太平戴維斯

Savills (Singapore) Pte Ltd
DL: 6536 8600
F: 6536 8611

No. 2 Shenton Way
#17 - 01 SGX Centre 1
Singapore 068804, Singapore

REG No.: 198703410D
T: (65) 6536 5022
savills.com

24 August 2007

The board of directors
Yorkwin Investments Limited
Room 3201,
9 Queen's Road Central,
Hong Kong

Dears Sirs

VALUATION OF THE BALANCE 4 UNITS AT ten@suffolk, SINGAPORE

1 PURPOSE OF REPORT

We refer to your recent instruction to carry out a valuation of the above mentioned property, so as to advise on its **Open Market Value** as at 31 May 2007 for the purpose of inclusion into the Composite Offer Document of Yorkwin Investments Limited & Hong Fok Land International Limited dated 24 August 2007.

Open Market Value is defined as an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

(a) a willing seller;

(b) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest: and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

No allowances have been made for any expenses, or realization, or for taxation which might arise in the event of a disposal. All properties are considered as if free and clear of all mortgages or other charges which may be secured thereon.

2. LOCATION

The subject development is located along Suffolk Road, off Thomson Road, near the junction of Keng Lee Road, Kampong Java Road and Norfolk Road, within a prime and established residential estate.

Prominent residential developments in the vicinity include Suffolk Apartments, Kartar Apartments, The Spinnaker, The Lincoln Modern and Rosevale.

It is about 10 minutes drive to Orchard Road and within 1 kilometre from Novena and Newton MRT stations.

(Please refer to Location Plan under Appendix "A")

3. SUBJECT DEVELOPMENT

ten@suffolk comprise one (1) block of part 13/part 15-storey residential development (37 units) with basement carparks, a swimming pool, function room, gymnasium, barbeque area, children's playground, Jacuzzi and foot reflexology path.

Temporary Occupation Permit (TOP) for the said development was issued in March 2006.

(Please refer to Site Layout Plan under Appendix "B")

4. SUBJECT PROPERTIES

The subject properties comprise 4 balance units within ten@suffolk. The strata floor area of the balance 4 units is 427 square metres (4,596 square feet).

Each unit is furnished with polished marble flooring to the living, dining, attached bathrooms and stores, timber strip flooring to the bedrooms, Burlington stone tiles to the kitchen and bathrooms and ceramic tiles to the utility, yard and toilets. The units are fitted with high and low kitchen cabinets with cooker hob, exhaust hood and ovens. The bedrooms are fitted with wardrobes. Split unit-air-conditioning system are provided in all bedrooms and living/dining areas.

The schedule of Strata Floor Areas (extracted from the letter from M/s Tang Tuck Kim Registered Surveyor dated 7th October 2005) for the balance 4 units is as follows:

Unit	Storey	Type of Use	Strata Floor Area (In Sq M)	
#12-01	12th	Flat	110	(incl. A/C ledge 2 sq m, planter 4 sq m)
#12-02	12th	Flat	101	(incl. A/C ledge 3 sq m, planter 2 sq m)
#12-03	12th	Flat	104	(incl. A/C ledge 2 sq m, planter 2 sq m)
#13-01	13th	Flat	112	(incl. A/C ledge 2 sq m, planter 2 sq m balcony 4 sq m)
			427	

5. TITLE DETAILS OF SUBJECT PROPERTIES

Based on title search carried out by Savills (Singapore) Pte Ltd.

Legal Description : All of Town Subdivision 28

Tenure : Freehold

Unit	Strata Lot No.
#12-01	U3593A
#12-02	U3606X
#12-03	U3618K
#13-01	U3594K

6. MASTER PLAN (2003)

The subject Development is zoned “Residential” with a maximum permissible plot ratio of 2.8.

7. METHOD OF VALUATION

The **Sales Comparison Method** of valuation has been adopted in determining the **Open Market Value** of the subject properties.

Under the **Sales Comparison Method**, the market value of a property is assessed having regard to recent transactions of similar type properties, preferably in the same locality.

Appropriate adjustments are made to account for differences in tenure, location, condition, etc. This method is based on the substitution principle whereby a prudent purchaser is assumed to pay no more for a particular property than it would cost to buy an equally desirable substitute property available in the market.

This approach also takes into account the general prevailing economic condition affecting the property market.

8. OPINION OF VALUE

In view of the aforementioned and having taken into account the relevant factors and the prevailing market condition, we are of the considered opinion that the **Open Market Value** of the balance 4 units of the subject development as at 31 May 2007 is **S$5,423,000/-** (Singapore Dollars Five Million Four Hundred And Twenty Three Thousand Only).

Unit	Strata Floor Area *(sq m)*	Rate *($psm)*	Open Market Value *(S$)*
#12-01	110	12,655	1,392,000/-
#12-02	101	12,703	1,283,000/-
#12-03	104	12,596	1,310,000/-
#13-01	112	12,839	1,438,000/-
Total			5,423,000/-

Yours faithfully
SAVILLS (SINGAPORE) PTE LTD
DANIEL EE
Licensed Appraiser
B. Sc. (Est. Man.), MSISV

Note: Potential tax liability

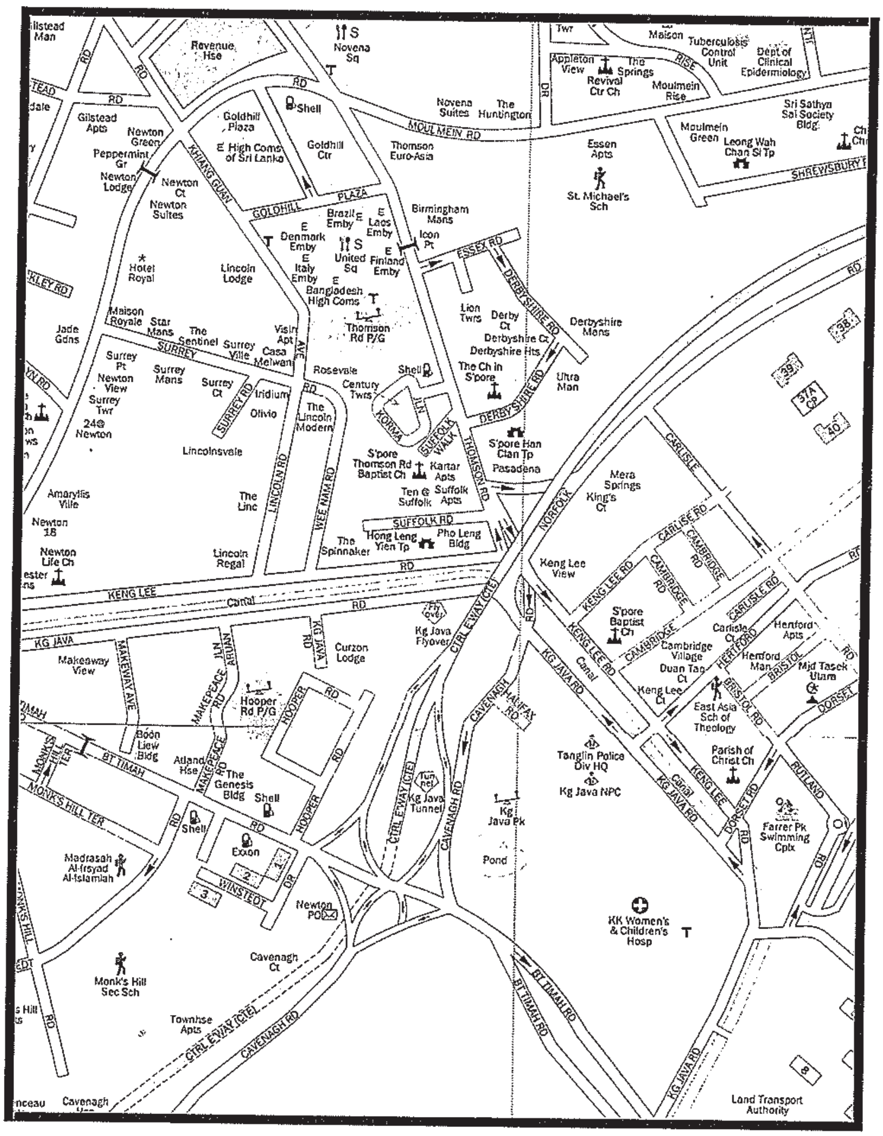
Pursuant to the requirements of Rule 11.3 of the Takeovers Code, a valuation is required to state any potential tax liability which might arise on the assumption that the assets were sold at the amount of the valuation, accompanied by an appropriate comment as to the likelihood of any such liability crystallizing based on this assumption.

For properties situated in Singapore, the types of taxes that could arise when the properties are sold are income tax (the corporate rate is 20% for the year of assessment 2007 and 18% for the year of assessment 2008 onwards, subject to applicable deductions) and stamp duty (at the rate of 3% of the consideration (assuming they are sold on the open market), less S$5,400).

According to information provided by the management of Hong Fok Development (Newton) Pte Ltd, as the properties are held for sale, it is likely that liability for income tax could arise when the properties are sold. As the purchaser of the properties is liable for stamp duty, unless otherwise agreed, it is not likely that stamp duty would be payable by Hong Fok Development (Newton) Pte Ltd as vendor.

Appendix A

savills
第一太平戴維斯



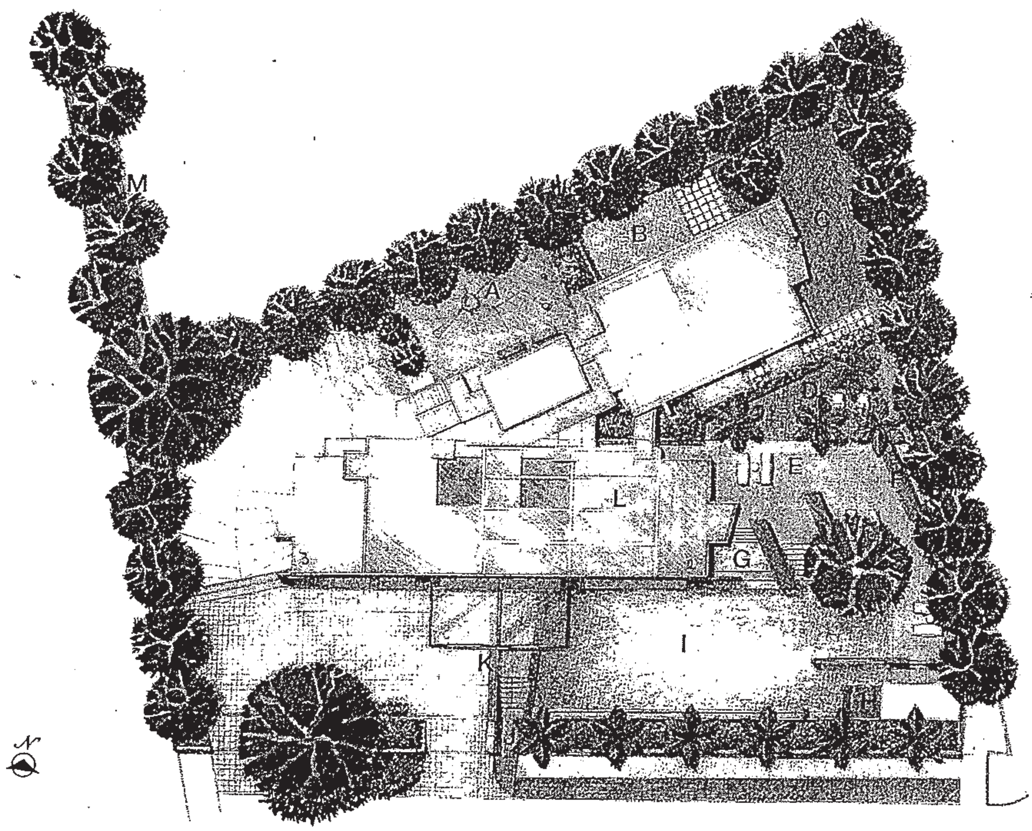
N

NOT TO SCALE

LEGEND
LOCATION OF SUBJECT DEVELOPMENT

Appendix B

savills
第一太平戴維斯



A – Children's Playground
B – Private Enclosed Space
C – Private Enclosed Space
D – Lawn
E – Pool Deck
F – Barbecue Area
G – Children's Pool
H – Jacuzzi
I – Main Pool
J – Pedestrian Entrance
K – Porte Cochere
L – Gymnasium/Function Room
M – Reflexology Footpath & Fragrant Garden

Site Plan
(*Not to Scale*)

Savills (Singapore) Pte Ltd
DL: 6536 8600
F: 6536 8611

No. 2 Shenton Way
#17 - 01 SGX Centre 1
Singapore 068804, Singapore

REG No.: 198703410D
T: (65) 6536 5022
savills.com

24 August 2007

The board of directors
Yorkwin Investments Limited
Room 3201,
9 Queen's Road Central,
Hong Kong

Dear Sir

VALUATION OF 7C BALMORAL PARK #02-01, #02-02, #03-01, #04-01, #04-02, #05-01, #05-02, #06-02, #07-01, #09-01 AND #09-02 JEWEL OF BALMORAL SINGAPORE

1. PURPOSE OF REPORT

We refer to the recent instruction to carry out a valuation of the above-mentioned property so as advise you on its **Open Market Value** as at 31 May 2007 for the purposes of inclusion into the Composite Offer Document of Yorkwin Investments Limited & Hong Fok Land International Limited dated 24 August 2007.

Open Market Value is defined as an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

(a) a willing seller;

(b) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest: and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

No allowances have been made for any expenses, or realization, or for taxation which might arise in the event of a disposal. All properties are considered as if free and clear of all mortgages or other charges which may be secured thereon.

2. LOCATION

The subject development is situated in a prime residential area, off Stevens Road. It is a short drive away from Orchard Road, the main shopping and entertainment belt of Singapore.

Residential developments in the vicinity include The Balmoral, Pinewood Gardens, Pinetree Condominium and Number One Balmoral.

The Pines, Tanglin Club, American Club and Raffles Girls' Secondary School are located nearby.

(Please refer to Location Plan under APPENDIX "A")

3. THE SUBJECT DEVELOPMENT

Jewel of Balmoral is a 10-storey residential development comprising 14 units of apartments and 2 penthouses. Facilities in the development include swimming pool, children's pool, bubble pool, gymnasium, barbecue pit and basement carpark.

Temporary Occupation Permit (TOP) was issued in February 2000.

(Please refer to Site Layout Plan under APPENDIX "B")

4. THE SUBJECT PROPERTIES

The subject properties comprise 9 units of apartments and 2 penthouses within the said development.

Details of each unit are as follow:

Unit No.	No. of Bedrooms	Strata Floor Area *(Sq. M.)*
#02-01	1	76
#02-02	1	77
#03-01	3	125
#04-01	3	125
#04-02	3	125
#05-01	3	125
#05-02	3	125
#06-02	3	125
#07-01	3	125
#09-01	3 (penthouse)	224
#09-02	3 (penthouse)	224
Total		1,476

(Please refer to Floor Plans under APPENDIX "C")

Each unit is furnished with polished marble flooring to the living, dining, bathrooms and powder rooms, timber strip flooring to the bedrooms and ceramic/ homogeneous tiles to the kitchen, utility, yard and toilets. The units are fitted with high and low level kitchen cabinets, cooker hob and hood, built-in oven, microwave oven and dishwasher. Multi-split concealed air-conditioning system are provided in all bedrooms and living/dining areas. The units are also fitted with audio-video intercom and proximity card-key access system and home automation system.

5. TITLE DETAILS OF SUBJECT PROPERTIES

Based on title search carried out by Savills (Singapore) Pte Ltd.

Unit No.	Lot No.	Strata Floor Area *(Sq. M.)*
#02-01	TS26-U2179A	76
#02-02	TS26-U2180P	77
#03-01	TS26-U2181T	125
#04-01	TS26-U2182A	125
#04-02	TS26-U2188M	125
#05-01	TS26-U2183K	125
#05-02	TS26-U2189W	125
#06-02	TS26-U2190C	125
#07-01	TS26-U2185X	125
#09-01	TS26-U2193V	224
#09-02	TS26-U2194P	224

Tenure : Freehold (Estate in Fee Simple)

Land Lot No. : 823C
Town Subdivision 26

6. VALUATION

Properties owned by Arundel Trading Pte Ltd, a 100% owned subsidiary of Goldease

Unit No.	Strata Floor Area *(sq. m.)*	Rate *($psm)*	Open Market Value *(S$)*
#02-01	76	17,105	1,300,000
#02-02	77	17,013	1,310,000
#03-01	125	16,680	2,085,000
#04-01	125	16,680	2,085,000
#04-02	125	16,680	2,085,000
#05-01	125	16,680	2,085,000
#05-02	125	16,680	2,085,000
#06-02	125	16,680	2,085,000
#07-01	125	16,680	2,085,000
Total			17,205,000

Properties owned by Firth Enterprises Pte Ltd, a 100% owned subsidiary of Goldease

Unit No.	Strata Floor Area *(sq. m.)*	Rate *($psm)*	Open Market Value *(S$)*
#09-01	224	15,179	3,400,000
#09-02	224	15,179	3,400,000
Total			6,800,000

7. OPINION OF VALUE

In view of the aforementioned and having taken into account the relevant factors and the prevailing market condition, we are of the considered opinion that the **Open Market Value** of the subject properties as at 31 May 2007 is **S$24,005,000/-** (Singapore Dollars Twenty-Four Million And Five Thousand Only).

Yours faithfully
SAVILLS (SINGAPORE) PTE LTD
DANIEL EE
Licensed Appraiser
B. Sc. (Estate Management), MSISV

Note: Potential tax liability

Pursuant to the requirements of Rule 11.3 of the Takeovers Code, a valuation is required to state any potential tax liability which might arise on the assumption that the assets were sold at the amount of the valuation, accompanied by an appropriate comment as to the likelihood of any such liability crystallizing based on this assumption.

For properties situated in Singapore, the types of taxes that could arise when the properties are sold are income tax (the corporate rate is 20% for the year of assessment 2007 and 18% for the year of assessment 2008 onwards, subject to applicable deductions) and stamp duty (at the rate of 3% of the consideration (assuming they are sold on the open market), less S$5,400).

According to information provided by the management of Arundel Trading Pte Ltd and Firth Enterprises Pte Ltd, as the properties are held for sale, it is likely that liability for income tax could arise when the properties are sold. As the purchaser of the properties is liable for stamp duty, unless otherwise agreed, it is not likely that stamp duty would be payable by Arundel Trading Pte Ltd and Firth Enterprises Pte Ltd as vendor.

Appendix A

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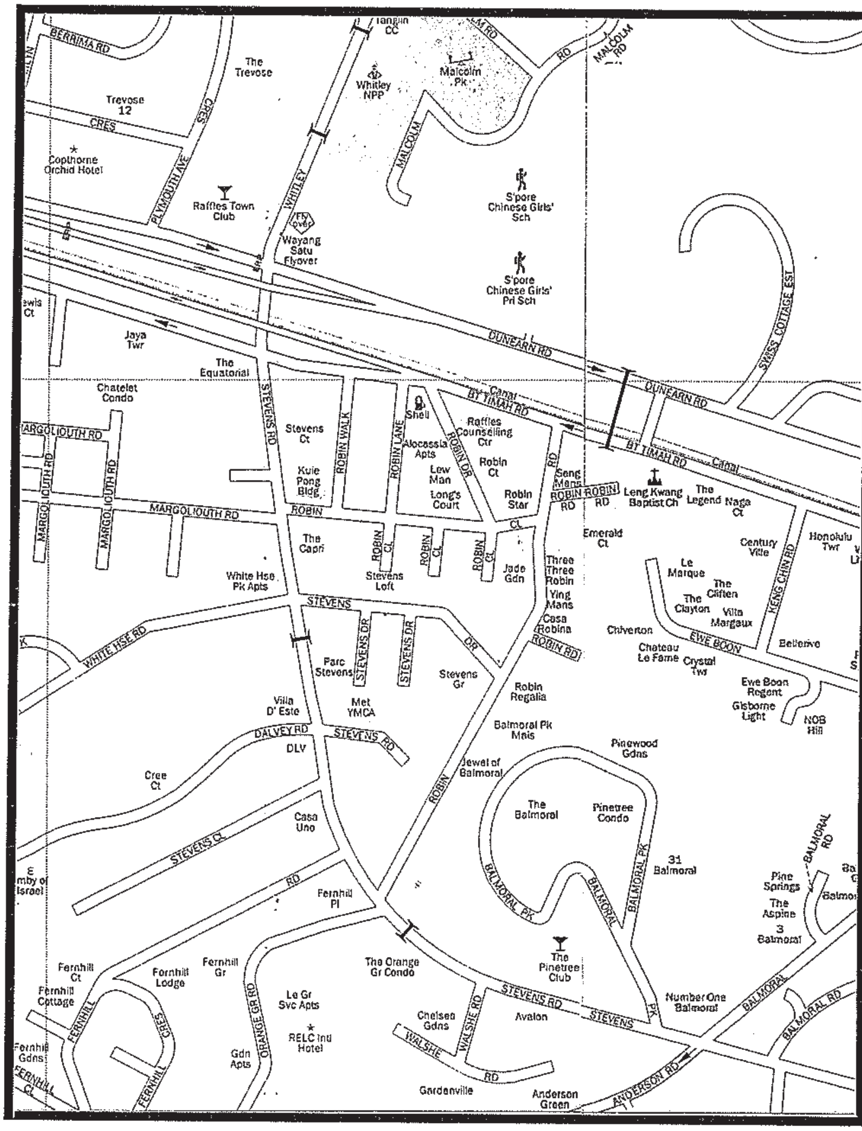
第一太平戴維斯



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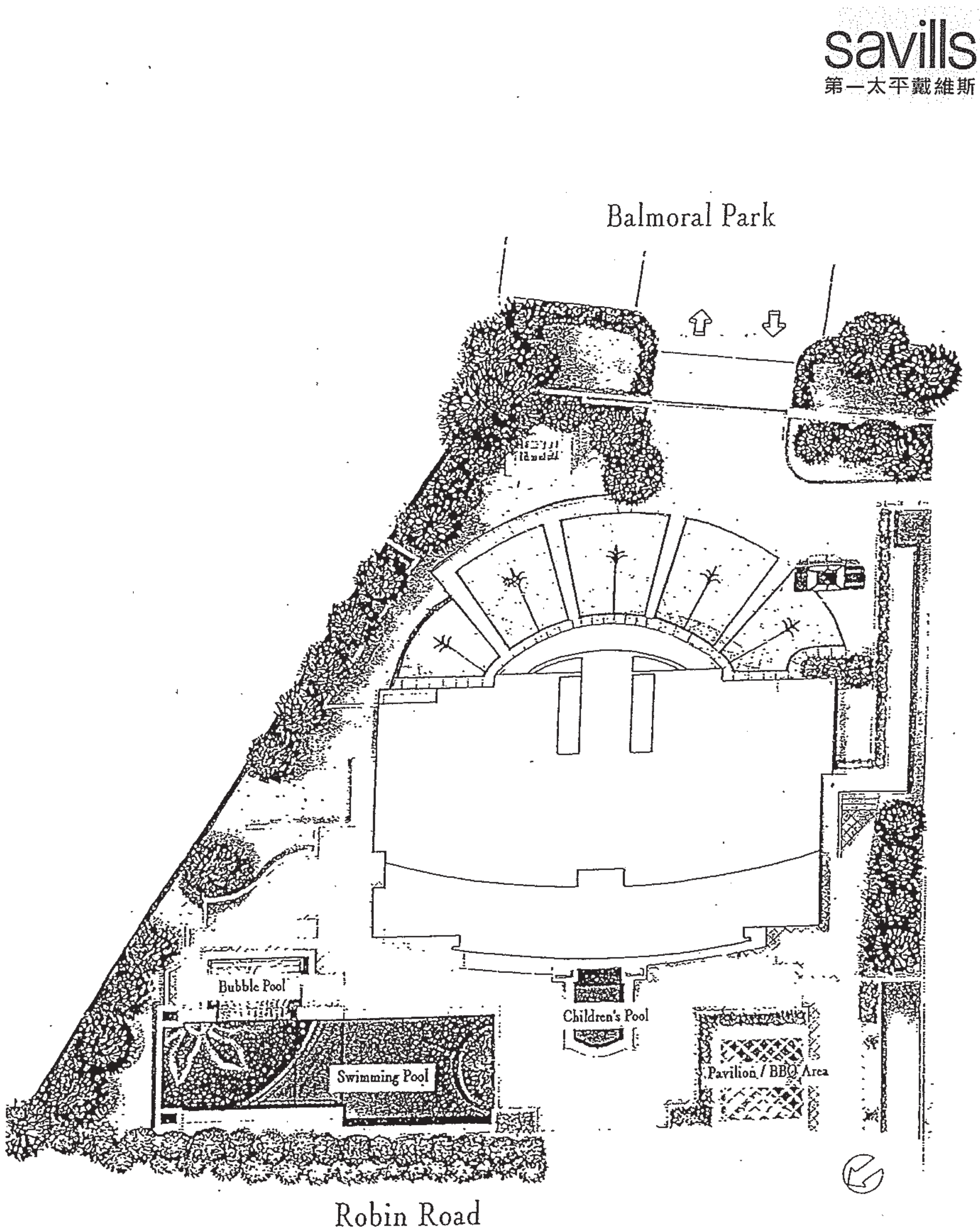
NOT TO SCALE

LEGEND

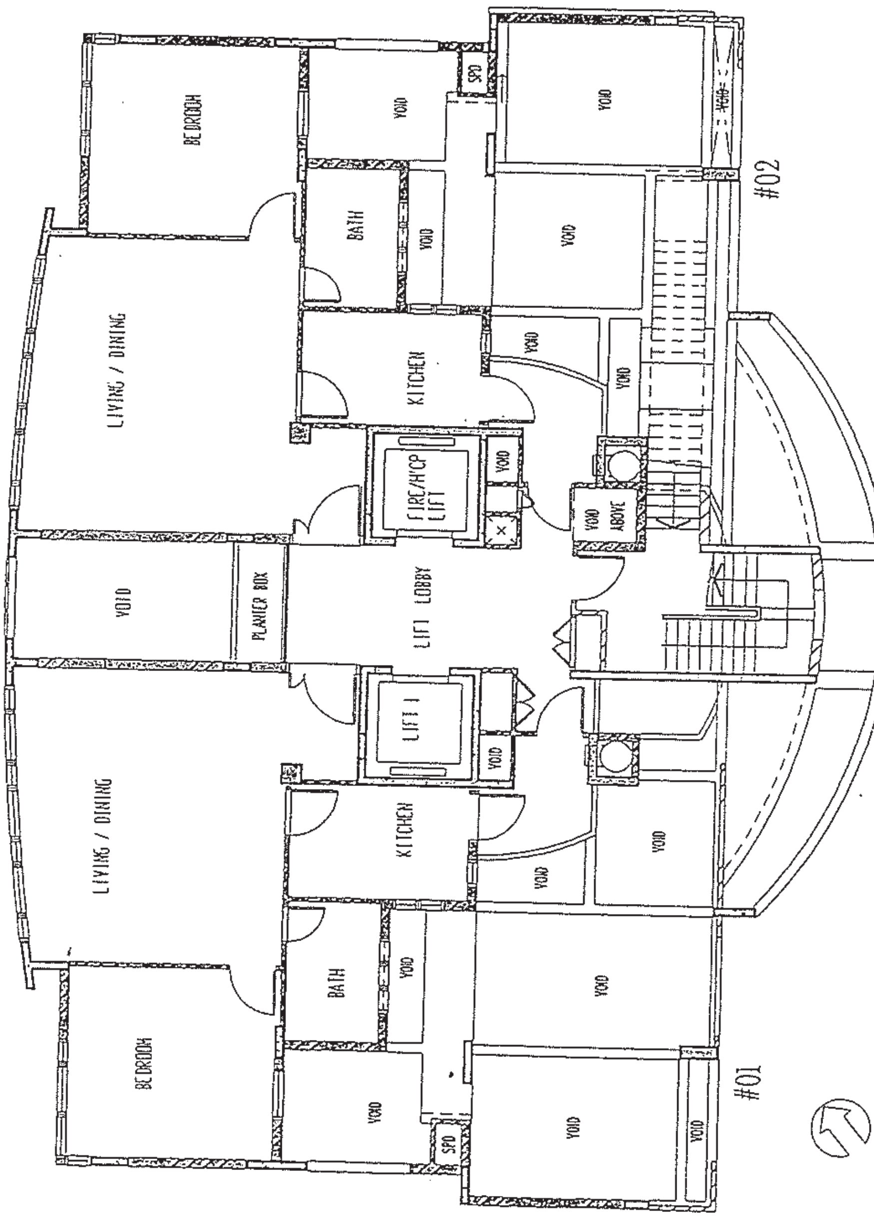
LOCATION OF SUBJECT DEVELOPMENT

Appendix B



Site Plan
(*Not to Scale*)

Appendix C



□ Type A : 764 sq ft
Unit #02-01 & #02-02
Floor Plan
(Not to Scale)

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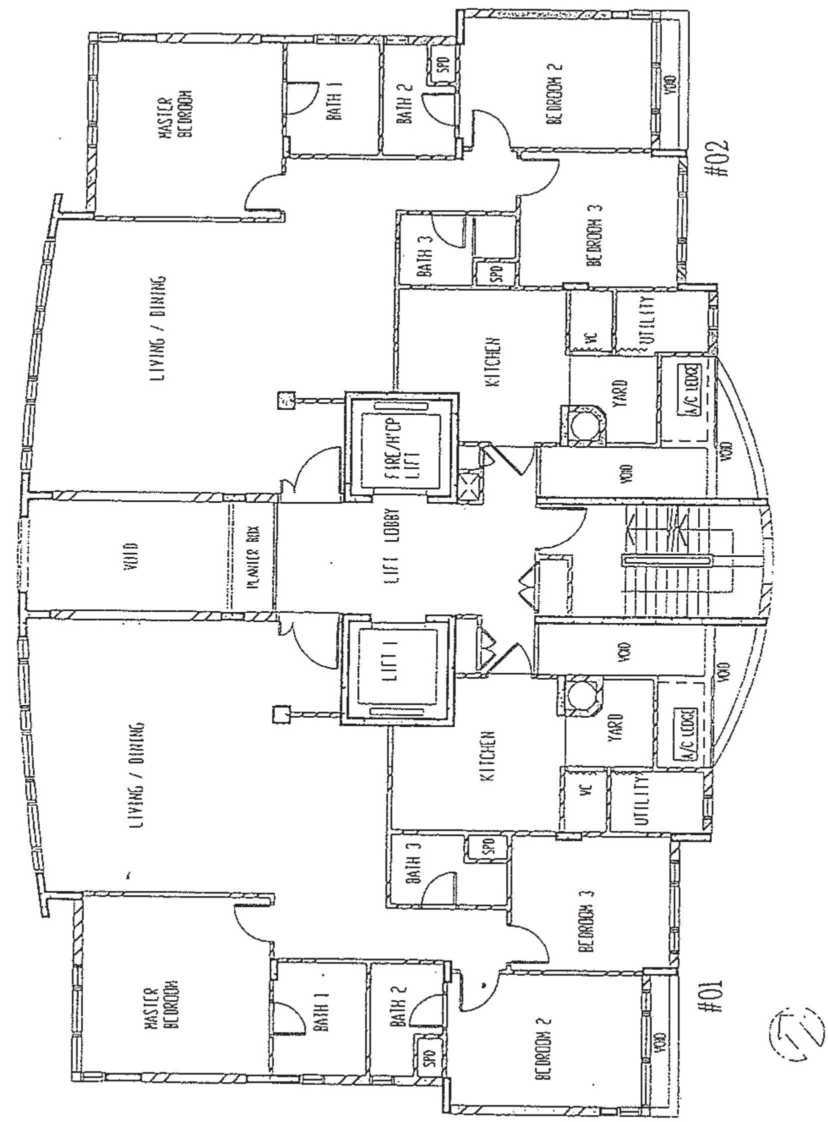
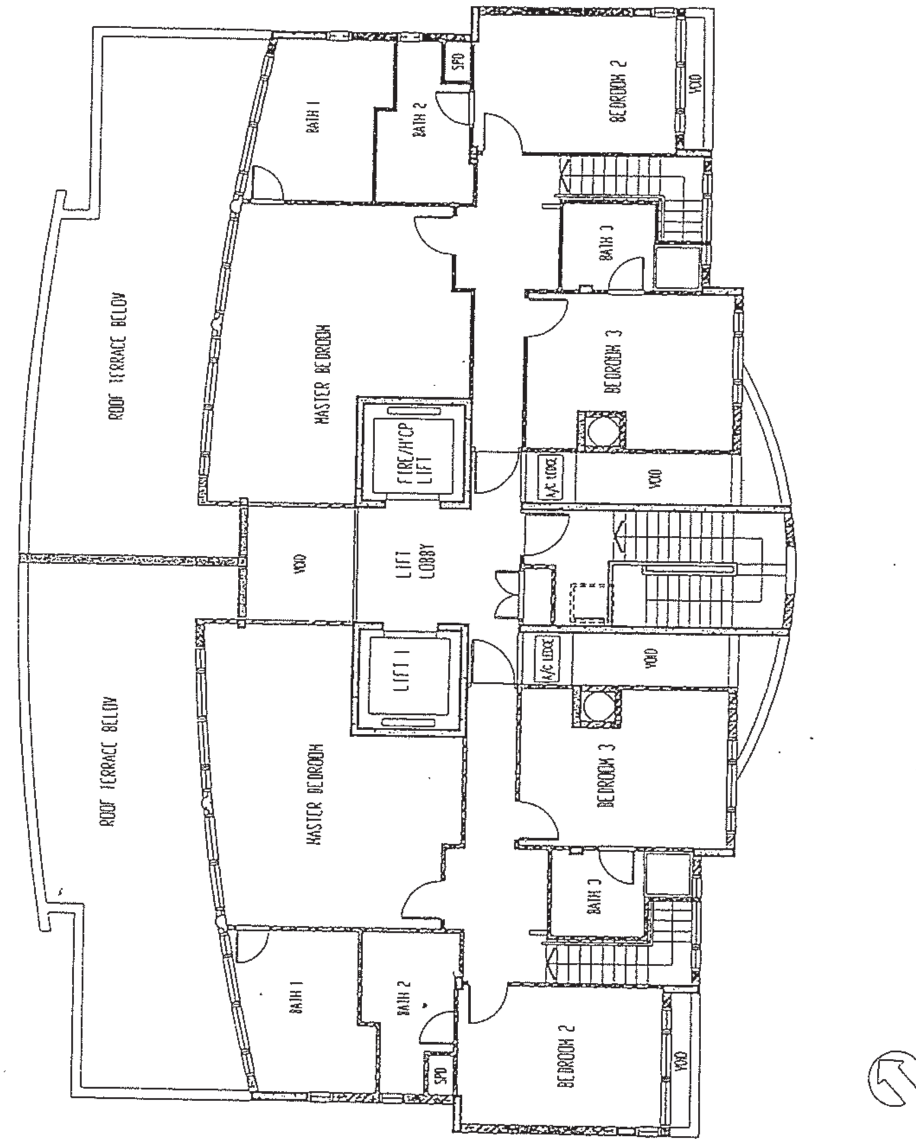


Type B : 1346 sq ft
Units #03-01/02 to #08-01/02

Floor Plan
(Not to Scale)

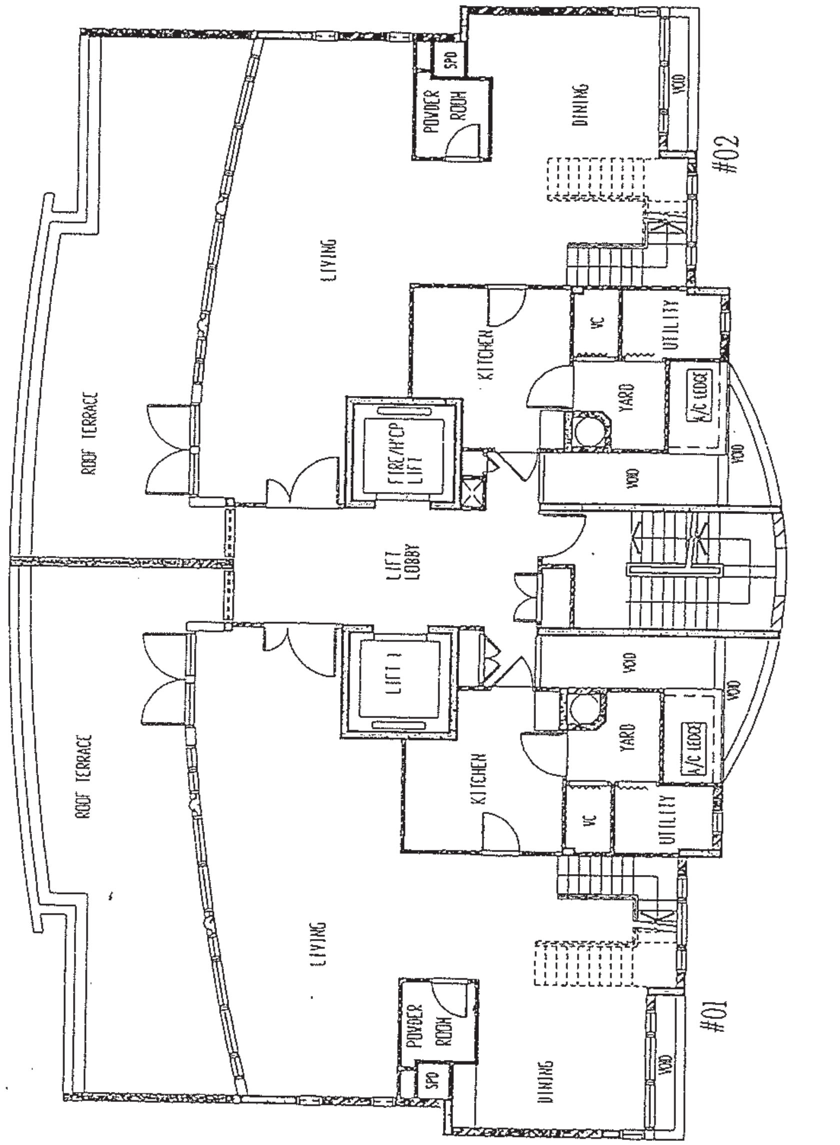
savills
第一太平戴維斯



(PENTHOUSE UPPER STOREY)

Floor Plan
(Not to Scale)

savills 第一太平戴維斯



(PENTHOUSE LOWER STOREY)

☐ Type C : 2411 sq ft
Units #09-01/02

Floor Plan
(Not to Scale)

savills 第一太平戴維斯

Set out below is the text of the valuation report on the Bond as of 25 May 2007 prepared by Sallmanns (Far East) Limited for incorporation in this Composite Offer Document:

Sallmanns

Corporate valuation and consultancy
www.sallmanns.com

22nd Floor
Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong
Tel : (852) 2169 6000
Fax : (852) 2528 5079

24 August 2007

The board of directors
Yorkwin Investments Limited
Room 3201,
9 Queen's Road Central,
Hong Kong

Dear Sirs,

Introduction

In accordance with your instructions, we have undertaken a valuation exercise to estimate the hypothetical fair value of the unsecured interest-bearing bond (the "Bond") to be issued by Yorkwin Investments Limited ("Yorkwin"), a subsidiary of Hong Fok Corporation Limited ("Hong Fok Corporation") as at 25 May 2007 (the "Issue Date").

Purpose of Valuation

The purpose of this valuation is for inclusion into a shareholders' Composite Offer Document.

Basis of Value

Our valuation was carried out on a fair value basis. Fair value is defined as "the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction."

Approach and Methodology

In this valuation, we have considered two generally accepted approaches, namely, market approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future net cash flows and there are numerous empirical and theoretical justifications for the present value of the expected future net cash flows. However, this approach relies on numerous assumptions over a period of time and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

In our opinion, the market approach is inappropriate for valuing the Bond. The approach requires market transactions of comparable assets as an indication of value. However, we have not identified any current market transactions which are comparable. To assess the hypothetical value of the Bond, we adopted the income approach by calculating the future cash flows of the Bond and discounting the computed cash flows using the relevant discount rates as at the Issue Date.

We understand the terms of the Bond to be as follows:

Issuer:	Yorkwin Investments Limited
Principal amount:	The Bond will be issued in denominations of HK$0.24 each.
Maturity:	On the third anniversary from the date of issue
Listing:	No application will be made for listing.
Interest:	The Bond will bear interest from the date of the issue at the rate of 3% per annum of the principal amount of the Bond.
Frequent:	The interest will be payable semi-annually in arrears.
Guarantor:	Hong Fok Corporation Limited will unconditionally guarantee the performance of the Bond.
Security:	Nil

Yield

To estimate the expected yield of the Bond, we have referenced the yields of interest-bearing securities of selected comparable companies as at Issue Date. Comparable companies have been selected based criteria such as country of operation, industry, market capitalization, turnover and availability of interest-bearing securities.

We have reviewed the financial statements of the comparable companies, including Hong Fok Corporation, and the available market yields of their interest-bearing securities. Such information have been collated and analyzed to determine an estimated annual yield for the Bond.

Information and Documents

In forming our opinion of value with respect to the Bond, we have considered and highly relied upon the following information:

(i) Background of the relevant companies;

(ii) Details and documents relating to the issuance of the Bond;

(iii) Indicators of risk free term structures as at the Issue Date;

(iv) Indicators of comparable corporate bonds' yield;

(v) Financial statements of the relevant companies; and

(vi) Discussions with the management of Hong Fok Corporation.

We have analyzed and considered the features of the Bond. In our valuation, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this exercise. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company and their officers, executives and employees.

Our opinion is based upon economic, market, financial and other conditions that can be evaluated as they exist on the Issue Date and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the Issue Date. In arriving at our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

Opinion of Value

Based on the results of our investigation and analysis, it is our opinion that as at the Issue Date, the hypothetical fair value of the Bond issued by Yorkwin is reasonably stated at the amount of **HK$0.2255 EACH (HONG KONG CENTS TWENTY TWO POINT FIFTY FIVE EACH)** equivalent to 93.96% of par value.

For and on behalf of
Sallmanns (Far East) Limited
Simon M.K. Chan, CPA
Director

The following is the text of a report received from Kingsway Capital Limited, for inclusion in this Composite Offer Document, in respect of the valuation of the Bond as set out in this appendix.

集團 滙富 KingswayGroup

The board of directors
Yorkwin Investments Limited
Room 3201,
9 Queen's Road Central,
Hong Kong

24 August 2007

Dear Sirs,

We refer to the independent valuation performed by Sallmanns (Far East) Limited (the "Valuation") of the Bond to be issued by the Offeror under the Offer. The report of the Valuation is contained in Appendix XI to the Composite Offer Document of the Company dated 24 August 2007, of which this letter forms part. Capitalised terms defined in the Composite Offer Document have the same meaning when used in this letter, unless the context otherwise requires.

We have considered the Valuation and have discussed with Sallmanns (Far East) Limited the basis and methodology upon which the Valuation has been made.

We are satisfied that Sallmanns (Far East) Limited and the personnel engaged in the valuation meet the legal and regulatory requirements which apply in the circumstances in which the valuation of the Bond is required and that they have, in respect of the Bond, sufficient current local and international knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently.

Taking into account the basis and methodology of the Valuation adopted by Sallmanns (Far East) Limited upon which the Valuation has been made, we are of the opinion that the Valuation, for which Sallmanns (Far East) Limited is solely responsible, has been prepared after due and careful consideration.

Yours faithfully,
For and on behalf of
Kingsway Capital Limited
Alex Chu
Executive Director

*Set out below is a summary of certain provisions of the memorandum of association (the "**Memorandum of Association**") and the new bye-laws (the "**Bye-laws**") of HF Land (referred to as the "**Company**"* in this appendix) and of certain aspects of Bermuda company law:

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of HF Land Directors (the "board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws has been adopted on 25 July 2007. The following is a summary of certain provisions of the Bye-laws:

(a) HF Land Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The HF Land Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any HF Land Director or past HF Land Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the HF Land Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to HF Land Directors

There are no provisions in the Bye-laws relating to the making of loans to HF Land Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A HF Land Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of HF Land Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A HF Land Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the HF Land Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no HF Land Director or proposed or intending HF Land Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any HF Land Director is in any way interested be liable to be avoided, nor shall any HF Land Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such HF Land Director holding that office or the fiduciary relationship thereby established. A HF Land Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A HF Land Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such HF Land Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the HF Land Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the HF Land Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the HF Land Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the HF Land Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the HF Land Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to HF Land Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any HF Land Director, or his associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the HF Land Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the HF Land Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any HF Land Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office.

The HF Land Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as HF Land Directors.

Any HF Land Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a HF Land Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A HF Land Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a HF Land Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any HF Land Director or ex-HF Land Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the HF Land Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every HF Land Director shall be subject to retirement at least once every three years. The HF Land Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected HF Land Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of HF Land Directors upon reaching any age limit.

The HF Land Directors shall have the power from time to time and at any time to appoint any person as a HF Land Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of HF Land Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any HF Land Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a HF Land Director nor an alternate HF Land Director is required to hold any shares in the Company by way of qualification.

A HF Land Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such HF Land Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a HF Land Director shall contain a statement of the intention to do so and be served on such HF Land Director 14 days before the meeting and, at such meeting, such HF Land Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of HF Land Directors shall not be less than two. There is no maximum number of HF Land Directors unless otherwise determined from time to time by member of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as HF Land Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such HF Land Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such HF Land Director or HF Land Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the

Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by a resolution of the HF Land Director and confirmation by a special resolution of the members. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

(f) Voting rights (generally and on a poll) and rights to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) by any HF Land Director or HF Land Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any HF Land Director. No member (other than a HF Land Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the HF Land Director's report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no HF Land Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditors shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the board may determine to be payable or such lesser sum as the HF Land Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) .

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper selected by the board at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act).

No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The HF Land Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the HF Land Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than 21 days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within 7 days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20 per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

(o) Power to acquire shares of shareholders dissenting from scheme or contract approved by majority

Boardly speaking, where this is a general offer for shares of a company, pursuant to section 102 of the Companies Act, if the offer is approved by the holders of 90 per cent. in value of the shares which are the subject of the offer, the offeror can compulsorily acquire the shares of dissentient shareholders. Shares owned by the offeror or its subsidiary or their nominees at the date of the offer do not, however, count towards the 90%. If the offeror or any of its subsidiaries or any nominee of the offeror or any of its subsidiaries together already own more than 10% of the shares in the subject company at the date of the offer the offeror must offer the same terms to all holders of the same class and the holders who accept the offer, besides holding not less than 90% in value of the shares, must also represent not less than 75% in number of the holders of those shares.

The 90% acceptance must be obtained within 4 months after the making of the offer and, once obtained, the compulsory acquisition may be commenced within 2 months of the acquisition of 90%. Dissentient shareholders do not have express appraisal rights but are entitled to seek relief (within one month of the compulsory acquisition notice) from the Supreme Court of Bermuda which has power to make such orders as it thinks fit.

(p) Holders of ninety-five per cent. of shares may acquire remainder

The holders of 95% or more of the shares or any class of shares may serve a notice on the remaining shareholders or class of shareholders under section 103 of the Companies Act to acquire their shares. Dissentient shareholders have a right to apply to the Supreme Court of Bermuda within one month of the compulsory acquisition notice to have the value of their shares appraised by the Supreme Court of Bermuda. Under section 103 of the Companies Act, if one dissentient shareholder applies to the Supreme Court of Bermuda and is successful in obtaining a higher valuation that valuation must be paid to all shareholders being squeezed out.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix XV. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

CORPORATE INFORMATION

(i) The Offeror was incorporated in the British Virgin Islands with limited liability on 27 February 2007. The directors of the Offeror are Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng.

(ii) The registered address of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The address of the principal office in Hong Kong is Room 3201, 9 Queen's Road, Central, Hong Kong.

(iii) Hong Fok was incorporated in Singapore with limited liability on 15 December 1967. The Hong Fok Directors are:

Executive directors:
Mr. Cheong Kim Pong *(Chairman and Managing Director)*
Mr. Cheong Pin Chuan, Patrick *(Managing Director)*
Ms. Cheong Hooi Kheng
Mr. Cheong Sim Eng

Non-executive directors:
Madam Lim Ghee
Mr. Jackson Lee
Mr. Tan Tock Han
Mr. Lai Meng Seng

(iv) The registered address of Hong Fok is 300 Beach Road #41-00, The Concourse, Singapore 199555.

(v) Kingsway is a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

(vi) Kingsway Capital is a corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror.

(vii) The registered address of each of Kingsway and Kingsway Capital is 5th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

(viii) The principal members of the Offeror's concert group include (i) the Offeror and its directors; (ii) the parent company of the Offeror, Hong Fok, and its directors; (iii) fellow subsidiaries of the Offeror; (iv) directors of HF Land; (v) Madam Margaret Choo, the wife of Mr. Cheong Kim Pong; Madam Low Lee Chen, the wife of Mr. Cheong Sim Eng and Madam Helen Zee Yee Ling, the wife of Mr. Cheong Pin Chuan, Patrick; (vi) Ms. Cheong Gim Kheng (the wife of Mr. Tan Tock Han, who is a Hong Fok Director), Ms. Cheong Puay Kheng, Ms. Cheong Loo Kheng and Ms. Cheong Lay Kheng, the sisters of Mr. Cheong Kim Pong, Mr. Cheong Pin Chuan, Patrick, Ms. Cheong Hooi Kheng and Mr. Cheong Sim Eng, all four of them being directors of the Offeror, Hong Fok and HF Land; (vii) Mr. Cheong Pin Seng, the brother of Mr.

Cheong Kim Pong, Mr. Cheong Pin Chuan, Patrick, Ms. Cheong Hooi Kheng and Mr. Cheong Sim Eng; and (viii) Mr. Cheong Aik Yen, Roy, the son of Mr. Cheong Kim Pong.

SHARE CAPITAL

(i) Hong Fok

The issued share capital of Hong Fok as at 31 December 2006 and at the Latest Practicable Date was as follows:

Issued and fully paid:		*S$*
599,595,180	Hong Fok Shares as at 31 December 2006 and at the Latest Practicable Date	150,712,673

No Hong Fok Shares have been repurchased by Hong Fok since 31 December 2006.

All Hong Fok Shares in issue rank pari passu in all respects with each other including all rights as regards rights to dividend, voting and return of capital.

Hong Fok had no other outstanding options, warrants or conversion rights convertible into Hong Fok Shares as at the Latest Practicable Date.

There has been no re-organisation of the share capital of Hong Fok within the two financial years prior to 25 May 2007 (being the commencement date of the offer period as defined in the Takeovers Code and the date of the Joint Announcement) up to and including the Latest Practicable Date.

(ii) The Offeror

The Offeror was incorporated in the British Virgin Islands on 27 February 2007 and the authorised and issued share capital of the Offeror as at the Latest Practicable Date were as follows:

Authorised:		*US$*
50,000	shares of par value US$1 each	50,000
Issued and fully paid:		*US$*
1	share of par value US$1	1

All shares of the Offeror in issue rank pari passu in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the shares of the Offeror. As at the Latest Practicable Date, there were no outstanding debt securities offered or issued by the Offeror save for the Bonds to be issued pursuant to the Offer.

Since the incorporation of the Offeror and as at the Latest Practicable Date, save for the sole issued share of par value US$1, there were no shares issued or repurchased by the Offeror. Since the incorporation of the Offeror and as at the Latest Practicable Date, there has been no re-organisation of the share capital of the Offeror.

SHAREHOLDINGS

(i) Interests in Hong Fok

The interests of Hong Fok Directors in the shares of Hong Fok as at the Latest Practicable Date were as follows:

Long positions in shares of Hong Fok

	Type of interests and number of shares held					
Name of director	**Personal**	**Family**	**Corporate**	**Other** *(Note (a))*	**Total**	**Percentage**
Cheong Pin Chuan, Patrick	5,163,140	1,125,300 *(Note b)*	94,598,912 *(Note c)*	121,336,000	222,223,352	37.1%
Cheong Kim Pong	2,571,980	503,000 *(Note d)*	94,598,912 *(Note e)*	121,336,000	219,009,892	36.5%
Cheong Sim Eng	62,182,000	207,000 *(Note f)*	28,421,512 *(Note g)*	121,336,000	212,146,512	35.4%
Cheong Hooi Kheng	9,534,820	–	–	121,336,000	130,870,820	21.8%
Lim Ghee *(Note h)*	–	–	–	121,336,000	121,336,000	20.2%
Tan Tock Han	148,000	13,011,818 *(Note i)*	–	–	13,159,818	2.2%
Lai Meng Seng	70,000	–	–	–	70,000	0.01%

Notes:

(a) These shares of Hong Fok were beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of HF Land. Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng were deemed to have interests in the shares of Hong Fok by virtue of their direct and indirect interests in HF Land.

(b) These 1,125,300 shares of Hong Fok (representing approximately 0.2% of the total issued share capital of Hong Fok) were beneficially owned by Madam Helen Zee Yee Ling, the wife of Mr. Cheong Pin Chuan, Patrick.

(c) These shares of Hong Fok represent (1) 5,588,000 shares and 22,833,512 shares of Hong Fok (representing approximately 0.9% and 3.8% of the total issued share capital of Hong Fok respectively) beneficially owned by Corporate Development Limited and Goodyear Realty Co. Pte. Ltd. respectively; and (2) 66,177,400 shares of Hong Fok (representing approximately 11.0% of the total issued share capital of Hong Fok) beneficially owned by P.C. Cheong Pte. Ltd.. The issued share capital for each of Corporate Development Limited and Goodyear Realty Co. Pte. Ltd. are owned as to one-quarter by each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Mr. Cheong Pin Seng.

(d) These 503,000 shares of Hong Fok (representing approximately 0.1% of the total issued share capital of Hong Fok) were beneficially owned by Madam Margaret Choo, the wife of Mr. Cheong Kim Pong.

(e) These shares of Hong Fok represent (1) 5,588,000 shares and 22,833,512 shares of Hong Fok (representing approximately 0.9% and 3.8% of the total issued share capital of Hong Fok respectively) beneficially owned by Corporate Development Limited and Goodyear Realty Co. Pte. Ltd. respectively; and (2) 66,177,400 shares of Hong Fok (representing approximately 11.0% of the total issued share capital of Hong Fok) beneficially owned by K.P. Cheong Investments Pte. Ltd.. The issued share capital for each of Corporate Development Limited and Goodyear Realty Co. Pte. Ltd. are owned as to one-quarter by each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Mr. Cheong Pin Seng.

(f) These 207,000 shares of Hong Fok (representing approximately 0.1% of the total issued share capital of Hong Fok) were beneficially owned by Madam Low Lee Chen, the wife of Mr. Cheong Sim Eng.

(g) These shares of Hong Fok represent 5,588,000 shares and 22,833,512 shares of Hong Fok (representing approximately 0.9% and 3.8% of the total issued share capital of Hong Fok respectively) beneficially owned by Corporate Development Limited and Goodyear Realty Co. Pte. Ltd. respectively. The issued share capital for each of Corporate Development Limited and Goodyear Realty Co. Pte. Ltd. are owned as to one-quarter by each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Mr. Cheong Pin Seng.

(h) These shares of Hong Fok were beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of HF Land. Madam Lim Ghee, as a director of Hong Fok was deemed to have control in the shares of Hong Fok held by HF Land.

(i) These 13,011,818 shares of Hong Fok (representing approximately 2.2% of the total issued share capital of Hong Fok) were beneficially owned by Ms. Cheong Gim Kheng, the wife of Mr. Tan Tock Han and the sister of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng (all of them are Hong Fok Directors).

(j) Apart from Hong Fok Directors' interests in Hong Fok mentioned above, the associates of the Hong Fok Directors were also interested in the shares of Hong Fok as at the Latest Practicable Date. Details of the interests of the associates of the Hong Fok Directors in Hong Fok as at the Latest Practicable Date were as follows:

(1) Mr. Cheong Pin Seng, the brother of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng (all of them are Hong Fok Directors), was interested in 46,657,712 shares of Hong Fok (representing approximately 7.8% of the total issued share capital of Hong Fok) of which (1) 111,200 shares of Hong Fok were beneficially owned by his wife, Madam Lim Peck Choo, (2) 5,588,000 shares and 22,833,512 shares of Hong Fok (representing approximately 0.9% and 3.8% of the total issued share capital of Hong Fok respectively) were beneficially owned by Corporate Development Limited and Goodyear Realty Co. Pte. Ltd. respectively and (3) 18,125,000 shares of Hong Fok (representing approximately 3.0% of the total issued share capital of Hong Fok) were beneficially owned by P.S. Cheong Pte. Ltd. (in liquidation). The issued share capital for each of Corporate Development Limited and Goodyear Realty Co. Pte. Ltd. are owned as to one-quarter by each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Mr. Cheong Pin Seng.

(2) Ms. Cheong Puay Kheng, the sister of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng (all of them are Hong Fok Directors), was interested in 9,552,818 shares of Hong Fok (representing approximately 1.6% of the total issued share capital of Hong Fok).

(3) Ms. Cheong Loo Kheng, the sister of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng (all of them are Hong Fok Directors), was interested in 8,803,818 shares of Hong Fok (representing approximately 1.5% of the total issued share capital of Hong Fok).

(4) Ms. Cheong Lay Kheng, the sister of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Ms. Cheong Hooi Kheng (all of them are Hong Fok Directors), was interested in 9,250,818 shares of Hong Fok (representing approximately 1.5% of the total issued share capital of Hong Fok).

(5) Mr. Cheong Aik Yen, Roy, the son of Mr. Cheong Kim Pong, was interested in 1,320,000 shares of Hong Fok (representing approximately 0.2% of the total issued share capital of Hong Fok).

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and the parties acting in concert with the Offeror (including Hong Fok) owned or controlled any securities in Hong Fok.

Save as disclosed above, none of the Hong Fok Directors and directors of the Offeror was interested in any securities of Hong Fok as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the subsidiaries of HF Land, pension fund of the HF Land Group, Somerley, Hercules, CCIF CPA Limited ("CCIF"), CB Richard Ellis Limited ("CBRE") and Conyers Dill & Pearman ("Conyers") and any other advisers to HF Land as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any securities in Hong Fok.

As at the Latest Practicable Date, no person who owned or controlled securities in Hong Fok had irrevocably committed to the Offeror to accepting or rejecting the Offer.

As at the Latest Practicable Date, no person who owned or controlled securities in Hong Fok had any arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or parties acting in concert with it.

(ii) Interests in the shares of the Offeror

The Offeror is a wholly-owned subsidiary of Hong Fok. Accordingly, the disclosure of interests relating to the Hong Fok Shares as mentioned above is also applicable to the Offeror.

Save as disclosed in the sub-section headed "Interests in Hong Fok" above, as at the Latest Practicable Date, none of the Offeror and the parties acting in concert with the Offeror owned or controlled any securities in the Offeror.

As at the Latest Practicable Date, save as disclosed in the sub-section headed "Interests in Hong Fok" above, none of the Hong Fok Directors and directors of the Offeror was interested in any securities of the Offeror.

As at the Latest Practicable Date, none of the subsidiaries of HF Land, pension fund of the HF Land Group, Somerley, Hercules, CCIF, CBRE and Conyers and any other advisers to HF Land as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any securities in the Offeror.

As at the Latest Practicable Date, no person who owned or controlled securities in the Offeror had irrevocably committed to the Offeror to accepting or rejecting the Offer.

As at the Latest Practicable Date, no person who owned or controlled securities in the Offeror had any arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or parties acting in concert with it.

(iii) Interests in HF Land Shares

As at the Latest Practicable Date, the Offeror did not have any shareholding in HF Land and Hong Fok was beneficially interested in 602,645,787 HF Land Shares (representing approximately 40.4% of the issued share capital of HF Land).

The shareholdings in HF Land owned or controlled by the Offeror, directors of the Offeror and parties acting in concert with the Offeror as at the Latest Practicable Date are set out below.

	Type of interests and number of HF Land Shares held			
Name	**Corporate** *(Note 3)*	**Individual/ Family**	**Total**	**Percentage**
Cheong Pin Chuan, Patrick[1]	602,645,787	3,397,000	606,042,787	40.6%
Cheong Kim Pong[1]	602,645,787	–	602,645,787	40.4%
Cheong Sim Eng[1]	602,645,787	–	602,645,787	40.4%
Cheong Hooi Kheng[1]	602,645,787	2,000,000	604,645,787	40.5%
Tan Tock Han[1]	602,645,787	–	602,645,787	40.4%
Lai Meng Seng[1]	602,645,787	–	602,645,787	40.4%
Madam Helen Zee Yee Ling[2]	602,645,787	–	602,645,787	40.4%
Madam Margaret Choo[2]	602,645,787	–	602,645,787	40.4%
Madam Low Lee Chen[2]	602,645,787	–	602,645,787	40.4%
Ms. Cheong Gim Kheng[2]	602,645,787	–	602,645,787	40.4%
Mr. Cheong Pin Seng[2]	602,645,787	–	602,645,787	40.4%
Ms. Cheong Puay Kheng[2]	602,645,787	–	602,645,787	40.4%
Ms. Cheong Loo Kheng[2]	602,645,787	–	602,645,787	40.4%
Ms. Cheong Lay Kheng[2]	602,645,787	–	602,645,787	40.4%
Mr. Cheong Aik Yen, Roy[2]	602,645,787	–	602,645,787	40.4%

Notes:

1. Hong Fok Director

2. Close relative (as defined in the Takeovers Code) of Hong Fok Directors. For details of the relationship with the relevant Hong Fok Director, please refer to paragraph (viii) under the section "Corporate Information" in this appendix.

3. All the Hong Fok Directors and their close relatives named above were deemed to have corporate interests in the HF Land Shares by virtue of their beneficial interests in the shares of Hong Fok, a substantial shareholder of HF Land. The 602,645,787 HF Land Shares represented the same interests and were duplicated amongst the Hong Fok Directors and their close relatives named above.

4. Hong Fok's beneficial interest in 602,645,787 HF Land Shares as stated above and the individual/ family interest in HF Land Shares as stated above have arisen from the Group Reorganisation pursuant to which HF Land Shares were distributed in specie to shareholders of Winfoong.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with the Offeror (including Hong Fok) owned or controlled any securities in HF Land.

Save as disclosed above, none of the Hong Fok Directors and the directors of the Offeror are interested in shares of HF Land as at the Latest Practicable Date.

As at the Latest Practicable Date, none of a subsidiary of HF Land or pension fund of the HF Land Group, Somerley, Hercules, CCIF, CBRE and Conyers who are advisers to HF Land owned or controlled any securities in HF Land.

As at the Latest Practicable Date, no person who owned or controlled securities in HF Land had irrevocably committed to the Offeror to accepting or rejecting the Offer.

As at the Latest Practicable Date, no person who owned or controlled securities in HF Land had any arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or parties acting in concert with it.

DEALINGS

(i) Securities in Hong Fok

Save as disclosed below, none of the persons whose shareholding are disclosed under the paragraph headed "Shareholdings" above in this appendix, had dealt for value in the Hong Fok Shares during the period beginning six months prior to 25 May 2007 (being the commencement date of the offer period as defined in the Takeovers Code and the date of the Joint Announcement) up to and including the Latest Practicable Date.

Name	**Date of dealing**	**Number of shares of Hong Fok involved**	**Buy/ Sell**	**Price** *(S$)*
Cheong Pin Chuan, Patrick	13 June 2007	500,000 *(note a)*	Buy	1.667
Cheong Kim Pong	13 June 2007	500,000 *(note a)*	Buy	1.667
Cheong Sim Eng	13 June 2007	500,000 *(note a)*	Buy	1.667
	13 June 2007	906,000	Buy	1.649
	15 June 2007	400,000	Buy	1.670
	18 June 2007	447,000	Buy	1.743
	22 June 2007	150,000	Buy	1.837

Name	Date of dealing	Number of shares of Hong Fok involved	Buy/ Sell	Price (S$)
Cheong Hooi Kheng	15 June 2007	300,000	Buy	1.670
Cheong Pin Seng	12 April 2007	20,752,376	Sell	1.600
	12 April 2007	28,045,800 *(note b)*	Sell	1.600
	30 April 2007	10,000 *(note c)*	Buy	1.520
	13 June 2007	500,000 *(note a)*	Buy	1.667
Cheong Gim Kheng	13 June 2007	100,000	Buy	1.670
Cheong Puay Kheng	12 June 2007	10,000	Buy	1.650
	15 June 2007	5,000	Buy	1.670
Lai Meng Seng	31 July 2007	20,000	Buy	1.680

Note:

(a) It represents the shares of Hong Fok dealt by Goodyear Realty Co. Pte. Ltd which is owned as to one-quarter by each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Mr. Cheong Pin Seng.

(b) It represents the shares of Hong Fok dealt by P.S. Cheong Pte. Ltd (in liquidation) of which approximately 97% is owned by Mr. Cheong Pin Seng.

(c) It represents the shares of Hong Fok dealt by Madam Lim Peck Choo, the wife of Mr. Cheong Pin Seng.

Save as disclosed in this sub-section above, none of the Offeror or the parties acting in concert with the Offeror dealt for value in any securities in Hong Fok during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

Save as disclosed in this sub-section above, none of the Hong Fok Directors or the directors of the Offeror dealt for value in any securities in Hong Fok during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

None of the subsidiaries of HF Land or any pension fund of the HF Land Group, Somerley, Hercules, CCIF, CBRE and Conyers and any other advisers to HF Land as specified in class (2) of the definition of "associate" under the Takeovers Code dealt for value in any securities in Hong Fok during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

(ii) Securities in the Offeror

None of the parties acting in concert with the Offeror dealt for value in any securities in the Offeror during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

None of the Hong Fok Directors or the directors of the Offeror dealt for value in any securities in the Offeror during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

None of the subsidiaries of HF Land or any pension fund of HF Land Group, Somerley, Hercules, CCIF, CBRE and Conyers and any other advisers to HF Land as specified in class (2) of the definition of "associate" under the Takeovers Code dealt for value in any securities in the Offeror during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

(iii) Securities in HF Land

Save for the HF Land Shares received by the Hong Fok Group and the other parties acting in concert with the Offeror under the Group Reorganisation as disclosed under the sub-section headed "Interests in HF Land Shares" under the section headed "Shareholdings" above, none of the Offeror and parties acting in concert with it dealt for value in any securities in HF Land during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

Save for the HF Land Shares received by the directors of Hong Fok and the Offeror under the Group Reorganisation as disclosed under the sub-section headed "Interests in HF Land Shares" under the section headed "Shareholdings" above, none of the Hong Fok Directors or the directors of the Offeror dealt for value in any securities in HF Land during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

None of the subsidiaries of HF Land or any pension fund of HF Land Group, Somerley, Hercules, CCIF, CBRE and Conyers and any other advisers to HF Land as specified in class (2) of the definition of "associate" dealt for value in any securities in HF Land during the period commencing six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

(iv) Arrangements in relation to dealings

As at the Latest Practicable Date, no arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror, any person acting in concert with it or any of their respective associates, and any other persons or their associates.

MARKET PRICES

(i) Hong Fok Shares

Set out below are the closing prices of the Hong Fok Shares on The Singapore Exchange Securities Trading Limited (i) on the Latest Practicable Date; (ii) on 24 May 2007, the day preceding the date of the Joint Announcement; (iii) on the Last Trading Day; and (iv) on the last trading day of each of the calendar months during the period commencing six months immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date:

	S$
30 November 2006	0.92
29 December 2006	0.91
31 January 2007	1.05
28 February 2007	0.98
30 March 2007	1.31
30 April 2007	1.50
24 May 2007	1.52
25 May 2007	1.51
30 May 2007	1.47
29 June 2007	1.88
31 July 2007	1.65
Latest Practicable Date	1.21

The highest and lowest closing prices of the Hong Fok Shares during the period commencing six months immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date were S$1.93 per Hong Fok Share on 25 June 2007 and S$0.82 per Hong Fok Share on 19 December 2006 respectively.

(ii) Winfoong Shares

Set out below are the closing prices of the Winfoong Shares on the Stock Exchange (i) on the Latest Practicable Date; (ii) on 24 May 2007, the day preceding the date of the Joint Announcement; (iii) on the Last Trading Day; and (iv) on the last trading day of each of the calendar months during the period commencing six months immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date:

	HK$
30 November 2006	0.465
29 December 2006	0.480
31 January 2007	0.540
28 February 2007	0.650
30 March 2007	0.530
30 April 2007	0.700
24 May 2007	–*
25 May 2007	0.810
31 May 2007	0.720
29 June 2007	0.610
31 July 2007	0.530
Latest Practicable Date	0.320

* Public holiday in Hong Kong

The highest and lowest closing prices of the Winfoong Shares during the period commencing six months immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date were HK$0.81 per Winfoong Share on 25 May 2007 and HK$0.31 per Winfoong Share on 17 August 2007 respectively.

MATERIAL CHANGE

As at the Latest Practicable Date, the Hong Fok Directors are not aware of any material change in the financial or trading position or outlook of the Hong Fok Group since 31 December 2006 (being the date to which the latest published audited financial statements of the Hong Fok Group were made up) up to and including the Latest Practicable Date save for those matters that have been disclosed in this Composite Offer Document or announced by Hong Fok, as those listed below:

(i) in June 2007, a wholly-owned subsidiary of Hong Fok obtained provisional permission from the Urban Redevelopment Authority of Singapore for the proposed redevelopment (the "Proposed Redevelopment") of part of the property known as The Concourse in Singapore, one of the properties owned by the Hong Fok Group. The Proposed Redevelopment, if proceeded with, may entail addition or alteration and reconstruction of parts of The Concourse. The Proposed Redevelopment may be subject to change, pending further consultation with the relevant authorities and consultants. The Proposed Redevelopment may or may not proceed, or may proceed subject to change;

(ii) in July 2007, a wholly-owned subsidiary of Hong Fok obtained a loan facility of S$673,000,000 (the "Facilities") principally for the purpose of refinancing/ restructuring certain existing indebtedness of that subsidiary, to finance the Proposed Redevelopment, and the development charge and premium in respect of the Proposed Redevelopment and proposed topping up of the lease tenure of the property. The Facilities are secured by, inter alia, a first legal mortgage over The Concourse and a guarantee given by Hong Fok;

(iii) Winfoong and its wholly-owned subsidiary Goldease have become indirect non-wholly owned subsidiaries of Hong Fok, since the completion of the Group Reorganisation on 1 August 2007; and

(iv) if the Offer becomes unconditional, Winfoong will become an associated company of Hong Fok and HF Land will become a non wholly-owned subsidiary of Hong Fok.

ARRANGEMENTS IN CONNECTION WITH THE OFFER

(i) As at the Latest Practicable Date, no agreement, arrangement or understanding existed between the Offeror and any other persons for the transfer, charge or pledge of the HF Land Shares acquired by the Offeror under the Offer.

(ii) There is no benefit (other than statutory compensation) to be given to any HF Land Director as compensation for loss of office or otherwise in connection with the Offer. There is no agreement or arrangement between any HF Land Director and any other person which is conditional on or dependent upon the outcome of the Offer or is otherwise connected with the Offer. There is no material contract entered into by the Offeror in which any HF Land Director has a material personal interest.

(iii) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of HF Land which is conditional on or dependent upon the outcome of the Offer or otherwise connected therewith.

(iv) As at the Latest Practicable Date, no agreement or arrangement existed whereby the Offeror is a party thereto which relates to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offer.

(v) No emoluments of the Hong Fok Directors or directors of the Offeror will be affected by the Offer or any other associated transaction.

INDEBTEDNESS

(i) Hong Fok

Borrowings

At the close of business on 31 May 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Offer Document, the Hong Fok Group had outstanding borrowings of approximately S$484,500,000 which were secured by:

(i) mortgages over the Hong Fok Group's investment and development properties situated in Singapore with an aggregate carrying amount of S$1,073,770,000 as at 31 May 2007;

(ii) assignment of the rights, titles and interest in the tenancy agreements and insurances from its properties situated in Singapore;

(iii) assignment of the rights, titles and interest in the sale and purchase agreements from its development properties and assignment of construction contracts and construction guarantees from certain investment properties;

(iv) subordination of certain intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Hong Fok Group in favour of the banks and financial institutions;

(v) corporate guarantees given by Hong Fok; and

(vi) fixed assets under finance lease agreements with an aggregate carrying value of approximately S$140,700 as at 31 May 2007.

Contingent liabilities

(i) At 31 May 2007, Hong Fok had given unconditional guarantees to financial institutions to secure credit facilities made available to its subsidiaries to the extent of approximately S$505,950,000. The extent of such facilities utilised by the subsidiaries as at 31 May 2007 amounted to approximately S$492,000,000.

Disclaimers

Save as aforesaid, the Hong Fok Group did not have, at the close of business on 31 May 2007, outstanding liabilities or any mortgages, charges, debentures, loan capital, bank overdrafts, liabilities under acceptance or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

Save as disclosed in this Composite Offer Document, the Hong Fok Directors have confirmed that there have been no material changes in the indebtedness and contingent liability of the Hong Fok Group since 31 May 2007, up to and including the Latest Practicable Date.

(ii) The Offeror

Since the Offeror was established solely for the purpose of the Offer, no indebtedness statement of the Offeror is available.

LITIGATION

In the course of the business of property development carried out by subsidiaries of Hong Fok which involves general construction and building, claims may be threatened or made both by and against the Hong Fok Group in connection with such construction or development activities, the merits of which may not be accurately assessed until the relevant project is completed or the claims are finalized. Save as disclosed above, as at the Latest Practicable Date, none of the members of the Hong Fok Group including the Offeror was engaged in any litigation or claim in any court of material importance and no litigation or claim in any court of material importance was known to the Hong Fok Directors and (in respect of the Offeror) the directors of the Offeror to be pending or threatened against any member of the Hong Fok Group including the Offeror.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Hong Fok Group and the Offeror) were entered into by the members of the Hong Fok Group and the Offeror after the two years preceding the date of the Joint Announcement up to the Latest Practicable Date and are or may be material:

(i) a term loan facility letter dated 20 April 2007 issued by Nanyang Commercial Bank, Limited (the "Lender") and accepted on 23 April 2007 by Hong Fok Investment Holding Company, Limited, a wholly-owned subsidiary of Hong Fok, for the purpose of providing a loan facility of HK$50,000,000 for the Offer (the "Offer Facility"). Interest shall accrue on the principal amount of the drawdown on a daily basis calculated from the day of each drawdown to the date of repayment at the rate of 1% p.a. above Hong Kong Inter-Bank Offered Rate for Hong Kong Dollars (HIBOR);

(ii) a guarantee dated 23 April 2007 entered into by Hong Fok in favour of the Lender in respect of the Offer Facility; and

(iii) the Agreement.

MISCELLANEOUS

The addresses of the principal members of the Offeror's concert group are as follows:

Member	Address
Mr. Cheong Kim Pong and Madam Margaret Choo	6 Victoria Park Close, Singapore 266554
Mr. Cheong Pin Chuan, Patrick and Madam Helen Zee Yee Ling	12/F., Magazine Height, 17 Magazine Gap Road, Hong Kong
Mr. Cheong Sim Eng and Madam Low Lee Chen	3 Chatsworth Park, Singapore 249809
Ms. Cheong Hooi Kheng	24 Cable Road, Singapore 249895
Ms. Cheong Loo Kheng	28 Jalan Rimau, Singapore 418724
Ms. Cheong Lay Kheng	92 Lorong M Telok Kurau, Singapore 425397
Mr. Tan Tock Han and Ms. Cheong Gim Kheng	No. 2A Greenbank Park, Singapore 589415
Mr. Cheong Pin Seng	38 Oxley Garden, Singapore 238769
Mr. Cheong Aik Yen, Roy	6 Victoria Park Close, Singapore 266554
Ms. Cheong Puay Kheng	9 Green Lane, Singapore 438909
Madam Lim Ghee	5 Oxley Rise, Singapore 238694
Mr. Jackson Lee	95 Grange Road, #10-12 Grange Residences, Singapore 249616
Mr. Lai Meng Seng	109 Holland Grove View, Singapore 276266
Hong Fok and its subsidiaries	300 Beach Road #41-00, The Concourse, Singapore 199555

SHARE CAPITAL

HF Land was incorporated in Bermuda on 26 March 2007, and the authorised and issued share capital of HF Land at the Latest Practicable Date were as follows:

Authorised:		*HK$*
2,000,000,000	HF Land Shares	100,000,000.00
Issued and fully paid or credited as fully paid:		
1,492,410,986	HF Land Shares	74,620,549.30

All the HF Land Shares in issue rank pari passu in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the HF Land Shares.

SHAREHOLDINGS

(i) As at the Latest Practicable Date, save for the approximately 20.2% interest in the total issued share capital of Hong Fok, the HF Land Group did not have shareholding interest in the Offeror and Hong Fok.

(ii) As at the Latest Practicable Date, the interests of the HF Land Directors in HF Land or Hong Fok were as follows:

(1) Shareholdings in the HF Land Shares

Name of HF Land Director	Type of interests and number of HF Land Shares held: Corporate *(Note)*	Individual/ Family	Total	Percentage
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	602,645,787	2,000,000	604,645,787	40.5%

Note: These HF Land Directors were deemed to have corporate interests in the HF Land Shares by virtue of their beneficial interests in the shares in Hong Fok, a substantial shareholder of HF Land. The 602,645,787 HF Land Shares represented the same interests and were duplicated amongst these HF Land Directors.

(2) Shareholdings in the Hong Fok Shares

Name of HF Land Director	Type of interests and number of Hong Fok Shares held					
	Personal	**Family**	**Corporate** *(Note (a))*	**Other** *(Note (b))*	**Total**	**Percentage**
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	9,534,820	–	–	121,336,000	130,870,820	21.8%

Notes:

(a) These Hong Fok Shares were beneficially held by a number of companies in which the HF Land Directors had beneficial interests.

(b) These Hong Fok Shares were beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of HF Land. The HF Land Directors were deemed to have interests in the Hong Fok Shares by virtue of their direct and indirect interests in HF Land.

(iii) As at the Latest Practicable Date, none of the subsidiaries, pension fund of the HF Land Group, Somerley, Hercules, CCIF, CBRE, Conyers and any other advisers to HF Land as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any shares, options, warrants, derivatives or securities convertible into the HF Land Shares.

(iv) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with HF Land or with any person who is an associate of HF Land by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code.

DEALINGS

Save for those mentioned in the table below, none of the persons whose shareholdings are disclosed in the sub-section headed (ii) (1) and (2) under the section headed "Shareholdings" in this appendix dealt for value in the shares, options, warrants, derivatives or securities convertible into shares in question for each of HF Land or the Offeror or Hong Fok during the period beginning six months prior to 25 May 2007 (being the commencement date of the offer period as defined in the Takeovers Code and the date of the Joint Announcement) up to and including the Latest Practicable Date.

Name	Date of dealing	Number of Hong Fok Shares involved	Buy/ Sell	Prices *(S$)*
Cheong Pin Chuan, Patrick	13 June 2007	500,000 *(note)*	Buy	1.667
Cheong Kim Pong	13 June 2007	500,000 *(note)*	Buy	1.667
Cheong Sim Eng	13 June 2007	500,000 *(note)*	Buy	1.667
	13 June 2007	906,000	Buy	1.649
	15 June 2007	400,000	Buy	1.670
	18 June 2007	447,000	Buy	1.743
	22 June 2007	150,000	Buy	1.837
Cheong Hooi Kheng	15 June 2007	300,000	Buy	1.670

Note: It represents the Hong Fok Shares dealt by Goodyear Realty Co. Pte. Ltd which is owned as to one-quarter by each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Sim Eng and Mr. Cheong Pin Seng.

None of the persons whose shareholdings are disclosed in the sub-section headed (iii) and (iv) under the section headed "Shareholdings" in this appendix dealt for value in the shares, options, warrants, derivatives or securities convertible into shares in question for each of HF Land or the Offeror or Hong Fok during the period beginning six months prior to 25 May 2007 (being the commencement date of the offer period as defined in the Takeovers Code and the date of the Joint Announcement) up to and including the Latest Practicable Date.

MARKET PRICES

As the HF Land Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the HF Land Shares quoted on the Stock Exchange or any other stock exchanges.

ARRANGEMENTS AFFECTING THE HF LAND DIRECTORS

As at the Latest Practicable Date, there was no benefit (other than statutory compensation) to be given to any HF Land Director as compensation for loss of office or otherwise in connection with the Offer.

As at the Latest Practicable Date, there was no agreement or arrangement between any HF Land Director and any other person which is conditional on or dependent upon the outcome of the Offer or is otherwise connected with the Offer.

As at the Latest Practicable Date, there was no material contract entered into by the Offeror or Hong Fok in which any HF Land Director has any material personal interest.

Since the HF Land Directors are parties acting in concert with the Offeror, they are not Disinterested HF Land Shareholders and therefore the Offer is not made to any of the HF Land Directors. Accordingly, none of the HF Land Directors can have any intention to accept or reject the Offer.

MATERIAL CONTRACTS

Save for the sale and purchase agreement dated 1 August 2007 entered into between Winfoong and HF Land in respect of the exchange of the entire issued share capital of Winfoong Limited (which held the Distributed Business) for the issue and allotment of 1,492,400,955 HF Land Shares to Winfoong as part of the Group Reorganisation, there was no contract (not being those entered into in the ordinary course of business carried on or intended to be carried on by HF Land or any of its subsidiaries) entered into by members of the HF Land Group after the date two years prior to 25 May 2007 (being the commencement date of the offer period as defined in the Takeovers Code) up to and including the Latest Practicable Date, which was or may be material.

LITIGATION

As at the Latest Practicable Date, no member of the HF Land Group was engaged in litigation or arbitration of material importance and no litigation or claim of material importance was known to the HF Land Directors to be pending or threatened by or against any member of the HF Land Group.

INDEBTEDNESS

Borrowings

At the close of business on 31 May 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Offer Document, the HF Land Group had secured bank borrowings of HK$425,600,000 which are secured by:

(i) fixed charges over the HF Land Group's investment properties situated in Hong Kong with an aggregate carrying amount of HK$1,753,022,000 as at 31 May 2007;

(ii) assignment of receivables in relation to the aforementioned investment properties situated in Hong Kong;

(iii) charges over certain of the HF Land Group's bank balances of approximately HK$913,000 as at 31 May 2007 for the purpose of assignment of receivables in relation to the aforementioned investment properties and issued shares of certain subsidiaries of HF Land;

(iv) subordination and assignment of intra-group and shareholders' loans to certain subsidiaries of HF Land in favour of the banks; and

(v) corporate guarantees given by Winfoong International Limited, the former ultimate holding company of HF Land.

Contingent liabilities

As at 31 May 2007, the HF Land Group had no material contingent liabilities.

Disclaimers

Save as aforesaid, the HF Land Group did not have, at the close of business on 31 May 2007, outstanding liabilities or any mortgage, charges, debentures, loan capital, bank overdrafts, liabilities under acceptance or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

The HF Land Directors have confirmed that there have been no material changes in the indebtedness and contingent liability of the HF Land Group since 31 May 2007, up to and including the Latest Practicable Date.

WORKING CAPITAL

The HF Land Directors are satisfied that after due and careful enquiry and taking into account the existing banking facilities available and the existing cash and bank balances, the HF Land Group would have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this Composite Offer Document, in the absence of unforeseeable circumstances.

MATERIAL CHANGES

As at the Latest Practicable Date, the HF Land Directors were not aware of any material change in the financial or trading position or outlook of the HF Land Group subsequent to 31 December 2006 (being the date to which the latest published audited financial statements of the HF Land Group were made up).

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the HF Land Directors had service contract with HF Land or any or its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) have been entered into or amended within 6 months before the date of the Joint Announcement; (ii) which are continuous contracts with a notice period of 12 months or more or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

RESPONSIBILITY STATEMENTS

This Composite Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the HF Land Group and the Offeror.

HF Land Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than those relating to the Offeror and the Hong Fok Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those relating to the Offeror and the Hong Fok Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Offeror and the Hong Fok Group) not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document relating to the Offeror and the Hong Fok Group, the terms and conditions of the Offer and the Offeror's intention regarding the HF Land Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document relating to the Offeror and the Hong Fok Group, the terms and conditions of the Offer and the Offeror's intention regarding the HF Land Group have been arrived at after due and careful consideration and there are no other facts relating to the Offeror and Hong Fok Group, the terms and conditions of the Offer and the Offeror's intention regarding the HF Land Group not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters or reports (as the case may be) are contained in this Composite Offer Document:

Name	Qualification
Kingsway	a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Kingsway Capital	Kingsway Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Hercules	a corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO
CCIF	certified public accountants

Name	Qualification
CRBE	chartered surveyors and financial and business valuers
Sallmanns (Far East) Limited ("Sallmanns")	chartered surveyors and financial and business valuers
Savills Singapore Pte Ltd ("Savills Singapore")	chartered surveyors and financial and business valuers
Conyers	Bermuda legal advisers

Each of Kingsway, Hercules, Kingsway Capital, CCIF, CBRE, Sallmanns, Savills Singapore and Conyers has given and has not withdrawn its written consent to the issue of this Composite Offer Document, with the inclusion of its letter or reports (as the case may be) or references to its name in the form and context in which they are included.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection between 9:00 a.m. and 5:45 p.m. from Monday to Friday at Room 3201, 9 Queen's Road Central, Hong Kong from the date of this Composite Offer Document up to and including the closing date for the Offer:

(i) the memorandum of association and the bye-laws or articles of association (as the case may be) of HF Land, Hong Fok and the Offeror;

(ii) the letter from the board of HF Land, the text of which is set out on pages 7 to 9 of this Composite Offer Document;

(iii) the letter from Kingsway, the text of which is set out on pages 10 to 20 of this Composite Offer Document;

(iv) the letter of advice from Hercules, the text of which is set out on pages 21 to 33 of this Composite Offer Document;

(v) the audited financial information on the HF Land Group for the three years ended 31 December 2006, the text of which is set out in Appendix II to this Composite Offer Document;

(vi) the audited financial information on the Hong Fok Group for the three years ended 31 December 2006 and the unaudited first and second quarters financial statement on the consolidated results for the period ended 31 March 2007 and 30 June 2007 respectively, the text of which is set out in Appendix III to this Composite Offer Document;

(vii) the audited financial information on the Winfoong Group for the three years ended 31 December 2006 and the unaudited financial information of the Winfoong Group for the six months ended 30 June 2007, the text of which is set out in Appendix IV to this Composite Offer Document;

(viii) the audited financial information on the Goldease Group for the three years ended 31 December 2006, the text of which is set out in Appendix V to this Composite Offer Document;

(ix) the pro forma financial information on the Enlarged Winfoong Group, the text of which is set out in Appendix VI to this Composite Offer Document;

(x) the property valuation report on the HF Land Group from CBRE, the text of which is set out in Appendix VII to this Composite Offer Document;

(xi) the property valuation reports on the Hong Fok Group from Savills Singapore, the text of each of which is set out in Appendix VIII to this Composite Offer Document;

(xii) the property valuation report on the Winfoong Group from CBRE, the text of which is set out in Appendix IX to this Composite Offer Document;

(xiii) the property valuation reports on the Goldease Group from Savills Singapore, the text of each of which is set out in Appendix X to this Composite Offer Document;

(xiv) the valuation report on the Bond from Sallmanns and the report in connection therewith from Kingsway Capital, the text of each of which is set out in Appendix XI to this Composite Offer Document;

(xv) the letter from Conyers as referred to in the section headed "Bermuda Company Law" in Appendix XII to this Composite Offer Document summarising certain aspects of Bermuda company law, together with a copy of the Companies Act 1981 of Bermuda;

(xvi) the material contracts as referred to in the section headed "Material contracts" in appendices XIII and XIV; and

(xvii) the written consents as referred to in the section headed "Experts and consents" in this appendix.

Copies of the above documents will be available for inspection on the Winfoong's website at www.winfoong.com and the SFC's website at www.sfc.hk during the period from the date of this Composite Offer Document up to and including the close of the Offer.

MISCELLANEOUS

The English text of each of this Composite Offer Document and the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.