

LEE HING DEVELOPMENT LIMITED

Interim Report 2005

The Board of Directors of Lee Hing Development Limited announced the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2005 as follows:—

Condensed Consolidated Profit and Loss Account

for the six months ended 30 June 2005

	Note	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited and restated)
Turnover	4	120,617	144,512
Other revenue and income	4	1,021	2,500
Carrying value of available-for-sale investments sold		(100,873)	(111,440)
Cost of inventories sold		(807)	—
Write-back of provision for impairment in value of available-for-sale investments		—	26,865
Amount transferred from long-term investment revaluation reserve – on disposals of available-for-sale investments		39,326	55,849
on impairment in value of available-for-sale investments		—	(14,785)
Fair value changes on investment properties		1,000	—
Other operating expenses		(5,048)	(5,813)
Operating profit before finance costs	5	55,236	97,688
Finance costs		(1,002)	(1,998)
Operating profit after finance costs		54,234	95,690
Share of results of associates		54,393	(9,765)
Profit before taxation		108,627	85,925
Taxation	6	—	(365)
Profit for the period		<u>108,627</u>	<u>85,560</u>
Attributable to:			
Shareholders of the Company		107,180	85,763
Minority interests		1,447	(203)
		<u>108,627</u>	<u>85,560</u>
Interim dividend	7	<u>2,133</u>	<u>2,133</u>
Earnings per share (cents)	8	<u>50.24</u>	<u>38.58</u>

Condensed Consolidated Balance Sheet

as at 30 June 2005

	Note	30.6.2005 HK\$'000 (Unaudited)	31.12.2004 HK\$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment		3,857	4,003
Investment properties		25,000	24,000
Leasehold land		13,826	13,835
Interests in associates		562,486	526,124
Available-for-sale investments		483,022	595,841
		<u>1,088,191</u>	<u>1,163,803</u>
Current assets			
Inventories		—	766
Held for trading investments		17,164	16,159
Other assets		295	295
Debtors, deposits and prepayments	9	15,364	9,899
Cash and bank balances		229,555	148,808
		<u>262,378</u>	<u>175,927</u>
Current liabilities			
Creditors, deposits and accruals	10	5,816	5,091
Notes payable	11	28,576	28,576
Provision for taxation		636	636
		<u>35,028</u>	<u>34,303</u>
Net current assets		<u>227,350</u>	<u>141,624</u>
Total assets less current liabilities		1,315,541	1,305,427
Non-current liabilities			
Notes payable	11	171,454	200,030
Net assets		<u>1,144,087</u>	<u>1,105,397</u>
Capital and reserves			
Share capital	12	213,336	213,336
Reserves		874,132	835,942
Proposed dividend		2,133	2,133
Equity attributable to shareholders of the Company		<u>1,089,601</u>	<u>1,051,411</u>
Minority interests		<u>54,486</u>	<u>53,986</u>
Total equity		<u>1,144,087</u>	<u>1,105,397</u>

Condensed Consolidated Statement of Changes in Equity

	Share capital	Capital redemption reserve	Share premium	Capital reserve	Investment property revaluation reserve	Property revaluation reserve	Long-term investment revaluation reserve	Retained profit	Equity attributable to shareholders			Total equity
									Proposed dividend	of the Company	Minority interest	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000 (Restated)	HKS'000	HKS'000	HKS'000 (Restated)	HKS'000 (Restated)	HKS'000	HKS'000	HKS'000 (Restated)
At 1.1.2004												
- as originally stated	388,765	9,452	316,006	53,585	17,125	—	131,503	377,249	2,133	1,245,818	53,397	1,209,415
- effect of adopting new HKFRSs	—	—	—	—	—	—	—	102	—	102	—	102
- as restated	388,765	9,452	316,006	53,585	17,125	—	131,503	377,351	2,133	1,245,920	53,397	1,209,517
Realised on disposals of available-for-sale investments	—	—	—	—	—	—	(55,849)	—	—	(55,849)	—	(55,849)
Revaluation deficit	—	—	—	—	—	—	(17,231)	—	—	(17,231)	—	(17,231)
Share of associate's reserve	—	—	—	—	—	—	(582)	—	—	(582)	—	(582)
Premium and brokerage expenses paid on share repurchases	—	—	—	—	—	—	—	(162,284)	—	(162,284)	—	(162,284)
Transfer to profit and loss account upon impairment in value of available-for-sale investments	—	—	—	—	—	—	14,785	—	—	14,785	—	14,785
Realised on disposals of investment properties	—	—	—	—	2,659	—	—	—	—	2,659	—	2,659
Net gains (losses) not recognised in profit and loss account	—	—	—	—	2,659	—	(58,877)	(162,284)	—	(218,502)	—	(218,502)
Profit for the period	—	—	—	—	—	—	—	85,763	—	85,763	(203)	85,560
2003 final dividend	—	—	—	—	—	—	—	(2,133)	(2,133)	—	—	(2,133)
2004 interim dividend	—	—	—	—	—	—	—	(2,133)	2,133	—	—	—
Repurchases of shares	(125,429)	—	—	—	—	—	—	—	—	(125,429)	—	(125,429)
Transfer to capital redemption reserve upon share repurchases	—	125,429	—	—	—	—	—	(125,429)	—	—	—	—
	(125,429)	125,429	—	—	2,659	—	(58,877)	(204,083)	—	(260,301)	(203)	(260,504)
At 30.6.2004	213,336	134,881	316,006	53,585	19,784	—	72,626	173,268	2,133	985,619	53,394	1,039,013
At 31.12.2004												
- as originally stated	213,336	134,881	316,006	53,585	23,784	22,032	77,550	207,952	2,133	1,051,259	53,986	1,105,245
- effect of adopting new HKFRSs	—	—	—	—	—	—	—	152	—	152	—	152
- as restated	213,336	134,881	316,006	53,585	23,784	22,032	77,550	208,104	2,133	1,051,411	53,986	1,105,397
- effect of adopting new HKFRSs	—	—	—	—	(23,784)	—	—	23,784	—	—	—	—
At 1.1.2005, as restated	213,336	134,881	316,006	53,585	—	22,032	77,550	231,888	2,133	1,051,411	53,986	1,105,397
Realised on disposals of available-for-sale investments	—	—	—	—	—	—	(39,326)	—	—	(39,326)	—	(39,326)
Revaluation deficit	—	—	—	—	—	—	(16,955)	—	—	(16,955)	—	(16,955)
Share of associate's reserve	—	—	—	—	—	—	(10,576)	—	—	(10,576)	(947)	(11,523)
Net losses not recognised in profit and loss account	—	—	—	—	—	—	(10,576)	(56,281)	—	(66,857)	(947)	(67,804)
Profit for the period	—	—	—	—	—	—	—	107,180	—	107,180	1,447	108,627
2004 final dividend	—	—	—	—	—	—	—	(2,133)	(2,133)	—	—	(2,133)
2005 interim dividend	—	—	—	—	—	—	—	(2,133)	2,133	—	—	—
	—	—	—	—	—	—	(10,576)	(56,281)	105,047	—	38,190	500
At 30.6.2005	213,336	134,881	316,006	53,585	—	11,456	21,269	336,995	2,133	1,089,601	54,486	1,144,087

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2005

	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Net cash flow from (used in):		
Operating activities	4,559	17,700
Investing activities	94,419	215,111
Financing activities	<u>(30,708)</u>	<u>(134,012)</u>
Net increase in cash and cash equivalents	68,270	98,799
Cash and cash equivalents at beginning of period	<u>148,808</u>	<u>52,680</u>
Cash and cash equivalents at end of period	<u><u>217,078</u></u>	<u><u>151,479</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	229,555	157,217
Bank deposits pledged to banks	<u>(12,477)</u>	<u>(5,738)</u>
	<u><u>217,078</u></u>	<u><u>151,479</u></u>

Notes to Interim Financial Statements

1. Basis of preparation and accounting policies

The condensed consolidated financial statements have been prepared in compliance with Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) and Hong Kong Accounting Standard (HKAS) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2004 except as described in note 2 below.

2. Impact of new Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards (HKFRSs, which also include HKASs and Interpretations) which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the following HKFRSs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 17	Leases
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 3	Business Combinations

The major changes in accounting policies upon the adoption of these HKFRSs and the application of the relevant transitional provisions are summarised as follows:

- (a) The adoption of HKAS 1 and HKAS 27 has resulted in a change in the presentation of minority interests, which are now shown within equity. On the face of the consolidated profit and loss account, minority interests are presented as an allocation of the total profit or loss for the period.

The adoption of HKAS 1 has also affected the share of results of associates to reflect their net after-tax results and other disclosures.

- (b) The adoption of HKAS 17 has resulted in a change in accounting policy of leasehold land. In prior years, leasehold land and building were included in fixed assets and stated at cost less accumulated depreciation and any impairment losses.

Following the adoption of HKAS 17, leasehold land and building are split into a lease of land and a lease of building in proportion to the relative fair values of the interests in the land and the building elements at the inception of the lease. Leasehold land is stated at cost, and amortised over the period of the lease on a straight line basis, whereas leasehold building is stated at cost less accumulated depreciation and any impairment losses. This change in accounting policy has been applied retrospectively.

- (c) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy of financial instruments. In prior years, investments in debt and equity securities were classified as listed and unlisted investments held for long-term purpose and listed investments held for trading purpose, which were stated at fair value. Changes in fair value of listed and unlisted investments held for long-term purpose were recognised directly in the long-term investment revaluation reserve in the period in which the changes occurred, until the investments were sold or otherwise disposed of, or until the value of the investments was determined to be impaired, at which time the cumulative gain or loss was accounted for in the profit and loss account for the year. Changes in fair value of listed investments held for trading purpose were recognised in the profit and loss account.

Following the adoption of HKAS 39, listed and unlisted investments held for long-term purpose reclassified as available-for-sale investments are stated at fair value and changes in which are recognised in long-term investment revaluation reserve. An exception is investments in debt and equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. They are measured at cost less any impairment losses. Listed investments held for trading purpose reclassified as held for trading investments continue to be stated at fair value, and changes in which are recognised in profit and loss account. The change in accounting policy has no effect on the results of the prior period.

- (d) The adoption of HKAS 40 has resulted in a change in accounting policy of investment property. In prior years, changes in fair value of investment properties were dealt with as movements in investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Following the adoption of HKAS 40, any changes in fair value of investment properties are dealt with in the profit and loss account. The Group has applied the relevant transitional provisions and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to retained profit.

- (e) The adoption of HK(SIC)-Int 21 has resulted in a change in accounting policy of deferred tax related to investment property. In prior years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequences that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation.

Following the adoption of HK(SIC)-Int 21, it removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the properties at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC)-Int 21, this change in accounting policy has been applied retrospectively. However, the adoption of HK(SIC) – Int 21 does not have any significant impact on the profit of the prior period and no prior period adjustment is necessary.

- (f) The adoption of HKFRS 3 has resulted in a change in accounting policy of goodwill. In prior years, goodwill arising from business combinations before 1 January 2001 was held in reserves, and goodwill arising from business combinations on or after 1 January 2001 was capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years.

The Group has applied the relevant transitional provisions in HKFRS 3. Accordingly, the change in accounting policy has no effect on the interim report.

3. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Decrease in amortisation and depreciation of leasehold land and building	25	25
Fair value changes on investment properties	<u>1,000</u>	<u>—</u>
Increase in profit for the period	<u>1,025</u>	<u>25</u>

Analysis of increase in profit for the period by line items presented according to their function:

	Six months ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Decrease in other operating expenses	25	25
Fair value changes on investment properties	<u>1,000</u>	<u>—</u>
	<u>1,025</u>	<u>25</u>

The cumulative effects of the application of the new HKFRSs on the balance sheet as at 31 December 2004 and 1 January 2005 are summarised below:

	Effect of adopting		Effect of adopting		At 1.1.2005 HK\$'000 (Restated)
	At 31.12.2004 HK\$'000 (Originally stated)	HKAS 17 HK\$'000	At 31.12.2004 HK\$'000 (Restated)	HKAS 40 HK\$'000	
Property, plant and equipment	17,686	(13,683)	4,003	—	4,003
Leasehold land	<u>—</u>	<u>13,835</u>	<u>13,835</u>	<u>—</u>	<u>13,835</u>
	<u>17,686</u>	<u>152</u>	<u>17,838</u>	<u>—</u>	<u>17,838</u>
Investment property revaluation reserve	23,784	—	23,784	(23,784)	—
Retained profit	<u>207,952</u>	<u>152</u>	<u>208,104</u>	<u>23,784</u>	<u>231,888</u>
	<u>231,736</u>	<u>152</u>	<u>231,888</u>	<u>—</u>	<u>231,888</u>

4. Segment reporting

The Group was principally engaged in investment holding.

(i) Business segments

The Group comprises the following business segments:

Share investment and dealing — investments in listed and unlisted securities, purchases and sales of long-term and short-term listed securities

Other operation — property investment

	Share investment and dealing		Other operation		Consolidated account	
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000 (Restated)
Segment revenue						
Turnover	115,792	143,471	4,825	1,041	120,617	144,512
Other revenue and income	1,005	847	16	1,653	1,021	2,500
Total revenue	<u>116,797</u>	<u>144,318</u>	<u>4,841</u>	<u>2,694</u>	<u>121,638</u>	<u>147,012</u>
Segment results	<u>50,213</u>	<u>94,938</u>	<u>5,023</u>	<u>2,624</u>	55,236	97,562
Finance costs					(1,002)	(1,872)
Share of results of associates					<u>54,393</u>	<u>(9,765)</u>
Profit before taxation					108,627	85,925
Taxation					<u>—</u>	<u>(365)</u>
Profit for the period					<u>108,627</u>	<u>85,560</u>
Attributable to:						
Shareholders of the Company					107,180	85,763
Minority interests					<u>1,447</u>	<u>(203)</u>
					<u>108,627</u>	<u>85,560</u>

(ii) Geographical segments

Over 90% of the Group's revenue is derived from operations carried out in Hong Kong.

5. Operating profit before finance costs

	2005 HK\$'000	2004 HK\$'000 (Restated)
Operating profit before finance costs is stated after charging (crediting):		
Depreciation	155	156
Amortisation of leasehold land	8	8
Profit on disposals of fixed assets	—	(1,683)
Interest income	(2,110)	(574)
Interest income – available-for-sale investments	(6,425)	(5,883)
Unrealised (gain) loss on held for trading investments	(1,005)	634

6. Taxation

	2005 HK\$'000	2004 HK\$'000 (Restated)
Current tax		
Company and subsidiaries		
Overseas taxation	<u>—</u>	<u>365</u>

Overseas taxation represents withholding tax on dividend income received by the Group from overseas available-for-sale investments.

Share of tax of associates of HK\$838,000 (2004: HK\$4,267,000) is included in share of results of associates.

7. Interim dividend

	2005 HK\$'000	2004 HK\$'000
Interim dividend proposed – 1 cent per share (2004: 1 cent per share)	<u>2,133</u>	<u>2,133</u>

8. Earnings per share

The calculation of earnings per share is based on unaudited consolidated profit attributable to shareholders of the Company of HK\$107,180,000 (2004 (restated): HK\$85,763,000) and the 213,336,285 shares (2004: weighted average of 222,307,771 shares) of HK\$1 each in issue during the period.

9. Debtors, deposits and prepayments

The Group maintains a defined credit policy on its trade debtors.

	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Trade debtors		
Below 30 days	3,110	3,884
31 to 60 days	—	—
61 to 90 days	—	—
91 to 365 days	9,132	5,850
Over 365 days	2,958	—
	<u>15,200</u>	<u>9,734</u>
Other debtors, deposits and prepayments	164	165
	<u>15,364</u>	<u>9,899</u>

Trade debtors represented interest receivable of HK\$15,200,000 (31.12.2004: HK\$8,775,000) from debt securities included in available-for-sale investments.

10. Creditors, deposits and accruals

	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Trade creditors	—	—
Other creditors, deposits and accruals	5,816	5,091
	<u>5,816</u>	<u>5,091</u>

11. Notes payable

	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Notes payable	200,030	228,606
Amount payable within one year classified under current liabilities	(28,576)	(28,576)
	<u>171,454</u>	<u>200,030</u>
Repayment period		
Within one year	28,576	28,576
One to two years	171,454	28,576
Two to five years	—	171,454
	<u>200,030</u>	<u>228,606</u>

12. Share capital

	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Authorised		
Ordinary shares of HK\$1 each	<u>410,000</u>	<u>410,000</u>
Issued and fully paid		
Ordinary shares of HK\$1 each		
Balance at beginning of period	213,336	338,765
Repurchases of shares	<u>—</u>	<u>(125,429)</u>
Balance at end of period	<u>213,336</u>	<u>213,336</u>

13. Contingent liabilities

Guarantee given by the Group in respect of banking facilities available to an associate amounted to HK\$41,250,000 (31.12.2004: HK\$41,250,000).

14. Pledge of assets

The Group pledged leasehold land and building of HK\$16,524,000 (31.12.2004: HK\$16,409,000) together with available-for-sale investments and bank deposits, with a total net book value of HK\$147,000,000 (31.12.2004: HK\$138,000,000) as security for banking facilities extended to the Group in the sum of HK\$98,000,000 (31.12.2004: HK\$119,200,000).

The Group pledged its shares in an associate as part of the security for bank loans granted to the associate. The Group has also subordinated and assigned its loan to the associate of HK\$131,031,000 (31.12.2004: HK\$131,031,000) to the banks by way of security.

15. Related party transactions

Details of material transactions are as follows:

- (a) Loan and advances of HK\$278,433,000 (31.12.2004: HK\$284,841,000) were advanced by the Group to associates.
- (b) As mentioned in note 13, the Group had contingent liabilities in respect of guarantee for banking facilities available to an associate.
- (c) As mentioned in note 14, the Group pledged its shares in an associate and subordinated and assigned its loan to the associate for bank loans granted to the associate.

16. Comparative figures

Certain comparative figures have been restated or reclassified to conform with current period's presentation.

Interim Dividend

The Directors have declared an interim dividend of 1 cent per share for the year ending 31 December 2005 (2004: 1 cent per share) payable to shareholders registered on 19 October 2005. Dividend warrants will be posted to shareholders by 25 October 2005.

Closure of Register of Members

The Register of Members will be closed from 17 October to 19 October 2005, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the interim dividend, shareholders are reminded to lodge their transfers not later than 4:00 p.m. on Friday, 14 October 2005 with Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

Management Discussion and Analysis

Results for the period

The Group recorded HK\$121 million turnover in the six months ended 30 June 2005, a 17% decrease as compared with the last corresponding period. The decrease was largely attributable to the decrease in sales of available-for-sale investments and dividend income from available-for-sale investments.

Profit attributable to shareholders of the Company was HK\$107 million, an increase of HK\$21 million as compared with HK\$86 million in the last corresponding period. The increase was mainly due to the revaluation surplus on investment properties and share of profit of associates.

Increase in share of profit of associates was mainly due to share of write-back of provision for impairment loss of HK\$36 million in respect of an associate's interest in a hotel property.

Financial resources and liquidity

The Group's total borrowings were HK\$200 million at the period end. HK\$29 million of the borrowings will mature within one year after balance sheet date.

The Group's borrowings represented Notes issued for the repurchase of its own shares as announced on 19 November 2003. With respect to the interest rate structure of the borrowings, the interest rates were at 1% per annum and at 3% per annum during the extension period.

The gearing ratio of the Group was 18%. The computation is based on total borrowings of the Group divided by equity attributable to shareholders of the Company as at 30 June 2005.

Charges on Group's assets

The Group's leasehold land and building, available-for-sale investments and bank deposits with a total net book value of approximately HK\$147 million have been pledged to banks to secure banking facilities granted to the Group.

The Group's shares in an associate have been pledged to banks as part of the security for bank loans granted to the associate. The Group has also subordinated and assigned to the banks its loan of approximately HK\$131 million to the associate.

Contingent liabilities

As at 30 June 2005, the Group had contingent liabilities of approximately HK\$41 million in respect of guarantee for banking facilities granted to an associate.

Significant investments

The Group had interests in Resorts World Berhad, IGB Corporation Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market values of the investments as at 30 June 2005 were HK\$43 million, HK\$74 million and HK\$76 million respectively.

The Group also had interests in 37.736% participation rights under a US\$79.5 million Note issued by Silverlink Holdings Limited with carrying values of HK\$234 million. Interest income from the Note amounted to HK\$6 million during the period.

Material acquisitions and disposals

During the period, the Group disposed of listed shares with carrying value of HK\$34 million in New World China Land Limited and HK\$66 million in Resorts World Berhad at consideration of HK\$37 million and HK\$68 million respectively.

During the period, the Group also acquired listed shares with cost of HK\$5 million in Padiberas Nasional Berhad.

Employees

As at 30 June 2005, the Group's number of staff was 8. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

Continuing Obligation

Details of advances given to and guarantees given for banking facilities granted to affiliated companies as at 30 June 2005, which in aggregate exceeded the relevant percentage ratio of 8% under Chapter 13 of the Listing Rules are as follows:

Affiliated companies	Approximate percentage of equity held by Group	Balance of advances	Guarantees given	Extent of guaranteed facilities utilised	Aggregate of advances and guarantees given
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cheer Star Development Limited	28%	131,031	41,250	22,330	172,281
Ichiban Properties Limited	50%	142,509	—	—	142,509
Phil Inc.	20%	2,044	—	—	2,044
Double Golden Sdn. Bhd.	50%	2,368	—	—	2,368
Start Hold Limited	33%	481	—	—	481

The above affiliated companies are associates of the Group. The advances were arose from the ordinary course of business of the Group and were unsecured, non-interest bearing and with no fixed term of repayment.

Pursuant to the continuing disclosure requirements under Chapter 13 of the Listing Rules, the proforma combined balance sheet of the affiliated companies and the attributable interest of the Group in the affiliated companies as at 30 June 2005 are disclosed as follows:

Proforma combined balance sheet of affiliated companies

	Proforma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	663,013	245,193
Current assets	23,468	5,590
Current liabilities	(23,777)	(6,231)
Non-current liabilities	<u>(838,315)</u>	<u>(293,981)</u>
Net liabilities	<u>(175,611)</u>	<u>(49,429)</u>

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2005, the Directors' interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Directors	No. of ordinary shares			Total	Percentage holding
	Personal interests	Family interests	Corporate interests		
Mr. Tan Boon Seng	900,000	2,991,000 (iv) (v)	16,486,000 (i) (iii)	20,377,000	9.55
Mr. Ang Guan Seng	—	—	—	—	—
Mr. Ho Hau Chong, Norman	—	—	—	—	—
Mr. Tan Choon Keat, Tony	—	—	8,304,000 (i) (ii)	8,304,000	3.89
Mr. Tan Kai Seng	—	—	—	—	—
Mr. Yeung Chik Kin	225,800	—	—	225,800	0.11
Mr. Fung Ka Pun	—	—	—	—	—
Mr. Chan Kai Kwok	—	—	—	—	—

Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Messrs. Tan Choon Keat, Tony and Tan Boon Seng had beneficial interests in this company.
- (ii) Tan Kim Yeow Sdn. Bhd. and TKY Investments Pte. Ltd. in aggregate held 6,204,000 shares. Mr. Tan Choon Keat, Tony had beneficial interest in these companies.
- (iii) HK 1 Limited held 14,386,000 shares. Mr. Tan Boon Seng had beneficial interest in this company.
- (iv) TYMS Limited held 2,981,000 shares. This company is beneficially owned by Mr. Tan Boon Seng's children and Mr. Tan Boon Seng acts as trustee for his children.
- (v) The wife of Mr. Tan Boon Seng held 10,000 shares.

Certain nominee shares in subsidiaries were held by Mr. Tan Boon Seng in trust for the Company or its subsidiaries.

Other than those disclosed above, no Directors held an interest in the share capital of the Company's subsidiaries.

As at 30 June 2005, no right was granted to or exercised by any Director of the Company or his spouse or children under 18 years of age to subscribe for equity or debt securities of the Company or any of its associated corporations.

Substantial Shareholders

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2005 the Company had been notified of the following interests in the Company's shares:

	No. of ordinary shares	Percentage holding
NWD (Hotels Investments) Limited	54,500,000 (i)	25.55
IGB Corporation Berhad	35,854,000 (ii)	16.81
Petaling Garden (S) Pte. Limited	29,006,000 (iii)	13.60
Tan Boon Seng	20,377,000 (iv)	9.55

Notes:

- (i) The interest of NWD (Hotels Investments) Limited (64% owned by New World Development Co. Ltd. and 36% owned by Chow Tai Fook Enterprises Ltd.) was held through its wholly-owned subsidiary, Keep Silver Investments Limited.
- (ii) The interest of IGB Corporation Berhad was held through its wholly-owned subsidiary, Intercontinental Aviation Services Sdn. Bhd.
- (iii) The interest of Petaling Garden (S) Pte. Limited (54% owned by Hoe Seng Company Pte. Limited) was held through its wholly-owned subsidiaries, Chiefyear Development Limited and Manifold Investments Pte. Limited.
- (iv) The 20,377,000 shares are held as to 900,000 shares by Mr. Tan Boon Seng, as to 10,000 shares by the wife of Mr. Tan Boon Seng, as to 2,100,000 shares by Wah Seong Enterprises Sdn. Bhd., as to 14,386,000 shares by HK 1 Limited and as to 2,981,000 shares by TYMS Limited. Wah Seong Enterprises Sdn. Bhd. is beneficially owned by Mr. Tan Choon Keat, Tony and Mr. Tan Boon Seng. HK 1 Limited is beneficially owned by Mr. Tan Boon Seng. TYMS Limited is beneficially owned by the children of Mr. Tan Boon Seng and Mr. Tan Boon Seng acts as trustee for his children.

Purchase, Sale and Redemption of Listed Securities

The Company has not redeemed any of its shares during the period. Neither the Company nor its subsidiary has purchased or sold any of the Company's shares during the period.

Review of Interim Report

The unaudited interim report of the Group for the six months ended 30 June 2005 has been reviewed by the Audit Committee of the Company.

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, except for the following deviations from code provisions A.2.1 and A.4.1.

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and chief executive officer (CEO) are required to be separated and not be performed by the same individual. During the reporting period, Mr. Tan Boon Seng acted as the Chairman and Managing Director (equivalent to CEO in this case). This constitutes a deviation from code provision A.2.1. The reason for such deviation is set out below.

The arrangement under which the roles of Chairman and Managing Director are performed by the same individual is the extension of the Company's existing corporate governance model. It has been considered beneficial at the present stage as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations, as well as to enhance the management of the Company.

Code provision A.4.1

Under code provision A.4.1, Non-executive Directors should be appointed for a specific term and be subject to re-election. None of the existing Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1. The reason for such deviation is set out below.

According to the Articles of Association of the Company, one-third of the Directors (Executive and Non-executive) will retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Directors, this meets the same objectives and is no less exacting than those in the code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2005.

By Order of the Board

Chan Kai Kwok

Secretary

Hong Kong, 28 September 2005