

LEE HING DEVELOPMENT LIMITED

Interim Report 2006

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 2006 as follows:—

Condensed Consolidated Profit and Loss Account

for the six months ended 30 June 2006

	Note	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Continuing operations			
Turnover	3	30,212	115,792
Other revenue and income	3	4,874	1,005
Carrying value of available-for-sale listed investments sold		(10,566)	(100,873)
Carrying value of held for trading listed investments sold		(975)	—
Amount transferred from investment revaluation reserve on disposals of available-for-sale listed investments		(376)	39,326
Other operating expenses		(4,864)	(5,037)
Operating profit before finance costs	4	18,305	50,213
Finance costs		(860)	(1,002)
Operating profit after finance costs		17,445	49,211
Share of results of associates		33,049	54,393
Profit before taxation		50,494	103,604
Taxation	5	(99)	—
Profit for the period from continuing operations		50,395	103,604
Discontinued operation			
Profit for the period from discontinued operation	6	2,564	5,023
Profit for the period		52,959	108,627
Attributable to:			
Equity holders of the Company		56,898	107,180
Minority interests		(3,939)	1,447
		52,959	108,627
Interim dividend	7	2,133	2,133
Earnings per share (cents)	8		
From continuing and discontinued operations		26.67	50.24
From continuing operations		25.47	47.89

Condensed Consolidated Balance Sheet

as at 30 June 2006

	Note	30.6.2006 HK\$'000 (Unaudited)	31.12.2005 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		3,559	3,701
Investment properties		—	28,000
Leasehold land		13,811	13,819
Associates		177,049	138,086
Investments		470,236	443,129
Other non-current assets		268,708	269,807
		<u>933,363</u>	<u>896,542</u>
Current assets			
Held for trading investments		32,960	18,725
Other assets		295	295
Debtors, deposits and prepayments	9	10,296	29,865
Cash and bank balances		297,352	276,659
		<u>340,903</u>	<u>325,544</u>
Current liabilities			
Creditors, deposits and accruals	10	3,470	5,003
Notes payable	11	172,244	200,030
Other payable		4,037	2,721
Provision for taxation		636	636
		<u>180,387</u>	<u>208,390</u>
Net current assets		<u>160,516</u>	<u>117,154</u>
Net assets		<u>1,093,879</u>	<u>1,013,696</u>
Equity			
Share capital	12	213,336	213,336
Reserves		839,894	756,257
Proposed dividend		2,133	2,133
Equity attributable to equity holders of the Company		<u>1,055,363</u>	<u>971,726</u>
Minority interests		<u>38,516</u>	<u>41,970</u>
Total equity		<u>1,093,879</u>	<u>1,013,696</u>

Condensed Consolidated Statement of Changes in Equity

	Share capital	Capital redemption reserve	Share premium	Capital reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profit	Proposed dividend	Equity attributable to equity holders		Total equity
										Company	Minority interest	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1.1.2005	213,336	134,681	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												
listed 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)
Income and expense recognised directly in equity	—	—	—	—	(10,576)	(56,281)	—	—	—	(66,857)	(947)	(67,804)
Profit for the period	—	—	—	—	—	—	—	107,180	—	107,180	1,447	108,627
Total recognised income and expense for the period	—	—	—	—	(10,576)	(56,281)	—	107,180	—	40,323	500	40,823
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	38,690
At 30.6.2005	213,336	134,681	316,006	53,585	11,456	21,269	—	336,935	2,133	1,089,601	54,486	1,144,087
At 1.1.2006	213,336	134,681	316,006	53,585	40,555	(1,401)	(391)	213,022	2,133	971,726	41,970	1,013,696
Realised on disposals of available-for-sale												
listed investments	—	—	—	—	—	376	—	—	—	376	—	376
Revaluation surplus	—	—	—	—	—	23,067	—	—	—	23,067	—	23,067
Share of associate's reserve	—	—	—	—	34,873	—	(29,444)	—	—	5,429	485	5,914
Income and expense recognised directly in equity	—	—	—	—	34,873	23,443	(29,444)	—	—	28,872	485	29,357
Profit for the period	—	—	—	—	—	—	—	56,898	—	56,898	(3,939)	52,959
Total recognised income and expense for the period	—	—	—	—	34,873	23,443	(29,444)	56,898	—	85,770	(3,454)	82,316
2005 final dividend	—	—	—	—	—	—	—	—	(2,133)	(2,133)	—	(2,133)
2006 interim dividend	—	—	—	—	—	—	—	(2,133)	2,133	—	—	—
	—	—	—	—	34,873	23,443	(29,444)	54,765	—	83,637	(3,454)	80,183
At 30.6.2006	213,336	134,681	316,006	53,585	75,428	22,042	(29,835)	267,787	2,133	1,055,363	38,516	1,093,879

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2006

	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Net cash flow from (used in):		
Operating activities		
Surplus on disposal of discontinued operation	(2,135)	—
Other cash (used in) from operating activities	<u>(3,983)</u>	<u>4,559</u>
	<u>(6,118)</u>	<u>4,559</u>
Investing activities		
Net proceeds on disposal of discontinued operation	30,135	—
Other cash from investing activities	<u>18,802</u>	<u>94,419</u>
	<u>48,937</u>	<u>94,419</u>
Financing activities	<u>(28,478)</u>	<u>(30,708)</u>
Net increase in cash and cash equivalents	14,341	68,270
Cash and cash equivalents at beginning of period	<u>232,642</u>	<u>148,808</u>
Cash and cash equivalents at end of period	<u><u>246,983</u></u>	<u><u>217,078</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	297,352	229,555
Bank deposits pledged to banks	<u>(50,369)</u>	<u>(12,477)</u>
	<u><u>246,983</u></u>	<u><u>217,078</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.

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 2005 except as described in note 2 below.

2. Impact of revised Hong Kong Financial Reporting Standards

The Group has adopted the following amendments to Hong Kong Financial Reporting Standards (HKFRSs) that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006:

HKAS 1, HKAS 27 & HKFRS 3 (Amendments)	Presentation of Financial Statements, Consolidated and Separate Financial Statements & Business Combinations — Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement & Insurance Contracts — Financial Guarantee Contracts

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and was first applicable to the Group’s financial statements for the accounting period beginning on 1 January 2006.

The adoption of the above revised HKFRSs and the application of the Hong Kong Companies (Amendment) Ordinance 2005 have no material impact on these condensed consolidated financial statements.

3. 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

	Continuing operations		Discontinued operation		Consolidated account	
	Share investment and dealing		Other operation			
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Turnover	30,212	115,792	422	4,825	30,634	120,617
Other revenue and income	4,874	1,005	2,142	16	7,016	1,021
Total revenue	<u>35,086</u>	<u>116,797</u>	<u>2,564</u>	<u>4,841</u>	<u>37,650</u>	<u>121,638</u>
Segment results	<u>18,305</u>	<u>50,213</u>	<u>2,564</u>	<u>5,023</u>	20,869	55,236
Finance costs					(860)	(1,002)
Share of results of associates					33,049	54,393
Profit before taxation					53,058	108,627
Taxation					(99)	—
Profit for the period					<u>52,959</u>	<u>108,627</u>
Attributable to:						
Equity holders of the Company					56,898	107,180
Minority interests					(3,939)	1,447
					<u>52,959</u>	<u>108,627</u>

(ii) Geographical segments

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

4. Operating profit before finance costs

	Continuing operations		Discontinued operation		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Operating profit before finance costs is stated after charging (crediting):						
Depreciation	152	155	—	—	152	155
Amortisation of leasehold land	8	8	—	—	8	8
Exchange (gain) loss	(909)	8	—	—	(909)	8
Interest income	(6,051)	(2,110)	—	—	(6,051)	(2,110)
Interest income - financial instrument with embedded derivative	(6,349)	(6,425)	—	—	(6,349)	(6,425)
Unrealised gain on held for trading investments	(3,965)	(1,005)	—	—	(3,965)	(1,005)

5. Taxation

	2006 HK\$'000	2005 HK\$'000
Current tax relating to continuing operations		
Company and subsidiaries		
Overseas taxation	99	—
Current tax relating to discontinued operation	—	—
Current tax relating to continuing and discontinued operations	<u>99</u>	<u>—</u>

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

6. Discontinued operation

During the period, the Group entered into an Agreement for Sale and Purchase to dispose of its investment properties for a cash consideration of HK\$30.5 million. The disposal represented the discontinuance of the Group's property investment operation.

The profit for the period from the discontinued operation is analysed as follows:

	2006 HK\$'000	2005 HK\$'000
Profit of property investment operation for the period	429	5,023
Surplus on disposal of property investment operation	<u>2,135</u>	<u>—</u>
	<u><u>2,564</u></u>	<u><u>5,023</u></u>

The results of property investment operation for the period are as follows:

	2006 HK\$'000	2005 HK\$'000
Turnover	422	4,825
Other revenue and income	7	16
Fair value changes on investment properties	—	1,000
Cost of inventories sold	—	(807)
Other operating expenses	<u>—</u>	<u>(11)</u>
	<u><u>429</u></u>	<u><u>5,023</u></u>

No tax charge arose on surplus on disposal of property investment operation.

7. Interim dividend

	2006 HK\$'000	2005 HK\$'000
Interim dividend proposed – 1 cent per share (2005: 1 cent per share)	<u><u>2,133</u></u>	<u><u>2,133</u></u>

8. Earnings per share

From continuing and discontinued operations

The calculation of earnings per share is based on profit attributable to equity holders of the Company of HK\$56,898,000 (2005: HK\$107,180,000) and the 213,336,285 shares (2005: 213,336,285 shares) of HK\$1 each in issue during the period.

From continuing operations

The calculation of earnings per share from continuing operations attributable to the equity holders of the Company is based on the following information:

	2006 HK\$'000	2005 HK\$'000
Profit for the period attributable to equity holders of the Company	56,898	107,180
Profit for the period from discontinued operation	(2,564)	(5,023)
Profit for the purpose of earnings per share from continuing operations	<u>54,334</u>	<u>102,157</u>

The denominators used are the same as those detailed above for earnings per share from continuing and discontinued operations.

From discontinued operation

For the six months ended 30 June 2006, earnings per share for discontinued operation was 1.20 cents (2005: 2.35 cents) which was calculated based on the profit for the period from discontinued operation of HK\$2,564,000 (2005: HK\$5,023,000). The denominators used are the same as those detailed above for earnings per share from continuing and discontinued operations.

9. Debtors, deposits and prepayments

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

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Trade debtors		
Below 30 days	3,803	29,700
Over 91 days	6,339	—
Other debtors, deposits and prepayments	<u>154</u>	<u>165</u>
	<u>10,296</u>	<u>29,865</u>

Trade debtors included interest receivable of HK\$9,533,000 (31.12.2005: HK\$3,184,000) from financial instrument with embedded derivative.

10. Creditors, deposits and accruals

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Trade creditors	—	—
Other creditors, deposits and accruals	<u>3,470</u>	<u>5,003</u>
	<u>3,470</u>	<u>5,003</u>

11. Notes payable

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Notes payable	<u>172,244</u>	<u>200,030</u>
Repayment period		
Within one year	<u>172,244</u>	<u>200,030</u>

12. Share capital

	30.6.2006 HK\$'000	31.12.2005 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	<u>213,336</u>	<u>213,336</u>

13. Contingent liabilities

(a) Guarantee given by the Group in respect of banking facilities available to an associate amounted to HK\$41,250,000 (31.12.2005: HK\$41,250,000).

(b) Pending litigation

On 18 November 2005, a writ of summons was issued against Silverlink Holdings Limited (“Silverlink”) and Argent Holdings Ltd. (“Argent”) by Rockline Limited (“Rockline”) and Superon International Limited (“Superon”) in the High Court of the Republic of Singapore, alleging breaches of an agreement in that: (i) Rockline claimed that Silverlink has agreed to repurchase shares held by Rockline in Silverlink in exchange for a secured convertible note in the principal amount of US\$11.1 million (HK\$87 million) (“Rockline Note”) to be issued by Silverlink; and (ii) Superon claimed that Argent has agreed to repurchase its shares from Superon; and Silverlink has agreed to simultaneously repurchase its shares from Argent, and to issue a secured convertible loan in the principal amount of US\$6.4 million (HK\$50 million) to Superon’s nominee. Both Silverlink and Argent have filed defence with the court. On 4 August 2006, Rockline was granted summary judgement against Silverlink and the Rockline Note was signed by the court on 18 August 2006. On 14 September 2006, Silverlink successfully appealed against the decision to grant judgement in favour of Rockline and was granted leave to defend the claim by Rockline on the condition that a sum of US\$1.5 million (HK\$12 million), being the interest payable on the Rockline Note, be paid into the court as security within 21 days from 14 September 2006. The action against Silverlink and Argent will proceed to full trial on a date to be fixed.

14. Pledge of assets

The Group pledged leasehold land and building of HK\$16,449,000 (31.12.2005: HK\$16,487,000) together with available-for-sale investments and bank deposits, with a total net book value of HK\$193,000,000 (31.12.2005: HK\$156,000,000) as security for banking facilities extended to the Group in the sum of HK\$51,200,000 (31.12.2005: HK\$81,200,000).

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\$129,931,000 (31.12.2005: 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\$271,310,000 (31.12.2005: HK\$272,410,000) 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. Event after the balance sheet date

Cheer Star Development Limited, being an associate of the Group, entered into a binding agreement with an independent third party to dispose of Novotel Century Harbourview at a consideration of HK\$588,400,000. The Directors are of the view that the terms of the contract are fair and reasonable and in the interests of the Company and its shareholders as a whole. The completion of the sale and purchase shall take place on or before 29 September 2006.

17. Comparative figures

Certain comparative figures have been 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 2006 (2005: 1 cent per share) payable to shareholders registered on 20 October 2006. Dividend warrants will be posted to shareholders by 25 October 2006.

Closure of Register of Members

The Register of Members will be closed from 18 October to 20 October 2006, 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 Tuesday, 17 October 2006 with Standard Registrars Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

Management Discussion and Analysis

Results for the period

The Group recorded HK\$30 million turnover in the six months ended 30 June 2006, a 74% decrease as compared with the last corresponding period. The decrease was largely attributable to the decrease in sales of available-for-sale investments.

Profit attributable to equity holders of the Company was HK\$57 million, a decrease of HK\$50 million as compared with HK\$107 million in the last corresponding period. The decrease was mainly due to the decrease in Group's turnover and decrease in share of profit of associates.

Financial resources and liquidity

The Group's total borrowings were HK\$172 million at the period end.

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 16%. The computation is based on total borrowings of the Group divided by equity attributable to shareholders of the Company as at 30 June 2006.

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\$193 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\$130 million to the associate.

Contingent liabilities

Details of contingent liabilities are shown in the note 13 to interim financial statements.

Significant investments

The Group had interests in Gold IS Berhad, IGB Corporation Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market values of the investments as at 30 June 2006 were HK\$22 million, HK\$55 million and HK\$118 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\$249 million. Interest income from the Note amounted to HK\$6 million during the period.

Material acquisitions and disposals

During the period, the Group acquired listed shares with cost of HK\$10 million in Padiberas Nasional Berhad and HK\$4 million in Gold IS Berhad.

During the period, the Group disposed of listed shares with carrying value of HK\$6 million in Century City International Holdings Limited and HK\$5 million in Wo Kee Hong (Holdings) Limited at consideration of HK\$7 million and HK\$5 million respectively.

During the period, the Group also disposed of its investment properties for a cash consideration of HK\$30.5 million. The disposal represented the discontinuance of the Group's property investment operation.

Employees

As at 30 June 2006, the Group's number of staff was 8. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

Event after the balance sheet date

Details of significant event after the balance sheet date are shown in the note 16 to interim financial statements.

Continuing Obligation

Details of advances given to and guarantees given for banking facilities granted to affiliated companies as at 30 June 2006, which in aggregate exceeded the relevant percentage ratio of 8% under Chapter 13 of the Listing Rules are as follows:

<u>Affiliated companies</u>	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%	129,931	41,250	17,930	171,181
Ichiban Properties Limited	50%	136,486	—	—	136,486
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 combined balance sheet of the affiliated companies and the attributable interest of the Group in the affiliated companies as at 30 June 2006 are disclosed as follows:

Combined balance sheet of affiliated companies

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	857,500	310,003
Current assets	66,430	26,962
Current liabilities	(73,582)	(19,929)
Non-current liabilities	<u>(758,694)</u>	<u>(269,741)</u>
Net assets	<u>91,654</u>	<u>47,295</u>

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

As at 30 June 2006, 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 Issuers, 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 (iii) (iv)	52,340,000 (i) (ii) (v)	56,231,000	26.36
Mr. Ang Guan Seng	—	—	—	—	—
Mr. Ho Hau Chong, Norman	—	—	—	—	—
Mr. Yeung Chik Kin	225,800	—	—	225,800	0.11
Mr. Fung Ka Pun	—	—	—	—	—
Mr. Chan Kai Kwok	—	—	—	—	—
Mr. Seow Yung Liang, Richard	—	—	—	—	—
Mr. Ashish Jaiprakash Shastry	—	—	—	—	—

Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Mr. Tan Boon Seng had beneficial interests in this company.
- (ii) HK 1 Limited held 14,386,000 shares. Mr. Tan Boon Seng had beneficial interest in this company.
- (iii) 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.
- (iv) The wife of Mr. Tan Boon Seng held 10,000 shares.
- (v) Zali Capital Limited held 35,854,000 shares. Mr. Tan Boon Seng had beneficial interest in this company.

One nominee share in each of Lee Hing Investment Company Limited and Wang Tak Company Limited which are both subsidiaries of the Company were held by Mr. Tan Boon Seng in trust for the Company or its subsidiaries.

Save as mentioned above, no Directors held an interest in the share capital of the Company's subsidiaries.

As at 30 June 2006, 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 2006 the Company had been notified of the following interests in the Company's shares:

	<u>No. of ordinary shares</u>	<u>Percentage holding</u>
Tan Boon Seng	56,231,000 (i)	26.36
NWD (Hotels Investments) Limited	54,500,000 (ii)	25.55
Petaling Garden (S) Pte. Limited	29,006,000 (iii)	13.60

Notes:

- (i) The 56,231,000 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, as to 2,981,000 shares by TYMS Limited and as to 35,854,000 shares by Zali Capital Limited. Wah Seong Enterprises Sdn. Bhd., HK 1 Limited and Zali Capital Limited are 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.
- (ii) 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.
- (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.

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 2006 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 2006, 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 an Executive Director, 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 an Executive Director, 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 2006.

By Order of the Board
Chan Kai Kwok
Secretary

Hong Kong, 28 September 2006

As at the date hereof, the Board of Directors of the Company comprises eight Directors, of which two are Executive Directors, namely Mr. Tan Boon Seng and Mr. Chan Kai Kwok, three are Non-executive Directors, namely, Mr. Ang Guan Seng, Mr. Seow Yung Liang, Richard and Mr. Ashish Jaiprakash Shastry and three are Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin.