



# LEE HING DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 68

Interim Report 2010

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 2010 as follows:–

## Condensed Consolidated Income Statement

for the six months ended 30 June 2010

	Note	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Turnover	3	<u>331,285</u>	<u>42,760</u>
Revenue and income		89,512	22,521
Unrealised (loss)/gain on held for trading investments		(1,444)	44,879
Unrealised loss on derivative financial instruments		(24,790)	–
Impairment losses on available-for-sale investments		(161)	–
Operating expenses		<u>(6,070)</u>	<u>(5,210)</u>
Operating profit before finance costs	5	57,047	62,190
Finance costs	6	<u>(40)</u>	<u>(1,651)</u>
Operating profit after finance costs		57,007	60,539
Share of results of associates		<u>(95)</u>	<u>(14)</u>
Profit before tax		56,912	60,525
Income tax	7	<u>(530)</u>	<u>(332)</u>
Profit attributable to owners of the Company		<u>56,382</u>	<u>60,193</u>
Earnings per share (HK cents) Basic and diluted	9	<u>37.03</u>	<u>39.11</u>

Details of interim dividend are disclosed in note 10.

## Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	2010	2009
	Note	
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	56,382	60,193
<b>Other comprehensive (loss)/income</b>	<b>8</b>	
Available-for-sale investments: net movements in investment revaluation reserve	<u>(20,386)</u>	<u>329,895</u>
Total comprehensive income attributable to owners of the Company	<u><u>35,996</u></u>	<u><u>390,088</u></u>

## Condensed Consolidated Statement of Financial Position

as at 30 June 2010

	Note	30.6.2010 HK\$'000 (Unaudited)	31.12.2009 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		2,671	2,707
Leasehold land		13,746	13,754
Associates		3,645	3,740
Available-for-sale investments	11	218,173	445,649
Other non-current assets		2,290	2,290
		<u>240,525</u>	<u>468,140</u>
<b>Current assets</b>			
Held for trading investments	12	332,366	182,037
Held-to-maturity investments	13	626,912	–
Derivative financial instruments	14	–	20
Other assets		295	295
Accounts receivable, deposits and prepayments	15	19,555	16,491
Time deposits and bank balances		402,446	989,594
		<u>1,381,574</u>	<u>1,188,437</u>
<b>Current liabilities</b>			
Bank borrowings		–	95,559
Accounts payable, deposits and accruals	16	6,721	11,085
Derivative financial instruments	14	54,725	6,598
Other payable		963	963
		<u>62,409</u>	<u>114,205</u>
Net current assets		<u>1,319,165</u>	<u>1,074,232</u>
Net assets		<u>1,559,690</u>	<u>1,542,372</u>
<b>Equity</b>			
Share capital	17	152,176	153,122
Reserves		1,399,905	1,374,024
Proposed dividend		7,609	15,226
Total equity		<u>1,559,690</u>	<u>1,542,372</u>

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010

	Share capital HK\$'000	Capital redemption reserve HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profit HK\$'000	Proposed dividend HK\$'000	Total equity HK\$'000
At 1.1.2010	153,122	195,095	316,006	53,585	76,996	732,342	15,226	1,542,372
Total comprehensive (loss)/income for the period	-	-	-	-	(20,386)	56,382	-	35,996
Premium and brokerage expenses paid on share repurchases	-	-	-	-	-	(2,506)	-	(2,506)
2009 final dividend	-	-	-	-	-	-	(15,226)	(15,226)
2010 interim dividend	-	-	-	-	-	(7,609)	7,609	-
Repurchase of shares	(946)	-	-	-	-	-	-	(946)
Transfer to capital redemption reserve upon share repurchases	-	946	-	-	-	(946)	-	-
	<u>(946)</u>	<u>946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,061)</u>	<u>(7,617)</u>	<u>(18,678)</u>
At 30.6.2010	<u>152,176</u>	<u>196,041</u>	<u>316,006</u>	<u>53,585</u>	<u>56,610</u>	<u>777,663</u>	<u>7,609</u>	<u>1,559,690</u>
At 1.1.2009	154,024	194,193	316,006	53,585	(327,156)	438,099	7,701	836,452
Total comprehensive income for the period	-	-	-	-	329,895	60,193	-	390,088
Premium and brokerage expenses paid on share repurchases	-	-	-	-	-	(1,724)	-	(1,724)
2008 final dividend	-	-	-	-	-	-	(7,701)	(7,701)
2009 interim dividend	-	-	-	-	-	(7,658)	7,658	-
Repurchase of shares	(861)	-	-	-	-	-	-	(861)
Transfer to capital redemption reserve upon share repurchases	-	861	-	-	-	(861)	-	-
	<u>(861)</u>	<u>861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,243)</u>	<u>(43)</u>	<u>(10,286)</u>
At 30.6.2009	<u>153,163</u>	<u>195,054</u>	<u>316,006</u>	<u>53,585</u>	<u>2,739</u>	<u>488,049</u>	<u>7,658</u>	<u>1,216,254</u>

## Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2010

	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(715,965)	36,869
Net cash generated from/(used in) investing activities	786,134	(3,627)
Net cash used in financing activities	<u>(113,919)</u>	<u>(12,774)</u>
Net (decrease)/increase in cash and cash equivalents	(43,750)	20,468
Cash and cash equivalents at beginning of the period	54,887	20,915
Effect of foreign exchange rate changes	<u>2</u>	<u>(2)</u>
Cash and cash equivalents at end of the period	<u><u>11,139</u></u>	<u><u>41,381</u></u>
Analysis of the balances of cash and cash equivalents		
Time deposits and bank balances	183,044	246,092
Bank deposits pledged to banks	<u>(171,905)</u>	<u>(204,711)</u>
	<u><u>11,139</u></u>	<u><u>41,381</u></u>

## NOTES

### 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 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 2009 except for held-to-maturity investments and note 2 below.

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity where the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are included in non-current assets except for those with maturities less than twelve months from the end of reporting period which are classified as current assets. Held-to-maturity investments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

### 2. Impact of new and revised Hong Kong Financial Reporting Standards

The HKICPA has issued the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) that are effective for accounting periods beginning on or after 1 January 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009

The adoption of the above new and revised HKFRSs has no material impact on these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of Rights Issues	1 February 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1 July 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKFRSs (Amendments)	Improvements to HKFRSs 2010	*

\* Effective for accounting periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.



### 3. Turnover

Analysis of the Group's turnover is as follows:

	2010 HK\$'000	2009 HK\$'000
Sales of held for trading listed investments	55,238	28,178
Sales of held for trading unlisted investments	5,658	–
Sales of available-for-sale listed investments	250,334	–
Dividends from listed investments	6,283	6,083
Sales of derivative financial instruments	7,310	5,870
Interest income on financial assets not at fair value through profit or loss	<u>6,462</u>	<u>2,629</u>
	<u>331,285</u>	<u>42,760</u>

### 4. Segment reporting

The Group determines its operating segments based on the internal reports reviewed by the Group's chief operating decision maker that are used to allocate resources to the segment and assess its performance. The chief operating decision maker of the Group has been identified as the Managing Director.

The Group has one reportable segment: share investment and dealing. Accordingly, no further business segment information is required.

As Group's revenue is mainly derived from operations carried out in Hong Kong, no further geographical segment information is provided.

## 5. Operating profit before finance costs

	2010	2009
	HK\$'000	HK\$'000
Operating profit before finance costs is stated after charging/(crediting):		
Depreciation	74	72
Directors' emoluments	2,786	2,533
Amortisation of leasehold land	8	8
Exchange (gain)/loss	(35,959)	52
Net gain on disposals of available-for-sale listed investments	(27,497)	–
Net gain on disposals of held for trading listed investments	(8,164)	(7,809)
Net gain on disposals of held for trading unlisted investments	(25)	–
Net gain on derivative financial instruments	(5,122)	(5,870)

## 6. Finance costs

	2010	2009
	HK\$'000	HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss		
Interest on bank loan (wholly repayable within 5 years)	<u>40</u>	<u>1,651</u>

## 7. Income tax

	2010	2009
	HK\$'000	HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u>530</u>	<u>332</u>

Overseas taxation represents withholding tax on dividend income received by the Group from overseas listed investments.

## 8. Other comprehensive (loss)/income

	2010	2009
	HK\$'000	HK\$'000
Available-for-sale investments		
Changes in fair value recognised during the period	7,111	329,895
Reclassification adjustment for amount transferred to profit or loss:		
Gain on disposals	<u>(27,497)</u>	<u>—</u>
Net movements in investment revaluation reserve during the period recognised in other comprehensive (loss)/income	<u>(20,386)</u>	<u>329,895</u>

## 9. Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$56,382,000 (2009: HK\$60,193,000) and the weighted average of 152,259,224 shares (2009: 153,903,362 shares) of HK\$1 each in issue during the period.

Diluted earnings per share is same as basic earnings per share as there were no potential dilutive shares outstanding during the period.

## 10. Interim dividend

	2010	2009
	HK\$'000	HK\$'000
Interim dividend proposed – 5 HK cents per share (2009: 5 HK cents per share)	<u>7,609</u>	<u>7,658</u>

## 11. Available-for-sale investments

During the period, the Group disposed of available-for-sale investments at consideration of approximately HK\$250 million (six months ended 30 June 2009: nil) and acquired available-for-sale investments of approximately HK\$16 million (six months ended 30 June 2009: approximately HK\$36 million).

During the period, increase in fair value of available-for-sale investments amounted to approximately HK\$7 million (six months ended 30 June 2009: approximately HK\$330 million).

## 12. Held for trading investments

During the period, the Group acquired held for trading investments of approximately HK\$198 million (six months ended 30 June 2009: nil) and disposed of held for trading investments at consideration of approximately HK\$61 million (six months ended 30 June 2009: approximately HK\$34 million).

## 13. Held-to-maturity investments

During the period, the Group acquired debt securities of approximately HK\$624 million (six months ended 30 June 2009: nil).

## 14. Derivative financial instruments

	30.6.2010	31.12.2009
	HK\$'000	HK\$'000
Current assets		
Stock option	<u>          –</u>	<u>          20</u>
Current liabilities		
Stock option	<u>      54,725</u>	<u>      6,598</u>

## 15. Accounts receivable, deposits and prepayments

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

	30.6.2010	31.12.2009
	HK\$'000	HK\$'000
Trade receivable		
within 30 days	2,241	9,150
31-60 days	54	3
Over 60 days	46	1
Other receivable and deposits	17,214	7,192
Prepayments	<u>          –</u>	<u>          145</u>
	<u>      19,555</u>	<u>      16,491</u>

**16. Accounts payable, deposits and accruals**

	30.6.2010	31.12.2009
	HK\$'000	HK\$'000
Trade payable	–	–
Accounts payable, deposits and accruals	<u>6,721</u>	<u>11,085</u>
	<u><u>6,721</u></u>	<u><u>11,085</u></u>

**17. Share capital**

	30.6.2010	31.12.2009
	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/year	153,122	154,024
Repurchase of shares	<u>(946)</u>	<u>(902)</u>
Balance at end of period/year	<u><u>152,176</u></u>	<u><u>153,122</u></u>

## **18. Pledge of assets**

The Group pledged its leasehold land and buildings, certain available-for-sale investments, held for trading investments, held-to-maturity investments and bank deposits with a total net book value of HK\$1,279,000,000 (31.12.2009: HK\$1,407,000,000) as security for banking facilities extended to the Group in the sum of HK\$722,000,000 (31.12.2009: HK\$722,000,000).

## **19. Related party transactions**

Details of material transactions are as follows:

- (a) Advances of HK\$4,893,000 (31.12.2009: HK\$4,893,000) were provided by the Group to associates.
  
- (b) Directors' emoluments are disclosed in note 5.

## **Interim Dividend**

The Directors have declared an interim dividend of 5 HK cents per share for the year ending 31 December 2010 (2009: 5 HK cents per share) payable to shareholders registered on 10 September 2010. Dividend warrants will be posted to shareholders by 5 October 2010.

## **Closure of Register of Members**

The Register of Members will be closed from 8 September to 10 September 2010, 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, 7 September 2010 with Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

## **Management Discussion and Analysis**

### **Results for the period**

The Group recorded HK\$331 million turnover for the six months ended 30 June 2010, an 675% increase as compared with the last corresponding period. The increase was largely attributable to the increase in sales of held for trading investments and available-for-sale listed investments.

Profit attributable to owners of the Company was HK\$56 million, a decrease of HK\$4 million as compared with the last corresponding period. The decrease was mainly due to unrealised loss on held for trading investments and derivative financial instruments in spite of exchange gain of HK\$36 million. Such gain arose largely from the translation of held-to-maturity investments denominated in Malaysian Ringgit.

### **Business review**

The Group is principally engaged in share investment and dealing.

During the period under review, the Group's turnover was largely attributable to the sales of shares/units in Singamas Container Holdings Limited of HK\$36 million, Bosideng International Holdings Limited of HK\$16 million, Wing Tai Holdings Limited of HK\$164 million and Ascott Residence Trust of HK\$86 million. In the first half of 2010, the Group acquired units in The Prime London Capital Fund and Mapletree Logistics Trust with cost of HK\$122 million and HK\$70 million respectively. The Group believes that these investments will generate considerable income in the future.

### **Financial resources and liquidity**

At 30 June 2010, the Group's borrowings have been fully repaid.

### **Charges on Group's assets**

The Group pledged its leasehold land and buildings, certain available-for-sale investments, held for trading investments, held-to-maturity investments and bank deposits with a total net book value of HK\$1,279 million as security for banking facilities extended to the Group in the sum of HK\$722 million.

### **Contingent liabilities**

At 30 June 2010, the Group had no contingent liabilities but the Company had contingent liabilities in respect of guarantees for banking facilities granted to subsidiaries amounted to HK\$722 million.

### **Significant investments**

The Group had interests in Gold IS Berhad and IGB Corporation Berhad, companies listed in Malaysia, The Prime London Capital Fund, a fund listed in Channel Islands, Mapletree Logistics Trust, a trust listed in Singapore and PetroChina Company Limited, a company listed in Hong Kong. The market values of the investments as at 30 June 2010 were HK\$138 million, HK\$69 million, HK\$120 million, HK\$80 million and HK\$88 million respectively.

The Group also held debt securities in Malaysia and Singapore in the sum of HK\$627 million at 30 June 2010.

### Material acquisitions and disposals

During the period, the Group acquired listed units in The Prime London Capital Fund and Mapletree Logistics Trust and debt securities with the cost of HK\$122 million, HK\$70 million and HK\$624 million respectively.

During the period, the Group disposed of its listed shares/units in Wing Tai Holdings Limited and Ascott Residence Trust at consideration of HK\$164 million and HK\$86 million respectively.

### Foreign currency exposure

The Group had major investments, accounts receivable, bank balances and accounts payable denominated in Malaysian Ringgit, British Pound and Singapore dollars, hence the Group had direct exposure to foreign exchange fluctuation. During the period under review, the Group did not use any foreign currency derivative product to hedge its exposure to currency risk. However, the management managed and monitored the exposure to ensure appropriate measures were implemented on a timely and effective manner.

### Employees

As at 30 June 2010, the Group's number of staff was 8. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

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

As at 30 June 2010, 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Directors	Number 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	36.95
Mr. Ho Hau Chong, Norman	-	-	-	-	-
Mr. Yeung Chik Kin	225,800	-	-	225,800	0.15
Mr. Fung Ka Pun	-	-	-	-	-
Mr. Chan Kai Kwok	-	-	-	-	-



Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Mr. Tan Boon Seng has beneficial interests in this company.
- (ii) HK 1 Limited held 14,386,000 shares. Mr. Tan Boon Seng has 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 has 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.

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

As at 30 June 2010, 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 2010 the Company had been notified of the following interest in the Company's shares:

	<u>Number of ordinary shares</u>	<u>Percentage holding</u>
Tan Boon Seng	56,231,000 (i)	36.95
Petaling Garden (S) Pte. Limited	29,006,000 (ii)	19.06

Notes:

- (i) The 56,231,000 shares were 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 Petaling Garden (S) Pte. Limited was held through its wholly-owned subsidiaries, Chiefyear Development Limited and Manifold Investments Pte. Limited.

## Purchase, Sale and Redemption of Listed Securities

During the period, the Company repurchased 946,000 of its own shares on The Stock Exchange of Hong Kong Limited. The particulars of repurchases are as follows:

<u>Month of repurchases</u>	<u>Number of shares</u>	<u>Price per share paid</u> <u>Highest/Lowest</u> HK\$	<u>Aggregate price paid</u> HK\$'000
2010			
January	864,000	3.51	3,033
May	78,000	5.00	390
June	4,000	5.00	20
	<u>946,000</u>		<u>3,443</u>

The above-mentioned shares were cancelled upon repurchases and, accordingly, the issued share capital of the Company was diminished by the nominal value of these shares. The premium and brokerage expenses paid on repurchases were charged against retained profit and an amount equivalent to the nominal value of the shares cancelled was transferred from retained profit to the capital redemption reserve account. The repurchases were made for the purpose of enhancing the net asset value per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the period.

## Review of Interim Report

The unaudited interim report of the Group for the six months ended 30 June 2010 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 2010, except for 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 2010.

By Order of the Board  
**Chan Kai Kwok**  
*Secretary*

Hong Kong, 12 August 2010

*As at the date hereof, the Board of Directors of the Company comprises two Executive Directors: namely Mr. Tan Boon Seng and Mr. Chan Kai Kwok; and three Independent Non-executive Directors: namely Mr. Ho Han Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin.*