

LEE HING DEVELOPMENT LIMITED

Interim Report 2003

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 2003 as follows:—

Condensed Consolidated Profit and Loss Account

for the six months ended 30 June 2003

		2003 (unaudited) Note HK\$'000	2002 (unaudited) HK\$'000
Turnover	2	138,792	4,504
Other revenue and income	2	3,289	1,587
Carrying value of listed investments sold (Provision for) write-back of impairment in value of long-term investments		(134,824)	(438)
Amount transferred from long-term investment revaluation reserve — on disposals of long-term listed investments on impairment in value of long-term investments		(727)	12,519
Impairment loss on investments in associates		46,810	—
Provision for advances to associates		(4,064)	—
Other operating expenses		—	(17,332)
Operating profit (loss) before finance costs	3	—	(559)
Finance costs		(5,000)	(6,104)
Operating profit (loss) after finance costs		44,276	(5,823)
Share of results of associates		(7,224)	(10,116)
Profit (loss) before taxation		37,052	(15,939)
Taxation	4	951	(56,041)
Profit (loss) attributable to shareholders		38,003	(71,980)
Interim dividend	5	(12)	(13)
Earnings (loss) per share (cents)	6	37,991	(71,993)
		—	3,388
		11.21	(21.25)

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	Proposed dividend	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1.1.2002	339,291	8,926	316,006	53,585	14,725	3,000	94,107	499,672	3,388	1,332,700
Revaluation surplus	—	—	—	—	—	—	227,135	—	—	227,135
Share of associate's reserve	—	—	—	—	—	—	(175)	—	—	(175)
Premium and brokerage expenses paid on share repurchases	—	—	—	—	—	—	—	(519)	—	(519)
Net gains (losses) not recognised in profit and loss account	—	—	—	—	—	—	226,960	(519)	—	226,441
Loss for the period	—	—	—	—	—	—	—	(71,993)	—	(71,993)
2001 final dividend	—	—	—	—	—	—	—	—	(3,388)	(3,388)
2002 interim dividend	—	—	—	—	—	—	—	—	(3,388)	—
Repurchases of shares	(526)	—	—	—	—	—	—	—	—	(526)
Transfer to capital redemption reserve upon share repurchases	—	526	—	—	—	—	—	(526)	—	—
	(526)	526	—	—	—	—	226,960	(76,426)	—	150,534
At 30.6.2002	338,765	9,452	316,006	53,585	14,725	3,000	321,067	423,246	3,388	1,483,234
At 1.1.2003	338,765	9,452	316,006	53,585	12,725	—	220,621	259,051	—	1,210,205
Realised on disposals of long-term listed investments	—	—	—	—	—	—	(46,810)	—	—	(46,810)
Revaluation surplus	—	—	—	—	—	—	12,156	—	—	12,156
Transfer to profit and loss account upon impairment in value of long-term investments	—	—	—	—	—	—	4,064	—	—	4,064
Net losses not recognised in profit and loss account	—	—	—	—	—	—	(30,590)	—	—	(30,590)
Profit for the period	—	—	—	—	—	—	—	37,991	—	37,991
	—	—	—	—	—	—	(30,590)	37,991	—	7,401
At 30.6.2003	338,765	9,452	316,006	53,585	12,725	—	190,031	297,042	—	1,217,606

Condensed Consolidated Balance Sheet

as at 30 June 2003

	Note	30.6.2003 (unaudited) HK\$'000	31.12.2002 (audited) HK\$'000
Non-current assets			
Fixed assets		52,374	51,747
Interests in associates		222,789	222,825
Long-term investments		600,564	723,960
		<u>875,727</u>	<u>998,532</u>
Current assets			
Inventories		766	766
Listed investments and other asset		10,730	8,612
Interests in unconsolidated subsidiaries		638,281	638,281
Debtors, deposits and prepayments	7	15,083	14,821
Cash and bank balances		45,416	78,445
		<u>710,276</u>	<u>740,925</u>
Current liabilities			
Creditors, deposits and accruals	8	6,464	46,439
Secured bank loans	9	100,311	468,822
Secured bank overdraft		—	3,111
Provision for taxation		636	636
		<u>107,411</u>	<u>519,008</u>
Net current assets		<u>602,865</u>	<u>221,917</u>
Total assets less current liabilities		1,478,592	1,220,449
Non-current liabilities			
Secured bank loans	9	<u>260,986</u>	<u>10,244</u>
Net assets		<u>1,217,606</u>	<u>1,210,205</u>
Capital and reserves			
Share capital	10	338,765	338,765
Reserves		<u>878,841</u>	<u>871,440</u>
Shareholders' funds		<u>1,217,606</u>	<u>1,210,205</u>

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2003

	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Net cash flow from:		
Operating activities	(45,007)	(13,164)
Investing activities	166,392	15,857
Financing activities	(117,769)	(4,433)
Net increase (decrease) in cash and cash equivalents	3,616	(1,740)
Cash and cash equivalents at beginning of period	<u>40,105</u>	<u>48,932</u>
Cash and cash equivalents at end of period	<u><u>43,721</u></u>	<u><u>47,192</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	45,416	61,469
Bank deposits pledged to banks	(1,695)	(14,277)
	<u><u>43,721</u></u>	<u><u>47,192</u></u>

Notes to Interim Financial Statements

1. Basis of preparation and changes in accounting policies

The unaudited interim financial statements are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting”, issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002 except that the Group has adopted the revised SSAP 12 “Income Taxes” issued by the HKSA which became effective for accounting periods commencing on or after 1 January 2003. The adoption of revised SSAP 12 has no material impact on the Group’s interim financial statements.

2. 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, purchase and sales of long-term and short-term listed securities

Other operation — property investment

	Share investment and dealing		Other operation		Consolidated account	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue						
Turnover	137,133	2,879	1,659	1,625	138,792	4,504
Other revenue and income	<u>3,289</u>	<u>1,587</u>	<u>—</u>	<u>—</u>	<u>3,289</u>	<u>1,587</u>
Total revenue	<u>140,422</u>	<u>4,466</u>	<u>1,659</u>	<u>1,625</u>	<u>142,081</u>	<u>6,091</u>
Segment results	<u>42,720</u>	<u>10,691</u>	<u>1,556</u>	<u>1,377</u>	44,276	12,068
Impairment loss on investments in associates					—	(17,332)
Provision for advances to associates					—	(559)
Finance costs					(7,224)	(10,116)
Share of results of associates					<u>951</u>	<u>(56,041)</u>
Profit (loss) before taxation					<u>38,003</u>	<u>(71,980)</u>
Taxation					<u>(12)</u>	<u>(13)</u>
Profit (loss) attributable to shareholders					<u>37,991</u>	<u>(71,993)</u>

(ii) Geographical segments

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

3. Operating profit (loss) before finance costs

	2003 HK\$'000	2002 HK\$'000
Operating profit (loss) before finance costs is stated after charging (crediting):		
Depreciation	111	26
Loss on disposals of fixed assets	38	—
Interest income	(1,337)	(1,242)
Unrealised gain on listed investments held for trading purpose	(2,118)	(1,480)

4. Taxation

	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax provision —		
Company and subsidiaries	—	—
Share of associates' taxation	12	13
	<u>12</u>	<u>13</u>

5. Interim dividend

	2003 HK\$'000	2002 HK\$'000
Interim dividend proposed - nil (2002: 1 cent per share)	—	3,388
	<u>—</u>	<u>3,388</u>

6. Earnings (loss) per share

The calculation of earnings (loss) per share is based on unaudited consolidated profit attributable to shareholders of HK\$37,991,000 (2002: loss of HK\$71,993,000) and the 338,765,471 shares (2002: weighted average of 338,803,725 shares) of HK\$1 each in issue during the period.

7. Debtors, deposits and prepayments

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

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
Trade debtors over 180 days	14,891	14,241
Other debtors, deposits and prepayments	192	580
	<u>15,083</u>	<u>14,821</u>

8. Creditors, deposits and accruals

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
Trade creditors	—	—
Other creditors, deposits and accruals	6,464	46,439
	<u>6,464</u>	<u>46,439</u>

9. Secured bank loans

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
Bank loans	361,297	479,066
Amount payable within one year classified under current liabilities	(100,311)	(468,822)
	<u>260,986</u>	<u>10,244</u>
Repayment period of bank loans		
Within one year	100,311	468,822
One to two years	44,533	843
Two to five years	210,172	2,658
Over five years	6,281	6,743
	<u>361,297</u>	<u>479,066</u>

10. Share capital

	30.6.2003 HK\$'000	31.12.2002 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>338,765</u>	<u>338,765</u>

11. Contingent liabilities

Guarantee given by the Group in respect of banking facilities available to an associate amounted to HK\$41,250,000 (31.12.2002: HK\$41,250,000).

12. Pledge of assets

The Group pledged the shares in the unconsolidated subsidiary, certain investment properties, listed shares and bank deposits and other properties as security for banking facilities extended to the Group in the sum of HK\$523,200,000 (31.12.2002: HK\$757,200,000).

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 (31.12.2002: HK\$129,656,000) to the bank by way of security.

13. Related party transactions

Details of material transactions are as follows:

- (a) Loan and advances of HK\$291,446,000 (31.12.2002: HK\$290,071,000) were advanced by the Group to associates.
- (b) As mentioned in note 11, the Group had contingent liabilities in respect of guarantee for banking facilities available to an associate.
- (c) As mentioned in note 12, the Group pledged its shares in an associate and subordinated and assigned its loan to the associate for bank loans granted to the associate.

14. Comparative figures

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

15. Post balance sheet events

On 15 July 2003,

- (a) Two unconsolidated subsidiaries, Argent Holdings Limited ("Argent") and Silverlink Holdings Limited ("Silverlink") entered into agreement for the repurchase of 5,000,000 shares in Silverlink by Silverlink for consideration of US\$40,000,000.
- (b) The consideration was utilised by Argent as to US\$30,000,000 to finance the acquisition of 37.736% participation right under the US\$79.5 million Note issued by Silverlink on 27 November 2002 and as to US\$10,000,000 to reduce existing bank borrowings of the Group.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2003 (2002: 1 cent per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Period

The Group recorded HK\$139 million turnover in the six months ended 30 June 2003, a 2,981% increase as compared with the last corresponding period. The increase was largely attributable to the increase in sales of listed investments.

Profit attributable to shareholders was HK\$38 million, an increase of HK\$110 million as compared with loss of HK\$72 million in the last corresponding period. The increase was mainly due to the transfer of revaluation surplus from the long-term investment revaluation reserve to the profit and loss account upon disposals of listed investments and share of profit of associates.

Financial Resources and Liquidity

The Group's total borrowings were HK\$361 million at the period end. HK\$100 million of the borrowings will mature within one year after balance sheet date. The borrowings were obtained mainly for the acquisition of Argent Holdings Limited ("Argent") and properties for own use.

The Group's bank borrowings consisted of bank loans of US\$45 million and HK\$11 million. With respect to the interest rate structure of the borrowings, the interest rate was at 1.75% above Singapore Interbank Offer Rate and at 2.5% below the bank prime rate respectively.

The gearing ratio of the Group was 30%. The computation is based on total borrowings of the Group divided by shareholders' funds as at 30 June 2003.

Charges on Group's Assets

Shares in Argent, certain investment properties, listed shares and bank deposits and other properties held by the Group with a total net book value of approximately HK\$1,229 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 bank its loan of approximately HK\$131 million to the associate.

Contingent Liabilities

As at 30 June 2003, 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, Gold IS Berhad, IGB Corporation Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market value of the investments as at 30 June 2003 was HK\$374 million, HK\$38 million, HK\$60 million and HK\$50 million respectively.

During the period, there was a revaluation surplus of HK\$14 million on the listed shares.

Material Acquisitions and Disposals

During the period, the Group disposed of listed investments with cost of HK\$79 million in Gold IS Berhad, HK\$36 million in Resorts World Berhad and HK\$12 million in Padiberas Nasional Berhad at consideration of HK\$34 million, HK\$90 million and HK\$11 million respectively.

Employees

As at 30 June 2003, the Group's number of staff was 9. 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 2003, 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:

<u>Directors</u>	<u>No. of ordinary shares</u>	
	<u>Personal interests</u>	<u>Corporate interests</u>
Mr. Tan Boon Seng	900,000	19,442,000 (i) (iii) (iv)
Mr. Ang Guan Seng	—	—
Mr. Ho Hau Chong, Norman	—	—
Mr. Ng Hung Sang, Robert (v)	—	—
Mr. Tan Choon Keat, Tony	—	8,304,000 (i) (ii)
Mr. Tan Kai Seng	—	—
Mr. Yeung Chik Kin	225,800	—

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 14,361,000 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) Mr. Fung Ka Pun was appointed as an Independent Non-executive Director and a member of Audit Committee of the Company in place of Mr. Ng Hung Sang, Robert effective from 3 July 2003.

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 2003, 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 2003 the Company had been notified of the following interests in the Company's shares:

	<u>No. of ordinary shares</u>	<u>Percentage holding</u>
Parkway Holdings Limited	125,332,186 (i)	37.00
NWD (Hotels Investments) Limited	54,500,000 (ii)	16.09
IGB Corporation Berhad	35,020,000 (iii)	10.34
Tan Boon Seng	20,342,000 (iv)	6.00

Notes:

- (i) The interest of Parkway Holdings Limited was held through its wholly-owned subsidiaries, Parkway Panama Limited Inc. and M & P Investments Pte. Ltd.
- (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 IGB Corporation Berhad was held through its wholly-owned subsidiary, Intercontinental Aviation Services Sdn. Bhd.
- (iv) The 20,342,000 shares are held as to 900,000 shares by Mr. Tan Boon Seng, as to 2,100,000 shares by Wah Seong Enterprises Sdn. Bhd., as to 14,361,000 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

During the six months ended 30 June 2003, there was no purchase, sale or redemption by the Company or its subsidiaries of the Company's listed securities.

REVIEW OF INTERIM REPORT

The unaudited interim report of the Group for the six months ended 30 June 2003 has been reviewed by the Audit Committee of the Company.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period except that the Independent Non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

By Order of the Board

Chan Kai Kwok

Secretary

Hong Kong, 2 September 2003