

**LEE HING DEVELOPMENT LIMITED**

**Interim Report 2004**

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 2004 as follows:—

## Condensed Consolidated Profit and Loss Account

for the six months ended 30 June 2004

		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
	Note		
Turnover	2	144,512	138,792
Other revenue and income	2	2,500	3,289
Carrying value of listed investments sold		( 111,440)	( 134,824)
Write-back of (provision for) impairment in value of long-term investments		26,865	( 727)
Amount transferred from long-term investment revaluation reserve – on disposals of long-term listed investments		55,849	46,810
on impairment in value of long-term investments		( 14,785)	( 4,064)
Other operating expenses		( 5,838)	( 5,000)
Operating profit before finance costs	3	97,663	44,276
Finance costs		( 1,998)	( 7,224)
Operating profit after finance costs		95,665	37,052
Share of results of associates		( 5,498)	951
Profit before taxation		90,167	38,003
Taxation	4	( 4,632)	( 12)
Profit before minority interests		85,535	37,991
Minority interests		203	—
Profit attributable to shareholders		<u>85,738</u>	<u>37,991</u>
Interim dividend	5	<u>2,133</u>	—
Earnings per share (cents)	6	<u>38.57</u>	<u>11.21</u>

## Condensed Consolidated Balance Sheet

as at 30 June 2004

		30.6.2004 (unaudited) HK\$'000	31.12.2003 (audited) HK\$'000
Non-current assets			
Fixed assets		37,875	56,662
Interests in associates		527,202	537,628
Long-term investments		636,207	715,725
		<u>1,201,284</u>	<u>1,310,015</u>
Current assets			
Inventories		766	766
Listed investments and other asset		14,742	15,376
Debtors, deposits and prepayments	7	8,675	19,460
Cash and bank balances		157,217	140,937
		<u>181,400</u>	<u>176,539</u>
Current liabilities			
Creditors, deposits and accruals	8	5,507	4,682
Secured bank loans	9	853	843
Notes payable	10	28,576	—
Provision for taxation		636	636
		<u>35,572</u>	<u>6,161</u>
Net current assets		<u>145,828</u>	<u>170,378</u>
Total assets less current liabilities		<u>1,347,112</u>	<u>1,480,393</u>
Non-current liabilities			
Secured bank loans	9	108,196	180,978
Notes payable	10	200,030	—
		<u>308,226</u>	<u>180,978</u>
Minority interests		<u>53,394</u>	<u>53,597</u>
Net assets		<u>985,492</u>	<u>1,245,818</u>
Capital and reserves			
Share capital	11	213,336	338,765
Reserves		770,023	904,920
Proposed dividend		2,133	2,133
Shareholders' funds		<u>985,492</u>	<u>1,245,818</u>

## Condensed Consolidated Statement of Changes in Equity

	Share capital	Capital redemption reserve	Share premium	Capital reserve	Investment property revaluation reserve	Long-term investment revaluation reserve	Retained profit	Proposed dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1.1.2004	338,765	9,452	316,006	53,585	17,125	131,503	377,249	2,133	1,245,818
Realised on disposals of long-term listed investments	—	—	—	—	—	( 55,849)	—	—	( 55,849)
Revaluation deficit	—	—	—	—	—	( 17,231)	—	—	( 17,231)
Share of associate's reserve	—	—	—	—	—	( 582)	—	—	( 582)
Premium and brokerage expenses paid on share repurchases	—	—	—	—	—	—	( 162,284)	—	( 162,284)
Transfer to profit and loss account upon impairment in value of long-term investments	—	—	—	—	—	14,785	—	—	14,785
Realised on disposals of investment properties	—	—	—	—	2,659	—	—	—	2,659
Net gains (losses) not recognised in profit and loss account	—	—	—	—	2,659	( 58,877)	( 162,284)	—	( 218,502)
Profit for the period	—	—	—	—	—	—	85,738	—	85,738
2003 final dividend	—	—	—	—	—	—	—	( 2,133)	( 2,133)
2004 interim dividend	—	—	—	—	—	—	( 2,133)	2,133	—
Repurchases of shares	( 125,429)	—	—	—	—	—	—	—	( 125,429)
Transfer to capital redemption reserve upon share repurchases	—	125,429	—	—	—	—	( 125,429)	—	—
	( 125,429)	125,429	—	—	2,659	( 58,877)	( 204,108)	—	( 260,326)
At 30.6.2004	213,336	134,881	316,006	53,585	19,784	72,626	173,141	2,133	985,492

## Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2004

	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Net cash flow from (used in):		
Operating activities	17,700	( 45,007)
Investing activities	215,111	166,392
Financing activities	( 134,012)	( 117,769)
Net increase in cash and cash equivalents	98,799	3,616
Cash and cash equivalents at beginning of period	<u>52,680</u>	<u>40,105</u>
Cash and cash equivalents at end of period	<u>151,479</u>	<u>43,721</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	157,217	45,416
Bank deposits pledged to banks	( 5,738)	( 1,695)
	<u>151,479</u>	<u>43,721</u>

## Notes to Interim Financial Statements

### 1. Basis of preparation

The unaudited interim financial statements are prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants 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 2003.

### 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, purchases and sales of long-term and short-term listed securities

Other operation — property investment

	Share investment and dealing		Other operation		Consolidated account	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue						
Turnover	143,471	137,133	1,041	1,659	144,512	138,792
Other revenue and income	847	3,289	1,653	—	2,500	3,289
Total revenue	<u>144,318</u>	<u>140,422</u>	<u>2,694</u>	<u>1,659</u>	<u>147,012</u>	<u>142,081</u>
Segment results	<u>94,913</u>	<u>42,720</u>	<u>2,624</u>	<u>1,556</u>	97,537	44,276
Finance costs					( 1,872)	( 7,224)
Share of results of associates					( 5,498)	951
Profit before taxation					90,167	38,003
Taxation					( 4,632)	( 12)
Profit before minority interests					85,535	37,991
Minority interests					203	—
Profit attributable to shareholders					<u>85,738</u>	<u>37,991</u>

#### (ii) Geographical segments

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

### 3. Operating profit before finance costs

	2004 HK\$'000	2003 HK\$'000
Operating profit before finance costs is stated after charging (crediting):		
Depreciation	189	111
(Profit) loss on disposals of fixed assets	( 1,683)	38
Interest income	( 6,457)	( 1,337)
Unrealised loss (gain) on listed investments held for trading purpose	634	( 2,118)

### 4. Taxation

	2004 HK\$'000	2003 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	365	—
Share of associates' taxation	4,267	12
	<u>4,632</u>	<u>12</u>

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

### 5. Interim dividend

	2004 HK\$'000	2003 HK\$'000
Interim dividend proposed – 1 cent per share (2003: nil)	<u>2,133</u>	<u>—</u>

## 6. Earnings per share

The calculation of earnings per share is based on unaudited consolidated profit attributable to shareholders of HK\$85,738,000 (2003: HK\$37,991,000) and the weighted average of 222,307,771 shares (2003: 338,765,471 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.

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
Trade debtors		
Below 30 days	2,925	3,109
31 to 60 days	—	114
61 to 90 days	—	117
91 to 365 days	691	991
Over 365 days	4,891	14,241
Other debtors, deposits and prepayments	168	888
	<u>8,675</u>	<u>19,460</u>

## 8. Creditors, deposits and accruals

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
Trade creditors	2,462	—
Other creditors, deposits and accruals	3,045	4,682
	<u>5,507</u>	<u>4,682</u>



## 9. Secured bank loans

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
Bank loans	109,049	181,821
Amount payable within one year classified under current liabilities	( 853)	( 843)
	<u>108,196</u>	<u>180,978</u>
Repayment period		
Within one year	853	843
One to two years	100,098	864
Two to five years	2,759	174,301
Over five years	5,339	5,813
	<u>109,049</u>	<u>181,821</u>

## 10. Notes payable

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
Notes payable	228,606	—
Amount payable within one year classified under current liabilities	( 28,576)	—
	<u>200,030</u>	<u>—</u>
Repayment period		
Within one year	28,576	—
One to two years	28,576	—
Two to five years	171,454	—
	<u>228,606</u>	<u>—</u>

## 11. Share capital

	30.6.2004 HK\$'000	31.12.2003 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	338,765	338,765
Repurchases of shares	( 125,429)	—
Balance at end of period	<u>213,336</u>	<u>338,765</u>

During the period, the Company has repurchased a total of 97,000 of its own shares on The Stock Exchange of Hong Kong Limited and 125,332,186 shares off-market as announced in an announcement made by the Company dated 19 November 2003. The particular of the repurchases are as follows:

Month of repurchases	Number of shares	Price per share paid	Aggregate consideration paid
2004		HK\$	HK\$
January	125,332,186	2.28	285,757,384
February	<u>97,000</u>	2.075	<u>201,275</u>
	<u>125,429,186</u>		<u>285,958,659</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 as shown in Condensed Consolidated Statement of Changes in Equity.

## 12. Contingent liabilities

Guarantee given by the Group in respect of banking facilities available to an associate amounted to HK\$41,250,000 (31.12.2003: HK\$41,250,000).

### **13. Pledge of assets**

The Group pledged its properties, listed shares, debt securities and bank deposits together with certain shares in subsidiary and associate as security for banking facilities extended to the Group in the sum of HK\$509,200,000 (31.12.2003: HK\$523,200,000).

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 (31.12.2003: HK\$131,031,000) to the banks by way of security.

### **14. Related party transactions**

Details of material transactions are as follows:

- (a) Loan and advances of HK\$290,949,000 (31.12.2003: HK\$290,949,000) were advanced by the Group to associates.
- (b) As mentioned in note 12, the Group had contingent liabilities in respect of guarantee for banking facilities available to an associate.
- (c) As mentioned in note 13, the Group pledged its shares in an associate and subordinated and assigned its loan to the associate for bank loans granted to the associate.
- (d) The Company repurchased 125,332,186 shares of the Company from Parkway Holdings Limited, a substantial shareholder of the Company prior to the repurchases, at HK\$2.28 per share for a total consideration of about HK\$285,757,000 in January 2004.

### **INTERIM DIVIDEND**

The Directors have declared an interim dividend of 1 cent per share for the year ending 31 December 2004 (2003: nil) payable to shareholders registered on 15 October 2004. Dividend warrants will be posted to shareholders by 25 October 2004.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 13 October to 15 October 2004, 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, 12 October 2004 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\$145 million turnover in the six months ended 30 June 2004, a 4% increase as compared with the last corresponding period. The increase was largely attributable to the increase in dividend income from overseas listed investments and interest income from debt securities.

Profit attributable to shareholders was HK\$86 million, an increase of HK\$48 million as compared with HK\$38 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 long-term listed investments and write-back of provision for impairment in value of long-term investments.

Share of loss of associates was mainly due to share of loss of Silverlink Holdings Limited.

### **Financial Resources and Liquidity**

The Group's total borrowings were HK\$338 million at the period end. HK\$29 million of the borrowings will mature within one year after balance sheet date. Bank loans of HK\$109 million were obtained mainly for the acquisition of Argent Holdings Limited and properties for own use. Three Notes in aggregate of HK\$229 million were issued for the repurchases of own shares.

The Group's total borrowings consisted of bank loans of US\$13 million and HK\$9 million and Notes of HK\$229 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 and at 1% per annum respectively.

The gearing ratio of the Group was 34%. The computation is based on total borrowings of the Group divided by shareholders' funds as at 30 June 2004.

### **Charges on Group's Assets**

The Group's properties, listed shares, debt securities and bank deposits with a total net book value of approximately HK\$620 million together with certain shares in subsidiary and associate 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 2004, 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 2004 was HK\$134 million, HK\$16 million, HK\$82 million and HK\$73 million respectively. Dividend income of HK\$3 million from overseas listed shares was received during the period.

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

### **Material Acquisitions and Disposals**

During the period, the Group disposed of listed investments with cost of HK\$37 million in Gold IS Berhad and HK\$37 million in Resorts World Berhad at consideration of HK\$27 million and HK\$104 million respectively.

During the period, the Group also acquired listed investments with cost of HK\$22 million in Padiberas Nasional Berhad.

### **Employees**

As at 30 June 2004, 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 2004, 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%	131,031	41,250	26,730	172,281
Ichiban Properties Limited	50%	155,025	—	—	155,025
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 2004 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	562,892	223,308
Current assets	16,751	3,794
Current liabilities	( 22,902)	( 6,855)
Non-current liabilities	<u>( 879,351)</u>	<u>( 310,898)</u>
Net liabilities	<u>( 322,610)</u>	<u>( 90,651)</u>

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, 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 2004, 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 2004 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**

Details of repurchases by the Company of its own shares during the period are set out in note 11 to the interim financial statements. The repurchases were made for the purpose of enhancing the net assets value per share of the Company.

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



## **REVIEW OF INTERIM REPORT**

The unaudited interim report of the Group for the six months ended 30 June 2004 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 and 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.

## **MODEL CODE**

The Company has on 31 March 2004 adopted a model code for securities transaction by Directors on term no less exacting than the required standard set out in Appendix 10 of the Listing Rules. All Directors have complied with the required standard of the model code.

By Order of the Board

**Chan Kai Kwok**

*Secretary*

Hong Kong, 13 September 2004