

LEE HING DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liabilities)

Stock Code: 68

Interim Report 2008

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 2008 as follows:-

Condensed Consolidated Income Statement

for the six months ended 30 June 2008

	Note	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover	3	<u>29,994</u>	<u>40,735</u>
Revenue and income	4	21,864	32,357
Net gain on disposal of a subsidiary	5	462,641	–
Net gain on disposal of an associate		1,128	–
Operating expenses	6	<u>(178,483)</u>	<u>(5,819)</u>
Operating profit before finance costs	6	307,150	26,538
Finance costs		<u>(371)</u>	<u>(61)</u>
Operating profit after finance costs		306,779	26,477
Share of results of associates		<u>50</u>	<u>1,017</u>
Profit before taxation		306,829	27,494
Taxation	7	<u>(97)</u>	<u>636</u>
Profit for the period		<u>306,732</u>	<u>28,130</u>
Attributable to:			
Equity holders of the Company		306,732	28,144
Minority interests		<u>–</u>	<u>(14)</u>
		<u>306,732</u>	<u>28,130</u>
Interim dividend	8	<u>7,712</u>	<u>2,133</u>
Earnings per share (HK cents)	9	<u>194.69</u>	<u>13.19</u>

Condensed Consolidated Balance Sheet

as at 30 June 2008

	Note	30.6.2008 HK\$'000 (Unaudited)	31.12.2007 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		3,001	3,114
Leasehold land		13,778	13,786
Associates		3,888	5,814
Investments		344,330	458,796
Other non-current assets		2,290	2,290
		<u>367,287</u>	<u>483,800</u>
Current assets			
Held for trading investments	10	878,609	226,348
Other assets		295	295
Debtors, deposits and prepayments	11	102,478	291
Time deposits and bank balances		316,605	65,453
		<u>1,297,987</u>	<u>292,387</u>
Assets classified as held for sale		–	517,357
		<u>1,297,987</u>	<u>809,744</u>
Current liabilities			
Bank loans – secured		340,204	–
Creditors, deposits and accruals	12	13,978	3,736
Other payable		348	348
		<u>354,530</u>	<u>4,084</u>
Liabilities associated with assets classified as held for sale		–	469
		<u>354,530</u>	<u>4,553</u>
Net current assets		<u>943,457</u>	<u>805,191</u>
Net assets		<u>1,310,744</u>	<u>1,288,991</u>
Equity			
Share capital	13	156,257	158,647
Reserves		1,146,674	963,257
Proposed dividend		7,813	7,932
		<u>1,310,744</u>	<u>1,129,836</u>
Amounts recognised directly in equity relating to assets classified as held for sale		–	109,622
Equity attributable to equity holders of the Company		1,310,744	1,239,458
Minority interests relating to assets classified as held for sale		–	49,533
Total equity		<u>1,310,744</u>	<u>1,288,991</u>

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2008

	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 of the Company	Minority interests relating to assets classified as held for sale/ Minority interests	Total equity
	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 1.1.2008	158,647	189,570	316,006	53,585	129,097	165,938	(19,475)	238,158	7,932	1,239,458	49,533	1,288,991
Realised on disposal of a subsidiary	-	-	-	-	(129,097)	-	19,475	-	-	(109,622)	(49,533)	(159,155)
Realised on disposals of available-for-sale unlisted investments	-	-	-	-	-	5,963	-	-	-	5,963	-	5,963
Fair value changes	-	-	-	-	-	(113,083)	-	-	-	(113,083)	-	(113,083)
Premium and brokerage expenses paid on share repurchases	-	-	-	-	-	-	-	(8,483)	-	(8,483)	-	(8,483)
Income and expense recognised directly in equity	-	-	-	-	(129,097)	(107,120)	19,475	(8,483)	-	(225,225)	(49,533)	(274,758)
Profit for the period	-	-	-	-	-	-	-	306,732	-	306,732	-	306,732
Total recognised income and expense for the period	-	-	-	-	(129,097)	(107,120)	19,475	298,249	-	81,507	(49,533)	31,974
2007 final dividend	-	-	-	-	-	-	-	-	(7,831)	(7,831)	-	(7,831)
2008 interim dividend	-	-	-	-	-	-	-	(7,712)	7,712	-	-	-
Repurchase of shares	(2,390)	-	-	-	-	-	-	-	-	(2,390)	-	(2,390)
Transfer to capital redemption reserve upon share repurchases	-	2,390	-	-	-	-	-	(2,390)	-	-	-	-
	(2,390)	2,390	-	-	(129,097)	(107,120)	19,475	288,147	(119)	71,286	(49,533)	21,753
At 30.6.2008	156,257	191,960	316,006	53,585	-	58,818	-	526,305	7,813	1,310,744	-	1,310,744
At 1.1.2007	213,336	134,881	316,006	53,585	119,402	87,264	(23,441)	262,784	2,134	1,165,951	40,686	1,206,637
Realised on disposals of available-for-sale listed investments	-	-	-	-	-	(6,233)	-	-	-	(6,233)	-	(6,233)
Fair value changes	-	-	-	-	-	81,712	-	-	-	81,712	-	81,712
Share of associate's reserves	-	-	-	-	9,695	-	3,966	-	-	13,661	1,224	14,885
Income and expense recognised directly in equity	-	-	-	-	9,695	75,479	3,966	-	-	89,140	1,224	90,364
Profit for the period	-	-	-	-	-	-	-	28,144	-	28,144	(14)	28,130
Total recognised income and expense for the period	-	-	-	-	9,695	75,479	3,966	28,144	-	117,284	1,210	118,494
2006 final dividend	-	-	-	-	-	-	-	-	(2,134)	(2,134)	-	(2,134)
2007 interim dividend	-	-	-	-	-	-	-	(2,133)	2,133	-	-	-
	-	-	-	-	9,695	75,479	3,966	26,011	(1)	115,150	1,210	116,360
At 30.6.2007	213,336	134,881	316,006	53,585	129,097	162,743	(19,475)	288,795	2,133	1,281,101	41,896	1,322,997

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2008

	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash used in operating activities	(878,832)	(53,605)
Net cash from investing activities	572,903	27,056
Net cash used in financing activities	(18,704)	(30,709)
Net decrease in cash and cash equivalents	(324,633)	(57,258)
Cash and cash equivalents at beginning of the period	57,159	336,309
Effect of foreign exchange rate changes	(9,111)	–
Cash and cash equivalents at end of the period	<u>(276,585)</u>	<u>279,051</u>
Analysis of the balances of cash and cash equivalents		
Time deposits and bank balances	316,605	294,643
Bank loans	(340,204)	–
Bank deposits pledged to banks	(252,986)	(15,592)
	<u>(276,585)</u>	<u>279,051</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.

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 2007 except as described in note 2 below.

2. Impact of new Hong Kong Financial Reporting Standards

The Group has adopted the following new 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 2008:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements And their Interaction

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

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 2 (Amendment)	Vesting Condition and Cancellation	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC)-Int 16	Hedges of a Net Investment in a foreign Operation	1 October 2008

3. Turnover

Analysis of the Group's turnover is as follows:

	2008 HK\$'000	2007 HK\$'000
Sales of held for trading listed investments	7,968	12,402
Sales of available-for-sale listed investments	–	15,006
Sales of available-for-sale unlisted investments	1,195	–
Dividends from listed investments	1,094	–
Gain on derivative financial instruments	921	–
Interest income on financial assets not at fair value through profit or loss	7,761	13,327
Interest income on financial assets at fair value through profit or loss	11,055	–
	<u>29,994</u>	<u>40,735</u>

4. Segment reporting

(a) Business segments

The business segments of the Group are share investment and dealing.

	2008 HK\$'000	2007 HK\$'000
Turnover	<u>29,994</u>	<u>40,735</u>
Revenue and income	<u>21,864</u>	<u>32,357</u>
Segment results	<u>(156,619)</u>	<u>26,538</u>

(b) Geographical segments

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

5. Net gain on disposal of a subsidiary

Net gain represents the gain on disposal of entire interest in a subsidiary, Sinonet Holdings Limited.

6. Operating profit before finance costs

	2008 HK\$'000	2007 HK\$'000
Operating profit before finance costs is stated after charging (crediting):		
Depreciation	152	151
Directors' emoluments	2,408	2,243
Amortisation of leasehold land	8	8
(Gain) loss on disposals of property, plant and equipment	(2)	1
Exchange loss	13,777	340
Net gain on disposals of available-for-sale listed investments	–	(6,435)
Net loss on disposals of available-for-sale unlisted investments	6,151	–
Net gain on disposals of held for trading listed investments	(1,028)	(61)
Unrealised loss (gain) on held for trading investments	144,552	(12,435)

7. Taxation

	2008 HK\$'000	2007 HK\$'000
Company and subsidiaries		
Overprovision in prior periods	–	(636)
Overseas taxation	97	–
	<u>97</u>	<u>(636)</u>

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

8. Interim dividend

	2008	2007
	HK\$'000	HK\$'000
Interim dividend proposed – 5 HK cents per share (2007: 1 HK cent per share)	<u>7,712</u>	<u>2,133</u>

9. Earnings per share

The calculation of earnings per share is based on profit attributable to equity holders of the Company of HK\$306,732,000 (2007: HK\$28,144,000) and the weighted average of 157,545,038 shares (2007: 213,336,285 shares) of HK\$1 each in issue during the period.

10. Held for trading investments

	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
Listed equity securities, at market value		
Overseas	731,537	226,348
Hong Kong	52,762	–
Unlisted investments, at fair value	<u>94,310</u>	<u>–</u>
	<u>878,609</u>	<u>226,348</u>

11. Debtors, deposits and prepayments

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

	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
Trade debtors		
Below 30 days	157	85
Other debtors, deposits and prepayments	<u>102,321*</u>	<u>206</u>
	<u>102,478</u>	<u>291</u>

* The balance included a sum of HK\$97,088,000, being deposits held by an investment banker pending investments.

12. Creditors, deposits and accruals

	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
Trade creditors		
Below 30 days	2,616	–
Other creditors, deposits and accruals	11,362	3,736
	<u>13,978</u>	<u>3,736</u>

13. Share capital

	30.6.2008	31.12.2007
	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	158,647	213,336
Repurchase of shares	(2,390)	(54,689)
Balance at end of period/year	<u>156,257</u>	<u>158,647</u>

14. Pledge of assets

The Group pledged its leasehold land and buildings, certain available-for-sale investments, held for trading investments and bank deposits with a total net book value of HK\$1,294,433,000 (31.12.2007: HK\$637,000,000) as security for banking facilities extended to the Group in the sum of HK\$410,000,000 (31.12.2007: HK\$51,200,000). The facilities were increased to HK\$722,000,000 after the balance sheet date.

15. Related party transactions

Details of material transactions are as follows:

- (a) Advances of HK\$4,893,000 (31.12.2007: HK\$4,893,000) were provided by the Group to associates.
- (b) Directors' emoluments are disclosed in note 6.

Interim Dividend

The Directors have declared an interim dividend of 5 HK cents per share for the year ending 31 December 2008 (2007: 1 HK cent per share) payable to shareholders registered on 10 October 2008. Dividend warrants will be posted to shareholders by 23 October 2008.

Closure of Register of Members

The Register of Members will be closed from 8 October to 10 October 2008, 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 Monday, 6 October 2008 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\$30 million turnover in the six months ended 30 June 2008, a 26% decrease as compared with the last corresponding period. The decrease was largely attributable to the decrease in sales of available-for-sale investments and held for trading investments.

Profit attributable to equity holders of the Company was HK\$307 million, an increase of HK\$279 million as compared with HK\$28 million in the last corresponding period. The increase was mainly due to the gain on disposal of a subsidiary, Sinonet Holdings Limited.

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 interest income from equity link note. In the first half of 2008, the Group acquired shares in Padiberas Nasional Berhad and Wing Tai Holdings Limited and units in Ascott Residence Trust with cost of HK\$569 million. The unrealised loss on these investments for the six months ended 30 June 2008 was HK\$126 million. However, the Group believes that these investments will generate considerable income in the future.

Financial resources and liquidity

The Group's total borrowings were HK\$340 million at the period end.

The Group's borrowings were short term secured bank loans. With respect to the interest rate structure of the borrowings, the interest rates were at 0.5% per annum above the bank's cost of fund.

The gearing ratio of the Group was 26%. The computation is based on total borrowings of the Group divided by equity attributable to equity holders of the Company as at 30 June 2008.

Charges on Group's assets

The Group pledged its leasehold land and buildings, certain available-for-sale investments, held for trading investments and bank deposits with a total net book value of HK\$1,294,433,000 as security for banking facilities extended to the Group in the sum of HK\$410,000,000. The facilities were increased to HK\$722,000,000 after the balance sheet date.

Significant investments

The Group had interests in Gold IS Berhad and Padiberas Nasional Berhad, companies listed in Malaysia and Wing Tai Holdings Limited and Ascott Residence Trust, a company and a trust listed in Singapore. The market values of the investments as at 30 June 2008 were HK\$92 million, HK\$480 million, HK\$303 million and HK\$100 million respectively.

Material acquisitions and disposals

In the first half of 2008, the Group invested HK\$703 million in held for trading investments which mainly consist of shares in Padiberas Nasional Berhad and Wing Tai Holdings Limited and units in Ascott Residence Trust.

During the period, the Group disposed of its entire interest in a subsidiary, Sinonet Holdings Limited for a consideration of US\$105.45 million (HK\$822.51 million) and resulted in a gain of HK\$463 million.

Employees

As at 30 June 2008, 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 2008, 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	Personal interests	No. of ordinary shares		Corporate interests	Total	Percentage holding	
		Family interests					
Mr. Tan Boon Seng	900,000	2,991,000	(iii) (iv)	52,340,000	(i) (ii) (v)	56,231,000	35.99
Mr. Ang Guan Seng	-	-		-		-	-
Mr. Ho Hau Chong, Norman	-	-		-		-	-
Mr. Yeung Chik Kin	225,800	-		-		225,800	0.14
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 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 2008, 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 2008 the Company had been notified of the following interest in the Company's shares:

	No. of ordinary shares	Percentage holding
Tan Boon Seng	56,231,000 (i)	35.99
Petaling Garden (S) Pte. Limited	29,006,000 (ii)	18.56

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 (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

During the period, the Company repurchased 2,390,000 of its own shares on The Stock Exchange of Hong Kong Limited. The particulars of repurchases are as follows:

Month of repurchases	Number of shares	Price per share paid Highest/Lowest HK\$	Aggregate price paid HK
2008			
January	457,000	4.90/4.20	2,094,800
February	102,000	4.56/4.51	462,260
March	33,000	4.59/4.53	149,870
April	1,298,000	4.55/4.53	5,884,180
May	150,000	4.53/4.50	677,260
June	350,000	4.50	1,575,000
	<u>2,390,000</u>		<u>10,843,370</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 year.

Review of Interim Report

The unaudited interim report of the Group for the six months ended 30 June 2008 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 2008, 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 2008.

By Order of the Board

Chan Kai Kwok

Secretary

Hong Kong, 5 September 2008

As at the date hereof, the Board of Directors of the Company comprises six Directors, of which two are Executive Directors, namely Mr. Tan Boon Seng and Mr. Chan Kai Kwok, one is Non-executive Director, namely, Mr. Ang Guan Seng and three are Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin.