

LEE HING DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code: 68

Interim Report 2015

The Board of Directors of Lee Hing Development Limited (the “Company”) announced the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 as follows:

Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2015

	Note	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover	3	<u>38,699</u>	<u>209,942</u>
Revenue and income		8,711	7,773
Unrealised loss on held for trading investments		–	(2,164)
Operating expenses		<u>(8,590)</u>	<u>(11,925)</u>
Operating profit/(loss) before finance costs	5	121	(6,316)
Finance costs	6	<u>(10,946)</u>	<u>(3,057)</u>
Operating loss after finance costs		(10,825)	(9,373)
Share of results of associates		<u>(24)</u>	<u>87</u>
Loss before tax		(10,849)	(9,286)
Income tax	7	<u>–</u>	<u>(5)</u>
Loss attributable to owners of the Company		<u>(10,849)</u>	<u>(9,291)</u>
Loss per share (HK cents)	9		
Basic and diluted		<u>(7.29)</u>	<u>(6.15)</u>

Details of interim dividend are disclosed in note 10.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2015

	Note	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss attributable to owners of the Company		----- (10,849) -----	----- (9,291) -----
Other comprehensive (loss)/income	8		
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
net movements in investment revaluation reserve		(633,937)	248,270
Exchange differences on translation of financial statements of foreign subsidiaries and associates		9,249	129
		----- (624,688) -----	----- 248,399 -----
Total comprehensive (loss)/income attributable to owners of the Company		===== (635,537) =====	===== 239,108 =====

Condensed Consolidated Statement of Financial Position

as at 30 June 2015

	Note	30.6.2015 HK\$'000 (Unaudited)	31.12.2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		79,155	79,748
Associates		28,106	28,771
Available-for-sale investments	11	2,679,349	3,149,411
Other non-current assets		14,101	3,719
		<u>2,800,711</u>	<u>3,261,649</u>
Current assets			
Held for trading investments	12	–	17,200
Financial assets at fair value through profit or loss		–	7,918
Other assets		295	295
Accounts receivable, deposits and prepayments	13	179	980
Current tax assets		6	–
Time deposits and bank balances		8,867	46,850
		<u>9,347</u>	<u>73,243</u>
Current liabilities			
Bank borrowings	14	93,615	226,674
Accounts payable, deposits and accruals	15	2,491	24,925
Derivative financial instruments	16	–	1,980
Current tax liabilities		–	5
Other payable		348	348
		<u>96,454</u>	<u>253,932</u>
Net current liabilities		<u>(87,107)</u>	<u>(180,689)</u>
Total assets less current liabilities		2,713,604	3,080,960
Non-current liabilities			
Bank borrowings	14	<u>298,263</u>	<u>–</u>
Net assets		<u>2,415,341</u>	<u>3,080,960</u>
Equity			
Share capital	17	717,808	717,808
Reserves		1,690,128	2,355,613
Proposed dividends		7,405	7,539
Total equity		<u>2,415,341</u>	<u>3,080,960</u>

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015

	Share capital HK\$'000	Capital redemption reserve HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	Total equity HK\$'000
At 1.1.2015	717,808	-	-	-	1,398,865	(313)	957,061	7,539	3,080,960
Loss for the period	-	-	-	-	-	-	(10,849)	-	(10,849)
Other comprehensive (loss)/ income for the period	-	-	-	-	(633,937)	9,249	-	-	(624,688)
Total comprehensive (loss)/ income for the period	-	-	-	-	(633,937)	9,249	(10,849)	-	(635,537)
Over-provision for dividend written back	-	-	-	-	-	-	118	-	118
2014 final dividend	-	-	-	-	-	-	-	(7,539)	(7,539)
2015 interim dividend	-	-	-	-	-	-	(7,405)	7,405	-
Repurchase of shares	-	-	-	-	-	-	(22,661)	-	(22,661)
	-	-	-	-	-	-	(29,948)	(134)	(30,082)
At 30.6.2015	717,808	-	-	-	764,928	8,936	916,264	7,405	2,415,341
At 1.1.2014	151,025	197,192	316,006	53,585	1,978,632	(1,996)	911,462	7,551	3,613,457
Loss for the period	-	-	-	-	-	-	(9,291)	-	(9,291)
Other comprehensive income for the period	-	-	-	-	248,270	129	-	-	248,399
Total comprehensive income/(loss) for the period	-	-	-	-	248,270	129	(9,291)	-	239,108
2013 final dividend	-	-	-	-	-	-	-	(7,551)	(7,551)
2014 interim dividend	-	-	-	-	-	-	(7,551)	7,551	-
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	566,783	(197,192)	(316,006)	(53,585)	-	-	-	-	-
	566,783	(197,192)	(316,006)	(53,585)	-	-	(7,551)	-	(7,551)
At 30.6.2014	717,808	-	-	-	2,226,902	(1,867)	894,620	7,551	3,845,014

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2015

	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(13,729)	205,592
Net cash used in investing activities	(136,313)	(333,245)
Net cash generated from financing activities	<u>145,506</u>	<u>122,289</u>
Net decrease in cash and cash equivalents	(4,536)	(5,364)
Cash and cash equivalents at the beginning of the period	14,288	41,631
Effect of foreign exchanges rate changes	<u>(957)</u>	<u>218</u>
Cash and cash equivalents at the end of the period	<u><u>8,795</u></u>	<u><u>36,485</u></u>
Analysis of the balances of cash and cash equivalents		
Time deposits and bank balances	8,867	91,480
Bank deposits pledged to banks	<u>(72)</u>	<u>(54,995)</u>
	<u><u>8,795</u></u>	<u><u>36,485</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 2014 except for note 2 below.

The financial information relating to the financial year ended 31 December 2014 that is included in this interim report as comparative information does not constitute the Company’s statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Adoption 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) which are effective for accounting periods beginning on or after 1 January 2015:

HKAS 19 (Revised in 2011) (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010 – 2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

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

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012 – 2014 Cycle	1 January 2016

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Revised in 2011)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss (“FVTPL”), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

The Group has already commenced an assessment of the impact of other new and revised HKFRSs, certain of which may be relevant to the Group’s operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

3. Turnover

Analysis of the Group’s turnover is as follows:

	2015 HK\$’000	2014 HK\$’000
Sales of held for trading listed investments	17,409	160,829
Sales of held for trading unlisted investments	–	43,648
Sales of financial assets at fair value through profit or loss	8,765	–
Sales of available-for-sale listed investments	9,579	–
Sales of derivative financial instruments	2,726	1,466
Dividends from listed investments	–	3,347
Income from listed investments	–	366
Interest income on financial assets not at fair value through profit or loss	220	286
	<u>38,699</u>	<u>209,942</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. The management considers that it is impracticable to allocate the turnover, segment results and assets to geographical location.

5. Operating profit/(loss) before finance costs

	2015 HK\$'000	2014 HK\$'000
Operating profit/(loss) before finance costs is stated after charging/(crediting):		
Amortisation of leasehold land	228	228
Depreciation	319	321
Directors' emoluments (Note)	2,307	2,194
Net loss on disposals of held for trading unlisted investments	–	1,394
Net exchange (gain)/loss	(731)	2,509
Net gain on derivative financial instruments	(1,496)	(1,216)
Net gain on disposals of held for trading listed investments	(209)	(2,558)
Net gain on financial assets at fair value through profit or loss	(847)	–
Net gain on disposals of available-for-sale listed investments	(5,205)	–

Note:

The Group provided rent-free quarters to a Director. The estimated rental value of HK\$425,000 (2014:HK\$415,000) is not included in Directors' emoluments.

6. Finance costs

	2015 HK\$'000	2014 HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:		
interest on bank loans (wholly repayable within five years)	7,370	2,922
interest on bank loan subject to a repayment on demand clause (not wholly repayable within five years)	195	135
interest on bank loans subject to a repayment on demand clause (wholly repayable within five years)	<u>692</u>	<u>–</u>
	8,257	3,057
Bank loan arrangement fees	<u>2,689</u>	<u>–</u>
	<u>10,946</u>	<u>3,057</u>

The above shows the finance costs, including bank loans which contain a repayment on demand clause, in accordance with the scheduled repayment dates set out in the loan agreements.

7. Income tax

	2015 HK\$'000	2014 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u>–</u>	<u>5</u>

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

8. Other comprehensive (loss)/income

	2015 HK\$'000	2014 HK\$'000
Changes in fair value of available-for-sale investments recognised during the period	(628,732)	248,270
Reclassification adjustments for amounts transferred to profit or loss:		
Net gain on disposals	<u>(5,205)</u>	<u>–</u>
Net movements in investment revaluation reserve during the period recognised in other comprehensive (loss)/income	(633,937)	248,270
Exchange differences on translation of financial statements of foreign subsidiaries and associates	<u>9,249</u>	<u>129</u>
Other comprehensive (loss)/income for the period, net of tax	<u><u>(624,688)</u></u>	<u><u>248,399</u></u>

9. Loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$10,849,000 (2014: HK\$9,291,000) and the weighted average of 148,879,241 shares (2014: 151,025,285 shares) in issue during the period.

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

10. Interim dividend

	2015 HK\$'000	2014 HK\$'000
Interim dividend proposed – 5 HK cents per share (2014: 5 HK cents per share)	<u>7,405</u>	<u>7,551</u>

11. Available-for-sale investments

During the period, the Group acquired available-for-sale investments of approximately HK\$169 million (six months ended 30 June 2014: approximately HK\$306 million).

During the period, decrease in fair value of available-for-sale investments amounted to approximately HK\$629 million (six months ended 30 June 2014: increase of approximately HK\$248 million).

12. Held for trading investments

During the period, the Group disposed of held for trading investments of approximately HK\$17 million (six months ended 30 June 2014: approximately HK\$203 million).

13. Accounts receivable, deposits and prepayments

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

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
Trade receivable		
Within 30 days	2	322
31 – 60 days	–	112
Other receivable and deposits	103	327
Prepayments	74	219
	<u>179</u>	<u>980</u>

Trade receivable is neither past due nor impaired.

14. Bank borrowings

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
Secured bank loans	306,187	208,622
Secured bank loans subject to a repayment on demand clause	<u>85,691</u>	<u>18,052</u>
	391,878	226,674
Less: current portion	<u>(93,615)</u>	<u>(226,674)</u>
Non-current portion	<u>298,263</u>	<u>–</u>

Repayments of bank loans based on the scheduled repayment dates set out in the loan agreements are as follows:

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
Within one year	8,652	209,345
After one year but within two years	68,740	733
After two years but within five years	300,551	2,268
After five years	<u>13,935</u>	<u>14,328</u>
	<u>391,878</u>	<u>226,674</u>

15. Accounts payable, deposits and accruals

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
Accounts payable, deposits and accruals	<u>2,491</u>	<u>24,925</u>

No ageing analysis has been prepared as there was no trade payable at 30 June 2015 (31 December 2014: Nil).

16. Derivative financial instruments

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
Current liabilities		
Stock options	<u>–</u>	<u>1,980</u>

17. Share capital

	30.6.2015		31.12.2014	
	Number of shares (‘000)	HK\$’000	Number of shares (‘000)	HK\$’000
Issued and fully paid				
Balance at beginning of period/year	150,773	717,808	151,025	151,025
Transition to no-par value regime on 3 March 2014 (Note)	-	-	-	566,783
Repurchase of shares	<u>(2,676)</u>	<u>-</u>	<u>(252)</u>	<u>-</u>
Balance at end of period/year	<u>148,097</u>	<u>717,808</u>	<u>150,773</u>	<u>717,808</u>

Note:

In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance, on 3 March 2014, any amount of capital redemption reserve, share premium and capital reserve have become part of the Company’s share capital.

18. Pledge of assets

The Group’s leasehold land and buildings, certain available-for-sale investments and bank deposits with a total net book value of approximately HK\$2,537,000,000 (31.12.2014: approximately HK\$2,688,000,000) were pledged to banks to secure banking facilities granted to the Group.

19. Related party transactions

Detail of material transactions are as follows:

- (a) Advances of HK\$4,247,000 (31.12.2014: HK\$4,295,000) were provided by the Group to associates.
- (b) Directors' emoluments are disclosed in note 5.

20. Fair value measurement of financial instruments

Financial instruments measured at fair value

- (a) The following table sets out the carrying value of financial instruments measured at fair value at 30 June 2015 and 31 December 2014 using the three-level hierarchy as defined in HKFRS 13.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs that are unobservable inputs for the asset or liability.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<u>30 June 2015</u>				
Recurring fair value measurement				
Assets				
Available-for-sale investments	<u>2,668,997</u>	<u>-</u>	<u>-</u>	<u>2,668,997</u>
	<u>2,668,997</u>	<u>-</u>	<u>-</u>	<u>2,668,997</u>
<u>31 December 2014</u>				
Recurring fair value measurement				
Assets				
Available-for-sale investments	3,139,059	-	-	3,139,059
Held for trading investments	17,200	-	-	17,200
Financial assets at fair value through profit or loss	<u>-</u>	<u>7,918</u>	<u>-</u>	<u>7,918</u>
	<u>3,156,259</u>	<u>7,918</u>	<u>-</u>	<u>3,164,177</u>
Liabilities				
Derivative financial instruments	<u>1,980</u>	<u>-</u>	<u>-</u>	<u>1,980</u>

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2014: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

- (b) Valuation techniques and inputs used in Level 2 fair value measurement

The fair value of held for trading investments and financial assets at fair value through profit or loss in Level 2 was quoted prices determined by financial institution or fund manager.

Interim Dividend

The Directors have resolved to declare an interim dividend of 5 HK cents per share for the year ending 31 December 2015 (2014: 5 HK cents per share) payable to shareholders of the Company (“Shareholders”) registered on 16 September 2015. Dividend warrants will be posted to Shareholders by 5 October 2015.

Closure of Register of Members

The Register of Members will be closed from 14 September to 16 September 2015, 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 4:30 p.m. on Friday, 11 September 2015 with the Share Registrar of the Company, Tricor Standard Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Management Discussion and Analysis

Results for the period

The Group recorded HK\$39 million turnover for the six months ended 30 June 2015, a 82% decrease as compared with the last corresponding period. The substantial decrease was largely attributable to the decrease in sales of held for trading investments.

Loss attributable to owners of the Company was HK\$11 million, an increase of HK\$2 million as compared with the last corresponding period. The increase was mainly due to the increase in finance costs.

Business review

The Group is principally engaged in share investment and dealing.

During the period under review, the Group’s turnover was mainly attributable to the sales of held for trading investments, PetroChina Company Limited of HK\$17 million, sales of derivative financial instruments, stock options of HK\$3 million and sales of available-for-sale investments, Goldis Berhad of HK\$10 million. In the first half of 2015, the Group acquired shares in PureCircle Limited and Goldis Berhad at cost of HK\$17 million and HK\$3 million respectively. The Group also subscribed listed preference shares in Goldis Berhad at cost of HK\$149 million. The Group believes that these investments will generate considerable income in the future.

Financial resources and liquidity

The Group's borrowings were secured bank loans. With respect to interest rate structure of the borrowings, interest rate was 1% to 1.75% per annum above the bank's cost of fund, 1.25% to 2.7% per annum above HIBOR or 3% per annum above LIBOR.

The gearing ratio of the Group was 16%. The computation is based on total borrowings of the Group divided by total equity as at 30 June 2015.

Charges on Group's assets

The Group's leasehold land and buildings, certain available-for-sale investments and bank deposits with a total net book value of approximately HK\$2,537 million were pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2015, the Group had no contingent liabilities but the Company had contingent liabilities in respect of guarantees for banking facilities granted to its subsidiaries in the sum of HK\$647 million.

Significant investments

The Group had interests in listed shares of Goldis Berhad, a company listed in Malaysia, and PureCircle Limited, a company listed in London. The market values of these investments as at 30 June 2015 were HK\$430 million and HK\$2,094 million respectively.

During the period, decrease in fair value of investment in PureCircle Limited amounted to HK\$562 million.

Material acquisitions and disposals

During the period, the Group acquired listed shares in PureCircle Limited, a company listed in London, and Goldis Berhad, a company listed in Malaysia, at cost of HK\$17 million and HK\$3 million respectively. The Group also subscribed listed preference shares in Goldis Berhad at cost of HK\$149 million.

During the period, the Group disposed of listed shares in Goldis Berhad at consideration of HK\$10 million and resulted in a net gain of HK\$5 million.

Foreign currency exposure

The Group had major investments, accounts receivable, bank balances, accounts payable and bank loans denominated in Malaysian Ringgit, British Pound, Japanese Yen and Thai Baht, 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 2015, 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 2015, 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				Percentage holding
	Personal interests	Family interests	Corporate interests	Total	
Mr. Tan Boon Seng	1,400,000 (i)	2,991,000 (iv)(v)	52,340,000 (ii)(iii)(vi)	56,731,000	38.31
Mr. Chan Kai Kwok	-	-	-	-	-
Mr. Ho Hau Chong, Norman	-	-	-	-	-
Mr. Fung Ka Pun	-	-	-	-	-
Mr. Lim Lay Leng	-	-	-	-	-

Notes:

- (i) Mr. Tan Boon Seng acquired an aggregate of 500,000 shares of the Company in March 2015. Subsequent to the period under review, and in July 2015, Mr. Tan further acquired 4,000 shares of the Company.
- (ii) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Mr. Tan Boon Seng has beneficial interests in this company.
- (iii) HK1 Limited held 14,386,000 shares. Mr. Tan Boon Seng has 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.
- (vi) Zali Capital Limited held 35,854,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.

One nominee share in Lee Hing Investment Company, Limited which is a subsidiary of the Company was 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 2015, 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 2015 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	56,731,000 (Note)	38.31
Petaling Garden (S) Pte. Limited	29,006,000	19.59

Note:

The 56,731,000 shares were held as to 1,400,000 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 HK1 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., HK1 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.

Purchase, Sale and Redemption of Listed Securities

During the period, the Company repurchased a total of 2,676,000 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 Highest/ Lowest</u>	<u>Aggregate price paid</u>
		HK\$	HK\$'000
2015			
January	1,616,000	9.00/8.90	14,544
February	4,000	8.50	34
April	932,000	7.60/7.59	7,083
May	54,000	7.60	410
June	<u>70,000</u> (Note)	7.60	<u>532</u>
	<u>2,676,000</u>		<u>22,603</u>

Note:

70,000 shares repurchased on 29 June 2015 were cancelled on 14 July 2015.

The above repurchase of shares was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchase of shares of HK\$22,603,000 was paid wholly out of retained profits. The repurchase of shares was made for the purpose of enhancing the net asset value per share of the Company and was pursuant to general mandates granted to the Board at the 2014 and 2015 annual general meetings of the Company to repurchase shares in the share capital 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 2015 has been reviewed by the Audit Committee of the Company.

Corporate Governance Code and Corporate Governance Report

The Company has complied with the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015, except for the following deviations from code provisions A.2.1, A.4.1 and A.6.7:

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 to 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.

Code provision A.6.7

Under code provision A.6.7, Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. One member of the Independent Non-executive Directors of the Company was unable to attend the annual general meeting of the Company held on 15 April 2015.

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 to the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

By Order of the Board
Lee Hing Development Limited
Chan Kai Kwok
Company Secretary

Hong Kong, 12 August 2015

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 Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng.