



LEE HING DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 68

Interim Report 2018

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 2018 as follows:

Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2018

	Note	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue and income	3	4,441	3,142
Unrealised gain on financial assets at fair value through profit or loss – unlisted investments		4	–
Unrealised loss on financial assets at fair value through profit or loss – listed investments		(412,448)	–
Operating expenses		<u>(10,214)</u>	<u>(14,654)</u>
Operating loss before finance costs	5	(418,217)	(11,512)
Finance costs	6	<u>(11,330)</u>	<u>(7,690)</u>
Operating loss after finance costs		(429,547)	(19,202)
Share of results of associates		<u>(21)</u>	<u>(30)</u>
Loss before tax		(429,568)	(19,232)
Income tax	7	<u>–</u>	<u>(10)</u>
Loss attributable to owners of the Company		<u>(429,568)</u>	<u>(19,242)</u>
Loss per share (HK cents)	9		
Basic and diluted		<u>(292.64)</u>	<u>(13.07)</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 2018

	Note	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss attributable to owners of the Company		(429,568)	(19,242)
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		–	745,313
Exchange differences on translation of financial statements of foreign subsidiaries and associates		(327)	1,539
		<u>(327)</u>	<u>746,852</u>
Total comprehensive (loss)/income attributable to owners of the Company		<u>(429,895)</u>	<u>727,610</u>

Condensed Consolidated Statement of Financial Position

as at 30 June 2018

	Note	30.6.2018 HK\$'000 (Unaudited)	31.12.2017 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		78,325	78,768
Associates		28,641	28,886
Financial assets at fair value through profit or loss	11	2,331,515	–
Financial assets at fair value through other comprehensive income	12	10,066	–
Available-for-sale investments	2	–	2,784,474
Other non-current assets		2,212	2,229
		<u>2,450,759</u>	<u>2,894,357</u>
Current assets			
Financial assets at fair value through profit or loss	13	917	2,472
Other assets		295	295
Accounts receivable, deposits and prepayments	14	236	419
Current tax assets		4	–
Time deposits and bank balances		45,710	13,750
		<u>47,162</u>	<u>16,936</u>
Current liabilities			
Bank borrowings	15	248,224	228,526
Accounts payable, deposits and accruals	16	8,950	3,552
Current tax liabilities		–	1
Other payable		348	348
		<u>257,522</u>	<u>232,427</u>
Net current liabilities		<u>(210,360)</u>	<u>(215,491)</u>
Total assets less current liabilities		2,240,399	2,678,866
Non-current liabilities			
Bank borrowings	15	228,279	229,067
Net assets		<u>2,012,120</u>	<u>2,449,799</u>
Equity			
Share capital	17	717,808	717,808
Reserves		1,294,312	1,731,991
Total equity		<u>2,012,120</u>	<u>2,449,799</u>

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018

	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 31.12.2017	717,808	1,390,833	10,258	330,900	2,449,799
Impact on initial application of HKFRS 9	<u>–</u>	<u>(1,391,097)</u>	<u>–</u>	<u>1,390,833</u>	<u>(264)</u>
Adjusted balance at 1.1.2018	<u>717,808</u>	<u>(264)</u>	<u>10,258</u>	<u>1,721,733</u>	<u>2,449,535</u>
Loss for the period	–	–	–	(429,568)	(429,568)
Other comprehensive loss for the period	<u>–</u>	<u>–</u>	<u>(327)</u>	<u>–</u>	<u>(327)</u>
Total comprehensive loss for the period	<u>–</u>	<u>–</u>	<u>(327)</u>	<u>(429,568)</u>	<u>(429,895)</u>
Over-provision for dividend written back	–	–	–	2	2
2017 final dividend	–	–	–	(7,341)	(7,341)
Repurchase of shares	–	–	–	(198)	(198)
Unclaimed dividend forfeited	<u>–</u>	<u>–</u>	<u>–</u>	<u>17</u>	<u>17</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,520)</u>	<u>(7,520)</u>
At 30.6.2018	<u>717,808</u>	<u>(264)</u>	<u>9,931</u>	<u>1,284,645</u>	<u>2,012,120</u>
At 1.1.2017	<u>717,808</u>	<u>124,755</u>	<u>7,926</u>	<u>385,028</u>	<u>1,235,517</u>
Loss for the period	–	–	–	(19,242)	(19,242)
Other comprehensive income for the period	<u>–</u>	<u>745,313</u>	<u>1,539</u>	<u>–</u>	<u>746,852</u>
Total comprehensive income for the period	<u>–</u>	<u>745,313</u>	<u>1,539</u>	<u>(19,242)</u>	<u>727,610</u>
2016 final dividend	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,362)</u>	<u>(7,362)</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,362)</u>	<u>(7,362)</u>
At 30.6.2017	<u>717,808</u>	<u>870,068</u>	<u>9,465</u>	<u>358,424</u>	<u>1,955,765</u>

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2018

	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(7,383)	3,814
Other cash flows arising from operating activities	<u>(8,832)</u>	<u>(4,967)</u>
Net cash used in operating activities	----- (16,215)	----- (1,153)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss – listed investments	(15,405)	–
Proceeds from disposal of financial assets at fair value through profit or loss – listed investments	44,455	–
Other cash flows arising from investing activities	<u>(26,650)</u>	<u>11,826</u>
Net cash generated from investing activities	----- 2,400	----- 11,826
Cash flows from financing activities		
Increase/(decrease) in bank loans	17,260	(10,510)
Other cash flows arising from financing activities	<u>(198)</u>	<u>–</u>
Net cash generated from/(used in) financing activities	<u>17,062</u>	<u>(10,510)</u>
Net increase in cash and cash equivalents	3,247	163
Cash and cash equivalents at the beginning of the period	(426)	(3,732)
Effect of foreign exchanges rate changes	<u>(271)</u>	<u>223</u>
Cash and cash equivalents at the end of the period	<u>2,550</u>	<u>(3,346)</u>
Analysis of the balances of cash and cash equivalents		
Time deposits and bank balances	45,710	4,275
Bank deposits pledged to banks	(34,617)	(78)
Bank overdrafts	<u>(8,543)</u>	<u>(7,543)</u>
	<u>2,550</u>	<u>(3,346)</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 2017 except for note 2 below.

The financial information relating to the financial year ended 31 December 2017 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 2017 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 2018:

HKAS 40 (Amendments)	Transfers of Investment Property
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle, except for HKFRS 12
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9, Financial Instruments with HKFRS 4, Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15, Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new and revised HKFRSs has no material impact on these financial statements except as described below:

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement”. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves at 1 January 2018:

	HK\$'000
Retained profits	
Transferred from investment revaluation reserve relating to financial assets now measured at fair value through profit or loss	<u>1,390,833</u>
Net increase in retained profits at 1 January 2018	<u><u>1,390,833</u></u>
	HK\$'000
Investment revaluation reserve	
Transferred to retained profits relating to financial assets now measured at fair value through profit or loss	(1,390,833)
Recognition of fair value relating to equity securities previously measured at cost less impairment	<u>(264)</u>
Net decrease in investment revaluation reserve at 1 January 2018	<u><u>(1,391,097)</u></u>

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVTOCI”) and at fair value through profit or loss (“FVTPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale investments and financial assets at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the changes in measurement categories of financial assets from HKAS 39 to HKFR 9:

	HKAS 39 carrying amount at 31 December 2017 HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000	HKFRS 9 carrying amount at 1 January 2018 HK\$'000
Equity securities classified as available-for-sale investments	2,784,474	(2,784,474)	-	-
Financial assets at FVTPL (non-current)	-	2,774,144	-	2,774,144
Financial assets at FVTOCI	-	10,330	(264)	10,066
	<u>2,784,474</u>	<u>-</u>	<u>(264)</u>	<u>2,784,210</u>

The Group has elected to designate the unlisted equity securities as financial assets at FVTOCI and to present subsequent changes in fair value in other comprehensive income and accumulated in investment revaluation reserve (non-recycling). At the time of disposal, the accumulated fair value is transferred to retained profits.

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the incurred loss accounting model in HKAS 39.

The adoption of ECL model has no impact on the opening retained profits at 1 January 2018.

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 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group has already commenced an assessment of the impact of 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. Revenue and income

Analysis of the Group's revenue and income is as follows:

	2018	2017
	HK\$'000	HK\$'000
Net gain on financial assets at fair value		
through profit or loss – unlisted investments	55	381
Dividends from listed investments	2,874	2,556
Interest income on financial assets not		
at fair value through profit or loss	117	171
Net exchange gain	1,092	–
Sundry income	57	34
Write back of impairment losses on amount due		
from an investee company	246	–
	<u>4,441</u>	<u>3,142</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.

Business segment

The Group has one reportable segment: share investment and dealing.

Geographical information

Analysis of the Group's revenue and income, and non-current assets (excluding financial instruments) by geographical location is as follows:

	Revenue and income		Non-current assets	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	–	–	62,766	63,350
Malaysia	2,599	3,103	–	–
Thailand	–	–	23,284	23,529
Japan	–	–	20,916	20,775
Others	1,842	39	–	–
	<u>4,441</u>	<u>3,142</u>	<u>106,966</u>	<u>107,654</u>

5. Operating loss before finance costs

	2018	2017
	HK\$'000	HK\$'000
Operating loss before finance costs is stated after charging/(crediting):		
Amortisation of leasehold land	228	228
Depreciation	356	358
Directors' emoluments (Note)	2,681	2,541
Net loss on financial assets at fair value through profit or loss – listed investments	2,529	–
(Write back)/impairment loss on amount due from an investee company	(246)	931
Net exchange (gain)/loss	(1,092)	6,334
Net gain on financial assets at fair value through profit or loss – unlisted investments	(55)	(381)

Note:

The Group provided rent-free quarters to a Director. The estimated rental value of HK\$451,000 (2017:HK\$451,000) is not included in Directors' emoluments.

6. Finance costs

	2018	2017
	HK\$'000	HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:		
interest on bank loans	6,019	5,546
interest on bank loans subject to a repayment on demand clause	4,598	1,968
interest on bank overdrafts	147	176
	<u>10,764</u>	<u>7,690</u>
Bank loan arrangement fees	566	–
	<u>11,330</u>	<u>7,690</u>

7. Income tax

	2018 HK\$'000	2017 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u> -</u>	<u> 10</u>

Overseas taxation is calculated at the rates prevailing in the relevant jurisdiction.

8. Other comprehensive (loss)/income

	2018 HK\$'000	2017 HK\$'000
Changes in fair value of available-for-sale investments recognised during the period	<u> -</u>	<u> 745,313</u>
Net movements in investment revaluation reserve during the period recognised in other comprehensive income	-	745,313
Exchange differences on translation of financial statements of foreign subsidiaries and associates	<u> (327)</u>	<u> 1,539</u>
Other comprehensive (loss)/income for the period, net of tax	<u> (327)</u>	<u> 746,852</u>

9. Loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$429,568,000 (2017: HK\$19,242,000) and the weighted average of 146,789,390 shares (2017: 147,266,285 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

	2018	2017
	HK\$'000	HK\$'000
Interim dividend declared – 5 HK cents per share (2017: 5 HK cents per share)	<u>7,337</u>	<u>7,363</u>

11. Financial assets at fair value through profit or loss

	HK\$'000
At 1.1.2018	2,774,144
Additions	15,405
Disposals	(46,984)
Changes in fair value recognised in profit or loss	(412,448)
Exchange differences recognised in translation reserve	<u>1,398</u>
At 30.6.2018	<u>2,331,515</u>

Financial assets at fair value through profit or loss are equity securities listed overseas and stated at fair value. Exchange differences represent part of exchange differences arising from translation of financial statements of foreign entities.

12. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are unlisted equity securities and stated at fair value.

13. Financial assets at fair value through profit or loss

	30.6.2018	31.12.2017
	HK\$'000	HK\$'000
Unlisted investments held for trading, at fair value	<u>917</u>	<u>2,472</u>

14. Accounts receivable, deposits and prepayments

	30.6.2018	31.12.2017
	HK\$'000	HK\$'000
Other receivable and deposits	218	241
Prepayments	<u>18</u>	<u>178</u>
	<u>236</u>	<u>419</u>

No ageing analysis has been prepared as there was no trade receivable at 30 June 2018 (31 December 2017: Nil).

15. Bank borrowings

	30.6.2018	31.12.2017
	HK\$'000	HK\$'000
Secured bank overdrafts	8,543	6,209
Secured bank loans	253,167	270,100
Secured bank loans subject to a repayment on demand clause	<u>214,793</u>	<u>181,284</u>
	476,503	457,593
Less: current portion	<u>(248,224)</u>	<u>(228,526)</u>
Non-current portion	<u>228,279</u>	<u>229,067</u>

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

	30.6.2018	31.12.2017
	HK\$'000	HK\$'000
Within one year	233,286	141,259
After one year but within two years	206,218	147,469
After two years but within five years	24,767	156,263
After five years	<u>12,232</u>	<u>12,602</u>
	<u>476,503</u>	<u>457,593</u>

16. Accounts payable, deposits and accruals

	30.6.2018	31.12.2017
	HK\$'000	HK\$'000
Accounts payable, deposits and accruals	1,611	3,552
Final dividend payable	<u>7,339</u>	<u>–</u>
	<u>8,950</u>	<u>3,552</u>

No ageing analysis has been prepared as there was no trade payable at 30 June 2018 (31 December 2017: Nil).

17. Share capital

	30.6.2018		31.12.2017	
	Number of shares (‘000)	HK\$'000	Number of shares (‘000)	HK\$'000
Issued and fully paid				
Balance at beginning of the period/year	146,814	717,808	147,266	717,808
Repurchase of shares	<u>(33)</u>	<u>–</u>	<u>(452)</u>	<u>–</u>
Balance at end of the period/year	<u>146,781</u>	<u>717,808</u>	<u>146,814</u>	<u>717,808</u>

18. Pledge of assets

The Group's leasehold land and buildings, certain financial assets at fair value through profit or loss and bank deposits with a total net book value of approximately HK\$2,212,000,000 (31 December 2017: approximately HK\$2,567,000,000) 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\$4,296,000 (31 December 2017: HK\$4,313,000) were provided by the Group to associates. Provision for impairment losses on such advances amounted to HK\$2,084,000 (31 December 2017: HK\$2,084,000).
- (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 2018 and 31 December 2017 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 2018</u>				
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss				
– listed investments	2,331,515	–	–	2,331,515
Financial assets at fair value through other comprehensive income				
	–	–	10,066	10,066
Financial assets at fair value through profit or loss – unlisted investments				
	<u>–</u>	<u>917</u>	<u>–</u>	<u>917</u>
	<u>2,331,515</u>	<u>917</u>	<u>10,066</u>	<u>2,342,498</u>
<u>31 December 2017</u>				
Recurring fair value measurement				
Assets				
Available-for-sale investments				
	2,774,144	–	–	2,774,144
Financial assets at fair value through profit or loss				
	<u>–</u>	<u>2,472</u>	<u>–</u>	<u>2,472</u>
	<u>2,774,144</u>	<u>2,472</u>	<u>–</u>	<u>2,776,616</u>

- (b) 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 2017: 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.
- (c) The fair value of financial assets at fair value through profit or loss in Level 2 is quoted price determined by financial institution or fund manager.
- (d) The fair value of financial assets at fair value through other comprehensive income is determined by directors that the reported net asset value represents the fair value at the end of the reporting period.

Interim Dividend

The Directors have resolved to declare an interim dividend of 5 HK cents per share for the year ending 31 December 2018 (2017: 5 HK cents per share) payable to shareholders of the Company (“Shareholders”) registered on 14 September 2018. Dividend warrants will be posted to Shareholders by 15 November 2018.

Closure of Register of Members

The Register of Members will be closed from 12 September to 14 September 2018, 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 Tuesday, 11 September 2018 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\$4 million revenue and income for the six months ended 30 June 2018, a 41% increase as compared with the last corresponding period. The increase was largely attributable to net exchange gain.

Loss attributable to owners of the Company was HK\$430 million, an increase of HK\$410 million as compared with the last corresponding period. The substantial increase was mainly due to unrealised loss on financial assets at fair value through profit or loss of HK\$412 million.

Business review

The Group is principally engaged in share investment and dealing.

During the period under review, the Group’s revenue and income were mainly attributable to the dividend income from listed preferences shares of IGB Berhad (formerly known as Goldis Berhad) of HK\$2.9 million and the net exchange gain of HK\$1.1 million. In the first half of 2018, the Group acquired shares in PureCircle Limited at cost of HK\$15 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 and overdrafts. During the period, a new bank loan of HK\$33 million was raised. With respect to interest rate structure of the borrowings, interest rate was 1% to 3.5% per annum above the bank’s cost of fund, 1.25% to 3.75% per annum above HIBOR, 1% per annum below prime rate or 3% per annum above LIBOR.

The gearing ratio of the Group was 24%. The computation is based on total borrowings of the Group divided by total equity as at 30 June 2018.

Charges on Group's assets

The Group's leasehold land and buildings, certain financial assets at fair value through profit or loss and bank deposits with a total net book value of approximately HK\$2,212 million were pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2018, 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\$547 million.

Significant investments

The Group had interests in listed shares of IGB Berhad, a company listed in Malaysia, and PureCircle Limited, a company listed in London. As at 30 June 2018, the Group held 54,520,742 shares in IGB Berhad, representing approximately 7.9% of the issued ordinary share capital of IGB Berhad, and 45,731,681 shares in PureCircle Limited, representing approximately 26.2% of the issued ordinary share capital of PureCircle Limited. The market values of these investments as at 30 June 2018 were HK\$309 million (31 December 2017: HK\$343 million) and HK\$1,847 million (31 December 2017: HK\$2,254 million) respectively. The market prices of these shares as at 30 June 2018 were RM2.92 per share (31 December 2017: RM2.96 per share) and GBP3.895 per share (31 December 2017: GBP4.67 per share) respectively.

In addition to above, the Group also held 72,169,830 listed preference shares of IGB Berhad, and its market value as at 30 June 2018 was HK\$175 million (31 December 2017: HK\$177 million). The market price of shares as at 30 June 2018 was RM1.25 per share (31 December 2017: RM1.27 per share).

PureCircle Limited is the world's leading producer and marketer of high purity stevia ingredients for the global food and beverage industry and its shares are listed on the Main Market of the London Stock Exchange. For information on PureCircle Limited and its business outlook and future prospects, please refer to information published by PureCircle Limited on its website at www.purecircle.com.

IGB Berhad principally engages in property investment and management (both retail and commercial properties), property development and construction as well as hotel operations. The shares of IGB Berhad are listed on the Main Market of Bursa Malaysia Berhad. For information on IGB Berhad and its business outlook and future prospects, please refer to information published by IGB Berhad on its website at www.igbbhd.com.

During the period, decrease in value of PureCircle Limited, IGB Berhad and preference shares of IGB Berhad amounted to HK\$407 million, HK\$3 million and HK\$2 million respectively. The decrease was due to decrease in market price of shares.

Material acquisitions and disposals

During the period, the Group acquired shares in PureCircle Limited at cost of HK\$15 million.

During the period, the Group disposed of shares in IGB Berhad and PureCircle Limited at consideration of HK\$33 million and HK\$11 million respectively and resulted in net loss of HK\$3 million.

Foreign currency exposure

The Group had major investments, accounts receivable, bank balances, accounts payable and bank loans denominated in Malaysian Ringgit, British Pound, Euro, 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 2018, the Group's number of staff was 10. 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 2018, 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	1,469,000	10,000 (iii)	52,340,000 (i)(ii)(iv)	53,819,000	36.67
Mr. Chan Kai Kwok	-	-	-	-	-
Mr. Ho Hau Chong, Norman	-	-	-	-	-
Mr. Fung Ka Pun	-	-	-	-	-
Mr. Lim Lay Leng	-	-	-	-	-

Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Mr. Tan Boon Seng has beneficial interests in this company.
- (ii) Zali International Limited held 14,386,000 shares. Mr. Tan Boon Seng has beneficial interest in Zali International Limited.
- (iii) The wife of Mr. Tan Boon Seng held 10,000 shares.
- (iv) 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 2018, 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 2018 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	53,819,000 (Note)	36.67
Petaling Garden (S) Pte. Limited	29,006,000	19.76

Note:

The 53,819,000 shares were held as to 1,469,000 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 Zali International Limited and as to 35,854,000 shares by Zali Capital Limited. Wah Seong Enterprises Sdn. Bhd., Zali International Limited and Zali Capital Limited are beneficially owned by Mr. Tan Boon Seng.

Purchase, Sale and Redemption of Listed Securities

During the period, the Company repurchased a total of 33,000 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>
2018		HK\$	HK\$'000
February	<u>33,000</u>	6.00/5.99	<u>198</u>
	<u>33,000</u>		<u>198</u>

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\$198,000 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 2017 annual general meeting 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 2018 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 2018, except for the following deviations from code provisions A.2.1, A.4.1, A.6.7 and C.2.5:

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. Two members of the Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 10 May 2018.

Code provision C.2.5

Under code provision C.2.5, the Group should have an internal audit function. During the period, the Group conducted a review on the need for setting up an internal audit department. Given the Group's simple operating structure and the potential cost burden, it was decided that the Group would not set up an internal audit department for the time being and the Audit Committee under the Board of Directors would be responsible for internal control and risk management of the Group and for reviewing their effectiveness.

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 2018.

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

Hong Kong, 15 August 2018

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.