



# LEE HING DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 68

Interim Report 2019

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 2019 as follows:

## Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2019

	Note	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue and income	3	4,843	4,441
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		(53,307)	(412,448)
Operating expenses		<u>(9,641)</u>	<u>(10,214)</u>
Operating loss before finance costs	5	(58,105)	(418,217)
Finance costs	6	<u>(10,600)</u>	<u>(11,330)</u>
Operating loss after finance costs		(68,705)	(429,547)
Share of results of associates		<u>(20)</u>	<u>(21)</u>
Loss before tax		(68,725)	(429,568)
Income tax	7	<u>–</u>	<u>–</u>
Loss attributable to owners of the Company		<u><u>(68,725)</u></u>	<u><u>(429,568)</u></u>
Loss per share (HK cents)	9		
Basic and diluted		<u><u>(46.82)</u></u>	<u><u>(292.64)</u></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 2019

	Note	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss attributable to owners of the Company		<u>(68,725)</u>	<u>(429,568)</u>
<b>Other comprehensive income/(loss)</b>	8		
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties at the date of change in use	11	15,999	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries and associates		<u>1,526</u>	<u>(327)</u>
		<u>17,525</u>	<u>(327)</u>
Total comprehensive loss attributable to owners of the Company		<u>(51,200)</u>	<u>(429,895)</u>

## Condensed Consolidated Statement of Financial Position

as at 30 June 2019

	Note	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		37,484	77,752
Investment properties	11	56,000	–
Associates		24,547	23,219
Financial assets at fair value through profit or loss	12	1,437,498	1,534,776
Financial assets at fair value through other comprehensive income	13	9,917	9,917
Other non-current assets		2,339	2,235
		<u>1,567,785</u>	<u>1,647,899</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	14	–	634
Other assets		295	295
Accounts receivable, deposits and prepayments	15	9,000	386
Time deposits and bank balances		16,485	29,271
		<u>25,780</u>	<u>30,586</u>
<b>Current liabilities</b>			
Bank borrowings	16	372,074	284,858
Accounts payable, deposits and accruals	17	6,747	3,744
Other payable		348	348
Current tax liabilities		6	6
		<u>379,175</u>	<u>288,956</u>
Net current liabilities		<u>(353,395)</u>	<u>(258,370)</u>
Total assets less current liabilities		1,214,390	1,389,529
<b>Non-current liabilities</b>			
Bank borrowings	16	29,734	150,003
Net assets		<u>1,184,656</u>	<u>1,239,526</u>
<b>Equity</b>			
Share capital	18	717,808	717,808
Reserves		466,848	521,718
Total equity		<u>1,184,656</u>	<u>1,239,526</u>

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019

	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2019	717,808	(413)	9,212	–	512,919	1,239,526
Loss for the period	–	–	–	–	(68,725)	(68,725)
Other comprehensive income for the period	–	–	1,526	15,999	–	17,525
Total comprehensive loss for the period	–	–	1,526	15,999	(68,725)	(51,200)
2018 final dividend	–	–	–	–	(3,670)	(3,670)
At 30 June 2019	<u>717,808</u>	<u>(413)</u>	<u>10,738</u>	<u>15,999</u>	<u>440,524</u>	<u>1,184,656</u>
At 1 January 2018	717,808	(264)	10,258	–	1,721,733	2,449,535
Loss for the period	–	–	–	–	(429,568)	(429,568)
Other comprehensive loss for the period	–	–	(327)	–	–	(327)
Total comprehensive loss for the period	–	–	(327)	–	(429,568)	(429,895)
Over-provision for dividend written back	–	–	–	–	2	2
2017 final dividend	–	–	–	–	(7,341)	(7,341)
Repurchase of shares	–	–	–	–	(198)	(198)
Unclaimed dividend forfeited	–	–	–	–	17	17
	–	–	–	–	(7,520)	(7,520)
At 30 June 2018	<u>717,808</u>	<u>(264)</u>	<u>9,931</u>	<u>–</u>	<u>1,284,645</u>	<u>2,012,120</u>

## Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2019

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(8,982)	(7,383)
Other cash flows arising from operating activities	<u>(8,138)</u>	<u>(8,832)</u>
Net cash used in operating activities	----- (17,120)	----- (16,215)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss – listed investments	(50)	(15,405)
Proceeds from disposal of financial assets at fair value through profit or loss – listed investments	37,075	44,455
Other cash flows arising from investing activities	<u>20,854</u>	<u>(26,650)</u>
Net cash generated from investing activities	----- 57,879	----- 2,400
Cash flows from financing activities		
(Decrease)/increase in bank loans	(33,508)	17,260
Other cash flows arising from financing activities	<u>–</u>	<u>(198)</u>
Net cash (used in)/generated from financing activities	----- (33,508)	----- 17,062
Net increase in cash and cash equivalents	7,251	3,247
Cash and cash equivalents at the beginning of the period	983	(426)
Effect of foreign exchanges rate changes	<u>(1)</u>	<u>(271)</u>
Cash and cash equivalents at the end of the period	<u>8,233</u>	<u>2,550</u>
Analysis of the balances of cash and cash equivalents		
Time deposits and bank balances	16,485	45,710
Bank deposits pledged to banks	(2,702)	(34,617)
Bank overdrafts	<u>(5,550)</u>	<u>(8,543)</u>
	<u>8,233</u>	<u>2,550</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 2018 except for investment properties and note 2 below.

#### Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value, determined on the basis of professional valuation reflecting market conditions at the end of reporting period. Any changes in fair value are recognised in profit or loss. A property interest under an operating lease which is held for the above purposes is classified and accounted for as an investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant assets and is recognised in profit or loss.

The financial information relating to the financial year ended 31 December 2018 that is included in this 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 2018 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 2019:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

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 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	Business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
HKAS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021

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:

	2019	2018
	HK\$'000	HK\$'000
Net gain on financial assets at fair value		
through profit or loss – unlisted investments	13	55
Net gain on financial assets at fair value		
through profit or loss – listed investments	844	–
Dividends from listed investments	2,665	2,874
Interest income on financial assets not at fair		
value through profit or loss	109	117
Net exchange gain	790	1,092
Rental income	332	–
Sundry income	–	57
Write back of impairment losses on amount due		
from an investee company	90	246
	<u>4,843</u>	<u>4,441</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 comprises the following segments:

Share investment – investment in listed and unlisted securities,  
and dealing purchases and sales of listed securities

Other operation – property investment

	Share investment and dealing		Other operation		Consolidated	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue and income						
Revenue and income	<u>4,511</u>	<u>4,441</u>	<u>332</u>	<u>-</u>	<u>4,843</u>	<u>4,441</u>
Total revenue and income	<u>4,511</u>	<u>4,441</u>	<u>332</u>	<u>-</u>	<u>4,843</u>	<u>4,441</u>
Segment results	<u>(68,515)</u>	<u>(429,547)</u>	<u>(190)</u>	<u>-</u>	<u>(68,705)</u>	<u>(429,547)</u>
Share of results of associates					<u>(20)</u>	<u>(21)</u>
Loss before tax					<u>(68,725)</u>	<u>(429,568)</u>
Income tax					<u>-</u>	<u>-</u>
Loss attributable to owners of the Company					<u>(68,725)</u>	<u>(429,568)</u>
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,489,090	1,632,106	56,531	-	1,545,621	1,632,106
Associates					24,547	23,219
Other non-current assets					2,339	2,235
Unallocated assets					<u>21,058</u>	<u>20,925</u>
Total assets					<u>1,593,565</u>	<u>1,678,485</u>
Segment liabilities	358,330	438,953	50,573	-	408,903	438,953
Unallocated liabilities					<u>6</u>	<u>6</u>
Total liabilities					<u>408,909</u>	<u>438,959</u>

	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information						
Depreciation	239	356	97	-	336	356
Amortisation of leasehold land	66	228	-	-	66	228

#### 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	
	2019	2018	30 June 2019	31 December 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	350	-	72,088	56,489
Malaysia	3,574	2,599	-	-
Thailand	-	-	24,885	23,557
Japan	-	-	21,058	20,925
Others	919	1,842	-	-
	<u>4,843</u>	<u>4,441</u>	<u>118,031</u>	<u>100,971</u>

## 5. Operating loss before finance costs

	2019 HK\$'000	2018 HK\$'000
Operating loss before finance costs is stated after charging/(crediting):		
Amortisation of leasehold land	66	228
Depreciation	336	356
Directors' emoluments (Note)	4,563	2,681
Net loss on financial assets at fair value through profit or loss – listed investments	–	2,529
Write back of impairment losses on amount due from an investee company	(90)	(246)
Net exchange gain	(790)	(1,092)
Net gain on financial assets at fair value through profit or loss – unlisted investments	(13)	(55)
– listed investments	(844)	–

Note:

In 2018, the Group provided rent-free quarters to a Director. The estimated rental value of HK\$451,000 is not included in Directors' emoluments.

## 6. Finance costs

	2019 HK\$'000	2018 HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:		
interest on bank loans	9,998	10,617
interest on bank overdrafts	<u>127</u>	<u>147</u>
	10,125	10,764
Bank loan arrangement fees and bank charges	<u>475</u>	<u>566</u>
	<u><u>10,600</u></u>	<u><u>11,330</u></u>

## 7. Income tax

	2019	2018
	HK\$'000	HK\$'000
Current tax		
Company and subsidiaries	<u>          –</u>	<u>          –</u>

No income tax has been provided as the Group has no assessable profit (2018: Nil).

## 8. Other comprehensive income/(loss)

	2019	2018
	HK\$'000	HK\$'000
Gain on revaluation of properties at the date of change in use	15,999	–
Exchange differences on translation of financial statements of foreign subsidiaries and associates	<u>          1,526</u>	<u>          (327)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>          17,525</u>	<u>          (327)</u>

## 9. Loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$68,725,000 (2018: HK\$429,568,000) and the weighted average of 146,781,285 shares (2018: 146,789,390 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

	2019 HK\$'000	2018 HK\$'000
Interim dividend declared – Nil per share (2018: 5 HK cents per share)	<u>–</u>	<u>7,337</u>

## 11. Investment properties

During the period, certain properties of the Group have been changed in use from owner-occupied properties to investment properties. As a result, the difference between the carrying amount and fair value of the properties at the date of change in use of HK\$15,999,000 has been transferred to property revaluation reserve.

## 12. Financial assets at fair value through profit or loss

	HK\$'000
At 1 January 2019	1,534,776
Additions	50
Disposals	(44,643)
Changes in fair value recognised in profit or loss	(53,307)
Exchange differences recognised in translation reserve	<u>622</u>
At 30 June 2019	<u>1,437,498</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.

## 13. 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.

## 14. Financial assets at fair value through profit or loss

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Unlisted investments held for trading, at fair value	<u>–</u>	<u>634</u>

## 15. Accounts receivable, deposits and prepayments

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Other receivable and deposits	9,000	228
Prepayments	<u>–</u>	<u>158</u>
	<u>9,000</u>	<u>386</u>

No ageing analysis has been prepared as there was no trade receivable at 30 June 2019 (31 December 2018: Nil).

## 16. Bank borrowings

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Secured bank overdrafts	5,550	4,742
Secured bank loans	182,717	211,018
Secured bank loans subject to a repayment on demand clause	<u>213,541</u>	<u>219,101</u>
	401,808	434,861
Less: current portion	<u>(372,074)</u>	<u>(284,858)</u>
Non-current portion	<u>29,734</u>	<u>150,003</u>

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Within one year	337,894	178,192
After one year but within two years	30,360	222,619
After two years but within five years	21,796	21,947
After five years	<u>11,758</u>	<u>12,103</u>
	<u>401,808</u>	<u>434,861</u>



## 17. Accounts payable, deposits and accruals

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Accounts payable, deposits and accruals	<u>6,747</u>	<u>3,744</u>

No ageing analysis has been prepared as there was no trade payable at 30 June 2019 (31 December 2018: Nil).

## 18. Share capital

	30 June 2019		31 December 2018	
	Number of shares (‘000)	HK\$'000	Number of shares (‘000)	HK\$'000
Issued and fully paid				
Balance at beginning of the period/year	146,781	717,808	146,814	717,808
Repurchase of shares	<u>—</u>	<u>—</u>	<u>(33)</u>	<u>—</u>
Balance at end of the period/year	<u>146,781</u>	<u>717,808</u>	<u>146,781</u>	<u>717,808</u>

## 19. Pledge of assets

The Group's leasehold land and buildings, investment properties, certain financial assets at fair value through profit or loss and bank deposits with a total net book value of approximately HK\$1,494,000,000 (31 December 2018: approximately HK\$1,595,000,000) were pledged to banks to secure banking facilities granted to the Group.

## 20. Related party transactions

Detail of material transactions are as follows:

- (a) Advances of HK\$4,423,000 (31 December 2018: HK\$4,319,000 were provided by the Group to associates. Provision for impairment losses on such advances amounted to HK\$2,084,000 (31 December 2018: HK\$2,084,000).
- (b) Directors' emoluments are disclosed in note 5.

## 21. 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 2019 and 31 December 2018 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	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>30 June 2019</u>				
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	1,437,498	–	–	1,437,498
Financial assets at fair value through other comprehensive income	–	–	9,917	9,917
	<u>1,437,498</u>	<u>–</u>	<u>9,917</u>	<u>1,447,415</u>

31 December 2018

Recurring fair value measurement

Assets

Financial assets at fair value through profit or loss	1,534,776	634	–	1,535,410
Financial assets at fair value through other comprehensive income	–	–	9,917	9,917
	<u>1,534,776</u>	<u>634</u>	<u>9,917</u>	<u>1,545,327</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 2018: 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 was quoted price determined by financial institution or fund manager.
- (d) The fair value of financial assets at fair value through other comprehensive income in Level 3 was assessed with reference to market comparables by management.

## **Interim Dividend**

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2019 (2018: 5 HK cents per share).

## **Management Discussion and Analysis**

### **Results for the period**

The Group recorded HK\$5 million revenue and income for the six months ended 30 June 2019, a 9% increase as compared with the last corresponding period. The increase was largely attributable to net gain on financial assets at fair value through profit or loss – listed investments.

Loss attributable to owners of the Company was HK\$69 million, a decrease of HK\$361 million as compared with the last corresponding period. The substantial decrease was mainly due to decrease in unrealised loss on financial assets at fair value through profit or loss – listed investments of HK\$359 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 of HK\$2.7 million, net gain on financial assets at fair value through profit or loss – listed investments of HK\$0.8 million and the net exchange gain of HK\$0.8 million. In the first half of 2019, the Group did not acquire shares in PureCircle Limited. However, 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. With respect to interest rate structure of the borrowings, interest rates were 1% to 3.75% per annum above the bank's cost of fund, 1.25% to 2.7% per annum above HIBOR, 1% per annum below prime rate or 3% to 3.75% per annum above LIBOR.

The gearing ratio of the Group was 34%. The computation is based on total borrowings of the Group divided by total equity as at 30 June 2019.

### **Charges on Group's assets**

The Group's leasehold land and buildings, investment properties, certain financial assets at fair value through profit or loss and bank deposits with a total net book value of approximately HK\$1,494 million were pledged to banks to secure banking facilities granted to the Group.

### **Contingent liabilities**

As at 30 June 2019, 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\$564 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 2019, the Group held 45,420,742 shares in IGB Berhad, representing approximately 6.7% of the issued ordinary share capital of IGB Berhad, and 45,392,610 shares in PureCircle Limited, representing approximately 24.6% of the issued ordinary share capital of PureCircle Limited. The market values of these investments as at 30 June 2019 were HK\$240 million (31 December 2018: HK\$227 million) and HK\$1,063 million (31 December 2018: HK\$1,154 million), representing 15.09% (31 December 2018: 13.52%) and 66.69% (31 December 2018: 68.75%) of the total assets of the Group respectively. The market prices of these shares as at 30 June 2019 were RM2.80 per share (31 December 2018: RM2.48 per share) and GBP2.36 per share (31 December 2018: GBP2.5575 per share) respectively.

In addition to above, the Group also held 58,217,330 listed preference shares of IGB Berhad, and its market value as at 30 June 2019 was HK\$134 million (31 December 2018: HK\$154 million), representing 8.43% (31 December 2018: 9.17%) of the total assets of the Group. The market price of shares as at 30 June 2019 was RM1.22 per share (31 December 2018: RM1.13 per share).

PureCircle Limited produces and distributes stevia sweeteners and flavors to food and beverages industry worldwide.

IGB Berhad is principally an investment holding company engaged in property investment and management, retail, hotel operations and construction. It also has private equity investments in the field of information and communications technology and water/wastewater treatment.

The Group has no control or influence over PureCircle Limited and IGB Berhad, hence, for the business performance, factors which may affect the share price and business outlook and future prospects of the two companies, shareholders and potential investors should refer to information published on the two websites, [www.purecircle.com](http://www.purecircle.com) and [www.igbbhd.com](http://www.igbbhd.com).

Depending on the market conditions and the availability of funding, the Group may acquire additional shares in PureCircle Limited and IGB Berhad or dispose of some of its interest in these two companies.

During the period, decrease in value of PureCircle Limited amounted to HK\$91 million and increase in value of IGB Berhad and preference shares of IGB Berhad amounted to HK\$28 million and HK\$10 million respectively. The decrease in value of PureCircle Limited was due to decrease in market price of shares and depreciation in British Pound.

Other than dividend of HK\$2.7 million from preference shares of IGB Berhad, no dividend from PureCircle Limited or IGB Berhad was received by the Group during the period.

## Material acquisitions and disposals

During the period, the Group acquired preference shares of IGB Berhad at cost of HK\$0.05 million.

During the period, the Group disposed of shares in IGB Berhad and preference shares of IGB Berhad with carrying amount of HK\$14.5 million and HK\$30.1 million at consideration of HK\$15.4 million and HK\$30 million and resulted in a gain of HK\$0.9 million and a loss of HK\$0.1 million respectively.

## 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 2019, 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 2019, 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 2019, 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 2019 the Company had been notified of the following interest in the Company's shares:

	<u>Number of ordinary shares</u>	<u>Percentage holding</u>
Mr. 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 six months ended 30 June 2019, there was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries.

## **Review of Interim Report**

The unaudited interim report of the Group for the six months ended 30 June 2019 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 2019, 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. Three 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 2019.

**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 2019.

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

Hong Kong, 15 August 2019

*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.*