



# LEE HING DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 68

Interim Report 2020

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 2020 as follows:

## Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2020

	Note	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue and income	3	3,362	4,843
Unrealised gain on derivative financial instruments		248	–
Unrealised loss on financial assets at fair value through profit or loss – listed investments		(220,893)	(53,307)
Operating expenses		<u>(37,897)</u>	<u>(9,641)</u>
Operating loss before finance costs	5	(255,180)	(58,105)
Finance costs	6	<u>(5,135)</u>	<u>(10,600)</u>
Operating loss after finance costs		(260,315)	(68,705)
Share of results of associates		<u>(37)</u>	<u>(20)</u>
Loss before tax		(260,352)	(68,725)
Income tax	7	<u>(13)</u>	<u>–</u>
Loss attributable to owners of the Company		<u><u>(260,365)</u></u>	<u><u>(68,725)</u></u>
Loss per share (HK cents)	9		
Basic and diluted		<u><u>(177.38)</u></u>	<u><u>(46.82)</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 2020

	Note	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss attributable to owners of the Company		<u>(260,365)</u>	<u>(68,725)</u>
<b>Other comprehensive (loss)/income</b>	8		
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties at the date of change in use		–	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>(4,213)</u>	<u>1,526</u>
		<u>(4,213)</u>	<u>17,525</u>
Total comprehensive loss attributable to owners of the Company		<u>(264,578)</u>	<u>(51,200)</u>

## Condensed Consolidated Statement of Financial Position

as at 30 June 2020

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		55,000	55,000
Property, plant and equipment		29,932	30,268
Associates		26,438	27,387
Financial assets at fair value through profit or loss	11	602,638	806,120
Financial assets at fair value through other comprehensive income	12	8,417	8,417
Other non-current assets		–	–
		<u>722,425</u>	<u>927,192</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	13	–	48,021
Derivative financial instruments		248	11,276
Other assets		295	295
Accounts receivable, deposits and prepayments	14	1,142	843
Time deposits and bank balances		4,235	7,203
		<u>5,920</u>	<u>67,638</u>
<b>Current liabilities</b>			
Bank borrowings	15	127,179	220,388
Accounts payable, deposits and accruals	16	1,611	2,801
Other payable		348	348
Current tax liabilities		5	13
		<u>129,143</u>	<u>223,550</u>
Net current liabilities		<u>(123,223)</u>	<u>(155,912)</u>
Total assets less current liabilities		599,202	771,280
<b>Non-current liabilities</b>			
Bank borrowings	15	92,500	–
Net assets		<u>506,702</u>	<u>771,280</u>
<b>Equity</b>			
Share capital	17	717,808	717,808
Reserves		(211,106)	53,472
Total equity		<u>506,702</u>	<u>771,280</u>

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020

	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total equity HK\$'000
At 1 January 2020	717,808	(1,913)	11,774	15,999	27,612	771,280
Loss for the period	-	-	-	-	(260,365)	(260,365)
Other comprehensive loss for the period	-	-	(4,213)	-	-	(4,213)
Total comprehensive loss for the period	-	-	(4,213)	-	(260,365)	(264,578)
At 30 June 2020	717,808	(1,913)	7,561	15,999	(232,753)	506,702
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	717,808	(413)	10,738	15,999	440,524	1,184,656

## Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2020

	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(8,394)	(8,982)
Other cash flows arising from operating activities	<u>(3,705)</u>	<u>(8,138)</u>
Net cash used in operating activities	<u>-----</u> (12,099)	<u>-----</u> (17,120)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss – listed investments	–	(50)
Proceeds from disposal of financial assets at fair value through profit or loss – listed investments	4,072	37,075
Other cash flows arising from investing activities	<u>1,291</u>	<u>20,854</u>
Net cash generated from investing activities	<u>-----</u> 5,363	<u>-----</u> 57,879
Cash flows from financing activities		
Decrease in bank loans	<u>(316)</u>	<u>(33,508)</u>
Net cash used in financing activities	<u>-----</u> (316)	<u>-----</u> (33,508)
Net (decrease)/increase in cash and cash equivalents	(7,052)	7,251
Cash and cash equivalents at the beginning of the period	418	983
Effect of foreign exchanges rate changes	<u>(104)</u>	<u>(1)</u>
Cash and cash equivalents at the end of the period	<u>-----</u> <u>(6,738)</u>	<u>-----</u> <u>8,233</u>
Analysis of the balances of cash and cash equivalents		
Time deposits and bank balances	4,235	16,485
Bank deposits pledged to banks	(1,809)	(2,702)
Bank overdrafts	<u>(9,164)</u>	<u>(5,550)</u>
	<u>-----</u> <u>(6,738)</u>	<u>-----</u> <u>8,233</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 2019.

The financial information relating to the financial year ended 31 December 2019 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 2019 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 qualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; did not contain a statement under section 406(2) of the Hong Kong Companies Ordinance and contained a statement under section 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 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

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 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
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 (Amendment)	COVID-19 – Related Rent Concessions	1 June 2020
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:

	2020	2019
	HK\$'000	HK\$'000
Net gain on financial assets at fair value through profit or loss – unlisted investments	–	13
Net gain on financial assets at fair value through profit or loss – listed investments	–	844
Dividends from listed investments	2,668	2,665
Interest income on financial assets not at fair value through profit or loss	30	109
Net exchange gain	117	790
Rental income	528	332
Sundry income	1	–
Write back of impairment losses on amount due from an investee company	18	90
	<u>3,362</u>	<u>4,843</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	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue and income						
Revenue and income	<u>2,834</u>	<u>4,511</u>	<u>528</u>	<u>332</u>	<u>3,362</u>	<u>4,843</u>
Total revenue and income	<u>2,834</u>	<u>4,511</u>	<u>528</u>	<u>332</u>	<u>3,362</u>	<u>4,843</u>
Segment results	<u>(260,201)</u>	<u>(68,515)</u>	<u>(114)</u>	<u>(190)</u>	(260,315)	(68,705)
Share of results of associates					<u>(37)</u>	<u>(20)</u>
Loss before tax					(260,352)	(68,725)
Income tax					<u>(13)</u>	<u>-</u>
Loss attributable to owners of the Company					<u>(260,365)</u>	<u>(68,725)</u>
	30 June	31 December	30 June	31 December	30 June	31 December
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	632,552	897,817	55,251	55,522	687,803	953,339
Associates					26,438	27,387
Unallocated assets					<u>14,104</u>	<u>14,104</u>
Total assets					<u>728,345</u>	<u>994,830</u>
Segment liabilities	195,688	197,169	25,950	26,368	221,638	223,537
Unallocated liabilities					<u>5</u>	<u>13</u>
Total liabilities					<u>221,643</u>	<u>223,550</u>

	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information						
Depreciation	203	239	132	97	335	336
Amortisation of leasehold land	8	66	-	-	8	66

#### 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	
			30 June	31 December
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	533	350	70,828	70,826
Malaysia	2,694	3,574	-	-
Thailand	-	-	24,126	25,351
Japan	-	-	14,104	14,104
Others	135	919	-	-
	<u>3,362</u>	<u>4,843</u>	<u>109,058</u>	<u>110,281</u>

#### 5. Operating loss before finance costs

	2020	2019
	HK\$'000	HK\$'000
Operating loss before finance costs is stated after charging/(crediting):		
Amortisation of leasehold land	8	66
Depreciation	335	336
Directors' emoluments	3,761	4,563
Net loss on derivative financial instruments	11,246	-
Net loss/(gain) on financial assets at fair value through profit or loss – listed investments	18,825	(844)
Write back of impairment losses on amount due from an investee company	(18)	(90)
Net exchange gain	(117)	(790)
Net gain on financial assets at fair value through profit or loss – unlisted investments	-	(13)

## 6. Finance costs

	2020 HK\$'000	2019 HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:		
interest on bank loans	4,712	9,998
interest on bank overdrafts	<u>139</u>	<u>127</u>
	4,851	10,125
Bank loan arrangement fees and bank charges	<u>284</u>	<u>475</u>
	<u><u>5,135</u></u>	<u><u>10,600</u></u>

## 7. Income tax

	2020 HK\$'000	2019 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u><u>13</u></u>	<u><u>–</u></u>

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions (2019: Nil).

## 8. Other comprehensive (loss)/income

	2020 HK\$'000	2019 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>(4,213)</u>	<u>1,526</u>
Other comprehensive (loss)/income for the period, net of tax	<u><u>(4,213)</u></u>	<u><u>17,525</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\$260,365,000 (2019: HK\$68,725,000) and the weighted average of 146,781,285 shares (2019: 146,781,285 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

	2020 HK\$'000	2019 HK\$'000
Interim dividend declared – Nil per share (2019: Nil per share)	<u>–</u>	<u>–</u>

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

	HK\$'000
At 1 January 2020	806,120
Conversion	48,021
Disposals	(6,505)
Changes in fair value recognised in profit or loss	(237,285)
Exchange differences recognised in translation reserve	<u>(7,713)</u>
At 30 June 2020	<u>602,638</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 June 2020 HK\$'000	31 December 2019 HK\$'000
Call option	<u>–</u>	<u>48,021</u>

#### 14. Accounts receivable, deposits and prepayments

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivable		
Within 30 days	88	–
Other receivable and deposits	1,054	683
Prepayments	–	160
	<u>1,142</u>	<u>843</u>

#### 15. Bank borrowings

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Secured bank overdrafts	9,164	3,603
Secured bank loans	92,500	98,281
Secured bank loans subject to a repayment on demand clause	<u>118,015</u>	<u>118,504</u>
	219,679	220,388
Less: current portion	<u>(127,179)</u>	<u>(220,388)</u>
Non-current portion	<u>92,500</u>	<u>–</u>

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within one year	113,522	206,359
After one year but within two years	706	652
After two years but within five years	94,707	2,053
After five years	<u>10,744</u>	<u>11,324</u>
	<u>219,679</u>	<u>220,388</u>

## 16. Accounts payable, deposits and accruals

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Accounts payable, deposits and accruals	<u>1,611</u>	<u>2,801</u>

No ageing analysis has been prepared as there was no trade payable at 30 June 2020 (31 December 2019: Nil).

## 17. Share capital

	Number of shares (‘000)	HK\$'000	Number of shares (‘000)	HK\$'000
Issued and fully paid				
At 30 June 2020 and 31 December 2019	<u>146,781</u>	<u>717,808</u>	<u>146,781</u>	<u>717,808</u>

## 18. 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\$633,000,000 (31 December 2019: approximately HK\$867,000,000) 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\$4,396,000 (31 December 2019: HK\$4,458,000) were provided by the Group to associates. Provision for impairment losses on such advances amounted to HK\$2,084,000 (31 December 2019: 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 2020 and 31 December 2019 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 2020</u>				
Recurring fair value measurement				
Assets				
Derivative financial instruments	-	248	-	248
Financial assets at fair value through profit or loss	602,638	-	-	602,638
Financial assets at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>8,417</u>	<u>8,417</u>
	<u>602,638</u>	<u>248</u>	<u>8,417</u>	<u>611,303</u>

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>31 December 2019</u>				
Recurring fair value measurement				
Assets				
Derivative financial instruments	-	11,276	-	11,276
Financial assets at fair value through profit or loss (other than market value of investment in PureCircle Limited of HK\$560,632,000)	245,488	-	-	245,488
Financial assets at fair value through other comprehensive income	-	-	8,417	8,417
	<u>245,488</u>	<u>11,276</u>	<u>8,417</u>	<u>265,181</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 2019: 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 derivative financial instruments 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.

## 21. Events after the reporting period

The entire ordinary shares of PureCircle Limited held by the Group have been disposed of in exchange with cash and shares of Ingredion SRSS Holdings Limited. Details of which are described in the announcement and circular of the Company dated 15 April 2020 and 23 July 2020 respectively.

## **Interim Dividend**

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2020 (2019: Nil).

## **Management Discussion and Analysis**

### **Results for the period**

The Group recorded HK\$3 million revenue and income for the six months ended 30 June 2020, a 31% decrease as compared with the last corresponding period. The decrease was largely attributable to decrease in net gain on financial assets at fair value through profit or loss – listed investments and net exchange gain.

Loss attributable to owners of the Company was HK\$260 million, an increase of HK\$192 million as compared with the last corresponding period. The substantial increase was mainly due to increase in unrealised loss on financial assets at fair value through profit or loss – listed investments of HK\$168 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, and rental income of HK\$0.5 million. In the first half of 2020, preference shares of IGB Berhad of HK\$154.4 million were converted into ordinary shares of IGB Berhad. Call option of HK\$48.1 million was also converted into ordinary shares of PureCircle Limited.

It is expected that the operating performance of the Group will continue to be affected by the outbreak of COVID-19 in the near term and will further weaken in 2020.

### **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 1.35% to 1.5% 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 43%. The computation is based on total borrowings of the Group divided by total equity as at 30 June 2020.

### **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\$633 million were pledged to banks to secure banking facilities granted to the Group.

### **Contingent liabilities**

As at 30 June 2020, 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\$247 million.

### Significant investments

The following table sets out information regarding the Group's significant investments classified as financial assets at fair value through profit or loss:

Name of the investee company	Equity interest held as at 30 June 2020	Cost of investment	Fair value as at 30 June 2020	Percentage to total assets
<b>PureCircle Limited</b>	45,392,610 ordinary shares, representing approximately 24.594% of the issued share capital (31 December 2019: 22.67%)	HK\$1,632 million	HK\$430.9 million (GBP 0.995 per share)	59.2%
<b>IGB Berhad</b>	35,560,422 ordinary shares, representing approximately 4.065% of the ordinary shares in issue (31 December 2019: 1.6%)	HK\$132 million	HK\$171.8 million (RM2.67 per share)	23.6%

The following table sets out the movement of the financial assets at fair value through profit or loss during the six months ended 30 June 2020:

Name of the investee company	Disposals/conversion during the six months ended 30 June 2020	Disposal proceeds	Loss on disposals	Dividend received during the period
<b>PureCircle Limited</b>	Conversion of 3,581,394 ordinary shares (Note)	–	–	–
<b>IGB Berhad</b>	Disposal of 950,000 ordinary shares	Proceeds in the amount of HK\$4.1 million	Loss on disposals in the amount of HK\$2.4 million	Received dividend in the amount of HK\$2.7 million on the preference shares.
	Conversion of 25,611,371 ordinary shares from preference shares	–	–	–

Note:

3,581,394 units of call option in the amount of HK\$48.1 million were converted into ordinary shares of PureCircle Limited.

The following table sets out the change in fair value of the financial assets at fair value through profit or loss during the six months ended 30 June 2020:

Name of investee company	Fair value as at 31 December 2019	Conversion	Disposals	Translation reserve	Change in fair value recognised in the profit or loss	Fair value as at 30 June 2020
<b>PureCircle Limited</b>	HK\$560.6 million	HK\$48.1 million	-	-	(HK\$177.8 million)	HK\$430.9 million
<b>IGB Berhad – ordinary shares</b>	HK\$74.7 million	HK\$154.4 million	(HK\$6.5 million)	(HK\$7.7 million)	(HK\$43.1 million)	HK\$171.8 million
<b>IGB Berhad – preference shares</b>	HK\$170.8 million	(HK\$154.4 million)	-	-	(HK\$16.4 million)	-

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 or dispose of some of its interest in IGB Berhad.

### Material acquisitions and disposals

During the period, call option of HK\$48.1 million and preference shares of IGB Berhad of HK\$154.4 million were converted into ordinary shares of PureCircle Limited and IGB Berhad respectively.

During the period, the Group disposed of shares in IGB Berhad with carrying amount of HK\$6.5 million at consideration of HK\$4.1 million and resulted in a loss of HK\$2.4 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 2020, the Group's number of staff was 9. 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 2020, 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				Total	Percentage holding
	Personal interests	Family interests	Corporate interests			
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 this company.
- (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 2020, 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 2020 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 2020, 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 2020 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 2020, 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 13 May 2020.

**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 2020.

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

Hong Kong, 14 August 2020

*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.*