

LEE HING DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 68

Interim Report 2022

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 2022 as follows:

Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2022

	Note	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue and income	3	10,777	940
Unrealised gain/(loss) on derivative financial instruments		597	(1,221)
Unrealised gain on financial assets at fair value through profit or loss – unlisted investments		105,300	1,503
Unrealised gain/(loss) on financial assets at fair value through profit or loss – listed investments		19,381	(37,221)
Operating expenses		<u>(7,554)</u>	<u>(7,545)</u>
Operating profit/(loss) before finance costs	5	128,501	(43,544)
Finance costs	6	<u>(2,326)</u>	<u>(2,704)</u>
Operating profit/(loss) after finance costs		126,175	(46,248)
Share of results of associates		<u>(51)</u>	<u>(25)</u>
Profit/(loss) before tax		126,124	(46,273)
Income tax	7	<u>–</u>	<u>(7)</u>
Profit/(loss) attributable to owners of the Company		<u><u>126,124</u></u>	<u><u>(46,280)</u></u>
Earnings/(loss) per share (HK cents)	9		
Basic and diluted		<u><u>85.93</u></u>	<u><u>(31.53)</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 2022

	Note	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit/(loss) attributable to owners of the Company		126,124	(46,280)
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Other comprehensive loss	8		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries and associates		(3,364)	(2,571)
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		(3,364)	(2,571)
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Total comprehensive income/(loss) attributable to owners of the Company		122,760	(48,851)
		=====	=====

Condensed Consolidated Statement of Financial Position

as at 30 June 2022

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current assets			
Investment properties		60,700	60,700
Property, plant and equipment		15,668	15,791
Associates		21,784	22,957
Financial assets at fair value through profit or loss	11	237,785	140,111
Financial assets at fair value through other comprehensive income	12	6,438	6,438
Other non-current assets		–	–
Pledged bank deposits		2,831	7,871
		<u>345,206</u>	<u>253,868</u>
Current assets			
Financial assets at fair value through profit or loss	13	147,108	132,563
Derivative financial instruments		599	19
Other assets		295	295
Accounts receivable, deposits and prepayments	14	1,717	1,268
Current tax assets		48	50
Time deposits and bank balances		17,684	2,013
		<u>167,451</u>	<u>136,208</u>
Non-current assets classified as assets held for sale		9,550	9,550
		<u>177,001</u>	<u>145,758</u>
Current liabilities			
Bank borrowings	15	71,173	71,572
Accounts payable, deposits and accruals	16	2,433	3,045
Amount due to ultimate holding company		23,700	–
Loan from a Director		–	13,500
Other payable		348	348
		<u>97,654</u>	<u>88,465</u>
Net current assets		<u>79,347</u>	<u>57,293</u>
Total assets less current liabilities		424,553	311,161
Non-current liabilities			
Bank borrowings	15	57,420	66,814
Net assets		<u>367,133</u>	<u>244,347</u>
Equity			
Share capital	17	717,808	717,808
Reserves		(350,675)	(473,461)
Total equity		<u>367,133</u>	<u>244,347</u>

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022

	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2022	717,808	(3,892)	7,276	15,999	(492,844)	244,347
Profit for the period	-	-	-	-	126,124	126,124
Other comprehensive loss for the period	-	-	(3,364)	-	-	(3,364)
Total comprehensive income for the period	-	-	(3,364)	-	126,124	122,760
Unclaimed dividend forfeited	-	-	-	-	26	26
At 30 June 2022	<u>717,808</u>	<u>(3,892)</u>	<u>3,912</u>	<u>15,999</u>	<u>(366,694)</u>	<u>367,133</u>
At 1 January 2021	717,808	(2,735)	10,953	15,999	(418,822)	323,203
Loss for the period	-	-	-	-	(46,280)	(46,280)
Other comprehensive loss for the period	-	-	(2,571)	-	-	(2,571)
Total comprehensive loss for the period	-	-	(2,571)	-	(46,280)	(48,851)
Unclaimed dividend forfeited	-	-	-	-	18	18
At 30 June 2021	<u>717,808</u>	<u>(2,735)</u>	<u>8,382</u>	<u>15,999</u>	<u>(465,084)</u>	<u>274,370</u>

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2022

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(7,181)	(7,589)
Other cash flows arising from operating activities	<u>1,137</u>	<u>(2,693)</u>
Net cash used in operating activities	<u>(6,044)</u>	<u>(10,282)</u>
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss		
– unlisted investments	13,673	–
Other cash flows arising from investing activities	<u>5,040</u>	<u>1,074</u>
Net cash generated from investing activities	<u>18,713</u>	<u>1,074</u>
Cash flows from financing activities		
Decrease in bank loans	(6,977)	(397)
Advances from ultimate holding company	<u>10,200</u>	<u>–</u>
Net cash generated from/(used in) financing activities	<u>3,223</u>	<u>(397)</u>
Net increase/(decrease) in cash and cash equivalents	15,892	(9,605)
Cash and cash equivalents at the beginning of the period	2,013	13,660
Effect of foreign exchanges rate changes	<u>(221)</u>	<u>–</u>
Cash and cash equivalents at the end of the period	<u>17,684</u>	<u>4,055</u>
Analysis of the balances of cash and cash equivalents		
Time deposits and bank balances	20,515	5,634
Bank deposits pledged to banks	<u>(2,831)</u>	<u>(1,579)</u>
	<u>17,684</u>	<u>4,055</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 2021.

The financial information relating to the financial year ended 31 December 2021 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 those 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 2021 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; included 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) or 407(2) of the Hong Kong Companies Ordinance and contained a statement under section 407(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 2022:

HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 16 (Amendment)	Covid-19 – Related Rent Concessions beyond 30 June 2021
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

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

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 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 and the Related Amendments	1 January 2023

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:

	2022 HK\$'000	2021 HK\$'000
Net gain on financial assets at fair value		
through profit or loss – unlisted investments	6,047	–
Dividends from listed investments	3,430	–
Interest income on financial assets not at fair value through profit or loss	25	24
Rental income	450	507
Sundry income	64	57
Write back of impairment losses on amount due from an investee company	761	352
	<u>10,777</u>	<u>940</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	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue and income						
Revenue and income	<u>10,327</u>	<u>433</u>	<u>450</u>	<u>507</u>	<u>10,777</u>	<u>940</u>
Total revenue and income	<u>10,327</u>	<u>433</u>	<u>450</u>	<u>507</u>	<u>10,777</u>	<u>940</u>
Segment results	<u>126,062</u>	<u>(46,407)</u>	<u>113</u>	<u>159</u>	126,175	(46,248)
Share of results of associates					<u>(51)</u>	<u>(25)</u>
Profit/(loss) before tax					126,124	(46,273)
Income tax					<u>-</u>	<u>(7)</u>
Profit/(loss) attributable to owners of the Company					<u>126,124</u>	<u>(46,280)</u>
	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	429,973	306,248	60,852	60,821	490,825	367,069
Associates					21,784	22,957
Unallocated assets					<u>9,598</u>	<u>9,600</u>
Total assets					<u>522,207</u>	<u>399,626</u>
Segment liabilities	131,651	131,455	23,423	23,824	<u>155,074</u>	<u>155,279</u>
Total liabilities					<u>155,074</u>	<u>155,279</u>

	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information						
Depreciation	109	102	5	6	114	108
Amortisation of leasehold land	8	8	-	-	8	8
Unrealised gain/(loss) on derivative financial instruments	597	(1,221)	-	-	597	(1,221)
Unrealised gain on financial assets at fair value through profit or loss - unlisted investments	105,300	1,503	-	-	105,300	1,503
Unrealised gain/(loss) on financial assets at fair value through profit or loss - listed investments	19,381	(37,221)	-	-	19,381	(37,221)
Finance costs	2,082	2,455	244	249	2,326	2,704
Interest income	25	24	-	-	25	24
Net gain on financial assets at fair value through profit or loss - unlisted investments	6,047	-	-	-	6,047	-

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	
	2022	2021	30 June 2022	31 December 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	514	519	76,018	76,143
Malaysia	3,455	69	–	–
Thailand	–	–	20,036	21,121
Britain	6,047	–	–	–
Europe	<u>761</u>	<u>352</u>	<u>–</u>	<u>–</u>
	<u>10,777</u>	<u>940</u>	<u>96,054</u>	<u>97,264</u>

5. Operating profit/(loss) before finance costs

	2022	2021
	HK\$'000	HK\$'000
Operating profit/(loss) before finance costs is stated after charging/(crediting):		
Amortisation of leasehold land	8	8
Depreciation	114	108
Directors' emoluments	3,662	3,868
Net exchange loss	780	354
Net gain on financial assets at fair value through profit or loss – unlisted investments	(6,047)	–
Write back of impairment losses on amount due from an investee company	(761)	(352)

6. Finance costs

	2022 HK\$'000	2021 HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:		
interest on bank loans	2,041	2,703
Bank loan arrangement fees and bank charges	<u>285</u>	<u>1</u>
	<u><u>2,326</u></u>	<u><u>2,704</u></u>

7. Income tax

	2022 HK\$'000	2021 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u>–</u>	<u>7</u>

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

8. Other comprehensive loss

	2022 HK\$'000	2021 HK\$'000
Exchange differences on translation of financial statements of foreign subsidiaries and associates	<u>(3,364)</u>	<u>(2,571)</u>
Other comprehensive loss for the period, net of tax	<u><u>(3,364)</u></u>	<u><u>(2,571)</u></u>

9. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on profit attributable to owners of the Company of HK\$126,124,000 (2021: loss of HK\$46,280,000) and the weighted average of 146,781,285 shares (2021: 146,781,285 shares) in issue during the period.

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

10. Interim dividend

The directors do not recommend the payment of a dividend for the period ended 30 June 2022 (2021: Nil).

11. Financial assets at fair value through profit or loss

	HK\$'000
At 1 January 2022	140,111
Changes in fair value recognised in profit or loss	105,300
Disposals	<u>(7,626)</u>
At 30 June 2022	<u>237,785</u>

Financial assets at fair value through profit or loss are unlisted investments and stated at fair value. The fair value of HK\$237,785,000 was determined by the Directors by reference to latest sale price (31 December 2021: the fair value of HK\$140,111,000 was determined by reference to the net assets of PureCircle Limited based on its unaudited financial statements for the year ended 31 December 2021).

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

	HK\$'000
Listed equity securities, at market value	
At 1 January 2022	132,563
Changes in fair value recognised in profit or loss	19,381
Exchange difference recognised in translation reserve	<u>(4,836)</u>
At 30 June 2022	<u>147,108</u>

14. Accounts receivable, deposits and prepayments

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Other receivable and deposits	1,413	1,117
Prepayments	<u>304</u>	<u>151</u>
	<u>1,717</u>	<u>1,268</u>

No ageing analysis has been prepared as there was no trade receivable at 30 June 2022 (31 December 2021: Nil).

15. Bank borrowings

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Secured bank loans	57,420	66,814
Secured bank loans subject to a repayment on demand clause	<u>71,173</u>	<u>71,572</u>
	128,593	138,386
Less: current portion	<u>(71,173)</u>	<u>(71,572)</u>
Non-current portion	<u>57,420</u>	<u>66,814</u>

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Within one year	59,203	59,203
After one year but within two years	815	815
After two years but within five years	59,939	69,330
After five years	<u>8,636</u>	<u>9,038</u>
	<u>128,593</u>	<u>138,386</u>

16. Accounts payable, deposits and accruals

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Accounts payable, deposits and accruals	<u>2,433</u>	<u>3,045</u>

No ageing analysis has been prepared as there was no trade payable at 30 June 2022 (31 December 2021: Nil).

17. Share capital

	Number of shares (‘000)	HK\$’000	Number of shares (‘000)	HK\$’000
Issued and fully paid				
At 30 June 2022 and 31 December 2021	<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\$224,000,000 (31 December 2021: approximately HK\$215,000,000) were pledged to banks to secure banking facilities granted to the Group.

19. Related party transactions

Detail of material transactions are as follows:

- Advances of HK\$4,182,000 (31 December 2021: HK\$4,268,000) were provided by the Group to associates. Provision for impairment losses on such advances amounted to HK\$2,084,000 (31 December 2021: HK\$2,084,000).
- Directors’ emoluments are disclosed in note 5.
- Rental income of HK\$450,000 (2021: HK\$507,000) was received from the step-son of Mr. Tan Boon Seng, the Managing Director and controlling shareholder of the Company.
- Loan from a Director, Mr. Tan Boon Seng, is unsecured, non-interest bearing and repayable on demand.

- (e) Amount due to ultimate holding company is unsecured, non-interest bearing and repayable on demand.
- (f) Included in accounts payable, deposits and accruals, an amount of HK\$887,000 (31 December 2021: HK\$887,000) is due to Mr. Tan Boon Seng. The amount is unsecured, non-interest bearing and repayable on demand.

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 2022 and 31 December 2021 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 2022</u>				
Recurring fair value measurement				
Assets				
Derivative financial instruments	–	599	–	599
Financial assets at fair value through profit or loss	147,108	–	237,785	384,893
Financial assets at fair value through other comprehensive income	–	–	6,438	6,438
	<u>147,108</u>	<u>599</u>	<u>244,223</u>	<u>391,930</u>

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>31 December 2021</u>				
Recurring fair value measurement				
Assets				
Derivative financial instruments	–	19	–	19
Financial assets at fair value through profit or loss	132,563	–	140,111	272,674
Financial assets at fair value through other comprehensive income	–	–	6,438	6,438
	<u>132,563</u>	<u>19</u>	<u>146,549</u>	<u>279,131</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 2021: 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 values of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in Level 3 were assessed by management.

Interim Dividend

The Directors do not recommend the payment of a dividend for the period ended 30 June 2022 (2021: Nil).

Management Discussion and Analysis

Results for the period

The Group recorded HK\$11 million revenue and income for the six months ended 30 June 2022, an 1,046% 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 – unlisted investments and dividend income.

Profit attributable to owners of the Company was HK\$126 million, as compared to loss of HK\$46 million for the last corresponding period. The profit was mainly due to unrealised gain on financial assets at fair value through profit or loss – unlisted investments of HK\$105 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 net gain on financial assets at fair value through profit or loss – unlisted investments of HK\$6 million and dividends from listed investments of HK\$3.4 million. In the first half of 2022, there was no purchase of shares in PureCircle Limited and IGB Berhad. The Group disposed 2,000,000 shares of PureCircle Limited at a consideration of approximately HK\$13.6 million in May 2022 and resulted a gain of approximately HK\$6 million. Reference can be made to the announcement of the Company dated 23 May 2022.

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.

Financial resources and liquidity

The Group's borrowings were secured bank loans. 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 or 1.25% to 2.7% per annum above HIBOR.

The gearing ratio of the Group was 35%. The computation is based on total borrowings of the Group divided by total equity as at 30 June 2022.

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\$224 million were pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2022, 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\$96 million.

Capital structure

The Group actively and regularly reviews and manages its capital structure to maintaining a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group continues to adopt a prudent financial management and treasury policy to the effect that the Group can maintain a healthy financial position through different business cycles and achieve a long-term sustainable growth.

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:

<u>Name of the investee company</u>	<u>Equity interest held as at 30 June 2022</u>	<u>Cost of investment</u>	<u>Fair value as at 30 June 2022</u>	<u>Percentage to total assets</u>
PureCircle Limited	34,746,277 B ordinary shares, representing approximately 7.764% of the issued share capital (31 December 2021: 8.21%)	HK\$218 million	HK\$237.8 million	45.5%
IGB Berhad	36,201,011 ordinary shares, representing approximately 4.012% of the ordinary shares in issue (31 December 2021: 4.005%)	HK\$134 million	HK\$147.1 million (RM2.28 per share)	28.2%

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 2022:

<u>Name of investee company</u>	<u>Disposals during the six months ended 30 June 2022</u>	<u>Gain on disposals</u>	<u>Dividend received during the period</u>
PureCircle Limited	Disposals of 2,000,000 B ordinary shares with proceeds of HK\$13.6 million	HK\$6 million	–
IGB Berhad	–	–	Received dividend of HK\$3.4 million

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 2022:

<u>Name of investee company</u>	<u>Fair value as at 31 December 2021</u>	<u>Disposals</u>	<u>Translation reserve</u>	<u>Change in fair value recognised in the profit or loss</u>	<u>Fair value as at 30 June 2022</u>
PureCircle Limited	HK\$140.1 million	(HK\$7.6 million)	–	HK\$105.3 million	HK\$237.8 million
IGB Berhad	HK\$132.6 million	–	(HK\$4.8 million)	HK\$19.3 million	HK\$147.1 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 and www.igbbhd.com.

The Group will hold shares in PureCircle Limited and realise the value of such holding through the exit arrangement, put option and call option under the shareholders' agreement.

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.

Disposal of land in Japan

A subsidiary of Company had contracted for disposing three parcels of land in Japan to an independent third party on 7 April 2022, for a consideration of JPY200,000,000. As at the date hereof, this disposal is not yet completed. Details can be referred to the announcement of the Company dated 7 April 2022.

Material acquisitions and disposals

Other than those disclosed in above, the Group did not have any material acquisition or disposal during the period.

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 2022, the Group's number of staff was 9. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

Continued suspension of trading

As disclosed in the announcement of the Company dated 5 March 2021, the Company received on that day a letter from The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares and that trading of the shares of the Company be suspended under Rule 6.01(3) of the Listing Rules. Accordingly, trading in the shares of the Company has been suspended since 9:00 a.m. on 17 March 2021 pending re-compliance with Rule 13.24 of the Listing Rules by the Company and fulfilment of any resumption guidance that may be set by the Stock Exchange on or before the expiration of the 18-month period (the “18-month period”) starting from the date on which the suspension of trading in the shares of the Company commenced, failing which the Company will be delisted.

In light of the uncertainty of re-complying with Rule 13.24 of the Listing Rules on or before the expiration of the 18-month period, on 10 November 2021 Lee Hing (2021) Limited (the “Offeror”) through its financial adviser, made a voluntary conditional cash offer (the “Offer”), with an alternative to receive shares in the Offeror, to acquire all the shares of the Company in accordance with the Code on Takeovers and Mergers (the “Takeovers Code”). At the time when the Offer was made, the Offeror was 100% owned by Mr. Tan Boon Seng (the “Mr. Tan”), the Chairman and the Managing Director of the Company. The Offeror and Mr. Tan believed that the Offer was an exit arrangement to the Shareholders before the expiration of the 18-month period. Should the acceptance level of the Offer reach the prescribed thresholds by the close of the Offer on 10 March 2022, the Offeror would privatise the Company by exercising the compulsory acquisition rights under the Takeovers Code and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to acquire the remaining shares of the Company held by the Shareholders, following which the listing of the Company on the Main Board of the Stock Exchange would be withdrawn pursuant to Rule 6.15(1) of the Listing Rules. However, the level of acceptance of the Offer did not reach the prescribed thresholds by the close of the Offer for the Offeror to exercise the compulsory acquisition rights. As a result, the shares of the Company will remain listed on the Main Board of the Stock Exchange. In any event, the trading in the shares of the Company will remain suspended and the listing of the shares of the Company will eventually be cancelled by the Stock Exchange if the Company cannot re-comply with Rule 13.24 of the Listing Rules on or before the expiration of the 18-month period, i.e. by 16 September 2022.

As at the date hereof, no progress has been made in identifying a feasible solution to re-comply with Rule 13.24 of the Listing Rules.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2022, 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	1,920,266(i)	-	129,977,184(ii)	131,897,450	89.86
Mr. Lam Man Kit	-	-	-	-	-
Mr. Ho Hau Chong, Norman	-	-	-	-	-
Mr. Fung Ka Pun	-	-	-	-	-
Mr. Lim Lay Leng	-	-	-	-	-

Notes:

- (i) Mr. Tan Boon Seng acquired a total of 1,920,266 shares on 26 May 2022.
- (ii) Lee Hing (2021) Limited acquired an aggregate 129,977,184 shares under a Voluntary Conditional Cash Offer pursuant to a Composite Offer and Response Document dated 10 November 2021 jointly issued by Lee Hing (2021) Limited as Offeror and the Company.

As at 30 June 2022, Mr. Tan Boon Seng, Zali Capital Limited and Zali International Limited held 1,479,000 shares (being 1.14%); 54,354,000 shares (being 41.82%) and 33,225,184 shares (being 25.56%) in the issued share capital of Lee Hing (2021) Limited respectively.

Zali Capital Limited is wholly-owned by Mr. Tan Boon Seng whereas Zali International Limited is wholly-owned by Zali Holdings Limited which is in turn wholly-owned by Mr. Tan Boon Seng. Hence, Mr. Tan was deemed to be interested in 129,977,184 shares of the Company.

Mr. Tan Boon Seng is a Director of each of Lee Hing (2021) Limited, Zali Capital Limited, Zali International Limited and Zali Holdings Limited.

As at 30 June 2022, 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 2022 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	131,897,450(i)	89.86
Lee Hing (2021) Limited	129,977,184(ii)	88.55

Notes:

- (i) The 131,897,450 shares were held as to 1,920,266 shares by Mr. Tan Boon Seng in his capacity as beneficial owner, as to 129,977,184 shares held by Lee Hing (2021) Limited as interest of corporation controlled by Mr. Tan.

As at 30 June 2022, Mr. Tan Boon Seng, Zali Capital Limited and Zali International Limited held 1,479,000 shares (being 1.14%), 54,354,000 shares (being 41.82%) and 33,225,184 shares (being 25.56%) in the issued share capital of Lee Hing (2021) Limited respectively.

Zali Capital Limited is wholly-owned by Mr. Tan Boon Seng whereas Zali International is wholly-owned by Zali Holdings Limited which is in turn wholly-owned by Mr. Tan Boon Seng. Hence, Mr. Tan is deemed to be interested in 129,977,184 shares of the Company.

Mr. Tan Boon Seng is a Director of each of Lee Hing (2021) Limited, Zali Capital Limited, Zali International Limited and Zali Holdings Limited.

- (ii) The 129,977,184 shares were acquired by Lee Hing (2021) Limited under a Voluntary Conditional Cash Offer pursuant to a Composite Offer and Response Document dated 10 November 2021 jointly issued by Lee Hing (2021) Limited as Offeror and the Company (the "Voluntary Cash Offer"). Upon the closure of the Offer period of the Voluntary Cash Offer on 10 March 2022, Lee Hing (2021) Limited as the Offeror beneficially held 88.55% of the total issued shares of the Company.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2022, 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 2022 has been reviewed by the Audit Committee of the Company.

Corporate Governance Code

The Company has complied with the code provisions under the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022, except for the following deviations from code provisions C.2.1, C.1.6 and D.2.5:

Code provision C.2.1

Under code provision C.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 C.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 C.1.6

Under code provision C.1.6, Independent Non-executive Directors and other Non-executive Directors should attend general meetings to gain 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 25 May 2022 due to their other business engagement.

Code provision D.2.5

Under code provision D.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 2022.

Change in Directors’ Information Pursuant to Rule 13.51B(1) of the Listing Rules

As required under Rule 13.51B(1) of the Listing Rules, the change in Directors’ information since the date of the 2021 Annual Report is set out below:

Mr. Ho Hau Chong, Norman, the Independent Non-executive Director of the Company, has been elected as an Independent Non-executive Director at the annual general meeting of SJM Holdings Limited (“SJM Holdings”) held on 15 June 2022 (“2022 AGM”) with effect from 15 June 2022 upon conclusion of the 2022 AGM. SJM Holdings is listed on the Stock Exchange (Stock Code: 880). Mr. Ho has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board of SJM Holdings with effect from 15 June 2022 upon conclusion of the 2022 AGM.

Save as disclosed above, there is no other change in the Directors’ information need to be disclosure pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2021 Annual Report.

By Order of the Board
Lee Hing Development Limited
Tan Boon Seng
Chairman and Managing Director

Hong Kong, 18 August 2022

As at the date hereof, the Board of Directors of the Company comprises two Executive Directors, namely Mr. Tan Boon Seng and Mr. Lam Man Kit, and three Independent Non-executive Directors, namely Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng.