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## **LEE HING DEVELOPMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code : 68)

### **CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

The Board of Directors of Lee Hing Development Limited (the "Company") announced the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 as follows:

#### **Consolidated Statement of Profit or Loss** for the year ended 31 December 2019

|  | Note | 2019<br>HK\$'000  | 2018<br>HK\$'000    |
|--|------|-------------------|---------------------|
| Revenue and income   | 3    | 20,160            | 13,361              |
| Unrealised gain on derivative financial instruments  |      | 6,661             | -                   |
| Unrealised gain on financial assets at fair value<br>through profit or loss – unlisted investments |      | -                 | 5                   |
| Unrealised loss on financial assets at fair value<br>through profit or loss – listed investments   |      | ( 455,043)        | ( 1,155,578)        |
| Impairment loss of construction in progress  |      | ( 6,906)          | -                   |
| Loss on revaluation of investment properties   |      | ( 1,000)          | -                   |
| Operating expenses   |      | <u>( 25,063)</u>  | <u>( 29,305)</u>    |
| Operating loss before finance costs  | 5    | ( 461,191)        | ( 1,171,517)        |
| Finance costs  | 6    | <u>( 20,365)</u>  | <u>( 22,383)</u>    |
| Operating loss after finance costs   |      | ( 481,556)        | ( 1,193,900)        |
| Share of results of associates   |      | <u>( 53)</u>      | <u>( 51)</u>        |
| Loss before tax  |      | ( 481,609)        | ( 1,193,951)        |
| Income tax   | 7    | <u>( 47)</u>      | <u>( 23)</u>        |
| Loss attributable to owners of the Company   |      | <u>( 481,656)</u> | <u>( 1,193,974)</u> |
| Loss per share (HK cents)  | 10   |                   |                     |
| Basic and diluted  |      | <u>( 328.15)</u>  | <u>( 813.42)</u>    |
| Details of dividends paid and proposed are disclosed in note 9.                                    |      |                   |                     |

**Consolidated Statement of Profit or Loss and Other Comprehensive Income** for the year ended 31 December 2019

|   | Note | 2019<br>HK\$'000  | 2018<br>HK\$'000    |
|---|------|-------------------|---------------------|
| Loss attributable to owners of the Company  |      | ( 481,656)        | ( 1,193,974)        |
| <b>Other comprehensive income/(loss)</b>  | 8    |                   |                     |
| Item that will not be reclassified to profit or loss :  |      |                   |                     |
| Gain on revaluation of properties at the date of change in use  |      | 15,999            | -                   |
| Financial assets at fair value through other comprehensive income : net movements in investment revaluation reserve |      | ( 1,500)          | ( 149)              |
| Items that may be reclassified subsequently to profit or loss :   |      |                   |                     |
| Exchange differences on translation of financial statements of foreign subsidiaries and associates                  |      | 2,562             | ( 1,046)            |
|   |      | <u>17,061</u>     | <u>( 1,195)</u>     |
| Total comprehensive loss attributable to owners of the Company  |      | <u>( 464,595)</u> | <u>( 1,195,169)</u> |

## Consolidated Statement of Financial Position as at 31 December 2019

|   | Note | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------|------------------|------------------|
| <b>Non-current assets</b>   |      |                  |                  |
| Investment properties   |      | 55,000           | -                |
| Property, plant and equipment                                     |      | 30,268           | 77,752           |
| Associates  |      | 27,387           | 25,454           |
| Financial assets at fair value through profit or loss             | 11   | 806,120          | 1,534,776        |
| Financial assets at fair value through other comprehensive income | 12   | 8,417            | 9,917            |
| Other non-current assets  |      | -                | -                |
|   |      | <u>927,192</u>   | <u>1,647,899</u> |
| <b>Current assets</b>   |      |                  |                  |
| Financial assets at fair value through profit or loss             | 13   | 48,021           | 634              |
| Derivative financial instruments                                  | 14   | 11,276           | -                |
| Other assets  |      | 295              | 295              |
| Accounts receivable, deposits and prepayments                     | 15   | 843              | 386              |
| Time deposits and bank balances                                   |      | 7,203            | 29,271           |
|   |      | <u>67,638</u>    | <u>30,586</u>    |
| <b>Current liabilities</b>  |      |                  |                  |
| Bank borrowings   | 16   | 220,388          | 284,858          |
| Accounts payable, deposits and accruals                           | 17   | 2,801            | 3,744            |
| Other payable   |      | 348              | 348              |
| Current tax liabilities   |      | 13               | 6                |
|   |      | <u>223,550</u>   | <u>288,956</u>   |
| Net current liabilities   |      | <u>(155,912)</u> | <u>(258,370)</u> |
| Total assets less current liabilities                             |      | 771,280          | 1,389,529        |
| <b>Non-current liabilities</b>                                    |      |                  |                  |
| Bank borrowings   | 16   | -                | 150,003          |
| Net assets  |      | <u>771,280</u>   | <u>1,239,526</u> |
| <b>Equity</b>   |      |                  |                  |
| Share capital   | 18   | 717,808          | 717,808          |
| Reserves  |      | 53,472           | 521,718          |
| Total equity  |      | <u>771,280</u>   | <u>1,239,526</u> |

## Notes

### 1. Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which are stated at fair value, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), except for HKFRS 9.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group's interests in associates.

The financial information relating to the years ended 31 December 2019 and 31 December 2018 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company had delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course.

The Company's auditor had reported on the financial statements of the Group for both years. The auditor's report for the year ended 31 December 2019 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 sections 407(2) or 407(3) of the Hong Kong Companies Ordinance. The auditor's report for the year ended 31 December 2018 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 sections 406(2), 407(2) or 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 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 amounts recognised in these consolidated financial statements. Details of changes in accounting policies are discussed below for HKFRS 16:

## HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 “Leases” and the related interpretations. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

### New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As the Group does not have lease contract which is required to recognise a right-of-use assets and a lease liability, therefore the adoption of HKFRS 16 does not have material impact on the amounts recognised in these consolidated 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  | 1 January 2020   |
| HKFRS 9, HKAS 39 and HKFRS 7 (Amendments) | Interest Rate Benchmark Reform  | 1 January 2020   |
| 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   | 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 consolidated 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<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Net gain on financial assets at fair value through profit or loss – listed investments   | 10,438           | -                |
| Net gain on financial assets at fair value through profit or loss – unlisted investments | 13               | 53               |
| Dividends from listed investments  | 7,808            | 8,027            |
| Dividends from unlisted investments  | -                | 589              |
| Interest income on financial assets not at fair value through profit or loss             | 250              | 206              |
| Rental income  | 771              | -                |
| Net exchange gain  | -                | 3,876            |
| Write back of impairment losses on amount due from an investee company                   | 274              | 503              |
| Sundry income  | 606              | 107              |
|  | <u>20,160</u>    | <u>13,361</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 segments and assess their 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 and dealing - investment in listed and unlisted securities, purchases and sales of listed securities
- Other operation - property investment

The Group's properties provided to a Director as quarters in previous years were leased out during the year. Therefore, a new segment "Other operation" arises.

|   | Share investment and dealing |                    | Other operation  |                  | Consolidated      |                     |
|---|------------------------------|--------------------|------------------|------------------|-------------------|---------------------|
|   | 2019<br>HK\$'000             | 2018<br>HK\$'000   | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000  | 2018<br>HK\$'000    |
| Segment revenue and income                  |                              |                    |                  |                  |                   |                     |
| Revenue and income                          | <u>19,389</u>                | <u>13,361</u>      | <u>771</u>       | <u>-</u>         | <u>20,160</u>     | <u>13,361</u>       |
| Total revenue and income                    | <u>19,389</u>                | <u>13,361</u>      | <u>771</u>       | <u>-</u>         | <u>20,160</u>     | <u>13,361</u>       |
| Segment results                             | <u>( 473,139)</u>            | <u>(1,193,900)</u> | <u>( 1,511)</u>  | <u>-</u>         | <u>( 474,650)</u> | <u>(1,193,900)</u>  |
| Impairment loss of construction in progress |                              |                    |                  |                  | ( 6,906)          | -                   |
| Share of results of associates              |                              |                    |                  |                  | ( 53)             | ( 51)               |
| Loss before tax                             |                              |                    |                  |                  | ( 481,609)        | (1,193,951)         |
| Income tax                                  |                              |                    |                  |                  | ( 47)             | ( 23)               |
| Loss attributable to owners of the Company  |                              |                    |                  |                  | <u>( 481,656)</u> | <u>( 1,193,974)</u> |

|                         | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Segment assets          | 897,817          | 1,632,106        | 55,522           | -                | 953,339          | 1,632,106        |
| Associates              |                  |                  |                  |                  | 27,387           | 25,454           |
| Unallocated assets      |                  |                  |                  |                  | <u>14,104</u>    | <u>20,925</u>    |
| Total assets            |                  |                  |                  |                  | <u>994,830</u>   | <u>1,678,485</u> |
| Segment liabilities     | 197,169          | 438,953          | 26,368           | -                | 223,537          | 438,953          |
| Unallocated liabilities |                  |                  |                  |                  | <u>13</u>        | <u>6</u>         |
| Total liabilities       |                  |                  |                  |                  | <u>223,550</u>   | <u>438,959</u>   |

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Other segment information   |                  |                  |                  |                  |                  |                  |
| Depreciation  | 448              | 712              | 230              | -                | 678              | 712              |
| Amortisation of leasehold land  | 74               | 456              | -                | -                | 74               | 456              |
| Additions to property, plant and equipment  | 90               | 3                | -                | -                | 90               | 3                |
| Unrealised gain on derivative financial instruments   | 6,661            | -                | -                | -                | 6,661            | -                |
| Unrealised gain on financial assets at fair value through profit or loss – unlisted investments | -                | 5                | -                | -                | -                | 5                |
| Unrealised loss on financial assets at fair value through profit or loss – listed investments   | 455,043          | 1,155,578        | -                | -                | 455,043          | 1,155,578        |
| Loss on revaluation of investment properties  | -                | -                | 1,000            | -                | 1,000            | -                |
| Finance costs   | 19,521           | 22,383           | 844              | -                | 20,365           | 22,383           |
| Interest income   | 250              | 206              | -                | -                | 250              | 206              |

Segment results represent profit/loss incurred by each segment without share of results of associates, impairment loss of construction in progress and income tax.

Segment assets include all non-current assets and current assets with the exception of interests in associates, freehold land outside Hong Kong and construction in progress.

Segment liabilities include all non-current liabilities and current liabilities with the exception of current tax liabilities.

Segment assets of HK\$40,644,000 and segment liabilities of HK\$27,307,000 included in share investment and dealing segment for 2018 are comparative amounts of those included in other operation segment for 2019.

### 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<br>HK\$'000   | 2018<br>HK\$'000 | 2019<br>HK\$'000   | 2018<br>HK\$'000 |
| Hong Kong | 1,375              | 601              | 70,826             | 56,489           |
| Malaysia  | 18,473             | 8,259            | -                  | -                |
| Thailand  | -                  | -                | 25,351             | 23,557           |
| Japan     | -                  | -                | 14,104             | 20,925           |
| Others    | 312                | 4,501            | -                  | -                |
|           | <u>20,160</u>      | <u>13,361</u>    | <u>110,281</u>     | <u>100,971</u>   |

The geographical location of revenue and income is mainly based on the location of stock market in which the securities are listed. The geographical location of non-current assets is based on the physical location of assets or location of operation of associates.



## 5. Operating loss before finance costs

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Operating loss before finance costs<br>is stated at after charging/(crediting):                  |                  |                  |
| Auditors' remuneration :   |                  |                  |
| audit services   | 459              | 501              |
| others   | 82               | 82               |
| Directors' emoluments (Note) :   |                  |                  |
| fees   | 760              | 760              |
| salaries and allowances  | 9,135            | 5,942            |
| contributions to retirement scheme   | 297              | 285              |
| Staff costs (excluding Directors' emoluments)  | 3,301            | 3,176            |
| Depreciation   | 678              | 712              |
| Amortisation of leasehold land   | 74               | 456              |
| Net (gain)/loss on financial assets at fair value through<br>profit or loss – listed investments | ( 10,438)        | 10,846           |
| Net loss on disposal of associate  | -                | 44               |
| Write back of impairment losses on amount due from<br>an investee company                        | ( 274)           | ( 503)           |
| Net exchange loss/(gain)   | 2,452            | ( 3,876)         |
| Net gain on financial assets at fair value<br>through profit or loss – unlisted investments      | ( 13)            | ( 53)            |
| Rental income from investment properties   | ( 771)           | -                |
| Direct operating expenses arising from investment properties                                     | 180              | -                |

Note:

In 2018, the Group's property was provided to a Director as quarters on rent free basis and the estimated rental value for the year was HK\$902,000.

## 6. Finance costs

|  | 2019<br>HK\$'000     | 2018<br>HK\$'000     |
|--|----------------------|----------------------|
| Interest expenses on financial liabilities not at<br>fair value through profit or loss : |                      |                      |
| interest on bank loans   | 18,803               | 21,524               |
| interest on bank overdrafts  | 214                  | 208                  |
|  | <u>19,017</u>        | <u>21,732</u>        |
| Bank loan arrangement fee and bank charges   | <u>1,348</u>         | <u>651</u>           |
|  | <u><u>20,365</u></u> | <u><u>22,383</u></u> |

## 7. Income tax

|                          | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Current tax              |                  |                  |
| Company and subsidiaries |                  |                  |
| Overseas taxation        | 47               | 23               |
|                          | <u>47</u>        | <u>23</u>        |

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

## 8. Other comprehensive income/(loss)

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Gain on revaluation of properties at the date of change in use   | 15,999           | -                |
| Financial assets at fair value through other comprehensive income  |                  |                  |
| Changes in fair value recognised during the year   | (1,500)          | (149)            |
| Net movements in investment revaluation reserve during the year recognised in other comprehensive income | (1,500)          | (149)            |
| Exchange differences on translation of financial statements of foreign subsidiaries and associates       | 2,562            | (1,046)          |
| Other comprehensive income/(loss) for the year, net of tax   | 17,061           | (1,195)          |

## 9. Dividends

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Interim dividend paid – Nil per share (2018: 5 HK cents per share)     | -                | 7,339            |
| Final dividend proposed – Nil per share (2018: 2.5 HK cents per share) | -                | 3,670            |
|  | <u>-</u>         | <u>11,009</u>    |

## 10. Loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$481,656,000 (2018: HK\$1,193,974,000) and the weighted average of 146,781,285 shares (2018: 146,785,304 shares) in issue during the year.

Diluted loss per share is same as basic loss per share because there were no potential dilutive shares outstanding during the years 2018 and 2019.

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

|   | 2019<br>HK\$'000      | 2018<br>HK\$'000        |
|---|-----------------------|-------------------------|
| Listed equity securities, at market value                 |                       |                         |
| Overseas  | <u>806,120</u>        | <u>1,534,776</u>        |
| At 1 January  | 1,534,776             | 2,774,144               |
| Additions   | 2,654                 | 17,269                  |
| Disposals   | ( 229,502)            | ( 96,545)               |
| Transfer  | ( 48,021)             | -                       |
| Changes in fair value recognised<br>in profit or loss     | ( 455,043)            | ( 1,155,578)            |
| Exchange differences recognised<br>in translation reserve | <u>1,256</u>          | <u>( 4,514)</u>         |
| At 31 December  | <u><u>806,120</u></u> | <u><u>1,534,776</u></u> |

Exchange differences represent part of exchange differences arising from translation of financial statements of foreign entities.

Included in listed equity securities of HK\$806,120,000, an amount of HK\$560,632,000 is market value of investment in PureCircle Limited as at 28 October 2019 (date of suspension of trading).

## 12. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are equity securities held for strategic purposes and stated at fair value. No dividend was received by the Group during the year (2018: HK\$589,000).

|   | 2019<br>HK\$'000    | 2018<br>HK\$'000    |
|---|---------------------|---------------------|
| At 1 January  | 9,917               | 10,066              |
| Changes in fair value recognised<br>in other comprehensive income | <u>( 1,500)</u>     | <u>( 149)</u>       |
| At 31 December  | <u><u>8,417</u></u> | <u><u>9,917</u></u> |

**13. Financial assets at fair value through profit or loss**

|                                     | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| Unlisted investments, at fair value | -                | 634              |
| Call option                         | <u>48,021</u>    | <u>-</u>         |
|                                     | <u>48,021</u>    | <u>634</u>       |

Call option is related to ordinary shares of PureCircle Limited of which the trading was suspended on 28 October 2019. The carrying amount of the call option was estimated by reference to the latest available market price at 28 October 2019 of shares of PureCircle Limited.

**14. Derivative financial instruments**

|              | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--------------|------------------|------------------|
| Equity swaps | <u>11,276</u>    | <u>-</u>         |

**15. Accounts receivable, deposits and prepayments**

|                               | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Other receivable and deposits | 683              | 228              |
| Prepayments                   | <u>160</u>       | <u>158</u>       |
|                               | <u>843</u>       | <u>386</u>       |

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

## 16. Bank borrowings

|  | 2019<br>HK\$'000   | 2018<br>HK\$'000   |
|--|--------------------|--------------------|
| Secured bank overdrafts                                    | 3,603              | 4,742              |
| Secured bank loans   | 98,281             | 211,018            |
| Secured bank loans subject to a repayment on demand clause | <u>118,504</u>     | <u>219,101</u>     |
|  | 220,388            | 434,861            |
| Less: Current portion                                      | ( <u>220,388</u> ) | ( <u>284,858</u> ) |
| Non-current portion  | <u>-</u>           | <u>150,003</u>     |

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

|                                       | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Within one year                       | 206,359          | 178,192          |
| After one year but within two years   | 652              | 222,619          |
| After two years but within five years | 2,053            | 21,947           |
| After five years                      | <u>11,324</u>    | <u>12,103</u>    |
|                                       | <u>220,388</u>   | <u>434,861</u>   |

## 17. Accounts payable, deposits and accruals

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Accounts payable, deposits and accruals | <u>2,801</u>     | <u>3,744</u>     |

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

## 18. Share capital

|                        | 2019                    |                | 2018                    |                |
|------------------------|-------------------------|----------------|-------------------------|----------------|
|                        | Number of shares ('000) | HK\$'000       | Number of shares ('000) | HK\$'000       |
| Issued and fully paid  |                         |                |                         |                |
| Balance at 1 January   | 146,781                 | 717,808        | 146,814                 | 717,808        |
| Repurchase of shares   | <u>-</u>                | <u>-</u>       | ( <u>33</u> )           | <u>-</u>       |
| Balance at 31 December | <u>146,781</u>          | <u>717,808</u> | <u>146,781</u>          | <u>717,808</u> |

## 19. Reserves

Movements in reserves are as follows:

|  | Investment<br>revaluation<br>reserve<br><u>HK\$'000</u> | Translation<br>reserve<br><u>HK\$'000</u> | Property<br>revaluation<br>reserve<br><u>HK\$'000</u> | Retained<br>profits<br><u>HK\$'000</u> | <u>Total</u><br><u>HK\$'000</u> |
|--|---|---|---|--|---------------------------------|
| Balance at 1 January 2019  | ( 413 )   | 9,212                                     | -   | 512,919                                | 521,718                         |
| Loss for the year  | -   | -   | -   | ( 481,656 )                            | ( 481,656 )                     |
| Other comprehensive income<br>for the year   |   |   |   |  |                                 |
| Financial assets at fair value<br>through other comprehensive<br>income  | ( 1,500 )   | -   | -   | -                                      | ( 1,500 )                       |
| Gain on revaluation of properties<br>at the date of change<br>in use   | -   | -   | 15,999  | -                                      | 15,999                          |
| Exchange differences on<br>translation of financial<br>statements of foreign<br>subsidiaries and<br>associates | -   | 2,562                                     | -   | -                                      | 2,562                           |
| Total comprehensive loss<br>for the year   | ( 1,500 )   | 2,562                                     | 15,999  | ( 481,656 )                            | ( 464,595 )                     |
| 2018 final dividend  | -   | -   | -   | ( 3,670 )                              | ( 3,670 )                       |
| Unclaimed dividend forfeited   | -   | -   | -   | 19                                     | 19                              |
|  | -   | -   | -   | ( 3,651 )                              | ( 3,651 )                       |
| Balance at 31 December 2019  | ( 1,913 )   | 11,774                                    | 15,999  | 27,612                                 | 53,472                          |

## **Extract of Independent Auditor's Report**

The below sections set out an extract of the report by CHENG & CHENG LIMITED, the auditor of the Company, regarding the Group's consolidated financial statements for the year ended 31 December 2019.

### **Qualified opinion**

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for qualified opinion**

As at 31 December 2019, the Group held equity interest in PureCircle Limited of HK\$560,632,000. The Group classified this investment as financial assets at fair value through profit or loss – listed investment. The Group also held call option of HK\$48,021,000 which is related to ordinary shares of PureCircle Limited (the "call option") and classified as financial assets at fair value through profit or loss. However, the suspension of the trading in ordinary shares of PureCircle Limited has taken effect from 28 October 2019. Therefore, no market value of the PureCircle Limited was available as at 31 December 2019. The carrying amounts of the equity interest in PureCircle Limited and the call option were determined by reference to the closing quoted price of the ordinary shares of PureCircle Limited at 28 October 2019. There may be change of the fair value of the ordinary shares of PureCircle Limited and the call option due to the suspension of trading and the operations since 28 October 2019. The Group does not provide any reasonable measurements to reflect the fair value of the ordinary shares of PureCircle Limited and the call option.

In view of the circumstances as mentioned in the preceding paragraph and the absence of a reliable valuation, we were unable to obtain sufficient appropriate audit evidence as to the fair value of investment in PureCircle Limited and call option as at 31 December 2019 as required under HKFRS 9 and to quantify the effect, if any, on the net assets as at 31 December 2019 and the loss for the year then ended.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## **Information other than the consolidated financial statements and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for qualified opinion section above, we were unable to obtain sufficient appropriate evidence as to the fair value of investment in PureCircle Limited and the call option as at 31 December 2019 and to determine whether adjustments to the net assets as at 31 December 2019 and the loss for the year then ended might be necessary. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

### **Dividends**

In 2019, no interim dividend (2018: 5 HK cents per share) was paid. The Directors do not recommend the payments of a final dividend (2018: 2.5 HK cents per share) for the year ended 31 December 2019.

## **Management Discussion and Analysis**

### **Results for the year**

The Group recorded HK\$20 million revenue and income for the year ended 31 December 2019, a 51% increase as compared with last year. The increase was largely attributable to the net gain on financial assets at fair value through profit or loss - listed investments.

Operating loss after finance costs was HK\$482 million, a decrease of HK\$712 million as compared with last year. The substantial decrease was mainly attributable to decrease in unrealised loss on financial assets at fair value through profit or loss - listed investments of HK\$701 million.

### **Business review**

The Group is principally engaged in share investment and dealing.

During the year under review, the Group's revenue and income were mainly attributable to dividends from listed investments of HK\$7.8 million and net gain on financial assets at fair value through profit or loss – listed investments of HK\$10.4 million. In 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 bank overdrafts. With respect to interest rate structure of the borrowings, interest rates were 1% to 1.35% 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 29%. The computation is based on total borrowings of the Group divided by total equity as at 31 December 2019.

## Charges on Group's assets

The Group's leasehold land, buildings and investment properties, certain financial assets at fair value through profit or loss and bank deposits with a total net book value of approximately HK\$867 million were pledged to banks to secure banking facilities granted to the Group.

## Contingent liabilities

As at 31 December 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\$253 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:

| <u>Name of the investee company</u> | <u>Equity interest held as at 31 December 2019</u>  | <u>Cost of investment</u> | <u>Fair value as at 31 December 2019</u> | <u>Percentage to total assets</u> |
|-------------------------------------|---|---------------------------|--|-----------------------------------|
| <b>PureCircle Limited</b>           | 41,811,216 ordinary shares, representing approximately 22.67% of the issued share capital (2018: 25.96%)  | HK\$1,503 million         | HK\$560.6 million (GBP 1.312 per share)  | 56.3%                             |
| <b>IGB Berhad</b>                   | 10,899,051 ordinary shares, representing approximately 1.6% of the ordinary shares in issue (2018: 7.09%) | HK\$29 million            | HK\$74.7 million (RM3.61 per share)      | 7.5%                              |
|                                     | 58,393,930 preference shares  | HK\$106 million           | HK\$170.8 million (RM 1.54 per share)    | 17.2%                             |

The following table sets out the movement of the financial assets at fair value through profit or loss during the year ended 31 December 2019:

| <u>Name of the investee company</u> | <u>Acquisition/disposal /transfer during the year ended 31 December 2019</u> | <u>Cost of acquisition/ disposal proceeds</u>        | <u>Gain/loss on disposal</u>                       | <u>Dividend received during the year</u>  |
|-------------------------------------|--|--|--|---|
| <b>PureCircle Limited</b>           | Transfer of 3,581,394 ordinary shares (Note)                                 | -  | -  | -   |
| <b>IGB Berhad</b>                   | Disposal of 38,044,800 ordinary shares                                       | Proceeds in the amount of HK\$210 million            | Gain on disposal in the amount of HK\$10.5 million | Received dividend in the amount of HK\$2.4 million and HK\$5.4 million on the ordinary shares and the preference shares, respectively |
|                                     | Acquisition of 423,109 ordinary shares                                       | Cost of acquisition in the amount of HK\$2.2 million |  |   |
|                                     | Disposal of 14,010,000 preference shares                                     | Proceeds in the amount of HK\$29.9 million           | Loss on disposal in the amount of HK\$0.1 million  |   |
|                                     | Acquisition of 199,700 preference share                                      | Cost of acquisition in the amount of HK\$0.5 million |  |   |

#### Note

In prior years, purchases of 3,581,394 ordinary shares of PureCircle Limited were financed by bank loan and those shares were registered under the name of the bank. The said bank loan was matured on 27 November 2019. Since the trading of ordinary shares of PureCircle Limited was suspended on 28 October 2019, the title of those shares could not be transferred to the Group. In this regard, the bank issued the same value of 3,581,394 units of call option which is related to ordinary shares of PureCircle Limited to the Group.

The following table sets out the change in fair value of the financial assets at fair value through profit or loss during the year ended 31 December 2019:

| <b>Name of investee company</b>       | <b>Fair value as at 31 December 2018</b> | <b>Additions</b> | <b>Disposals /transfer</b> | <b>Translation reserve</b> | <b>Change in fair value as recognised in the profit or loss</b> | <b>Fair value as at 31 December 2019</b> |
|---------------------------------------|--|------------------|----------------------------|----------------------------|---|--|
| <b>PureCircle Limited</b>             | HK\$1,154 million                        | -                | (HK\$48.1 million)         | -                          | (HK\$545.3 million)   | HK\$560.6 million                        |
| <b>IGB Berhad – ordinary shares</b>   | HK\$226.9 million                        | HK\$2.2 million  | (HK\$199.5 million)        | HK\$0.1 million            | HK\$45 million  | HK\$74.7 million                         |
| <b>IGB Berhad - preference shares</b> | HK\$154 million                          | HK\$0.5 million  | (HK\$30 million)           | HK\$1.1 million            | HK\$45.2 million  | HK\$170.8 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 in PureCircle Limited and IGB Berhad or dispose of some of its interest in these two companies.

### **Material acquisitions and disposals**

Other than those disclosed in above, the Group acquired call option and derivative financial instruments of HK\$ 59 million during the year.

## **Foreign currency exposure**

The Group had major investments, amounts receivables, 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 fluctuations. During the year 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 31 December 2019, the Group's number of staff was 9. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

## **Purchase, Sale and Redemption of Listed Securities**

There was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year.

## **Audit Committee**

The Audit Committee was established in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control systems. The Audit Committee consists of 3 Independent Non-executive Directors of the Company.

The Audit Committee has reviewed the annual results for the year ended 31 December 2019 and has discussed the financial related matters with management. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, CHENG & CHENG LIMITED, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by CHENG & CHENG LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CHENG & CHENG LIMITED on the preliminary announcement.

## **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 year ended 31 December 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 be performed by the same individual. During the year, Mr. Tan Boon Seng acted as an Executive Director, Chairman and Managing Director of the Company (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 year, 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 year ended 31 December 2019.

## **Closure of Register of Members**

The annual general meeting will be held on Wednesday, 13 May 2020 at 11:00 a.m. at the meeting room of the Company's registered office at Suite 1506-07, 15<sup>th</sup> Floor, Nine Queen's Road Central, Hong Kong. For the purpose of ascertaining entitlement of Shareholders of the Company ("Shareholders") to attend and vote at the annual general meeting, the register of members of the Company will be closed from 8 May 2020 to 13 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, Shareholders are reminded to lodge their transfers for registration no later than 4:30 p.m. on Thursday, 7 May 2020 with the Share Registrar of the Company, Tricor Standard Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

Hong Kong, 30 March 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.

Please refer to the electronic version of this announcement on the website of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") (<http://www.hkex.com.hk>) and the website of the Company (<http://www.lhd.com.hk>). An annual report for the year ended 31 December 2019 containing all the applicable information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the website of the Stock Exchange and the website of the Company in due course.