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## **LEE HING DEVELOPMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 68)**

### **SUPPLEMENTAL ANNOUNCEMENT TO CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND ANNUAL REPORT FOR THE YEAR 2019**

Reference is made to the announcement dated 30 March 2020 by Lee Hing Development Limited (the “Company”, together with its subsidiaries, the “Group”) relating to the consolidated results of the Company for the year ended 31 December 2019 (“2019 Final Results Announcement”) and the annual report for the year 2019 published on 8 April 2020 (“2019 Annual Report”).

#### **Qualified opinion**

The basis of the qualified opinion is set out in the paragraph headed “Basis for qualified opinion” set out on page 15 of the 2019 Final Results Announcement and page 31 of the 2019 Annual Report. For reasons set out in the aforementioned paragraphs, the auditors were unable to obtain sufficient appropriate audit evidence as to the fair value of the investment in PureCircle Limited and the call option in respect of shares in PureCircle Limited (“Call Option”) (a company whose shares are listed on the Main Market of the London Stock Exchange) 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 ended 31 December 2019 due to (i) the suspension of trading of the shares of PureCircle Limited; and (ii) the lack of reasonable measures to reflect the fair value of the shares of PureCircle Limited and the Call Option.

The Company is not able to provide the auditors with reasonable measures to reflect the fair value of the investment in PureCircle Limited and the Call Option as at 31 December 2019 because:

- (a) Trading of the shares of PureCircle Limited has been suspended with effect from 28 October 2019 as a result of the delay in the completion of the audit of the final results of PureCircle Limited for the year ended 30 June 2019. Trading of the shares of PureCircle Limited remained

suspended as at 31 December 2019. As at 31 December 2019, the final results of PureCircle Limited for the year ended 30 June 2019 remained outstanding.

- (b) The Company does not have any control over and does not involve in the management of PureCircle Limited so as to enable the Company to obtain information regarding the financial performance of PureCircle Limited, status and timing of the resumption of trading of the shares of PureCircle Limited.

The management of the Company agreed with the auditors' view as to the basis of the qualified opinion. The audit committee noted and agreed with the basis of the qualification of the auditors. The audit committee has also reviewed and considered the basis of the management's position and agreed with the management's position.

PureCircle Limited has published its audited final results for the year ended 30 June 2019 on 31 March 2020 and the unaudited interim results for the six months ended 31 December 2019 on 9 April 2020. Trading in the shares of PureCircle Limited has been resumed with effect from 15 April 2020. The resumption of trading of the shares of PureCircle Limited on the Main Market of the London Stock Exchange will provide the auditors with basis to determine the fair value of the investment in PureCircle Limited and the Call Option, which comprises of shares in PureCircle Limited. This is because the closing price of the shares of PureCircle Limited as quoted on the London Stock Exchange on the last trading date of the financial year has always been used to determine the fair value of the shares PureCircle Limited.

## **Call Option**

It is mentioned in note 13 of the 2019 Final Results Announcement and note 23 to the Consolidated Financial Statement in the 2019 Annual Report that the Group has acquired the Call Option. Pursuant to the terms of the Call Option, the Group has 3,581,394 options to purchase 3,581,394 shares in PureCircle Limited, with an exercise price of GBP0.00000001 per option, exercisable at any time during the period of 12 months from 27 November 2019, in whole or in part.

The Call Option comprised of 3,581,394 shares in PureCircle Limited which were previously transferred to a financial institution to be held as collateral for certain facilities. The shares in PureCircle Limited should be transferred back to the Group on 27 November 2019. However, due to the suspension of trading of the shares of PureCircle Limited, the financial institution cannot effect the transfer. As a result, the Call Option was created over the 3,581,394 shares in PureCircle Limited. It is intended that upon resumption of trading of the shares of PureCircle Limited, the Call Option will be unwound and a physical settled call option will be entered into between the Group and the financial institution to effect the transfer back of the shares of PureCircle Limited to the Group. Pending the transfer of the shares back to the Group, the shares in PureCircle Limited are registered in the name of the financial institution, while the Group as beneficial owner continue to enjoy dividends and other distributions derived from the shares. The Call Option is an interim measure to facilitate the bank to hold the shares which were initially held by the bank as collateral to secure certain banking facilities pending the transfer of the shares back to the Group.

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

Hong Kong, 11 May 2020

*As at the date of this announcement, the Board comprises two executive Directors, Mr. Tan Boon Seng and Mr. Chan Kai Kwok; and three independent non-executive Directors, Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng.*