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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 2020

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 2020 as follows:

Consolidated Statement of Profit or Loss for the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue and income	3	17,024	20,160
Unrealised (loss)/gain on derivative financial instruments		(92)	6,661
Unrealised loss on financial assets at fair value through profit or loss – unlisted investments		(53,632)	-
Unrealised loss on financial assets at fair value through profit or loss – listed investments		(48,881)	(455,043)
Net loss on financial assets at fair value through profit or loss – listed investments		(319,316)	-
Impairment loss of freehold land		(3,815)	-
Impairment loss of construction in progress		-	(6,906)
Gain/(loss) on revaluation of investment properties		5,000	(1,000)
Operating expenses		<u>(32,552)</u>	<u>(25,063)</u>
Operating loss before finance costs	5	(436,264)	(461,191)
Finance costs	6	<u>(8,456)</u>	<u>(20,365)</u>
Operating loss after finance costs		(444,720)	(481,556)
Share of results of associates		<u>(1,772)</u>	<u>(53)</u>
Loss before tax		(446,492)	(481,609)
Income tax	7	<u>(5)</u>	<u>(47)</u>
Loss attributable to owners of the Company		<u>(446,497)</u>	<u>(481,656)</u>
Loss per share (HK cents)	10		
Basic and diluted		<u>(304.19)</u>	<u>(328.15)</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 2020

	Note	2020 HK\$'000	2019 HK\$'000
Loss attributable to owners of the Company		(446,497)	(481,656)
Other comprehensive (loss)/income	8		
Items that will not be reclassified to profit or loss :			
Gain on revaluation of properties at the date of change in use		-	15,999
Financial assets at fair value through other comprehensive income : net movements in investment revaluation reserve		(822)	(1,500)
Item that may be reclassified subsequently to profit or loss :			
Exchange differences on translation of financial statements of foreign subsidiaries and associates		(821)	2,562
		(1,643)	17,061
Total comprehensive loss attributable to owners of the Company		(448,140)	(464,595)

Consolidated Statement of Financial Position as at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties		60,000	55,000
Property, plant and equipment		26,327	30,268
Associates		25,457	27,387
Financial assets at fair value through profit or loss	11	177,097	806,120
Financial assets at fair value through other comprehensive income	12	7,595	8,417
Other non-current assets		-	-
		<u>296,476</u>	<u>927,192</u>
Current assets			
Financial assets at fair value through profit or loss	13	177,792	48,021
Derivative financial instruments	14	-	11,276
Other assets		295	295
Accounts receivable, deposits and prepayments	15	655	843
Current tax assets		30	-
Time deposits and bank balances		16,313	7,203
		<u>195,085</u>	<u>67,638</u>
Current liabilities			
Bank borrowings	16	77,375	220,388
Accounts payable, deposits and accruals	17	2,201	2,801
Derivative financial instruments	14	92	-
Other payable		348	348
Current tax liabilities		-	13
		<u>80,016</u>	<u>223,550</u>
Net current assets/(liabilities)		<u>115,069</u>	<u>(155,912)</u>
Total assets less current liabilities		411,545	771,280
Non-current liabilities			
Bank borrowings	16	88,342	-
Net assets		<u>323,203</u>	<u>771,280</u>
Equity			
Share capital	18	717,808	717,808
Reserves		<u>(394,605)</u>	<u>53,472</u>
Total equity		<u>323,203</u>	<u>771,280</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 2020 comprise the Company and its subsidiaries and the Group's interests in associates.

The financial information relating to the years ended 31 December 2020 and 31 December 2019 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 those 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 2019 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 2020 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 2020 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 sections 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. 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.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

The HKICPA has issued the following revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) which are effective for accounting periods beginning on or after 1 January 2020:

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

The adoption of the above revised HKFRSs has no material impact on 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 (Amendments)	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018- 2020	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 (Amendment)	Covid-19 — Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts and the Related Amendments	1 January 2023
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022

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:

	2020 HK\$'000	2019 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	9,118	13
Dividends from listed investments	4,013	7,808
Dividends from unlisted investments	294	-
Interest income on financial assets not at fair value through profit or loss	69	250
Rental income	1,056	771
Net exchange gain	1,812	-
Write back of impairment losses on amount due from an investee company	-	274
Net gain on disposal of property, plant and equipment	220	-
Sundry income	442	606
	<u>17,024</u>	<u>20,160</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

	Share investment and dealing		Other operation		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue and income						
Revenue and income	<u>15,968</u>	<u>19,389</u>	<u>1,056</u>	<u>771</u>	<u>17,024</u>	<u>20,160</u>
Total revenue and income	<u>15,968</u>	<u>19,389</u>	<u>1,056</u>	<u>771</u>	<u>17,024</u>	<u>20,160</u>
Segment results	(<u>445,786</u>)	(<u>473,139</u>)	<u>4,881</u>	(<u>1,511</u>)	(<u>440,905</u>)	(<u>474,650</u>)
Impairment loss of freehold land					(<u>3,815</u>)	-
Impairment loss of construction in progress					-	(<u>6,906</u>)
Share of results of associates					(<u>1,772</u>)	(<u>53</u>)
Loss before tax					(<u>446,492</u>)	(<u>481,609</u>)
Income tax					(<u>5</u>)	(<u>47</u>)
Loss attributable to owners of the Company					(<u>446,497</u>)	(<u>481,656</u>)
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment assets	395,552	897,817	60,233	55,522	455,785	953,339
Associates					25,457	27,387
Unallocated assets					<u>10,319</u>	<u>14,104</u>
Total assets					<u>491,561</u>	<u>994,830</u>
Segment liabilities	143,160	197,169	25,198	26,368	168,358	223,537
Unallocated liabilities					-	<u>13</u>
Total liabilities					<u>168,358</u>	<u>223,550</u>
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Other segment information						
Depreciation	381	448	265	230	646	678
Amortisation of leasehold land	16	74	-	-	16	74
Additions to property, plant and equipment	696	90	-	-	696	90
Unrealised (loss)/gain on derivative financial instruments	(<u>92</u>)	6,661	-	-	(<u>92</u>)	6,661
Unrealised loss on financial assets at fair value through profit or loss – unlisted investments	53,632	-	-	-	53,632	-
Unrealised loss on financial assets at fair value through profit or loss – listed investments	48,881	455,043	-	-	48,881	455,043
Gain/(loss) on revaluation of investment properties	-	-	5,000	(<u>1,000</u>)	5,000	(<u>1,000</u>)
Finance costs	7,744	19,521	712	844	8,456	20,365
Interest income	69	250	-	-	69	250
Net loss on financial assets at fair value through profit or loss – listed investments	319,316	-	-	-	319,316	-
Net gain on financial assets at fair value through profit or loss – unlisted investments	9,118	13	-	-	9,118	13
Net gain on disposal of property, plant and equipment	220	-	-	-	220	-
Net loss on derivative financial instruments	11,246	-	-	-	11,246	-

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

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

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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	2,035	1,375	75,690	70,826
Malaysia	4,060	18,473	-	-
Thailand	-	-	23,433	25,351
Britain	9,908	-	-	-
Europe	965	-	-	-
Japan	-	-	10,289	14,104
Others	56	312	-	-
	<u>17,024</u>	<u>20,160</u>	<u>109,412</u>	<u>110,281</u>

The geographical location of revenue and income is mainly based on the location of stock market in which the securities are listed or place of incorporation of unlisted companies. 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

	2020		2019
	HK\$'000		HK\$'000
Operating loss before finance costs is stated at after charging/(crediting):			
Auditors' remuneration:			
audit services	465		459
others	232		82
Directors' emoluments:			
fees	760		760
salaries and allowances	8,299		9,135
contributions to retirement scheme	297		297
Staff costs (excluding Directors' emoluments)	3,070		3,301
Depreciation	646		678
Amortisation of leasehold land	16		74
Net loss on derivative financial instruments	11,246		-
Net loss/(gain) on financial assets at fair value through profit or loss – listed investments	319,316	(10,438)
Impairment loss/(write back) on amount due from an investee company	965	(274)
Net gain on disposal of property, plant and equipment	(220)		-
Net exchange (gain)/loss	(1,812)		2,452
Net gain on financial assets at fair value through profit or loss – unlisted investments	(9,118)	(13)
Rental income from investment properties	(1,056)	(771)
Direct operating expenses arising from investment properties	180		180

6. Finance costs

	2020		2019
	HK\$'000		HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:			
interest on bank loans	8,012		18,803
interest on bank overdrafts	157		214
	<hr/>		<hr/>
	8,169		19,017
Bank loan arrangement fee and bank charges	287		1,348
	<hr/>		<hr/>
	8,456		20,365
	<hr/> <hr/>		<hr/> <hr/>

7. Income tax

	2020 HK\$'000	2019 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u>5</u>	<u>47</u>

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

8. Other comprehensive (loss)/income

	2020 HK\$'000	2019 HK\$'000
Gain on revaluation of properties at the date of change in use	----- -	----- 15,999
Financial assets at fair value through other comprehensive income		
Changes in fair value recognised during the year	(822)	(1,500)
Net movements in investment revaluation reserve during the year recognised in other comprehensive income	(822)	(1,500)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	<u>(821)</u>	<u>2,562</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(1,643)</u>	<u>17,061</u>

9. Dividends

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

10. Loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$446,497,000 (2019: HK\$481,656,000) and the weighted average of 146,781,285 shares (2019: 146,781,285 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 2019 and 2020.

11. Financial assets at fair value through profit or loss

	2020 HK\$'000	2019 HK\$'000
Listed equity securities, at market value		
Overseas	-	806,120
Unlisted investments, at fair value	<u>177,097</u>	<u>-</u>
	<u>177,097</u>	<u>806,120</u>
At 1 January	806,120	1,534,776
Additions/conversion	295,794	2,654
Disposals	(644,886)	(229,502)
Transfer	(177,792)	(48,021)
Changes in fair value recognised in profit or loss	(102,513)	(455,043)
Exchange differences recognised in translation reserve	<u>374</u>	<u>1,256</u>
At 31 December	<u>177,097</u>	<u>806,120</u>

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

Fair value of unlisted investments of HK\$177,097,000 was determined by the Directors by reference to the Group's share of net assets of Ingredion SRSS Holdings Limited based on its unaudited financial statements as at 31 December 2020.

As at 31 December 2019, included in listed equity securities of HK\$806,120,000, an amount of HK\$560,632,000 was 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. The Group elected to classify irrevocably these investments as financial assets at fair value through other comprehensive income. Dividend of HK\$294,000 was received by the Group during the year (2019: Nil).

	2020 HK\$'000	2019 HK\$'000
At 1 January	8,417	9,917
Changes in fair value recognised in other comprehensive income	(822)	(1,500)
At 31 December	<u>7,595</u>	<u>8,417</u>

13. Financial assets at fair value through profit or loss

	2020 HK\$'000	2019 HK\$'000
Listed equity securities, at market value		
Overseas	177,792	-
Call option	<u>-</u>	<u>48,021</u>
	<u>177,792</u>	<u>48,021</u>

Call option was 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

	2020 HK\$'000	2019 HK\$'000
Equity swaps	<u>(92)</u>	<u>11,276</u>

15. Accounts receivable, deposits and prepayments

	2020 HK\$'000	2019 HK\$'000
Other receivable and deposits	510	683
Prepayments	<u>145</u>	<u>160</u>
	<u>655</u>	<u>843</u>

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

16. Bank borrowings

	2020 HK\$'000	2019 HK\$'000
Secured bank overdrafts	-	3,603
Secured bank loans	88,342	98,281
Secured bank loans subject to a repayment on demand clause	<u>77,375</u>	<u>118,504</u>
	165,717	220,388
Less: Current portion	(<u>77,375</u>)	(<u>220,388</u>)
Non-current portion	<u>88,342</u>	<u>-</u>

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

	2020 HK\$'000	2019 HK\$'000
Within one year	64,191	206,359
After one year but within two years	803	652
After two years but within five years	90,822	2,053
After five years	<u>9,901</u>	<u>11,324</u>
	<u>165,717</u>	<u>220,388</u>

17. Accounts payable, deposits and accruals

	2020 HK\$'000	2019 HK\$'000
Accounts payable, deposits and accruals	<u>2,201</u>	<u>2,801</u>

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

18. Share capital

	2020		2019	
	Number of shares ('000)	HK\$'000	Number of shares ('000)	HK\$'000
Issued and fully paid 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 revaluation reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
Balance at 1 January 2020	(1,913)	11,774	15,999	27,612	53,472
Loss for the year	-	-	-	(446,497)	(446,497)
Other comprehensive income for the year					
Financial assets at fair value through other comprehensive income	(822)	-	-	-	(822)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	(821)	-	-	(821)
Total comprehensive loss for the year	(822)	(821)	-	(446,497)	(448,140)
Unclaimed dividend forfeited	-	-	-	63	63
	-	-	-	63	63
Balance at 31 December 2020	(2,735)	10,953	15,999	(418,822)	(394,605)

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 2020.

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 2020, 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 with carrying amount 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 with carrying amount of HK\$48,021,000 which was 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 took 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 might 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 did not provide any reasonable measurements to reflect the fair value of the ordinary shares of PureCircle Limited and the call option. 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 and 1 January 2020 as required under HKFRS 9 and to quantify the effect, if any, on the net assets as at 31 December 2019 and 1 January 2020, and loss for the year ended 31 December 2019. Accordingly, comparative amounts might not be comparable with those of current year.

During the year ended 31 December 2020, all the equity interest in PureCircle Limited was disposed of at consideration of (i) cash consideration of HK\$59,374,000 and (ii) 39,246,277 B ordinary shares of Ingredion SRSS Holdings Limited. As at 31 December 2020, investment in Ingredion SRSS Holdings Limited was classified as financial assets at fair value through profit or loss and stated at the carrying amount of HK\$177,097,000. Since the Group could not obtain sufficient information to carry out a reasonable valuation, the carrying amount of HK\$177,097,000 was determined by reference to the Group's share of net assets of Ingredion SRSS Holdings Limited based on its unaudited financial statements as at 31 December 2020. Consequently, we were unable to obtain sufficient appropriate audit evidence as to the fair value of investment in Ingredion SRSS Holdings Limited as at 31 December 2020 and to quantify the effect, if any, on the net assets as at 31 December 2020.

In view of the circumstances as mentioned in the preceding paragraphs and the absence of reliable valuations of investments in PureCircle Limited as at 31 December 2019 and 1 January 2020, and B ordinary shares of Ingredion SRSS Holdings Limited as at 31 December 2020, we were unable to obtain sufficient appropriate audit evidence as to the accuracy of the fair value changes relevant to these two investments recognised in the consolidated statement of profit or loss, including loss on disposal of equity interest in PureCircle Limited of HK\$302,852,000 and gain on disposal of B ordinary shares of Ingredion SRSS Holdings Limited of HK\$9,118,000, included in “net loss on financial assets at fair value through profit or loss – listed investments” and “revenue and income” of the consolidated statement of profit and loss respectively.

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 about investment in PureCircle Limited and the call option as at 31 December 2019 and 1 January 2020, and loss for the year ended 31 December 2019, loss on disposal of equity interest in PureCircle Limited, gain on disposal of B ordinary shares of Ingredion SRSS Holdings Limited, and investment in Ingredion SRSS Holdings Limited as at 31 December 2020. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Dividends

In 2020, no interim dividend (2019: Nil) was paid. The Directors do not recommend the payment of a final dividend (2019: Nil) for the year ended 31 December 2020.

Management Discussion and Analysis

Results for the year

The Group recorded HK\$17 million revenue and income for the year ended 31 December 2020, a 16% decrease as compared with last year. The decrease was largely attributable to the net gain on financial assets at fair value through profit or loss - listed investments in 2019 turned into net loss in 2020 and decrease in dividend income.

Operating loss after finance costs was HK\$445 million, a decrease of HK\$37 million as compared with last year. The decrease was mainly attributable to decrease in unrealised loss on financial assets at fair value through profit or loss - listed investments and finance costs.

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\$4 million, net gain on financial assets at fair value through profit or loss – unlisted investments of HK\$9.1 million, rental income of HK\$1.1 million and exchange gain of HK\$1.8 million. In 2020, preference shares of IGB Berhad of HK\$156.8 million were converted into ordinary shares of IGB Berhad. Call option of HK\$48.1 million was also converted into ordinary shares of PureCircle Limited. The entire ordinary shares of PureCircle Limited held by the Group have been disposed of in exchange with cash and B ordinary shares of Ingression SRSS Holdings Limited. Details of which are described in the announcement and circular of the Company dated 15 April 2020 and 23 July 2020 respectively.

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, 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 51%. The computation is based on total borrowings of the Group divided by total equity as at 31 December 2020.

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\$253 million were pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2020, the Group had no contingent liabilities but the Company had contingent liabilities in respect of guarantees for banking facilities granted to its subsidiaries in the sum of HK\$199 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 2020</u>	<u>Cost of investment</u>	<u>Fair value as at 31 December 2020</u>	<u>Percentage to total assets</u>
IGB Berhad	35,829,816 ordinary shares, representing approximately 4.06% of the ordinary shares in issue (2019:1.6%)	HK\$133 million	HK\$177.8 million (RM2.58 per share)	36.2%
Ingredion SRSS Holdings Limited	36,746,277 B ordinary shares, representing approximately 8.21% of the ordinary shares in issue (2019:Nil)	HK\$231 million	HK\$177.1 million	36%

The following table sets out the movement of the financial assets at fair value through profit or loss during the year ended 31 December 2020:

<u>Name of the investee company</u>	<u>Acquisition/disposal /conversion during the year ended 31 December 2020</u>	<u>Cost of acquisition/ disposal proceeds</u>	<u>Gain/loss on disposal</u>	<u>Dividend received during the year</u>
PureCircle Limited	Conversion of 3,581,394 ordinary shares (Note)	-	-	-
	Disposal of 45,392,610 ordinary shares	Proceeds in the amount of HK\$305.8 million	Loss on disposal in the amount of HK\$302.9 million	-
Ingredion SRSS Holdings Limited	Acquisition of 39,246,277 B ordinary shares	Cost of acquisition of HK\$246.4 million	-	-
	Disposal of 2,500,000 B ordinary shares	Proceeds in the amount of HK\$24.8 million	Gain on disposal of HK\$9.1million	-
IGB Berhad	Disposal of 950,000 ordinary shares	Proceeds in the amount of HK\$4.1 million	Loss on disposal in the amount of HK\$2.4 million	Received dividend in the amount of HK\$1.3 million and HK\$2.7 million on the ordinary shares and the preference shares, respectively
	Acquisition of 269,394 ordinary shares	Cost of acquisition in the amount of HK\$1.3 million	-	-
	Conversion of 25,611,371 ordinary shares from preference shares	-	-	-

Note

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

The following table sets out the change in fair value of the financial assets at fair value through profit or loss during the year ended 31 December 2020:

Name of investee company	Fair value as at 31 December 2019	Additions / conversion	Disposals	Translation reserve	Change in fair value recognised in the profit or loss	Fair value as at 31 December 2020
PureCircle Limited	HK\$560.6 million	HK\$48.1million	(HK\$608.7 million)	-	-	-
Ingredion SRSS Holdings Limited	-	HK\$246.4 million	(HK\$15.7 million)	-	(HK\$53.6 million)	HK\$177.1 million
IGB Berhad-ordinary shares	HK\$74.7 million	HK\$158.1 million	(HK\$6.5 million)	HK\$0.4 million	(HK\$48.9 million)	HK\$177.8 million
IGB Berhad-preference shares	HK\$170.8 million	(HK\$156.8 million)	(HK\$14 million)	-	-	-

Ingredion SRSS Holdings Limited produces and distributes stevia sweeteners and flavors to food and beverages industry worldwide. On 29 January 2021, Ingredion SRSS Holdings Limited changed its name to PureCircle Limited

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.

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

Material acquisitions and disposals

Other than those disclosed in above, the Group did not have any material acquisition or disposal 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 2020, the Group's number of staff was 9. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

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 2020 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 2020 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 2020, except for the following deviations from code provisions A.2.1, A.4.1, A.6.7 and C.2.5:

Code Provision A.2.1

Under code provision A.2.1, the roles of the Chairman and Chief Executive Officer (CEO) are required to be separated and not 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 13 May 2020.

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 2020.

Closure of Register of Members

The annual general meeting will be held on Thursday, 20 May 2021 at 11:00 a.m. at the meeting room of the Company's registered office at Suite 1506-07, 15th 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 14 May 2021 to 20 May 2021, 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, 13 May 2021 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, 13 April 2021

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 2020 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.