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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 2021**

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 2021 as follows:

#### **Consolidated Statement of Profit or Loss** for the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue and income	3	31,377	17,024
Unrealised gain/(loss) on derivative financial instruments		19	( 92)
Unrealised loss on financial assets at fair value through profit or loss – unlisted investments		( 36,986)	( 53,632)
Unrealised loss on financial assets at fair value through profit or loss – listed investments		( 43,017)	( 48,881)
Net loss on financial assets at fair value through profit or loss – listed investments		-	( 319,316)
Impairment loss of freehold land		( 739)	( 3,815)
Gain on revaluation of investment properties		700	5,000
Operating expenses		( 19,846)	( 32,552)
Operating loss before finance costs	5	( 68,492)	( 436,264)
Finance costs	6	( 5,502)	( 8,456)
Operating loss after finance costs		( 73,994)	( 444,720)
Share of results of associates		( 52)	( 1,772)
Loss before tax		( 74,046)	( 446,492)
Income tax	7	( 12)	( 5)
Loss attributable to owners of the Company		( 74,058)	( 446,497)
Loss per share (HK cents)	10		
Basic and diluted		( 50.45)	( 304.19)

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 2021

	Note	2021 HK\$'000	2020 HK\$'000
Loss attributable to owners of the Company		( 74,058)	( 446,497)
<b>Other comprehensive loss</b>	8		
Item that will not be reclassified to profit or loss :			
Financial assets at fair value through other comprehensive income : net movements in investment revaluation reserve		( 1,157)	( 822)
Item that may be reclassified subsequently to profit or loss :			
Exchange differences on translation of financial statements of foreign subsidiaries and associates		( 3,677)	( 821)
		<u>( 4,834)</u>	<u>( 1,643)</u>
Total comprehensive loss attributable to owners of the Company		<u>( 78,892)</u>	<u>( 448,140)</u>

## Consolidated Statement of Financial Position as at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Investment properties		60,700	60,000
Property, plant and equipment		15,791	26,327
Associates		22,957	25,457
Financial assets at fair value through profit or loss	11	140,111	177,097
Financial assets at fair value through other comprehensive income	12	6,438	7,595
Other non-current assets		-	-
Pledged bank deposits		7,871	-
		<u>253,868</u>	<u>296,476</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	13	132,563	177,792
Derivative financial instruments	14	19	-
Other assets		295	295
Accounts receivable, deposits and prepayments	15	1,268	655
Current tax assets		50	30
Time deposits and bank balances		2,013	16,313
		<u>136,208</u>	<u>195,085</u>
Non-current assets classified as assets held for sale	16	9,550	-
		<u>145,758</u>	<u>195,085</u>
<b>Current liabilities</b>			
Bank borrowings	17	71,572	77,375
Accounts payable, deposits and accruals	18	3,045	2,201
Derivative financial instruments	14	-	92
Loan from a Director		13,500	-
Other payable		348	348
		<u>88,465</u>	<u>80,016</u>
Net current assets		<u>57,293</u>	<u>115,069</u>
Total assets less current liabilities		311,161	411,545
<b>Non-current liabilities</b>			
Bank borrowings	17	66,814	88,342
Net assets		<u>244,347</u>	<u>323,203</u>
<b>Equity</b>			
Share capital	19	717,808	717,808
Reserves	20	(473,461)	(394,605)
Total equity		<u>244,347</u>	<u>323,203</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, 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").

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group has incurred losses for number of years and a net loss of HK\$74,058,000 during the year ended 31 December 2021.

In order to improve the Group's financial position, to provide liquidity and cashflows and to sustain the Group as a going concern, the management has taken and/or will take the following measures:

- (i) The Group is taking measures to tighten cost controls over various operating costs and expenses with the aim to attain profitable and positive cash flow operation;
- (ii) Mr. Tan Boon Seng, the Managing Director and ultimate controlling shareholder of the Company, and Lee Hing (2021) Limited, the substantial shareholder, have agreed to provide continuing financial support to the Group to meet its liabilities as they fall due.
- (iii) The Group maintains good relationship with banks and negotiates with adequate committed lines of funding to meet its liquidity requirements.

The Directors have considered that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirement. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries and the Group's interests in associates.

The financial information relating to the years ended 31 December 2021 and 31 December 2020 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 2020 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 2021 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 2021 was qualified; included a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; did not contain a statement under 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 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.

**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 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2
HKFRS 16 (Amendments)	Covid-19 - Related Rent Concessions

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 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
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:

	2021 HK\$'000	2020 HK\$'000
Net gain on financial assets at fair value through profit or loss – unlisted investments	-	9,118
Dividends from listed investments	29,074	4,013
Dividends from unlisted investments	294	294
Interest income on financial assets not at fair value through profit or loss	38	69
Rental income	883	1,056
Net exchange gain	-	1,812
Write back of impairment losses on amount due from an investee company	844	-
Net gain on disposal of property, plant and equipment	-	220
Sundry income	244	442
	<u>31,377</u>	<u>17,024</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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue and income						
Revenue and income	30,494	15,968	883	1,056	31,377	17,024
Total revenue and income	<u>30,494</u>	<u>15,968</u>	<u>883</u>	<u>1,056</u>	<u>31,377</u>	<u>17,024</u>
Segment results	( 74,115 )	( 445,786 )	<u>860</u>	<u>4,881</u>	( 73,255 )	( 440,905 )
Impairment loss of freehold land					( 739 )	( 3,815 )
Share of results of associates					( 52 )	( 1,772 )
Loss before tax					( 74,046 )	446,492
Income tax					( 12 )	( 5 )
Loss attributable to owners of the Company					( 74,058 )	( 446,497 )
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	306,248	395,552	60,821	60,233	367,069	455,785
Associates					22,957	25,457
Unallocated assets					<u>9,600</u>	<u>10,319</u>
Total assets					<u>399,626</u>	<u>491,561</u>
Segment liabilities	131,455	143,160	23,824	25,198	155,279	168,358
Unallocated liabilities					<u>-</u>	<u>-</u>
Total liabilities					<u>155,279</u>	<u>168,358</u>
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other segment information						
Depreciation	221	381	12	265	233	646
Amortisation of leasehold land	16	16	-	-	16	16
Additions to property, plant and equipment	3	696	-	-	3	696
Unrealised gain/(loss) on derivative financial instruments	19	(92)	-	-	19	( 92 )
Unrealised loss on financial assets at fair value through profit or loss – unlisted investments	36,986	53,632	-	-	36,986	53,632
Unrealised loss on financial assets at fair value through profit or loss – listed investments	43,017	48,881	-	-	43,017	48,881
Gain on revaluation of investment properties	-	-	700	5,000	700	5,000
Finance costs	5,011	7,744	491	712	5,502	8,456
Interest income	38	69	-	-	38	69
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	-	-	-	9,118
Net (loss)/gain on disposal of property, plant and equipment	( 1 )	220	-	-	( 1 )	220
Net loss on derivative financial instruments	1,340	11,246	-	-	1,340	11,246



Segment results represent profit/loss incurred by each segment without share of results of associates, impairment loss of freehold land 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.

### 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	1,188	2,035	76,143	75,690
Malaysia	29,159	4,060	-	-
Thailand	-	-	21,121	23,433
Britain	186	9,908	-	-
Europe	844	965	-	-
Japan	-	-	-	10,289
Others	-	56	-	-
	<u>31,377</u>	<u>17,024</u>	<u>97,264</u>	<u>109,412</u>

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

	2021 HK\$'000	2020 HK\$'000
Operating loss before finance costs is stated at after charging/(crediting):		
Auditors' remuneration:		
audit services	443	465
others	82	232
Directors' emoluments:		
fees	760	760
salaries and allowances	8,424	8,299
contributions to retirement scheme	301	297
long service payment	1,155	-
Staff costs (excluding Directors' emoluments)	3,095	3,070
Depreciation	233	646
Amortisation of leasehold land	16	16
Net loss on derivative financial instruments	1,340	11,246
Net loss on financial assets at fair value through profit or loss – listed investments	-	319,316
(Write back)/impairment loss on amount due from an investee company	( 844)	965
Net loss/(gain) on disposal of property, plant and equipment	1	( 220)
Net exchange loss/(gain)	845	( 1,812)
Net gain on financial assets at fair value through profit or loss – unlisted investments	-	( 9,118)
Rental income from investment properties	( 883)	( 1,056)
Direct operating expenses arising from investment properties	204	180

## 6. Finance costs

	2021 HK\$'000	2020 HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:		
interest on bank loans	5,210	8,012
interest on bank overdrafts	-	157
	<u>5,210</u>	<u>8,169</u>
Bank loan arrangement fee and bank charges	292	287
	<u>5,502</u>	<u>8,456</u>

## 7. Income tax

	2021 HK\$'000	2020 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u>12</u>	<u>5</u>

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

## 8. Other comprehensive loss

	2021 HK\$'000	2020 HK\$'000
Financial assets at fair value through other comprehensive income		
Changes in fair value recognised during the year	( 1,157)	( 822)
Net movements in investment revaluation reserve during the year recognised in other comprehensive income	( 1,157)	( 822)
Exchange difference on translation of financial statements of foreign entities —		
Subsidiaries	( 1,230)	( 663)
Associates	( 2,447)	( 158)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	( 3,677)	( 821)
Other comprehensive loss for the year, net of tax	<u>( 4,834)</u>	<u>( 1,643)</u>

## 9. Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: Nil).

## 10. Loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$74,058,000 (2020: HK\$446,497,000) and the weighted average of 146,781,285 shares (2020: 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 2020 and 2021.

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

	2021 HK\$'000	2020 HK\$'000
Unlisted investments, at fair value	<u>140,111</u>	<u>177,097</u>
At 1 January	177,097	806,120
Additions/conversion	-	295,794
Disposals	-	( 644,886)
Transfer	-	( 177,792)
Changes in fair value recognised in profit or loss	( 36,986)	( 102,513)
Exchange differences recognised in translation reserve	<u>-</u>	<u>374</u>
At 31 December	<u>140,111</u>	<u>177,097</u>

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

Fair value of unlisted investments of HK\$140,111,000 was determined by the Directors by reference to the net assets value of PureCircle Limited based on its unaudited financial statements for the year ended 31 December 2021.

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

Financial assets at fair value through other comprehensive income are 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 (2020: HK\$ 294,000).

	2021 HK\$'000	2020 HK\$'000
At 1 January	7,595	8,417
Changes in fair value recognised in other comprehensive income	( 1,157)	( 822)
At 31 December	<u>6,438</u>	<u>7,595</u>

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

	2021 HK\$'000	2020 HK\$'000
Listed equity securities, at market value	<u>132,563</u>	<u>177,792</u>
At 1 January	177,792	-
Additions	1,336	-
Transfer	-	177,792
Changes in fair value recognised in profit or loss	(43,017)	-
Exchange differences recognised in translation reserve	<u>(3,548)</u>	<u>-</u>
At 31 December	<u>132,563</u>	<u>177,792</u>

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

**14. Derivative financial instruments**

	2021 HK\$'000	2020 HK\$'000
Equity swaps	<u>19</u>	( <u>92</u> )

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

	2021 HK\$'000	2020 HK\$'000
Other receivable and deposits	1,117	510
Prepayments	<u>151</u>	<u>145</u>
	<u>1,268</u>	<u>655</u>

No ageing analysis has been prepared as there was no trade receivable at 31 December 2021 (2020: Nil).

**16. Non-current assets classified as assets held for sale**

	2021 HK\$'000	2020 HK\$'000
Freehold land outside Hong Kong	<u>9,550</u>	<u>-</u>

In December 2021, the Group decided to reclassify freehold land outside Hong Kong under property, plant and equipment to non-current assets classified as assets held for sale as the negotiation with the purchaser was in the final process.

## 17. Bank borrowings

	2021 HK\$'000	2020 HK\$'000
Secured bank loans	66,814	88,342
Secured bank loans subject to a repayment on demand clause	<u>71,572</u>	<u>77,375</u>
	138,386	165,717
Less: Current portion	( <u>71,572</u> )	( <u>77,375</u> )
Non-current portion	<u>66,814</u>	<u>88,342</u>

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

	2021 HK\$'000	2020 HK\$'000
Within one year	59,203	64,191
After one year but within two years	815	803
After two years but within five years	69,330	90,822
After five years	<u>9,038</u>	<u>9,901</u>
	<u>138,386</u>	<u>165,717</u>

## 18. Accounts payable, deposits and accruals

	2021 HK\$'000	2020 HK\$'000
Accounts payable, deposits and accruals	<u>3,045</u>	<u>2,201</u>

No ageing analysis has been prepared as there was no trade payable at 31 December 2021 (2020: Nil).

## 19. Share capital

	2021		2020	
	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>

## 20. Reserves

Movements in reserves are as follows:

	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2021	( 2,735 )	10,953	15,999	( 418,822 )	( 394,605 )
Loss for the year	-	-	-	( 74,058 )	( 74,058 )
Other comprehensive loss for the year					
Financial assets at fair value through other comprehensive income	( 1,157 )	-	-	-	( 1,157 )
Exchange differences on translation of financial statements of foreign subsidiaries and associates	-	( 3,677 )	-	-	( 3,677 )
Total comprehensive loss for the year	( 1,157 )	( 3,677 )	-	( 74,058 )	( 78,892 )
Unclaimed dividend forfeited	-	-	-	36	36
	-	-	-	36	36
Balance at 31 December 2021	( 3,892 )	7,276	15,999	( 492,844 )	( 473,461 )

## 21. Event after the reporting period

The Group's banking facilities have been renewed of which HK\$33,400,000 will be matured in January 2023.

The outbreak of novel coronavirus (COVID-19) continues to spread across the world.

The COVID-19 has impact on the business operations of the Group and investment market and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

## **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 2021.

### **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 2021, 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 2021, the fair value of the Group's investment in PureCircle Limited (formerly known as Ingredion SRSS Holdings Limited) of HK\$140,111,000 classified as financial assets at fair value through profit or loss was determined by reference to the net assets value of PureCircle Limited based on unaudited financial statements for the year ended 31 December 2021 in the absence of sufficient information for carrying out a reasonable valuation. Consequently, we were unable to obtain sufficient appropriate audit evidence as to the fair value of investment in PureCircle Limited as at 31 December 2021 and quantify the effect, if any, on the Group's net assets as at 31 December 2021 and loss for the year ended 31 December 2021. Our audit opinion on the consolidated financial statements for the year ended 31 December 2021 is also modified because of the possible effect of our audit scope limitation on the fair value of the Group's investment in PureCircle Limited as at 31 December 2020 on the comparability of correspondence figures in the consolidated financial statements for the year ended 31 December 2021.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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.

### **Material uncertainty related to going concern**

We draw attention to note 4(a) to the consolidated financial statements which indicates that the Group incurred a net loss of HK\$74,058,000 for the year ended 31 December 2021. This event or condition, along with other matters as set forth in note 4(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



### **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 audit evidence about the fair value of investment in PureCircle Limited as at 31 December 2020 and 31 December 2021, and loss for the years ended 31 December 2020 and 31 December 2021. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

### **Report on other matters under section section 407(3) of the Hong Kong Companies Ordinance**

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the fair value of financial assets at fair value through profit or loss – unlisted investment as at 31 December 2020 and 31 December 2021 as described in the Basis for qualified opinion section of our report above:

- We have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

## **Dividends**

In 2021, no interim dividend (2020: Nil ) was paid. The Directors do not recommend the payment of a final dividend (2020: Nil) for the year ended 31 December 2021.

## **Management Discussion and Analysis**

### **Results for the year**

The Group recorded HK\$31 million revenue and income for the year ended 31 December 2021, a 84% increase as compared with last year. The increase was largely attributable to increase in dividend income from listed investments.

Operating loss after finance costs was HK\$74 million, a decrease of HK\$371 million as compared with last year. The decrease was mainly attributable to decrease in net loss on financial assets at fair value through profit or loss - listed investments.

### **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 dividend income from listed investments of HK\$29 million and rental income of HK\$0.9 million. In 2021, there was no sale or purchase of shares in PureCircle Limited. During the year, the Group increased shares in IGB Berhad of HK\$1.3 million. The Group believes that this investment will generate considerable income in the future.

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 mainly 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 or 1% per annum below prime rate.

The gearing ratio of the Group was 57%. The computation is based on total bank borrowings of the Group divided by total equity as at 31 December 2021.

## 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\$215 million were pledged to banks to secure banking facilities granted to the Group.

## Contingent liabilities

As at 31 December 2021, 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\$143 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 2021</u>	<u>Cost of investment</u>	<u>Fair value as at 31 December 2021</u>	<u>Percentage to total assets</u>
<b>IGB Berhad</b>	36,201,011 ordinary shares, representing approximately 4.005% of the ordinary shares in issue (2020: 4.06%)	HK\$133 million	HK\$132.6 million (RM1.96 per share)	33.2%
<b>PureCircle Limited</b>	36,746,277 B ordinary shares, representing approximately 8.21% of the ordinary shares in issue (2020: 8.21%)	HK\$231 million	HK\$140.1 million	35.1%

The following table sets out the movement of the financial assets at fair value through profit or loss during the year ended 31 December 2021:

<b>Name of the investee company</b>	<b>Additions/disposals during the year ended 31 December 2021</b>	<b>Cost of additions/disposal proceeds</b>	<b>Gain/loss on disposals</b>	<b>Dividend received during the year</b>
<b>PureCircle Limited</b>	-	-	-	-
<b>IGB Berhad</b>	Additions of 371,195 ordinary shares	-	-	Received dividend in the amount of HK\$29.1 million (including stock dividend HK\$1.3 million)

The following table sets out the changes in fair value of the financial assets at fair value through profit or loss during the year ended 31 December 2021:

<b>Name of investee company</b>	<b>Fair value as at 31 December 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Translation reserve</b>	<b>Changes in fair value recognised in the profit or loss</b>	<b>Fair value as at 31 December 2021</b>
<b>PureCircle Limited</b>	HK\$ 177.1 million	-	-	-	(HK\$ 37 million)	HK\$ 140.1 million
<b>IGB Berhad</b>	HK\$ 177.8 million	HK\$ 1.3 million	-	(HK\$ 3.5 million)	(HK\$ 43 million)	HK\$ 132.6 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).

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

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

### **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 2021, 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 2021 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 2021 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 and consequently no opinion or 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 2021, 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 20 May 2021 due to their other business engagement.

### **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 2021.

## **Continued Suspension of Trading**

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

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

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

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

Hong Kong, 30 March 2022

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

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 2021 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.