

LEE HING DEVELOPMENT LIMITED
利興發展有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 68)

Executive Directors:
Mr. Tan Boon Seng (*Chairman and Managing Director*)
Mr. Chan Kai Kwok

Registered and principal office:
Suite 1506-07, 15th Floor
Nine Queen's Road Central
Hong Kong

Independent non-executive Directors:
Mr. Ho Hau Chong, Norman
Mr. Fung Ka Pun
Mr. Lim Lay Leng

10 November 2021

To the Disinterested Shareholders

Dear Sir/Madam,

**(I) THE VOLUNTARY CONDITIONAL CASH OFFER, WITH AN
ALTERNATIVE TO RECEIVE SHARES IN LEE HING (2021) LIMITED
(FORMERLY KNOWN AS CLASSIC PRESTIGE LIMITED),
BY KINGKEY SECURITIES GROUP LIMITED
ON BEHALF OF
LEE HING (2021) LIMITED
(FORMERLY KNOWN AS CLASSIC PRESTIGE LIMITED)
TO ACQUIRE ALL THE ISSUED SHARES OF
LEE HING DEVELOPMENT LIMITED
AND
(II) POSSIBLE PRIVATISATION**

INTRODUCTION

Reference is made to the Joint Announcement.

The Board was informed by the Offeror on 5 July 2021 that Kingkey Securities, on behalf of the Offeror, will make a voluntary conditional cash offer, with an alternative to receive shares in the Offeror, to acquire all the Lee Hing Shares.

The purpose of this Composite Document is to provide you with, among other things, (i) information on the Group, the Offeror and the Offer; (ii) the recommendation of the Independent Board Committee to the Disinterested Shareholders in respect of the terms of the Offer and as to acceptance of the Offer; and (iii) the letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng, has been established in accordance with Rules 2.1 and 2.8 of the Takeovers Code to advise and give a recommendation to the Disinterested Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Octal Capital has been appointed as the independent financial adviser by the Company with approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and as to its acceptance.

THE OFFER

Principal terms of the Offer

Under the terms of the Offer, a Shareholder may, in respect of its Lee Hing Shares validly tendered for acceptance, elect:

- (a) wholly to receive cash payment; or
- (b) wholly to receive Offeror Shares under the Share Alternative; or
- (c) partly to receive cash payment and partly to receive Offeror Shares under the Share Alternative.

The terms of the Offer as set out in the section headed "Letter from Kingkey Securities" in this Composite Document are extracted below. You are recommended to refer to the section headed "Letter from Kingkey Securities" in this Composite Document and the accompanying Form of Acceptance for further details.

Kingkey Securities is making the Offer, on behalf of the Offeror, in compliance with the Takeovers Code and on the terms set out in this Composite Document and the accompanying Form of Acceptance on the following basis:

- (a) For cash payment HK\$0.80 for every Lee Hing Share; or
- (b) For the Share Alternative one Offeror Share for every Lee Hing Share

As at the Latest Practicable Date, there was no dividend or other distribution that had been declared by the Company but not yet paid or made, and the Company had no intention to declare any dividend or other distribution during the Offer period.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the sections headed "Letter of Kingkey Securities" and Appendix I to this Composite Document and the accompanying Form of Acceptance.

Irrevocable Undertakings

As at the Latest Practicable Date, the Offeror Concert Group (excluding the Offeror, which did not hold any Lee Hing Shares as at the Latest Practicable Date, Mr. Tan, Zali International Limited and Zali Capital Limited) in aggregate held 36,597,000 Lee Hing Shares, representing approximately 24.93% of all the Lee Hing Shares then in issue. Each of the members of the Offeror Concert Group (excluding the Offeror, Mr. Tan, Zali International Limited and Zali Capital Limited) has given an Irrevocable Undertaking in favour of the Offeror, pursuant to which each of them has undertaken that: (i) it will not sell, transfer, charge, encumber, grant any option or other right over or otherwise dispose of, or permit the sale, transfer, charging, encumbering, granting of any option or other right over or other disposal of any of the Lee Hing Shares held by it or interest in such Lee Hing Shares except under the Offer, or accept any other offer in respect of all or any of the Lee Hing Shares held by it or any other interest in any of such Lee Hing Shares; and (ii) it will duly accept (or procure the acceptance of) the Offer in respect of the Lee Hing Shares held by it in accordance with the terms of the Offer (including to make, or procure the making of, an election for the Share Alternative in respect of such Lee Hing Shares).

Additionally, the Offeror has confirmed in writing to the Board that Mr. Tan, Zali International Limited and Zali Capital Limited (being the members of the Offeror Concert Group who have not given the Irrevocable Undertakings and who as at the Latest Practicable Date held in aggregate 51,719,000 Lee Hing Shares, representing approximately 35.24% of all the Lee Hing Shares then in issue) will accept the Offer in respect of all the Lee Hing Shares held by each of them and opt for the Share Alternative.

Condition of the Offer

The Offer is conditional only upon valid acceptances of the Offer having been received at or before 4:00 p.m. on the First Closing Date in respect of Lee Hing Shares which, together with the Lee Hing Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and parties acting in concert with it holding not less than 70% of all the Lee Hing Shares then in issue. Such condition is not waivable by the Offeror. Upon the Offer becoming unconditional following the fulfilment of such condition, the Offer will remain open for acceptance until the expiry of a period of four months after the posting of this Composite Document for the purpose of allowing the Offeror to acquire further Lee Hing Shares to entitle it to exercise its compulsory acquisition rights as further particularised in the paragraph headed "Letter from Kingkey Securities — Compulsory acquisition rights and withdrawal from listing" in this Composite Document. If such condition is not fulfilled, the Offer will lapse in accordance with the Takeovers Code.

INFORMATION ON THE GROUP

The Company was incorporated in Hong Kong with limited liability and its issued shares are listed on the Main Board of the Stock Exchange. The principal activities of the Group are property investment, property development, investment holding and sale and purchase of securities.

As at the Latest Practicable Date, the major assets of the Group comprised 35,829,816 ordinary shares in IGB Berhad, representing approximately 3.99% of all ordinary shares in

IGB Berhad then in issue, and 36,746,277 PureCircle Shares, representing approximately 8.21% of all shares in PureCircle then in issue. Based on the consolidated management accounts of the Company for the six months ended 30 June 2021, the shares in IGB Berhad and the PureCircle Shares held by the Group had a carrying value of approximately HK\$137,354,000 and HK\$178,600,000 respectively and represented approximately 31.2% and 40.6% respectively of the total assets of the Group as at 30 June 2021. Depending on the market conditions and the availability of funding to the Group, the Group may from time to time in its ordinary and usual course of business dispose of shares in IGB Berhad held by it through on market transactions on Bursa Malaysia Securities Berhad or through private placements by way of block trade(s) conducted through reputable financial institutions in Malaysia as placing agents. Further details of the possible disposal of shares in IGB Berhad by the Group are set out in the Company's announcement dated 16 February 2021.

IGB Berhad is a company incorporated in Malaysia, whose principal activities mainly consist of property investment and management, owner and operator of malls, hotel operations, property development, construction, information and communication technology services, the provision of engineering services for water treatment plants and related services, education, investment holdings and management of a real estate investment trust, and whose issued shares are listed on the Main Market of Bursa Malaysia Securities Berhad. Information on PureCircle is set out in the paragraph headed "Letter from Kingkey Securities — The Offer — Offeror Exit Arrangements — Underlying assets of the Offeror Exit Arrangements — PureCircle Shares" in this Composite Document.

The following table is a summary of certain audited consolidated financial information of the Group for the three financial years ended 31 December 2020 as extracted from the annual reports of the Company for the years ended 31 December 2019 and 31 December 2020 and certain unaudited consolidated financial information of the Group for the six months ended 30 June 2021 as extracted from the interim report of the Company for the six months ended 30 June 2021:

	For the six months ended/As at 30 June 2021 HK\$'000 (unaudited)	For the six months ended/As at 30 June 2020 HK\$'000 (unaudited)	For the year ended/ As at 31 December		
			2020 HK\$'000 (audited)	2019 HK\$'000 (audited)	2018 HK\$'000 (audited)
Revenue and income	940	3,362	17,024	20,160	13,361
(Loss) before tax	(46,273)	(260,352)	(446,492)	(481,609)	(1,193,951)
(Loss) attributable to owners of the Company	(46,280)	(260,365)	(446,497)	(481,656)	(1,193,974)
(Loss) per Lee Hing Share (HK cents) Basic and diluted	(31.53)	(177.38)	(304.19)	(328.15)	(813.42)
Net assets	274,370	506,702	323,203	771,280	1,239,526

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Offer (assuming that the Offer is fully accepted by the Shareholders):

	As at the Latest Practicable Date		Immediately after completion of the Offer (assuming that the Offer is fully accepted by the Shareholders)	
	Number of Lee Hing Shares	Approximate %	Number of Lee Hing Shares	Approximate %
<i>Offeror Concert Group:</i>				
Offeror	-	-	146,781,285	100.00
Mr. Tan	1,479,000	1.00	-	-
Wah Seong Enterprises Sdn. Bhd. (Note 1)	2,100,000	1.43	-	-
Zali International Limited (Note 2)	14,386,000	9.80	-	-
Zali Capital Limited (Note 2)	35,854,000	24.43	-	-
Ms. Connie Cheng Wai Ka (Note 3)	10,000	0.01	-	-
Ms. Tan Mei Sian (Note 4)	1,490,500	1.02	-	-
Mr. Tan Yee Seng (Note 4)	1,490,500	1.02	-	-
Petaling Garden (Note 5)	29,006,000	19.76	-	-
TKY Sdn. Bhd. (Note 6)	2,500,000	1.70	-	-
sub-total:	88,316,000	60.17	146,781,285	100.00
Public Shareholders	58,465,285	39.83	-	-
	<u>146,781,285</u>	<u>100.00</u>	<u>146,781,285</u>	<u>100.00</u>

Notes:

- Each of Tan Chin Nam Sdn. Bhd. and TKY Sdn. Bhd. is an ultimate controlling shareholder of Wah Seong Enterprises Sdn. Bhd., ultimately holding approximately 34.56% and 42.51% of all the shares of Wah Seong Enterprises Sdn. Bhd. in issue respectively. Tan Chin Nam Sdn. Bhd. is controlled by the children of the late Mr. Tan Chin Nam, who was the father of Mr. Tan, whereas TKY Sdn. Bhd. is held by the family members of the late Mr. Tan Kim Yeow, who was an uncle of Mr. Tan. The remaining approximately 22.93% of all the shares of Wah Seong Enterprises Sdn. Bhd. in issue are ultimately held as to approximately 0.20% by Mr. Tan, as to approximately 1.20% by the wife of the late Mr. Tan Kim Yeow and as to approximately 21.53% by a number of independent investors, none of whom ultimately holds more than approximately 2%.
- Each of Zali International Limited and Zali Capital Limited is ultimately beneficially 100% owned by Mr. Tan.
- Ms. Connie Cheng Wai Ka is the wife of Mr. Tan.
- Ms. Tan Mei Sian and Mr. Tan Yee Seng are children of Mr. Tan.

5. To the best knowledge, belief and information of the Company having made all reasonable enquiries, Petaling Garden is ultimately controlled by the late Mr. Ang Guan Seng's immediate family members and their respective associates (as defined in the Listing Rules) and parties acting in concert with any of them. Save and except that (a) the late Mr. Ang Guan Seng and the late Mr. Tan Chin Nam, who was the father of Mr. Tan, were business partners and (b) Petaling Garden was holding Lee Hing Shares as at the Latest Practicable Date, the late Mr. Ang Guan Seng's immediate family members have no relationship with the Offeror.
6. TKY Sdn. Bhd. is held by the family members of the late Mr. Tan Kim Yeow, who was an uncle of Mr. Tan.
7. Save for Mr. Tan, none of the Directors held any Lee Hing Shares as at the Latest Practicable Date.

INFORMATION ON THE OFFEROR

Your attention is drawn to the information on the Offeror set out in the paragraph headed "Letter from Kingkey Securities — Information on the Offeror" and Appendix VI to this Composite Document.

INTENTION OF THE OFFEROR AND THE BOARD REGARDING THE GROUP

Your attention is drawn to the paragraph headed "Letter from Kingkey Securities — Intention of the Offeror regarding the Group" in this Composite Document.

If the Offeror acquires such number of Lee Hing Shares under the Offer as represents not less than 90% of all the Lee Hing Shares (by virtue of the acceptances of the Offer or otherwise) and not less than 90% of all the Lee Hing Shares held by the Disinterested Shareholders within, but not exceeding, the period of 4 months after the posting of this Composite Document, the Offeror intends to privatise the Company by exercising the compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Subdivision 2 of Division 4 of Part 13 of the Companies Ordinance to acquire the remaining Lee Hing Shares held by the Disinterested Shareholders, following which the listing of the Company on the Main Board of the Stock Exchange shall be withdrawn pursuant to Rule 6.15(1) of the Listing Rules. The Company will comply with the relevant requirements of the Listing Rules in this regard. In the event that the Offeror and parties acting in concert with it come to hold 70% or more, but less than 90%, of all the Lee Hing Shares in issue at the close of the Offer, the Lee Hing Shares will remain listed on the Main Board of the Stock Exchange.

The Board currently has five Directors, comprising two executive Directors and three independent non-executive Directors. The Board is aware of the Offeror's intention that all the independent non-executive Directors shall cease to be Directors with effect from the date on which the withdrawal of the listing of the Company on the Main Board of the Stock Exchange becomes effective following the compulsory acquisition by the Offeror to acquire the remaining Lee Hing Shares held as mentioned in the preceding paragraph (if such withdrawal materialises). The Board is further aware that save as aforesaid, the Offeror does not have any intention to introduce any significant changes to the existing operations and management of the Group, nor does it have any intention to make any significant changes to the continued employment of the Group's employees and that Mr.

Tan and the Offeror do not currently have any intention to seek a listing of the Offeror Shares or the business of the Group on a stock exchange, whether in Hong Kong or in another jurisdiction.


RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 39 to 40 of this Composite Document and the “Letter from the Independent Financial Adviser” set out on pages 41 to 89 of this Composite Document, which contain, among other things, their advice in relation to the Offer and the principal factors considered by them in arriving at their recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the Appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

Yours faithfully,
On behalf of the Board
Lee Hing Development Limited



Tan Boon Seng
Chairman and Managing Director