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# 理 文 造 紙 有 限 公 司*

# *Lee & Man Paper Manufacturing Limited*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2314)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

**FINANCIAL HIGHLIGHTS**

– Revenue increased by 36.7% to HK$11.44 billion as compared to the last corresponding period.

– Net profit increased by 53.4% to HK$2.19 billion as compared to the last corresponding period.

– Earnings per share was HK48.42 cents.

– Declared interim dividend of HK17.0 cents per share.

* *For identification purposes only*

## INTERIM RESULTS

The board of directors of Lee & Man Paper Manufacturing Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with the comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2017*

| | *Notes* | **2017 (unaudited) *HK$'000*** | 2016 (unaudited) *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **11,439,571** | 8,368,758 |
| Cost of sales | | **(8,361,053)** | (6,424,371) |
| Gross profit | | **3,078,518** | 1,944,387 |
| Other income | *4* | **361,405** | 285,692 |
| Other gains and losses | *5* | **(17,540)** | 24,635 |
| Distribution and selling expenses | | **(205,299)** | (113,790) |
| General and administrative expenses | | **(515,330)** | (408,203) |
| Finance costs | *6* | **(81,176)** | (87,417) |
| Profit before tax | | **2,620,578** | 1,645,304 |
| Income tax expense | *7* | **(426,947)** | (214,874) |
| Profit for the period | *8* | **2,193,631** | 1,430,430 |
| Other comprehensive income (expense) | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **363,115** | (857,523) |
| Total comprehensive income for the period | | **2,556,746** | 572,907 |
| Dividends: | *9* | | |
| – Dividend paid | | **496,830** | 432,950 |
| – Interim dividend declared | | **767,829** | 501,226 |
| | | ***HK cents*** | *HK cents* |
| Earnings per share | *10* | **48.42** | 31.36 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2017*

| | Notes | **30 June 2017 (unaudited)** *HK$'000* | 31 December 2016 (audited) *HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *11* | **25,969,202** | 24,312,225 |
| Prepaid lease payments | | **885,326** | 877,980 |
| Investment properties | | **365,976** | 371,409 |
| Deposits paid for acquisition of property, plant and equipment | | **93,250** | 149,685 |
| Interest in a joint venture | | **–** | – |
| Loan to a joint venture | | **118,485** | 95,953 |
| | | **27,432,239** | 25,807,252 |
| **CURRENT ASSETS** | | | |
| Inventories | *12* | **3,439,310** | 2,914,432 |
| Prepaid lease payments | | **19,975** | 21,111 |
| Trade and other receivables | *13* | **6,174,993** | 4,959,863 |
| Amounts due from related companies | | **20,453** | 21,730 |
| Derivative financial instruments | | **13,446** | 231 |
| Margin deposits | | **–** | 1,450 |
| Bank balances and cash | | **1,000,709** | 1,274,197 |
| | | **10,668,886** | 9,193,014 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *14* | **3,963,060** | 3,549,231 |
| Amounts due to related companies | | **5,377** | 4,288 |
| Derivative financial instruments | | **–** | 11,267 |
| Tax payable | | **200,091** | 158,938 |
| Bank borrowings | | **5,055,185** | 4,240,105 |
| | | **9,223,713** | 7,963,829 |
| **NET CURRENT ASSETS** | | **1,445,173** | 1,229,185 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **28,877,412** | 27,036,437 |

| | 30 June 2017 (unaudited) *HK$'000* | 31 December 2016 (audited) *HK$'000* |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Bank borrowings | **9,168,291** | 9,306,737 |
| Deferred tax liabilities | **961,042** | 906,735 |
| | **10,129,333** | 10,213,472 |
| | **18,748,079** | 16,822,965 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **112,916** | 113,642 |
| Reserves | **18,635,163** | 16,709,323 |
| | **18,748,079** | 16,822,965 |

*Notes:*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs and Interpretations in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

**Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable segment:

*Six months ended 30 June 2017*

| | Packaging paper *HK$'000* | Pulp *HK$'000* | Tissue paper *HK$'000* | Segment total *HK$'000* | Eliminations *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External sales | 10,321,763 | 12,013 | 1,105,795 | 11,439,571 | – | 11,439,571 |
| Inter-segment sales | – | 409,516 | – | 409,516 | (409,516) | – |
| | 10,321,763 | 421,529 | 1,105,795 | 11,849,087 | (409,516) | 11,439,571 |
| SEGMENT PROFIT | 2,508,036 | 2,371 | 209,983 | 2,720,390 | – | 2,720,390 |
| Net gain from fair value changes of derivative financial instruments | | | | | | 30,030 |
| Unallocated income | | | | | | 3,876 |
| Unallocated expenses | | | | | | (52,542) |
| Finance costs | | | | | | (81,176) |
| Profit before tax | | | | | | 2,620,578 |

*Six months ended 30 June 2016*

| | Packaging Paper *HK$'000* | Pulp *HK$'000* | Tissue paper *HK$'000* | Segment total *HK$'000* | Eliminations *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External sales | 7,825,479 | 131,145 | 412,134 | 8,368,758 | – | 8,368,758 |
| Inter-segment sales | – | 142,284 | – | 142,284 | (142,284) | – |
| | 7,825,479 | 273,429 | 412,134 | 8,511,042 | (142,284) | 8,368,758 |
| SEGMENT PROFIT | 1,640,021 | 10,782 | 52,204 | 1,703,007 | – | 1,703,007 |
| Net gain from fair value changes of derivative financial instruments | | | | | | 9,507 |
| Unallocated income | | | | | | 48,728 |
| Unallocated expenses | | | | | | (28,521) |
| Finance costs | | | | | | (87,417) |
| Profit before tax | | | | | | 1,645,304 |

## 4. OTHER INCOME

| | Six months ended 30 June **2017** ***HK$'000*** | 2016 *HK$'000* |
|---|---|---|
| Value added tax and other tax refund | **214,060** | 157,527 |
| Income from supply of steam and electricity | **40,143** | 34,054 |
| Income from wharf cargo handling | **25,193** | 27,453 |
| Sales of materials and waste paper | **20,612** | 16,315 |
| Interest income from banks | **3,894** | 12,159 |
| Others | **57,503** | 38,184 |
| | **361,405** | 285,692 |

## 5. OTHER GAINS OR LOSSES

| | Six months ended 30 June **2017** ***HK$'000*** | 2016 *HK$'000* |
|---|---|---|
| Net foreign exchange (loss) gain | **(46,237)** | 36,569 |
| Net gain from fair value changes of derivative financial instruments | **30,030** | 9,507 |
| Loss on disposal of property, plant and equipment | **(1,333)** | (21,441) |
| | **(17,540)** | 24,635 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings | **133,583** | 159,199 |
| Less: amounts capitalised to property, plant and equipment | **(52,407)** | (71,782) |
| | **81,176** | 87,417 |

## 7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Income tax recognised in profit or loss: | | |
| Current tax | | |
| – The PRC Enterprise Income Tax ("EIT") | **372,751** | 153,287 |
| (Over) under provision in previous year | | |
| – The PRC EIT | **(111)** | 1,411 |
| Deferred tax | | |
| – Charge to profit or loss | **54,307** | 60,176 |
| | **426,947** | 214,874 |

The Group's profit is subject to taxation from the place of its operations where its profit is generated and is calculated at the rate prevailing in the relevant jurisdictions.

**The PRC**

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that five (2016: five) of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ending 31 December 2017.

**Hong Kong**

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

**Macau**

The Macau subsidiaries incorporated under Decree-Law no.58/99/M are exempted from Macau complementary tax (Macau income tax) as long as they comply with the relevant regulations and do not sell their products to a Macau resident.

**Vietnam**

The Vietnam subsidiaries are subjected to Vietnam Corporate Income Tax at a rate of 10%. No provision for Vietnam Corporate Income Tax has been made for both periods as the Vietnam subsidiaries incurred losses for both periods.

**Other**

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Profit for the period has been arrived at after charging: | | |
| Directors' emoluments | **18,863** | 18,800 |
| Staff salaries and other benefits, excluding those of directors | **458,824** | 429,552 |
| Contributions to retirement benefit schemes, excluding those of directors | **27,117** | 23,768 |
| Total employee benefit expense | **504,804** | 472,120 |
| Capitalised in inventories | **(340,223)** | (305,180) |
| | **164,581** | 166,940 |
| Cost of inventories recognised as expense | **8,361,053** | 6,424,371 |
| Amortisation of prepaid lease payments | **8,898** | 6,874 |
| Depreciation of property, plant and equipment | **501,547** | 464,596 |
| Depreciation of investment properties | **5,168** | – |
| Total depreciation and amortisation | **515,613** | 471,470 |
| Capitalised in inventories | **(466,528)** | (432,521) |
| | **49,085** | 38,949 |
| Operating lease rentals in respect of land and buildings | **6,505** | 5,850 |

## 9. DIVIDENDS

A final dividend of HK$0.110 per share was paid in respect of the year ended 31 December 2016 (2016: a final dividend of HK$0.095 per share were paid for the year ended 31 December 2015) to shareholders during the current period.

The directors determined that an interim dividend of HK$0.170 (2016: HK$0.110) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 15 September 2017.

## 10. EARNINGS PER SHARE

The calculation of earnings per share attributable to the owners of the Company is based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Earnings for the purpose of earnings per share | **2,193,631** | 1,430,430 |
| | **Number of shares** | Number of shares |
| Weighted average number of ordinary shares for the purpose of earnings per share | **4,530,768,249** | 4,561,052,066 |

## 11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, there were additions of HK$1,918 million (2016: HK$2,037 million) to property, plant and equipment to expand its operations.

## 12. INVENTORIES

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **3,063,394** | 2,689,543 |
| Finished goods | **375,916** | 224,889 |
| | **3,439,310** | 2,914,432 |

## 13. TRADE AND OTHER RECEIVABLES

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **3,045,660** | 2,131,788 |
| Less: allowance for doubtful debt | **(25,856)** | (30,360) |
| | **3,019,804** | 2,101,428 |
| Bills receivables | **1,392,906** | 1,511,703 |
| | **4,412,710** | 3,613,131 |
| Prepayments and deposits for purchase of raw materials | **818,507** | 687,653 |
| Other deposits and prepayments | **157,436** | 50,594 |
| Value-added tax receivables | **566,182** | 398,512 |
| Other receivables | **220,158** | 209,973 |
| | **6,174,993** | 4,959,863 |

The Group allows its customers an average credit period of 45 to 90 days. The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period.

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Aged: | | |
| Not exceeding 30 days | **3,451,975** | 3,210,017 |
| 31–60 days | **735,995** | 293,645 |
| 61–90 days | **131,578** | 57,991 |
| 91–120 days | **34,008** | 25,873 |
| Over 120 days | **59,154** | 25,605 |
| | **4,412,710** | 3,613,131 |

## 14. TRADE AND OTHER PAYABLES

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and bills payables | **2,839,292** | 2,555,195 |
| Construction fee payable | **553,727** | 463,646 |
| Accruals | **234,110** | 167,460 |
| Receipt in advance | **151,239** | 122,516 |
| Other payables | **184,692** | 240,414 |
| | **3,963,060** | 3,549,231 |

The average credit period taken for trade purchases ranges from 30 to 120 days. The following is an aged analysis of the trade and bills payables presented based on the invoice date at the end of the reporting period.

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Aged: | | |
| Not exceeding 30 days | **1,212,922** | 1,213,666 |
| 31–60 days | **615,715** | 603,054 |
| 61–90 days | **430,896** | 350,298 |
| 91–120 days | **546,560** | 370,937 |
| Over 120 days | **33,199** | 17,240 |
| | **2,839,292** | 2,555,195 |

## 15. REVIEW OF INTERIM ACCOUNTS

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.

## BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2017, the Group recorded total sales volume of 2.77 million tons and total revenue of HK$11.44 billion. Its interim net profit increased significantly by 53% to HK$2.19 billion as compared to last corresponding period, while its net profit per ton was HK$792.

The Chinese government's efforts to eliminate obsolete production facilities while embarking on environmental-friendly policies has gradually reduced overcapacity in the industry. The demand recovery within the paper industry has also notably improved the demand and supply situation within the industry. The volume and selling prices of products sold by the Group increased and the profit margin also recorded a satisfactory growth.

At present, the total annual production volume of the Group's tissue paper business is 465,000 tons, which includes eight tissue paper manufacturing machines with a total annual production volume of 355,000 tons located in the Chongqing Industrial Park and the tissue paper manufacturing machines with a total annual production volume of 110,000 tons located in Jiangxi Industrial Park. The Group will be able to further reduce the production cost of tissue paper through economies of scale, leveraging the increase in production volume and by utilising its pulp production facilities in Chongqing. Another four production lines with a combined annual production capacity of 220,000 tons located in the Chongqing Industrial Park and Hongmei Guangdong, as well as two newly planned production lines with an annual production capacity of 110,000 tons to be added to Chongqing Industrial Park, will commence production respectively by end of this year and mid next year. After all of the production lines ramp up operation, the Group's annual production capacity for tissue paper will reach 795,000 tons. The tissue paper business is therefore expected to contribute considerable profit to the Group as it becomes another new growth driver in the future.

Apart from the tissue paper business, the Group also expanded into the overseas packaging paper markets and invested in the construction of overseas paper factories to keep pace with the expansion of the South East Asian markets. The paper manufacturing machine project in Hau Giang, Vietnam, with an annual production capacity of 400,000 tons began operation during the period. Since the overseas packaging paper market possesses enormous potential, the Group will consider directing more resources to this sector. The PM21 paper manufacturing machine with an annual production volume of 400,000 tons at the Jiangxi plant is also under construction and will begin operation in September this year. Once the machine is fully operational, the annual production capacity of the Group's packaging paper operation will exceed 6 million tons.

In order to address overcapacity and environmental issues in the paper industry, obsolete production facilities have steadily been eliminated in China as approval standards for new production capacities have become more stringent in recent years. Local government authorities intend to impose more stringent environmental monitoring policies and stricter requirements on environmental protection, which will lead to the shutdown of even more obsolete production facilities that fail to meet environmental standards. Despite the slowdown in economic growth in China, local demand for packaging paper is expected to grow steadily in the long run. In addition, the rapid development of e-commerce and online shopping has led to fundamental changes in the consumption and logistics models, benefitting the packaging paper industry which is currently undergoing consolidation. Looking ahead, overall paper consumption still possesses considerable room for growth, thus the Group is optimistic about the outlook of both the packaging paper segment and the paper industry as a whole.

Adhering to its long-held prudent strategies and with debts maintained at a reasonable level, the Group will monitor the pace of economic development in China and across South East Asia, while it continues to bolster the production capacity of packaging and tissue paper, as well as strengthen its presence in Vietnam. The management will also proceed with efforts to enhance production efficiency, strictly control costs and strengthen capital operation in order to maintain the Group's competitiveness in the paper industry. Furthermore, the experienced and capable management team will continue to lead the development of the Group's businesses and exert efforts to enhance profitability.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results of Operation

Revenue and net profit attributable to owners of the Company for the six months ended 30 June 2017 was HK$11,440 million and HK$2,194 million respectively and that for the corresponding period last year was HK$8,369 million and HK$1,430 million respectively. The earnings per share for the period was HK48.42 cents as compared to HK31.36 cents for the corresponding period last year.

The Chinese government's efforts to eliminate obsolete production facilities while embarking on environmental-friendly policies has gradually reduced overcapacity in the industry. The demand recovery within the paper industry has also notably improved the demand and supply situation within the industry. The volume and selling prices of products sold by the Group increased and the profit margin also recorded a satisfactory growth.

### Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$205 million for the six months ended 30 June 2017 as compared to HK$114 million for the corresponding period last year. It represented about 1.8% of the revenue for the six months ended 30 June 2017 and was increased as compared to that of 1.4% for the corresponding period last year. More customers required delivery of the finished goods by the Group during the period.

### General and Administrative Expenses

The Group's general and administrative expenses was HK$515 million for the six months ended 30 June 2017 as compared to HK$408 million for the corresponding period last year. It represented about 4.5% of the revenue for the six months ended 30 June 2017 and was comparable to the corresponding period last year.

**Finance Costs**

The Group's total finance costs (including the amounts capitalised) was HK$134 million for the six months ended 30 June 2017 as compared to HK$159 million for the corresponding period last year. The decrease was mainly due to the decrease in average interest rate on bank borrowings during the period.

**Inventories, Debtors' and Creditors' Turnover**

The inventory turnover of the Group's raw materials and finished products were 75 days and 6 days, respectively, for the six months ended 30 June 2017 as compared to 85 days and 3 days, respectively, for the year ended 31 December 2016. This exhibits continued strong demand from our customers.

The Group's debtors' turnover days were 48 days for the six months ended 30 June 2017 as compared to 42 days for the year ended 31 December 2016. This is in line with the credit terms of 45 days to 90 days granted by the Group to its customers.

The Group's creditors' turnover days were 69 days for the six months ended 30 June 2017 as compared to 80 days for the year ended 31 December 2016. This is in line with the credit terms granted by the Group's suppliers.

**Liquidity, Financial Resources and Capital Structure**

The total shareholders' fund of the Group as at 30 June 2017 was HK$18,748 million (31 December 2016: HK$16,823 million). As at 30 June 2017, the Group had current assets of HK$10,669 million (31 December 2016: HK$9,193 million) and current liabilities of HK$9,224 million (31 December 2016: HK$7,964 million). The current ratio was 1.16 as at 30 June 2017 as compared to 1.15 at 31 December 2016.

The Group generally finances its operations with internal generated cash flow and credit facilities provided by its principal bankers in Hong Kong, Macau and the PRC. As at 30 June 2017, the Group had outstanding bank borrowings of HK$14,223 million (31 December 2016: HK$13,547 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 30 June 2017, the Group maintained bank balances and cash of HK$1,001 million (31 December 2016: HK$1,274 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.73 as at 31 December 2016 to 0.71 as at 30 June 2017. Capital expenditure were comparable to last period but there was an increase in translation reserve as a result of Renminbi appreciation during the period.

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi, United States dollars or Euro. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 June 2017. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

## EMPLOYEES

As at 30 June 2017, the Group had a workforce of more than 7,200 employees. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.170 (2016: HK$0.110) per share for the six months ended 30 June 2017 to shareholders whose names appear on the Register of Members on 15 September 2017. It is expected that the interim dividend will be paid around 27 September 2017.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 13 September 2017 to 15 September 2017, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accomplished by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Investor Services Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on 12 September 2017.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, the Company repurchased a total of 21,960,000 shares of HK$0.025 per share through The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK$134,802,000 (including transaction costs). All of the shares repurchased were cancelled during the period. Details of shares repurchased during the period are set out as follows:

| Month of repurchases | No. of ordinary shares of HK$0.025 each | Price paid per share Highest | Price paid per share Lowest | Aggregate consideration paid (including expense) |
|---|---|---|---|---|
| | | *HK$* | *HK$* | *HK$'000* |
| March 2017 | 11,213,000 | 6.29 | 5.87 | 69,927 |
| April 2017 | 2,792,000 | 5.90 | 5.86 | 16,525 |
| May 2017 | 7,955,000 | 6.10 | 6.01 | 48,350 |
| | 21,960,000 | | | 134,802 |

The directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. All the members of the board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2017. The Model code also applies to other specified senior management of the Group.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017.

## AUDIT COMMITTEE

The Audit Committee of the Company comprised of three independent non-executive directors namely, Mr. Chau Shing Yim David, Mr. Wong Kai Tung Tony and Mr. Peter A. Davies.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures and financial reporting matters including the review of the Group's unaudited interim financial statements for the six months ended 30 June 2017.

On behalf of the Board
**Lee Man Chun Raymond**
*Chairman*

Hong Kong, 21 August 2017

*As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Dr. Lee Man Chun Raymond, Mr. Lee Man Bun and Mr. Li King Wai Ross, one non-executive director, namely Professor Poon Chung Kwong, and three independent non-executive directors, namely Mr. Wong Kai Tung Tony, Mr. Peter A. Davies and Mr. Chau Shing Yim David.*