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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 2018**

FINANCIAL HIGHLIGHTS

- Revenue increased by 43.1% to HK\$16.37 billion as compared to the last corresponding period.
- Net profit increased by 35.9% to HK\$2.98 billion as compared to the last corresponding period.
- Earnings per share was HK66.52 cents.
- Declared interim dividend of HK20 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 2018 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 2018

	<i>Notes</i>	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Revenue	3	16,369,363	11,439,571
Cost of sales		(12,247,034)	(8,361,053)
Gross profit		4,122,329	3,078,518
Other income	4	567,958	361,405
Other gains and losses	5	(43,952)	(17,540)
Distribution and selling expenses		(268,283)	(205,299)
General and administrative expenses		(685,209)	(515,330)
Finance costs	6	(114,934)	(81,176)
Profit before tax		3,577,909	2,620,578
Income tax expense	7	(597,529)	(426,947)
Profit for the period	8	2,980,380	2,193,631
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1,326,341	363,115
Total comprehensive income for the period		4,306,721	2,556,746
Dividends:	9		
– Dividend paid		892,153	496,830
– Interim dividend declared		885,600	767,829
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	10	66.52	48.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	28,822,230	27,458,855
Prepaid lease payments		1,013,715	936,881
Investment properties		647,701	581,602
Deposits paid for acquisition of property, plant and equipment		242,127	152,178
Interest in a joint venture		–	–
Loan to a joint venture		97,453	97,453
		30,823,226	29,226,969
CURRENT ASSETS			
Inventories	12	5,390,520	4,954,319
Prepaid lease payments		23,193	21,310
Loan to a joint venture		52,277	36,890
Trade and other receivables	13	8,797,729	6,775,828
Amounts due from related companies		28,497	21,709
Derivative financial instruments		142	4,127
Bank balances and cash		1,521,373	2,248,641
		15,813,731	14,062,824
CURRENT LIABILITIES			
Trade and other payables	14	4,481,360	4,672,298
Amounts due to related companies		17,342	14,742
Derivative financial instruments		870	–
Tax payable		335,959	326,923
Bank borrowings		7,279,450	6,025,745
		12,114,981	11,039,708
NET CURRENT ASSETS		3,698,750	3,023,116
TOTAL ASSETS LESS CURRENT LIABILITIES		34,521,976	32,250,085

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
NON-CURRENT LIABILITIES		
Bank borrowings	8,650,233	9,051,959
Deferred tax liabilities	1,208,251	1,282,008
	<u>9,858,484</u>	<u>10,333,967</u>
	<u>24,663,492</u>	<u>21,916,118</u>
CAPITAL AND RESERVES		
Share capital	111,200	112,635
Reserves	24,552,292	21,803,483
	<u>24,663,492</u>	<u>21,916,118</u>

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 2018 are the same as those followed in the preparation of the Group’s financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, certain new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Interpretations issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidation financial statements.

The application of the new and 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.

HKFRS 9 Financial Instruments/HKFRS 15 Revenue from Contracts with Customers

The Group has performed an assessment on the impact of the adoption of HKFRS 9 and HKFRS 15 respectively and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised.

3. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

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

Six months ended 30 June 2018

	Packaging paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Tissue paper <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	14,038,269	2,016	2,329,078	16,369,363	–	16,369,363
Inter-segment sales	–	576,424	–	576,424	(576,424)	–
	<u>14,038,269</u>	<u>578,440</u>	<u>2,329,078</u>	<u>16,945,787</u>	<u>(576,424)</u>	<u>16,369,363</u>
SEGMENT PROFIT	<u>3,356,645</u>	<u>645</u>	<u>369,345</u>	<u>3,726,635</u>	<u>–</u>	<u>3,726,635</u>
Net loss from fair value changes of derivative financial instruments						(6,117)
Unallocated income						13,766
Unallocated expenses						(41,441)
Finance costs						(114,934)
Profit before tax						<u>3,577,909</u>

Six months ended 30 June 2017

	Packaging Paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Tissue paper <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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)	–
	<u>10,321,763</u>	<u>421,529</u>	<u>1,105,795</u>	<u>11,849,087</u>	<u>(409,516)</u>	<u>11,439,571</u>
SEGMENT PROFIT	<u>2,508,036</u>	<u>2,371</u>	<u>209,983</u>	<u>2,720,390</u>	<u>–</u>	<u>2,720,390</u>
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						<u>2,620,578</u>

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Value added tax and other tax refund	423,210	214,060
Sales of materials and waste paper	28,745	20,612
Income from supply of steam and electricity	24,134	40,143
Income from wharf cargo handling	15,490	25,193
Interest income from banks	13,766	3,894
Others	62,613	57,503
	<u>567,958</u>	<u>361,405</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Net foreign exchange loss	(32,242)	(46,237)
Loss on disposal of property, plant and equipment	(6,485)	(1,333)
Net (loss) gain from fair value changes of derivative financial instruments	(6,117)	30,030
Impairment loss reversed on trade receivables	892	–
	<u>(43,952)</u>	<u>(17,540)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interest on bank borrowings	156,948	133,583
Less: amounts capitalised to property, plant and equipment	(42,014)	(52,407)
	<u>114,934</u>	<u>81,176</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax (“EIT”)	521,775	372,751
Over provision in previous year		
– The PRC EIT	(4,310)	(111)
Deferred tax		
– Charge to profit or loss	80,064	54,307
	<u>597,529</u>	<u>426,947</u>

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 (2017: five) of these subsidiaries are entitled to preferential rate of 15% for the Group’s financial year ending 31 December 2018.

Hong Kong

Hong Kong Profits tax is calculated at 16.5% of the estimated assessable profit for both periods. No assessable profit was noted for both periods.

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%. They are entitled to a corporate income tax exemption for four years from the first profit-making year 2017 and a reduction of 50% for the following nine years. No provision for Vietnam Corporate Income Tax has therefore been made 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	
	2018	2017
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	19,025	18,863
Staff salaries and other benefits, excluding those of directors	581,783	458,824
Contributions to retirement benefit schemes, excluding those of directors	35,326	27,117
	<hr/>	<hr/>
Total employee benefit expense	636,134	504,804
Capitalised in inventories	(472,092)	(340,223)
	<hr/>	<hr/>
	164,042	164,581
	<hr/>	<hr/>
Cost of inventories recognised as expense	12,247,034	8,361,053
Amortisation of prepaid lease payments	10,947	8,898
Depreciation of property, plant and equipment	627,258	501,547
Depreciation of investment properties	11,246	5,168
	<hr/>	<hr/>
Total depreciation and amortisation	649,451	515,613
Capitalised in inventories	(579,777)	(466,528)
	<hr/>	<hr/>
	69,674	49,085
	<hr/>	<hr/>
Operating lease rentals in respect of land and buildings	18,650	6,505
	<hr/>	<hr/>
Gross rental income from Investment properties	(14,515)	(2,453)
Less:		
– direct operation expenses incurred for investment properties that generated rental income during the period	5	–
– direct operation expenses incurred for investment properties that did not generate rental income during the period	98	286
	<hr/>	<hr/>
	(14,412)	(2,167)
	<hr/>	<hr/>

9. DIVIDENDS

A final dividend of HK\$0.20 per share was paid in respect of the year ended 31 December 2017 (2017: a final dividend of HK\$0.11 per share were paid for the year ended 31 December 2016) to shareholders during the current period.

The directors determined that an interim dividend of HK\$0.20 (2017: HK\$0.17) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 20 August 2018.

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	
	2018 HK\$'000	2017 HK\$'000
Earnings for the purpose of earnings per share	<u>2,980,380</u>	<u>2,193,631</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of earnings per share	<u>4,480,616,641</u>	<u>4,530,768,249</u>

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, there were additions of HK\$1,169 million (2017: HK\$1,918 million) to property, plant and equipment to expand its operations.

12. INVENTORIES

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
	Raw materials	3,914,342
Finished goods	<u>1,476,178</u>	<u>1,351,524</u>
	<u>5,390,520</u>	<u>4,954,319</u>

13. TRADE AND OTHER RECEIVABLES

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade receivables	3,675,619	3,130,522
Less: allowance for doubtful debt	(16,143)	(17,034)
	3,659,476	3,113,488
Bills receivables	2,550,380	1,542,662
	6,209,856	4,656,150
Value-added tax receivables	885,231	838,616
Prepayments and deposits for purchase of raw materials	851,402	845,540
Other deposits and prepayments	364,563	152,023
Other receivables	486,677	283,499
	8,797,729	6,775,828

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 2018 HK\$'000	31 December 2017 HK\$'000
Aged:		
Not exceeding 30 days	5,211,366	3,821,859
31-60 days	820,069	645,979
61-90 days	124,572	125,958
91-120 days	19,654	31,758
Over 120 days	34,195	30,596
	6,209,856	4,656,150

14. TRADE AND OTHER PAYABLES

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade and bills payables	2,345,398	3,129,001
Accruals	942,643	346,378
Construction fee payable	650,050	665,117
Receipt in advance	98,178	127,566
Other payables	445,091	404,236
	<u>4,481,360</u>	<u>4,672,298</u>

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 2018 HK\$'000	31 December 2017 HK\$'000
Aged:		
Not exceeding 30 days	1,015,860	1,227,564
31–60 days	663,335	642,141
61–90 days	325,553	537,183
91–120 days	234,794	690,208
Over 120 days	105,856	31,905
	<u>2,345,398</u>	<u>3,129,001</u>

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

2018 was a year with stable development for Lee & Man Paper. The Company's current focus lies on the development of various types of linerboard, corrugating medium, coated duplex board and tissue paper, with an intensive effort being devoted to segmental markets to cater to the needs of different customers. The Group exhibited impressive performance in the first half of 2018, recording a net profit of HK\$2.98 billion and 43.1% year-on-year growth in turnover which amounted to HK\$16.37 billion. The basic earnings of the Group was HK66.52 cents (2017: HK48.42 cents). The board of directors determined an interim dividend of HK20 cents per share for 2018 (2017: HK17 cents). For the six months ended 30 June 2018, the aggregate sales of the Group amounted to 2.95 million tonnes, with a net profit per tonne of HK\$1,009.

Industry and Business Review

In recent years, the Mainland government has carried out a supply-side reform for the paper manufacturing industry, resulting in a continuous elimination of backward production capacity by paper manufacturers. This has enabled optimisation of the internal environment of the paper manufacturing industry with further regulation and consolidation. In this round of consolidation, the enterprises which have good sewage processing technology, adopt environmentally sound practice and are capable of growing their profitability will, undoubtedly, set others apart.

Meanwhile, under the influence of the increasingly stringent environmental protection policy in China, those small and medium sized paper manufacturing companies which are unable to meet the standard are forced to cease production or have been taken over by large paper manufacturing enterprises, resulting in a low inventory level of papers, which coupled with the gradual pick-up in the demand for paper products, the demand and supply situation has been improved. Therefore, the bargaining power of the paper manufacturing industry has been increased, and Lee & Man Paper is able to benefit from the product price hike. Given this favourable industry environment, it is believed that the Group will be able to further solidify its leading position in the paper manufacturing industry by dint of its robust technology advantage.

In addition, Lee & Man Paper was included into the MSCI China Index in 2017. This signifies a paramount milestone for its global expansion, and demonstrates the international capital market's recognition for and confidence in the Group. It is believed that the Group can draw more investors' attention in the future owing to its scale and technology advantage as well as the overall prospect of industry.

Business Prospect

Lee & Man Paper aims to boost the development scale and capture opportunities in the future. The Group will make proactive effort in diversifying the paper and pulp business and seeking opportunities for overseas expansion, while at the same time maintaining stable production for its plants in China.

Currently, the Group has 6 packaging paper plants in China and overseas, which are located in Jiangsu, Guangdong, Chongqing, Jiangxi and Vietnam. The new paper manufacturing machine in Vietnam will begin operation in late 2019, and will be able to contribute 500,000 tonnes production capacity annually. By the time, the annual production volume of packaging paper will reach 6.5 million tonnes in aggregate.

Moreover, while enlarging its development scale, the Group will not halt its steps to strive for enhancement in product quality. It will stay committed to offering quality products to the public, adhere to a principle that places equal emphasis on production and operation as well as environmental protection, strengthen environmental management, step up the efforts in reducing sewage, and implement energy conservation and emission reduction measures.

Moving forward, upholding its environmental protection principle, the Group will increase efficiency while lessening its impact on the environment in a more effective manner and continuing to open up a pathway leading to a win-win situation where environmental protection and efficiency enhancement are both emphasised.

Conclusion

The Group would like to express its gratitude to shareholders for their strong support and to employees for their hard work during the first half of the year. Leveraging its leading position in the paper manufacturing industry and its consistently solid development advantage, the Group believes that it can maximise the return to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit attributable to owners of the Company for the six months ended 30 June 2018 was HK\$16,369 million and HK\$2,980 million respectively and that for the corresponding period last year was HK\$11,440 million and HK\$2,194 million respectively. The earnings per share for the period was HK66.52 cents as compared to HK48.42 cents for the corresponding period last year.

The Group continued to be benefited from the Chinese government's efforts to eliminate obsolete production facilities while embarking on environmental-friendly policies and regulations in recent years. The average selling prices of products sold by the Group increased and the profit margin continued to record a satisfactory growth as compared to last corresponding period.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK\$268 million for the six months ended 30 June 2018 as compared to HK\$205 million for the corresponding period last year. It represented about 1.6% of the revenue for the six months ended 30 June 2018 and was decreased as compared to that of 1.8% for the corresponding period last year.

General and Administrative Expenses

The Group's general and administrative expenses was HK\$685 million for the six months ended 30 June 2018 as compared to HK\$515 million for the corresponding period last year. It represented about 4.2% of the revenue for the six months ended 30 June 2018 and was decreased as compared to that of 4.5% for the corresponding period last year.

Finance Costs

The Group's total finance costs (including the amounts capitalised) was HK\$157 million for the six months ended 30 June 2018 as compared to HK\$134 million for the corresponding period last year. The increase was mainly due to the increase in both average amounts and 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 66 days and 19 days, respectively, for the six months ended 30 June 2018 as compared to 78 days and 18 days, respectively, for the year ended 31 December 2017.

The Group's debtors' turnover days were 40 days for the six months ended 30 June 2018 as compared to 44 days for the year ended 31 December 2017. 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 39 days for the six months ended 30 June 2018 as compared to 68 days for the year ended 31 December 2017 as the group early settled part of its creditor balance with surplus cash near the period end.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 30 June 2018 was HK\$24,663 million (31 December 2017: HK\$21,916 million). As at 30 June 2018, the Group had current assets of HK\$15,814 million (31 December 2017: HK\$14,063 million) and current liabilities of HK\$12,115 million (31 December 2017: HK\$11,040 million). The current ratio was 1.31 as at 30 June 2018 as compared to 1.27 at 31 December 2017.

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 2018, the Group had outstanding bank borrowings of HK\$15,930 million (31 December 2017: HK\$15,078 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 30 June 2018, the Group maintained bank balances and cash of HK\$1,521 million (31 December 2017: HK\$2,249 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.59 as at 31 December 2017 to 0.58 as at 30 June 2018. Less capital expenditure were incurred as compared to last corresponding period and 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 2018. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

EMPLOYEES

As at 30 June 2018, the Group had a workforce of more than 7,700 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\$0.20 (2017: HK\$0.17) per share for the six months ended 30 June 2018 to shareholders whose names appear on the Register of Members on 20 August 2018. It is expected that the interim dividend will be paid around 30 August 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 16 August 2018 to 20 August 2018, 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 15 August 2018.

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

During the six months ended 30 June 2018, the Company repurchased a total of 77,404,000 shares of HK\$0.025 per share through The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK\$667,194,000 (including transaction costs). Out of 77,404,000 ordinary shares repurchased, 57,404,000 shares were cancelled during the six months ended 30 June 2018 while the remaining 20,000,000 ordinary shares were cancelled in July 2018. 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		Aggregate consideration paid (including expense) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2018	5,404,000	9.21	8.96	49,149
March 2018	39,236,000	9.00	8.21	344,724
June 2018	<u>32,764,000</u>	8.90	7.83	<u>273,321</u>
	<u>77,404,000</u>			<u>667,194</u>

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 2018.

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 2018. 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 2018.

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 2018.

On behalf of the Board
Lee Man Chun Raymond
Chairman

Hong Kong, 31 July 2018

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.