理 文 造 紙 有 限 公 司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands and its members' liability is limited)

(Stock Code: 2314)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

– Revenue decreased by 20.9% to HK$12.95 billion as compared to the last corresponding period.

– Net profit decreased by 43.6% to HK$1.68 billion as compared to the last corresponding period.

– Earnings per share was HK38.35 cents.

– Declared interim dividend of HK13 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 2019 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	2019 (unaudited) HK$'000	2018 (unaudited) HK$'000
Revenue	3	**12,946,828**	16,369,363
Cost of sales		**(10,609,684)**	(12,247,034)
Gross profit		**2,337,144**	4,122,329
Other income	4	**467,597**	567,958
Other gains and losses	5	**51,602**	(43,952)
Distribution and selling expenses		**(272,222)**	(268,283)
General and administrative expenses		**(459,299)**	(685,209)
Finance costs	6	**(153,765)**	(114,934)
Profit before tax		**1,971,057**	3,577,909
Income tax expense	7	**(290,975)**	(597,529)
Profit for the period	8	**1,680,082**	2,980,380
Profit for the period attributable to:			
Owners of the Company		**1,680,082**	2,980,380
Non-controlling interest		**–**	–
Perpetual capital securities holders		**–**	–
		1,680,082	2,980,380
Dividends:	9		
– Dividend paid		**657,000**	892,153
– Interim dividend declared		**569,400**	885,600
		HK cents	*HK cents*
Earnings per share	10	**38.35**	66.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Notes	**30 June 2019 (unaudited) *HK$'000***	31 December 2018 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**27,757,781**	27,443,999
Right-of-use assets	*11*	**978,527**	–
Prepaid lease payments		**–**	937,107
Investment properties		**589,684**	592,003
Deposits paid for acquisition of property, plant and equipment		**761,127**	425,313
Interest in a joint venture		**–**	–
Loan to a joint venture		**98,343**	98,343
		30,185,462	29,496,765
CURRENT ASSETS			
Inventories	*12*	**4,840,924**	4,886,346
Prepaid lease payments		**–**	21,647
Loan to a joint venture		**61,449**	55,792
Trade and other receivables	*13*	**6,000,458**	5,956,979
Bills receivables discounted with recourse		**321,093**	338,354
Amounts due from related companies		**10,795**	9,003
Derivative financial instruments		**108**	–
Bank balances and cash		**4,201,622**	2,011,942
		15,436,449	13,280,063
CURRENT LIABILITIES			
Trade and other payables	*14*	**3,516,290**	3,670,936
Advances drawn on bills receivables discounted with recourse		**321,093**	338,354
Amounts due to related companies		**10,403**	11,678
Derivative financial instruments		**845**	3,543
Tax payable		**149,659**	275,494
Contract liabilities		**81,353**	96,107
Lease liabilities		**3,130**	–
Bank borrowings		**6,049,884**	5,825,466
		10,132,657	10,221,578
NET CURRENT ASSETS		**5,303,792**	3,058,485
TOTAL ASSETS LESS CURRENT LIABILITIES		**35,489,254**	32,555,250

	Note	30 June 2019 (unaudited) HK$'000	31 December 2018 (audited) HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings		**8,011,201**	7,965,029
Lease liabilities		**6,067**	–
Deferred tax liabilities		**1,471,522**	1,444,370
		9,488,790	9,409,399
		26,000,464	23,145,851
CAPITAL AND RESERVES			
Share capital		**109,500**	109,723
Reserves		**23,565,394**	23,033,372
Equity attributable to owners of the Company		**23,674,894**	23,143,095
Non-Controlling interests		**2,756**	2,756
Perpetual capital securities	*15*	**2,322,814**	–
		26,000,464	23,145,851

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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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.

Other than the application of accounting policy for perpetual capital securities and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Perpetual Capital Securities

Perpetual capital securities issued by the Company are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

Application for new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and Interpretations issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters and office properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Effective on 1 January 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease has had no material impact on the Group's financial performance and positions.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China (the "PRC") was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$10,465,000 and right-of-use assets of HK$958,754,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.3%.

	1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	26,566
Lease liabilities discounted at relevant incremental borrowing rate	23,685
Less:	
Recognition exemption – short term leases	(13,220)
Lease liabilities as at 1 January 2019	10,465
Analysed as	
Current	2,910
Non-current	7,555
	10,465

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	10,465
Reclassified from prepaid lease payments *(note)*	958,754
	969,219
By class:	
Leasehold lands	958,754
Land and buildings	10,465
	969,219

note: Upfront payments for leasehold lands in the PRC and Vietnam and properties in PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$21,647,000 and HK$937,107,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The transition to HKFRS 16 has no material impact on the Group's retained profits as at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Prepaid lease payments	937,107	(937,107)	–
Right-of-use assets	–	969,219	969,219
Current Assets			
Prepaid lease payments	21,647	(21,647)	–
Current Liabilities			
Lease Liabilities	–	2,910	2,910
Non-current Liabilities			
Lease Liabilities	–	7,555	7,555

note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Impacts and changes in accounting policies of application on Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that the Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 Long-team Interests in Associates and Joint Ventures ("HKAS 28") (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31 December 2018, amounts due from joint ventures of HK$154,135,000 are considered as long-term interests that, in substance form part of the Group's net investments in the relevant joint ventures and associates. However, the application has had no impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

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 2019 (note)

	Packaging paper *HK$'000*	**Pulp** *HK$'000*	**Tissue paper** *HK$'000*	**Segment total** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE						
External sales	**10,595,537**	**1,693**	**2,349,598**	**12,946,828**	**–**	**12,946,828**
Inter-segment sales	**–**	**445,259**	**–**	**445,259**	**(445,259)**	**–**
	10,595,537	**446,952**	**2,349,598**	**13,392,087**	**(445,259)**	**12,946,828**
SEGMENT PROFIT	**1,773,025**	**226**	**289,955**	**2,063,206**	**–**	**2,063,206**
Net gain from fair value changes of derivative financial instruments						**3,851**
Unallocated income						**65,873**
Unallocated expenses						**(8,108)**
Finance costs						**(153,765)**
Profit before tax						**1,971,057**

note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach, under which comparative information is not restated (see Note 2).

Six months ended 30 June 2018

	Packaging Paper *HK$'000*	Pulp *HK$'000*	Tissue paper *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
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)	–
	14,038,269	578,440	2,329,078	16,945,787	(576,424)	16,369,363
SEGMENT PROFIT	3,356,645	645	369,345	3,726,635	–	3,726,635
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						3,577,909

4 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Value added tax and other tax refund	**349,458**	423,210
Sales of materials and waste paper	**40,376**	28,745
Income from supply of steam and electricity	**14,549**	24,134
Interest income from banks	**12,470**	13,766
Income from wharf cargo handling	**5,422**	15,490
Others	**45,322**	62,613
	467,597	567,958

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Net foreign exchange gain (loss)	**53,402**	(32,242)
Net gain (loss) from fair value changes of derivative financial instruments	**3,851**	(6,117)
Loss on disposal of property, plant and equipment	**(5,132)**	(6,485)
Impairment loss (recognised) reversed on trade receivables	**(519)**	892
	51,602	(43,952)

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**189,440**	156,948
Interest on lease liabilities	**218**	–
Less: amounts capitalised to property, plant and equipment	**(35,893)**	(42,014)
	153,765	114,934

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax ("EIT")	**242,055**	521,775
Over provision in previous year		
– The PRC EIT	**(6,098)**	(4,310)
Deferred tax		
– Charge to profit or loss	**55,018**	80,064
	290,975	597,529

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 six (2018: six) of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ending 31 December 2019.

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 and a reduction of 50% for the following nine years. No provision for Vietnam Corporate Income Tax has been made for both periods as the Vietnam subsidiaries entitled tax exemption 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	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	**19,094**	19,025
Staff salaries and other benefits, excluding those of directors	**532,541**	581,783
Contributions to retirement benefit schemes, excluding those of directors	**44,847**	35,326
Total employee benefit expense	**596,482**	636,134
Capitalised in inventories	**(482,483)**	(472,092)
	113,999	164,042
Cost of inventories recognised as expense	**10,609,684**	12,247,034
Amortisation of prepaid lease payments	**10,805**	10,947
Depreciation of property, plant and equipment	**647,221**	627,258
Depreciation of right-of-use assets	**2,225**	–
Depreciation of investment properties	**11,238**	11,246
Total depreciation and amortisation	**671,489**	649,451
Capitalised in inventories	**(599,597)**	(579,777)
	71,892	69,674
Operating lease rentals in respect of land and buildings	**23,717**	18,650
Gross rental income from Investment properties	**(11,769)**	(14,515)
Less:		
– direct operation expenses incurred for investment properties that generated rental income during the period	**155**	5
– direct operation expenses incurred for investment properties that did not generate rental income during the period	**283**	98
	(11,331)	(14,412)

9. DIVIDENDS

A final dividend of HK$0.15 per share was paid in respect of the year ended 31 December 2018 (2018: a final dividend of HK$0.20 per share were paid for the year ended 31 December 2017) to shareholders during the current period.

The directors determined that an interim dividend of HK$0.13 (2018: HK$0.20) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 2 September 2019.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to the owners of the Company of HK$1,680,082,000 (2018: HK$2,980,380,000) and weighted average number of 4,381,427,249 (2018: 4,480,616,641) shares in issue during the period.

No diluted earnings per share in both periods was presented as there were no potential ordinary shares outstanding during both periods.

11. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the period, there were additions of HK$1,258 million (2018: HK$1,169 million) to property, plant and equipment to expand its operations.

During the period, the Group entered into new lease agreements for use of warehouses for 2 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognises HK$287,000 of right-of-use assets and HK$287,000 lease liabilities.

12. INVENTORIES

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
Raw materials	**3,084,787**	3,610,014
Finished goods	**1,756,137**	1,276,332
	4,840,924	4,886,346

13. TRADE AND OTHER RECEIVABLES

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
Trade receivables	**3,010,583**	3,143,965
Less: allowance for credit losses	**(81,838)**	(84,973)
	2,928,745	3,058,992
Bills receivables	**595,502**	1,093,681
	3,524,247	4,152,673
Prepayments and deposits for purchase of raw materials	**1,061,497**	551,886
Value-added tax receivables	**727,492**	595,667
Other deposits and prepayments	**193,206**	193,939
Other receivables	**494,016**	462,814
	6,000,458	5,956,979

As at 30 June 2019, total bills received amounting to HK$595,502,000 (31 December 2018: HK$1,093,681,000) are held by the Group for settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

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 2019 *HK$'000*	31 December 2018 *HK$'000*
Aged:		
Not exceeding 30 days	**2,713,822**	3,355,730
31–60 days	**652,725**	683,939
61–90 days	**96,392**	74,183
91–120 days	**39,970**	21,103
Over 120 days	**21,338**	17,718
	3,524,247	4,152,673

14. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Trade and bills payables	**1,890,933**	1,935,034
Accruals	**733,559**	745,179
Construction fee payable	**584,027**	616,327
Other payables	**307,771**	374,396
	3,516,290	3,670,936

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 2019	31 December 2018
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**681,511**	776,731
31–60 days	**549,983**	448,024
61–90 days	**294,369**	396,863
91–120 days	**286,353**	287,573
Over 120 days	**78,717**	25,843
	1,890,933	1,935,034

15. PERPETUAL CAPITAL SECURITIES

On 29 May 2019, the Company (the "Issuer") issued USD300 million perpetual capital securities which are listed on the Stock Exchange at an issue price of 100 per cent. Distribution is payable semi-annually in arrear based on a fixed rate, which is 5.5 per cent per annum. Distribution by the Issuer may be deferred at its sole discretion. These perpetual capital securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer's option on 29 May 2024, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower rank.

As the perpetual capital securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32 Financial Instruments: Presentation, they are classified as equity for accounting purpose.

16. REVIEW OF INTERIM ACCOUNTS

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

BUSINESS REVIEW AND OUTLOOK

In the first half of 2019, under the impact of supply-side reform, trade frictions and other factors, the paper manufacturing industry has been encountering challenges and adjustments. Lee & Man Paper has shown a situation of slowdown amidst stability, recording decreases in both sales volume and profit, which was within the expectation of the Group. The strategic goal of the Group remained unchanged. For the six months ended 30 June 2019, the Group recorded total revenue of HK$12,947 million, which decreased by 20.9% as compared to corresponding period last year and net profit decreased by 43.6% to HK$1,680 million. The earnings per share for the period was HK38.35 cents (2018: HK66.52 cents).

The board of directors determined an interim dividend of HK13 cents (2018: HK20 cents) per share for 2019. For the six months ended 30 June 2019, the aggregate sales of the Group amounted to 2.81 million tons, while its net profit per ton was of HK$597.

Industry and Business Review

According to the monitoring data from ASKCI Consulting Co. LTD, over the four years from 2014 to 2017, the operating income of the paper manufacturing industry in China continued to grow and the profitability also tended to be stable. However, from the second half of 2018, with the promotion of supply-side reform in Mainland China as well as the restriction of new capacity investment owing to the tightening of environmental policy, the supply and demand of the industry has presented a low level. In the international arena, the US has embarked a trade war with China starting from late August last year for imposing additional 25% tariffs. High tariff resulted in the shortage and restriction of the supply of raw materials while the downstream presented a poor demand. Amidst the impact of a series of factors, the profit of the paper manufacturing industry has declined.

The paper manufacturing industry still faces certain pressure in 2019. In addition, the ongoing US-China trade friction in the first half of 2019 resulted in the substantial increase in the cost of paper production, which has affected the consumer confidence. The Group has proactively responded to the changes in market. The Group has been committed to developing a vertical business mode covering pulp manufacturing and recycling of waste paper through active consolidation of its upstream resources so as to achieve the integrated development of industrial chain and ensure the supply of raw materials. In the meantime, by expanding scale, controlling costs and strengthening production capacity on basis of the existing business foundation, the Group will have more opportunities for business development.

Business Prospect

The Group will make a proactive effort to optimize the industrial chain for achieving diversification of the paper and pulp businesses. The Group will give support to the "Belt & Road" Initiatives, targeting Southeast Asia market for international development and new production capacity increase. In the future, the Group will continue to seek business opportunities in countries and cities along the Belt & Road and is confident in the long term development of the Belt & Road.

As for tissue paper, the Company attaches great importance to consumer tissue business and has achieved the formation of a full-product chain. Lee & Man Paper has endeavored to improve the quality of consumer tissue and boost its scale of production in order to satisfy people's needs for health and environmental protection as well as consumer requirements. The tissue business has maintained a steady growth as a whole and has become the growth driver of the Group in the medium and long term. The Group will focus on the requirements of the consumers and continue to adopt effective strategies for developing the tissue business.

Packaging paper is the major core business of the Company and has maintained a steady development in the first half of 2019. Since the outbreak of the US-China trade war in 2018, the packaging paper business in Mainland China has relatively shrunk. In addition, Mainland China embarked on waste paper import restriction policy starting from 2017. The relevant restriction policy restricted the supply of raw materials and had have some bearing on the domestic paper manufacturing industry and the waste paper recycling of the Group. Therefore, the Group will actively seek alternative methods for the import of waste paper.

The Group 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. In the long run, there still exists comparatively extensive room for growth in the paper manufacturing industry. The Group will seize opportunities to expand its market coverage and maintain the Group's competitiveness in the prevailing paper manufacturing industry.

Conclusion

The Group would like to express its sincere gratitude to employees and shareholders for their strong support. Leveraging its leading position in the paper manufacturing industry and its consistently solid development advantage, the Group would further enhance its profitability and maximize 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 2019 was HK$12,947 million and HK$1,680 million respectively and that for the corresponding period last year was HK$16,369 million and HK$2,980 million respectively. The earnings per share for the period was HK38.35 cents as compared to HK66.52 cents for the corresponding period last year.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$272 million for the six months ended 30 June 2019 as compared to HK$268 million for the corresponding period last year. It represented about 2.1% of the revenue for the six months ended 30 June 2019 and was increased as compared to that of 1.6% for the corresponding period last year.

General and Administrative Expenses

The Group's general and administrative expenses was HK$459 million for the six months ended 30 June 2019 as compared to HK$685 million for the corresponding period last year. It represented about 3.5% of the revenue for the six months ended 30 June 2019 and was decreased as compared to that of 4.2% for the corresponding period last year.

Finance Costs

The Group's total finance costs (including the interest on lease liabilities and amounts capitalised) was HK$190 million for the six months ended 30 June 2019 as compared to HK$157 million for the corresponding period last year. The increase was mainly due to the increase in average interest rate on bank borrowings and the increase in interest paid for discounted bills during the period.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 58 days and 26 days, respectively, for the six months ended 30 June 2019 as compared to 61 days and 16 days, respectively, for the year ended 31 December 2018.

The Group's debtors' turnover days were 41 days for the six months ended 30 June 2019 as compared to 35 days for the year ended 31 December 2018. 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 36 days for the six months ended 30 June 2019 as compared to 33 days for the year ended 31 December 2018.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 30 June 2019 was HK$26,000 million (31 December 2018: HK$23,146 million). As at 30 June 2019, the Group had current assets of HK$15,436 million (31 December 2018: HK$13,280 million) and current liabilities of HK$10,133 million (31 December 2018: HK$10,222 million). The current ratio was 1.52 as at 30 June 2019 as compared to 1.30 at 31 December 2018.

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 2019, the Group had outstanding bank borrowings of HK$14,061 million (31 December 2018: HK$13,790 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 30 June 2019, the Group maintained bank balances and cash of HK$4,202 million (31 December 2018: HK$2,012 million). During the period, the Company issued USD300 million perpetual capital securities and the Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) further decreased from 0.51 as at 31 December 2018 to 0.38 as at 30 June 2019.

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 2019. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

EMPLOYEES

As at 30 June 2019, the Group had a workforce of more than 7,800 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$0.13 (2018: HK$0.20) per share for the six months ended 30 June 2019 to shareholders whose names appear on the Register of Members on 2 September 2019. It is expected that the interim dividend will be paid around 12 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 28 August 2019 to 2 September 2019, 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 54 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on 27 August 2019.

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

During the six months ended 30 June 2019, the Company repurchased a total of 6,270,000 shares of HK$0.025 per share through the Stock Exchange at an aggregate consideration of approximately HK$40,790,000 (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*
January 2019	6,270,000	6.54	6.40	40,790

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 2019.

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 2019. 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 2019.

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 2019 with no disagreement.

On behalf of the Board
Lee Man Chun Raymond
Chairman

Hong Kong, 13 August 2019

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.