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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 2020**

FINANCIAL HIGHLIGHTS

- Revenue decreased by 14.5% to HK\$11.07 billion as compared to the last corresponding period.
- Net profit decreased by 16.6% to HK\$1.40 billion as compared to the last corresponding period.
- Earnings per share was HK30.68 cents.
- Declared interim dividend of HK12 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 2020 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 2020

	<i>Notes</i>	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue	3	11,070,855	12,946,828
Cost of sales		(8,905,211)	(10,609,684)
Gross profit		2,165,644	2,337,144
Other income	4	343,203	467,597
Impairment losses on trade receivables, net of reversal		41	(519)
Other gains and losses	5	23,158	52,121
Distribution and selling expenses		(307,664)	(272,222)
General and administrative expenses		(501,538)	(459,299)
Finance costs	6	(81,164)	(153,765)
Profit before tax		1,641,680	1,971,057
Income tax expense	7	(240,807)	(290,975)
Profit for the period	8	1,400,873	1,680,082
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,204,796)	(450,493)
Total Comprehensive income for the period		196,077	1,229,589
Profit for the period attributable to:			
Owners of the Company		1,336,120	1,680,082
Perpetual capital securities holders		64,749	–
Non-controlling interests		4	–
		1,400,873	1,680,082

		2020	2019
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Total comprehensive income (expense) attributable to:			
Owners of the Company		131,424	1,229,589
Perpetual capital securities holders		64,749	–
Non-controlling interests		(96)	–
		<u>196,077</u>	<u>1,229,589</u>
Dividends:	9		
– Dividend paid		<u>565,063</u>	<u>657,000</u>
– Interim dividend declared		<u>521,597</u>	<u>569,400</u>
		HK cents	HK cents
Earnings per share	10	<u>30.68</u>	<u>38.35</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020	31 December 2019
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	28,580,451	28,176,728
Right-of-use assets		998,427	1,040,495
Investment properties		557,986	584,336
Deposits paid for acquisition of property, plant and equipment		809,680	1,106,741
Interest in a joint venture		–	–
Loan to a joint venture		98,343	98,343
		31,044,887	31,006,643
CURRENT ASSETS			
Inventories	12	3,826,901	3,571,075
Loan to a joint venture		64,986	61,656
Trade and other receivables	13	5,371,963	5,355,998
Bills receivables discounted with recourse		247,598	461,824
Amounts due from related companies		149,248	120,749
Bank balances and cash		2,237,058	2,919,462
		11,897,754	12,490,764
CURRENT LIABILITIES			
Trade and other payables	14	2,794,352	2,832,628
Advances drawn on bills receivables discounted with recourse		247,598	461,824
Amounts due to related companies		12,621	15,663
Derivative financial instruments		–	3
Tax payable		120,793	189,424
Lease liabilities		3,155	4,867
Contract liabilities		76,870	81,395
Bank borrowings		5,883,511	4,874,429
		9,138,900	8,460,233
NET CURRENT ASSETS		2,758,854	4,030,531
TOTAL ASSETS LESS CURRENT LIABILITIES		33,803,741	35,037,174

	30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
NON-CURRENT LIABILITIES		
Bank borrowings	6,773,042	7,461,118
Lease liabilities	44,878	48,525
Deferred tax liabilities	1,432,797	1,444,911
	<u>8,250,717</u>	<u>8,954,554</u>
	<u>25,553,024</u>	<u>26,082,620</u>
CAPITAL AND RESERVES		
Share capital	108,666	109,170
Reserves	23,121,321	23,650,317
	<u>23,229,987</u>	<u>23,759,487</u>
Equity attributable to owners of the Company	23,229,987	23,759,487
Perpetual capital securities	<i>15</i> 2,322,814	2,322,814
Non-Controlling interests	223	319
	<u>25,553,024</u>	<u>26,082,620</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Impacts and accounting policies on application of Amendments to HKFRS 3 “Definition of a Business”

2.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

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 2020

	Packaging paper HK\$'000	Pulp HK\$'000	Tissue paper HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	9,018,096	5,678	2,047,081	11,070,855	-	11,070,855
Inter-segment sales	-	365,275	-	365,275	(365,275)	-
	<u>9,018,096</u>	<u>370,953</u>	<u>2,047,081</u>	<u>11,436,130</u>	<u>(365,275)</u>	<u>11,070,855</u>
SEGMENT PROFIT	<u>1,416,199</u>	<u>685</u>	<u>266,981</u>	<u>1,683,865</u>	<u>-</u>	<u>1,683,865</u>
Net gain from fair value changes of derivative financial instruments						4,718
Unallocated income						41,939
Unallocated expenses						(7,678)
Finance costs						(81,164)
Profit before tax						<u>1,641,680</u>

Six months ended 30 June 2019

	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)	–
	<u>10,595,537</u>	<u>446,952</u>	<u>2,349,598</u>	<u>13,392,087</u>	<u>(445,259)</u>	<u>12,946,828</u>
SEGMENT PROFIT	<u>1,773,025</u>	<u>226</u>	<u>289,955</u>	<u>2,063,206</u>	<u>–</u>	<u>2,063,206</u>
Net gain from fair value changes of derivative financial instruments						3,851
Unallocated income						65,873
Unallocated expenses						(8,108)
Finance costs						<u>(153,765)</u>
Profit before tax						<u>1,971,057</u>

4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Value added tax and other tax refund	162,640	349,458
Sales of materials and waste paper	35,838	40,376
Income from supply of steam and electricity	24,031	14,549
Interest income from banks	22,017	12,470
Income from wharf cargo handling	8,543	5,422
Others	90,134	45,322
	<u>343,203</u>	<u>467,597</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Net foreign exchange gain	19,922	53,402
Net gain from fair value changes of derivative financial instruments	4,718	3,851
Loss on disposal of property, plant and equipment	(1,482)	(5,132)
	<u>23,158</u>	<u>52,121</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	1,133	218
Interest on bank borrowings	166,222	189,440
Less: amounts capitalised to property, plant and equipment	(86,191)	(35,893)
	<u>81,164</u>	<u>153,765</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax (“EIT”)	115,874	214,189
– The PRC withholding tax on dividend distribution	68,133	27,866
	<u>184,007</u>	<u>242,055</u>
Under (over) provision in previous year		
– The PRC EIT	781	(6,098)
Deferred tax		
– Charge to profit or loss	56,019	55,018
	<u>240,807</u>	<u>290,975</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 six (2019: six) of these subsidiaries are entitled to preferential rate of 15% for the Group’s financial year ending 31 December 2020.

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.

Others

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	
	2020 HK\$'000	2019 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	20,325	19,094
Staff salaries and other benefits, excluding those of directors	542,236	532,541
Contributions to retirement benefit schemes, excluding those of directors	29,034	44,847
Total employee benefit expense	591,595	596,482
Capitalised in inventories	(415,902)	(482,483)
	175,693	113,999
Cost of inventories recognised as expense	8,905,211	10,609,684
Depreciation of property, plant and equipment	610,802	647,221
Depreciation of investment properties	11,195	11,238
Depreciation of right-of-use assets	14,709	13,030
Total depreciation	636,706	671,489
Capitalised in inventories	(560,641)	(599,597)
	76,065	71,892
Operating lease rentals in respect of land and buildings	22,143	23,717
Gross rental income from Investment properties	(14,350)	(11,769)
Less:		
– direct operation expenses incurred for investment properties that generated rental income during the period	186	155
– direct operation expenses incurred for investment properties that did not generate rental income during the period	–	283
	(14,164)	(11,331)

9. DIVIDENDS

A final dividend of HK\$0.13 per share was paid in respect of the year ended 31 December 2019 (2019: a final dividend of HK\$0.15 per share were paid for the year ended 31 December 2018) to shareholders during the current period.

The directors determined that an interim dividend of HK\$0.12 (2019: HK\$0.13) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 24 August 2020.

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\$1,336,120,000 (2019: HK\$1,680,082,000) and weighted average number of 4,354,927,802 (2019: 4,381,427,249) 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. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, there were additions of HK\$1,782 million (2019: HK\$1,258 million) to property, plant and equipment to expand its operations.

12. INVENTORIES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Raw materials	2,793,868	2,743,664
Finished goods	1,033,033	827,411
	<u>3,826,901</u>	<u>3,571,075</u>

13. TRADE AND OTHER RECEIVABLES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivables	3,018,303	3,067,681
Less: allowance for credit losses	(135,883)	(135,924)
	<u>2,882,420</u>	<u>2,931,757</u>
Bills receivables	571,022	722,502
	3,453,442	3,654,259
Prepayments and deposits for purchase of raw materials	724,913	696,219
Value-added tax receivables	447,372	457,045
Other deposits and prepayments	327,589	268,576
Other receivables	418,647	279,899
	<u>5,371,963</u>	<u>5,355,998</u>

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 2020 HK\$'000	31 December 2019 HK\$'000
Aged:		
Not exceeding 30 days	2,708,546	3,579,848
31–60 days	502,558	35,789
61–90 days	75,288	4,925
91–120 days	48,283	15,811
Over 120 days	118,767	17,886
	<u>3,453,442</u>	<u>3,654,259</u>

14. TRADE AND OTHER PAYABLES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade and bills payables	1,427,497	1,387,515
Accruals	650,752	605,361
Construction fee payable	521,359	554,603
Other payables	194,744	285,149
	<u>2,794,352</u>	<u>2,832,628</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 2020 HK\$'000	31 December 2019 HK\$'000
Aged:		
Not exceeding 30 days	704,442	759,184
31–60 days	210,951	189,914
61–90 days	227,823	243,733
91–120 days	217,996	123,059
Over 120 days	66,285	71,625
	<u>1,427,497</u>	<u>1,387,515</u>

15. PERPETUAL CAPITAL SECURITIES

On 29 May 2019, the Company (the “Issuer”) issued United States dollars 300,000,000 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, 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

Business Review and Outlook

In the first half of 2020, due to the impact of the global novel coronavirus (COVID-19), the ongoing tensions in the US-China relationship exacerbated and other factors, the global economy as well as the paper manufacturing industry have been greatly affected. The Group has recorded decreases in both sales revenue and profit during the first half of 2020, which was within expectations. Meanwhile our strategic goal has remained unchanged. For the six months ended 30 June 2020, the Group recorded a total revenue of HK\$11.07 billion, decreasing by 14.5% as compared with the corresponding period last year and net profit decreased by 16.6% to 1.40 billion, while net profit attributable to owners of the Company for the period was HK\$1.34 billion. The earnings per share for the period were HK30.68 cents (2019: HK38.35 cents).

The board of directors proposed an interim dividend of HK12 cents (2019: HK13 cents) per share for 2020. For the six months ended 30 June 2020, the aggregate sales of the Group amounted to 2.78 million tons, while its net profit per ton was HK\$505.

Industry and Business Review

Since 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, both supply and demand of the industry remained low. In the international arena, the US-China trade dispute began in late August 2018 with a shortage of raw materials supply. At the same time, market demand from the downstream segments remained poor. With the signing of the first phase of the US-China trade agreement at the beginning of the year, uncertainties have been reduced. However, the novel coronavirus (COVID-19) pandemic and the ongoing tensions in the US-China relationship is posing uncertainty for the market. Amidst the impact of the above factors, the profitability of the paper manufacturing industry has declined.

The paper manufacturing industry still faces certain pressure in 2020. In addition, the ongoing US-China trade friction resulted in the increase in the cost of paper production, which has, in turn, affected consumer confidence. We have proactively responded to the changes in the market. The Group has been committed to developing a vertical business model through active consolidation of its upstream resources covering pulp manufacturing and recycling of waste paper so as to achieve an integrated industrial chain to ensure the supply of raw materials. At the same time, by expanding its scale, controlling costs and strengthening production capacity leveraging the existing business foundation, we would have more opportunities for business development.

Business Prospects

The novel coronavirus (COVID-19) epidemic in China is under control at present. Following gradual resumption of production and normalized economic activities, the market is demonstrating a recovery in demand. We will make a proactive effort to optimize the industrial chain for achieving diversification of its paper and pulp businesses. In the meantime, leveraging the foundation of its existing business, the Group will support the “Belt & Road” initiatives, targeting the Southeast Asia market for international development and an increase in new production capacity. In the future, we will continue to seek business opportunities in countries and cities along the Belt & Road and are confident in the long-term development of the region.

As for the tissue paper business, it is a major focus of the Group and we have forged an integrated 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 consumption requirements. The tissue business has maintained steady growth as a whole and our existing capacity reached up to 900,000 tons annually. The Group is focusing on the requirements of consumers and continues to adopt effective strategies for developing the tissue business.

Packaging paper still remains as the core business of the Group. Since the outbreak of the US-China trade war in 2018, the packaging paper business in Mainland China has been relatively weakened. In addition, Mainland China has embarked on an import restriction policy for waste paper starting from 2017. The policy has limited the supply of raw materials and has had some bearing on the domestic paper manufacturing industry, in turn impacting the waste paper recycling of the Group. The Group is actively seeking alternative methods for the import of waste paper.

We will stay steadfastly committed to offering quality products to the public, adhere to our principle that places equal emphasis on production and operation as well as environmental protection, strengthen its environmental management, step up efforts in reducing sewage, and implement energy conservation and emissions reduction measures. In the long run, we believe there is still substantial room for growth in the paper manufacturing industry. Thus, the Group will seize opportunities to expand its market coverage and maintain its competitiveness in the prevailing paper manufacturing industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit for the six months ended 30 June 2020 was HK\$11,071 million and HK\$1,401 million respectively and that for the corresponding period last year was HK\$12,947 million and HK\$1,680 million respectively. Net profit attributable to owners of the Company for the period was HK\$1,336 million as compared to HK\$1,680 million for the corresponding period last year. The earnings per share for the period was HK30.68 cents as compared to HK38.35 cents for the corresponding period last year.

Both sales revenue and profit during the six months ended 30 June 2020 decreased as expected mainly due to the impact of the COVID-19 and the ongoing tensions in the US-China relationship.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK\$308 million for the six months ended 30 June 2020 as compared to HK\$272 million for the corresponding period last year. It represented about 2.8% of the revenue for the six months ended 30 June 2020 and was increased as compared to that of 2.1% for the corresponding period last year due to the expansion in coverage in Southeast Asia market.

General and Administrative Expenses

The Group's general and administrative expenses was HK\$502 million for the six months ended 30 June 2020 as compared to HK\$459 million for the corresponding period last year. It represented about 4.5% of the revenue for the six months ended 30 June 2020 and was increased as compared to that of 3.5% for the corresponding period last year due to the expansion in coverage in Southeast Asia market.

Finance Costs

The Group's total finance costs (including the interest on lease liabilities and amount capitalised) was HK\$167 million for the six months ended 30 June 2020 as compared to HK\$190 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 66 days and 16 days, respectively, for the six months ended 30 June 2020 as compared to 54 days and 10 days, respectively, for the year ended 31 December 2019.

The Group's debtors' turnover days were 47 days for the six months ended 30 June 2020 as compared to 39 days for the year ended 31 December 2019. This is in line with the credit terms granted by the Group to its customers.

The Group's creditors' turnover days were 34 days for the six months ended 30 June 2020 as compared to 27 days for the year ended 31 December 2019.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 30 June 2020 was HK\$25,553 million (31 December 2019: HK\$26,083 million). As at 30 June 2020, the Group had current assets of HK\$11,898 million (31 December 2019: HK\$12,491 million) and current liabilities of HK\$9,139 million (31 December 2019: HK\$8,460 million). The current ratio was 1.30 as at 30 June 2020 as compared to 1.48 at 31 December 2019.

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 2020, the Group had outstanding bank borrowings of HK\$12,657 million (31 December 2019: HK\$12,336 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 30 June 2020, the Group maintained bank balances and cash of HK\$2,237 million (31 December 2019: HK\$2,919 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from 0.36 as at 31 December 2019 to 0.41 as at 30 June 2020 as the result of the expansion in Southeast Asia.

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 and United States dollars. 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 2020. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

EMPLOYEES

As at 30 June 2020, the Group had a workforce of more than 8,500 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\$0.12 (2019: HK\$0.13) per share for the six months ended 30 June 2020 to shareholders whose names appear on the Register of Members on 24 August 2020. It is expected that the interim dividend will be paid around 3 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 19 August 2020 to 24 August 2020, 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 18 August 2020.

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

During the six months ended 30 June 2020, the Company repurchased a total of 20,166,000 shares of HK\$0.025 per share through the Stock Exchange at an aggregate consideration of approximately HK\$95,861,000 (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		Aggregate consideration paid (including expense) HK\$'000
		Highest HK\$	Lowest HK\$	
March 2020	<u>20,166,000</u>	5.09	4.28	<u>95,861</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 2020.

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 2020. 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 2020.

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 2020.

On behalf of the Board
Lee Man Chun Raymond
Chairman

Hong Kong, 4 August 2020

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.