LEE & MAN CHEMICAL COMPANY LIMITED

理文化工有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: http://www.leeman.com.hk

(Stock Code: 746)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Revenue decreased by 33.9% to HK$589 million.
- Net profit decreased by 25.0% to HK$150 million.
- Gross profit margin decreased from 34.8% to 28.9%.
- Net profit margin increased from 22.5% to 25.5%.
- Basic earnings per share decreased from HK24.3 cents to HK18.2 cents.
- Declared interim dividend of HK7.0 cents per share.

INTERIM RESULTS

The board of directors (the "Board") of Lee & Man Chemical Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Revenue	3	**588,809**	890,947
Cost of sales		**(418,614)**	(581,219)
Gross profit		**170,195**	309,728
Other income	4	**117,054**	64,987
Selling and distribution costs		**(26,798)**	(29,071)
General and administrative expenses		**(61,676)**	(92,861)
Finance costs	5	**(22,749)**	(17,513)
Profit before taxation		**176,026**	235,270
Income tax expense	6	**(25,871)**	(35,174)
Profit for the period	7	**150,155**	200,096
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss :			
Exchange differences arising from translation		**28,890**	(21,655)
Net adjustment on cash flow hedges		**3,937**	(4,175)
Other comprehensive income (expense) for the period		**32,827**	(25,830)
Total comprehensive income for the period		**182,982**	174,266
Earnings per share :	9		
- Basic and diluted (HK cents)		**18.2**	24.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	30.06.2013 (Unaudited) HK$'000	31.12.2012 (Audited) HK'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,775,237**	1,346,493
Prepaid lease payments		**81,835**	63,291
Intangible assets		**6,859**	7,337
Deposits paid for the acquisition of property, plant and equipment		**177,163**	205,970
Deposit paid for land use right		**3,142**	9,046
Interests in joint ventures		**25,523**	25,047
Loan to a joint venture		**79,963**	64,390
Derivative financial instruments		**824**	-
Deferred tax asset		**12,633**	-
		2,163,179	1,721,574
CURRENT ASSETS			
Inventories	11	**91,241**	76,253
Prepaid lease payments		**1,186**	941
Trade and other receivables	12	**191,202**	160,038
Amount due from a joint venture		**6,329**	6,211
Derivative financial instruments		**4,210**	6,941
Bank balances and cash		**1,513,461**	1,520,219
		1,807,629	1,770,603
CURRENT LIABILITIES			
Trade and other payables	13	**238,854**	152,025
Amounts due to related companies		**9,072**	6,989
Taxation payable		**14,585**	12,629
Bank borrowings - due within 1 year		**373,615**	218,826
		636,126	390,469
NET CURRENT ASSETS		**1,171,503**	1,380,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,334,682**	3,101,708
NON-CURRENT LIABILITIES			
Bank borrowings - due after 1 year		**1,315,019**	1,198,130
Derivative financial instruments		**6,176**	9,739
		1,321,195	1,207,869
NET ASSETS		**2,013,487**	1,893,839
CAPITAL AND RESERVES			
Share capital		**82,500**	82,500
Reserves		**1,930,987**	1,811,339
		2,013,487	1,893,839

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Share capital	Share premium	Non-distributable reserve	Safety fund reserve	Translation reserve	Hedging reserve	Share options reserve	Special reserve	Accumulated profits	Total
	HK$'000	HK$'000	HK$'000 *(note i)*	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 *(note ii)*	HK$'000	HK$'000
At 1 January 2012 (audited)	82,500	20,307	126,937	-	141,965	(2,963)	129,174	(97,362)	1,258,063	1,658,621
Profit for the period	-	-	-	-	-	-	-	-	200,096	200,096
Other comprehensive expense for the period	-	-	-	-	(21,655)	(4,175)	-	-	-	(25,830)
Total comprehensive (expense) income for the period	-	-	-	-	(21,655)	(4,175)	-	-	200,096	174,266
Recognition of equity-settled share-based payments	-	-	-	-	-	-	14,128	-	-	14,128
Realised on loss on derivative financial instrument	-	-	-	-	-	(177)	-	-	177	-
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(99,000)	(99,000)
Transfer to non-distributable reserve	-	-	23,044	-	-	-	-	-	(23,044)	-
At 30 June 2012 (unaudited)	**82,500**	**20,307**	**149,981**	**-**	**120,310**	**(7,315)**	**143,302**	**(97,362)**	**1,336,292**	**1,748,015**
At 1 January 2013 (audited)	82,500	20,307	166,640	16,644	139,849	(7,466)	157,430	(97,362)	1,415,297	1,893,839
Profit for the period	-	-	-	-	-	-	-	-	150,155	150,155
Other comprehensive income for the period	-	-	-	-	28,890	3,937	-	-	-	32,827
Total comprehensive income for the period	-	-			28,890	3,937	-	-	150,155	182,982
Recognition of equity-settled share-based payments	-	-	-		-	-	3,000	-	-	3,000
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(66,000)	(66,000)
Transfer to non-distributable reserve	-	-	12,063	-	-	-	-	-	(12,063)	-
Utilisation of safety fund reserve	-	-	-	(334)	-	-	-	-	-	(334)
At 30 June 2013 (unaudited)	**82,500**	**20,307**	**178,703**	**16,310**	**168,739**	**(3,529)**	**160,430**	**(97,362)**	**1,487,389**	**2,013,487**

notes:

i. According to the relevant laws in the People's Republic of China ("PRC"), wholly foreign-owned enterprises in the PRC are required to transfer at least 10% of their net profits after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any. The non-distributable reserve fund is non-distributable other than upon liquidation.

ii. The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to a group reorganisation in December 2001.

Notes:

1. BASIS OF PRESENTATION

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

The functional currency of the Company is Renminbi ("RMB"). The condensed consolidated financial statements is presented in Hong Kong dollars ("HK$") because the Company's shares are listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The application of HKFRS 11 does not result in changes in the accounting of the Group's jointly ventures that are previously accounted for using the equity method under HKAS 31.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequentially amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements accordingly.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision makers (the "CODMs") and there has been a material change from the amounts disclosed in the last annual financial statements for the reportable segment.

Since the CODMs review the Group's results and financial position as a whole for performance assessment and resources allocation purposes, the Group has not included total asset information as part of segment information.

Except as described above, the application of other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

(a) Operating segments

Information reported to the Chairman of the Company, being the CODM, for the purposes of resources allocation and assessment of segment performance focuses on types of goods sold.

The CODM regards the Chemical Business as the Group's sole operating reportable segment and reviews the Group's results and financial position as a whole for the purpose of performance measurement and resources allocation. Accordingly, no segment analysis is presented other than entity wide disclosure.

(b) Geographical information

The Group's operations are located in the PRC.

The Group's revenue from external customers by geographical location is detailed below:

	Revenue from external customers	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
PRC	**588,809**	851,179
The United States of America	**-**	37,537
Korea	**-**	2,231
	588,809	890,947

(c) Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Chloromethane products	**224,964**	334,390
Caustic soda	**278,817**	350,271
Hydrogen peroxide	**62,994**	54,939
Others	**22,034**	151,347
	588,809	890,947

(d) Information about major customers

No customer contributed over 10% of the total sales of the group in both periods.

4. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**32,707**	34,934
Government grant	**25,653**	26,464
Exchange gain	**38,778**	1,332
Net gain from fair value changes on derivative financial instruments	**8,495**	-
Others	**11,421**	2,257
	117,054	64,987

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**20,311**	15,670
Net adjustment on interest rate swaps designated as cash flow hedges of floating rate debt	**2,438**	1,843
	22,749	17,513

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
The charge comprises :		
Current tax :		
PRC Enterprise Income Tax ("EIT")	**38,504**	35,174
Deferred tax:		
Current period	**(12,633)**	-
	25,871	35,174

The Group's major business is in the PRC. Under the Law of the PRC on EIT and its Implementation Regulation, the tax rate of the PRC subsidiaries is 25%.

Pursuant to the relevant laws and regulations in the PRC, Jiangsu Lee & Man Chemical Limited ("Jiangsu Lee & Man") is exempted from PRC EIT for two years starting from 2008, followed by a 50% reduction for the next three years. These tax holidays and concessions expired in 2012. For the calendar year of 2013, Jiangsu Lee & Man was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New-Tech Enterprise.

No provision for Hong Kong Profits Tax is made for both periods since there is no assessable profit for both periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Directors' emoluments	**4,509**	5,186
Share based performance related incentive	**3,000**	14,128
Other staff costs	**36,998**	24,986
Retirement benefit schemes contributions (excluding directors)	**1,962**	1,894
Total staff costs	**46,469**	46,194
Amortisation of prepaid lease payments	**867**	465
Amortisation of intangible assets	**609**	598
Cost of inventories recognised as expenses	**418,614**	581,219
Depreciation of property, plant and equipment	**57,288**	55,003
Research and development costs (included in general and administrative expenses)	**16,268**	34,851

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Final dividend paid during the period:		
2012 final dividend HK8.0 cents per share (2011: HK12.0 cents)	**66,000**	99,000
Interim dividend declared subsequent to period end:		
2013 interim dividend HK7.0 cents per share (2012: HK8.0 cents)	**57,750**	66,000

The Board has declared that an interim dividend of HK7.0 cents (2012: HK8.0 cents) per share for the six months ended 30 June 2013 to shareholders whose names appear in the Register of Members on 21 August 2013.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**150,155**	200,096
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**825,000,000**	825,000,000

The presentation of diluted earnings per share for both periods did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares in both periods.

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$323 million (2012: HK$168 million) on property, plant and equipment to expand its operation.

11. INVENTORIES

	At 30.06.2013	At 31.12.2012
	HK$'000	*HK$'000*
Raw materials and consumables	**57,577**	44,811
Work in progress	**6,136**	7,048
Finished goods	**27,528**	24,394
	91,241	76,253

12. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers an average credit period ranged from 7 to 60 days.

Included in the balance are trade and bills receivables of approximately HK$49,763,000 (31.12.2012: HK$75,769,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	At 30.06.2013	At 31.12.2012
	HK$'000	*HK$'000*
Less than 30 days	**49,756**	72,307
31 to 60 days	**7**	2,665
61 to 90 days	**-**	797
	49,763	75,769
Prepayment, deposits and other receivables	**83,186**	65,141
Value-added tax receivables	**58,253**	19,128
	191,202	160,038

13. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period obtained for trade purchases is 7 to 45 days.

Included in trade and other payables are trade and bills payables of approximately HK$65,449,000 (31.12.2012: HK$43,970,000). The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	At 30.06.2013	At 31.12.2012
	HK$'000	*HK$'000*
Less than 30 days	**46,703**	32,286
31 to 60 days	**6,581**	2,374
61 to 90 days	**4,060**	2,534
Over 90 days	**8,105**	6,776
	65,449	43,970
Receipt in advance	**27,073**	26,472
Construction payable	**89,299**	24,926
Other payables and accruals	**57,033**	56,657
	238,854	152,025

INTERIM DIVIDEND

The Board has declared an interim dividend of HK7.0 cents per share for the six months ended 30 June 2013 to shareholders whose names appear on the Register of Members on 21 August 2013. It is expected that the interim dividend will be paid around 29 August 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19 August 2013 to 21 August 2013, both days inclusive, during which period no transfer of shares in the Company can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on 16 August 2013.

BUSINESS REVIEW

For the six months ended 30 June 2013, the Group recorded a revenue of approximately HK$589 million, decreased by 33.9% below the last corresponding period; and a net profit for the period of approximately HK$150 million, representing a drop of 25.0% below the same period last year.

The significant decrease in net profit for the period was mainly attributable to the slowdown of economic growth in the PRC. The Group's main products demand fell amid the market oversupply. Product prices dropped sharply, resulting in a decrease in profit for the period.

The products prices remained low in the first half of the year. As compared to the last corresponding period, the average selling price per ton of our main chemical products, namely methylene chloride and chloroform, dropped sharply by approximately 31.3% and 43.6% respectively during the first half of the year while the by-product of caustic soda price per ton dropped by approximately 22.2%. In addition, the average purchase costs of raw materials, mainly including industrial crude salt and methanol, dropped by approximately 9.5%. The management believed that selling prices has reached the bottom and are expected to rise gradually in the fourth quarter of 2013, upon the introduction of government polices in stabilising the economy in the PRC.

As affected by the above factors, gross profit margin of the Group for the six month ended 30 June 2013 dropped from 34.8% of the last corresponding period to 28.9%; while the net profit margin increased from 22.5% of the last corresponding period to 25.5%, due to the exchange gain arising from the appreciation of RMB.

PROSPECTS

For the coming two years, the key business focus of the Group will remain on the construction of a new plant in Ruichang City, Jiangxi Province. The Group will spend about RMB1.9 billion for development of the fluorochemical downstream products in two phases. The first production line will commence operation in the fourth quarter of 2013, and is expected to generate profit to the Group in the first quarter of 2014.

The project will be financed by internal funds and bank borrowings. As at 30 June 2013, the Group maintained bank balances and cash of approximately HK$1.51 billion. The Group has sufficient cash and available banking facilities to meet its capital expenditure and working capital requirements.

As always, our management team will leverage on our internal technical innovation and scientific research and development in a pragmatic and aggressive approach and continue its persistent efforts to make great strides in the business development of the Group and deliver fruitful rewards to the shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2013 was approximately HK$2,013 million (31.12.2012: HK$1,894 million). As at 30 June 2013, the Group had current assets of approximately HK$1,808 million (31.12.2012: HK$1,771 million) and current liabilities of approximately HK$636 million (31.12.2012: HK$390 million). The current ratio decreased from 4.54 as at 31 December 2012 to 2.84 as at 30 June 2013.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2013, the Group had outstanding bank borrowings of approximately HK$1,689 million (31.12.2012: HK$1,417 million). These bank loans were secured by corporate guarantees provided by the Company and its subsidiaries. As at 30 June 2013, the Group maintained bank balances and cash of approximately HK$1,513 million (31.12.2012: HK$1,520 million). The Group's net debt-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.09 as at 30 June 2013 and compared to the net cash-to-equity ratio (cash and cash equivalents net of total bank borrowings over shareholders' equity) was 0.06 as at 31 December 2012.

The Group's liquidity position remains strong and the Group has sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments for expansion.

CAPITAL COMMITMENTS

As at 30 June 2013, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment and acquisition of land use rights in amount of approximately HK$499 million and HK$15 million respectively.

EMPLOYEES

As at 30 June 2013, the Group had a workforce of around 1,100 people. Salaries of employees are maintained at 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.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013 except where stated and explained below.

The Group has an Executive Chairman. No individual has been appointed as a chief executive officer. The Executive Chairman with the assistance of the Group's senior management team oversees and manages the Group's business. Other functions normally undertaken by a chief executive officer of a company are delegated to members of the Group's senior management team. This structure deviates from the code provision of Code that requires the roles of the chairman and the chief executive officer to be separate and not performed by the same individual. The Directors has considered this matter carefully and decided not to adopt the provision. The Directors believe that the current management structure has been effective in facilitating the operation and development of the Group and its business for a considerable period of time and that the necessary checks and balances consistent with sound corporate governance practices are in place. Accordingly, the Directors do not envisage the Group should change its current management structure. However, the Directors will review the management structure from time to time to ensure it continues to meet these objectives.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2013.

On behalf of the Board
Wai Siu Kee
Chairman

Hong Kong, 5 August 2013

As at the date of this announcement, the Board comprises four executive directors, namely, Ms Wai Siu Kee, Mr Lee Man Yan, Mr Yang Zuo Ning and Ms Wong Yuet Ming, and three independent non-executive directors, namely, Mr Wong Kai Tung, Tony, Mr Wan Chi Keung, Aaron BBS JP and Mr Heng Victor Ja Wei.