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## **LEE & MAN CHEMICAL COMPANY LIMITED**

**理文化工有限公司**

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

*Website: <http://www.leemanchemical.com>*

**(Stock Code: 746)**

### **ANNUAL RESULTS ANNOUNCEMENT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of HK\$2,974 million for the year, increased by 63.9% as compared to last year.
- Net profit of HK\$703 million for the year, increased by 225.2% as compared to last year.
- Gross profit margin for the year was 47.1%, net profit margin was 23.6%.
- Earnings per share for the year was HK85.2 cents, with proposed final dividend of HK20 cents per share.

## FINANCIAL RESULTS

The board of directors (the “Directors”) of Lee & Man Chemical Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017 together with comparative figures for the year ended 31 December 2016 as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	3&4	<b>2,973,747</b>	1,813,851
Cost of sales		<b>(1,574,570)</b>	(1,155,893)
Gross profit		<b>1,399,177</b>	657,958
Other income	5	<b>47,664</b>	87,042
Other gains and losses	6	<b>6,235</b>	8,102
Selling and distribution costs		<b>(181,804)</b>	(127,268)
General and administrative expenses		<b>(192,558)</b>	(132,717)
Research and development cost		<b>(125,025)</b>	(45,169)
Finance costs		<b>(81,809)</b>	(24,803)
Net exchange gain (loss)		<b>59,314</b>	(82,650)
Share of loss of joint ventures		<b>(228)</b>	(545)
Share of loss of an associate		<b>(5)</b>	–
Profit before taxation		<b>930,961</b>	339,950
Income tax expense	7	<b>(227,940)</b>	(123,755)
Profit for the year	8	<b>703,021</b>	216,195
<b>Other comprehensive income (expense)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation		<b>136,618</b>	(136,212)
Other comprehensive income (expense) from share of joint ventures and an associate		<b>992</b>	(1,920)
Net gain on hedging instruments in cash flow hedges		<b>–</b>	184
Other comprehensive income (expense) for the year		<b>137,610</b>	(137,948)
Total comprehensive income for the year		<b>840,631</b>	78,247

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Profit (loss) for the year attributable to:</b>			
Owners of the Company		<b>703,053</b>	216,195
Non-controlling interest		<b>(32)</b>	–
		<b><u>703,021</u></b>	<b><u>216,195</u></b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>840,535</b>	78,247
Non-controlling interest		<b>96</b>	–
		<b><u>840,631</u></b>	<b><u>78,247</u></b>
Earnings per share	9		
Basic (HK cents)		<b><u>85.2</u></b>	<b><u>26.2</u></b>
Diluted (HK cents)		<b><u>85.2</u></b>	<b><u>N/A</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2017**

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,825,753</b>	3,319,668
Prepaid lease payments		<b>155,023</b>	112,496
Investment property		–	61,798
Intangible assets		<b>108,833</b>	2,254
Deposits paid for the acquisition of property, plant and equipment		<b>93,131</b>	115,836
Interests in joint ventures		<b>17,445</b>	16,693
Interest in an associate		<b>1,162</b>	–
Loan to a joint venture		<b>96,865</b>	95,365
Other deposits		–	93,245
Deferred tax asset		<b>24,893</b>	23,317
Goodwill		<b>2,809</b>	–
		<u><b>4,325,914</b></u>	<u>3,840,672</u>
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>424,217</b>	231,846
Properties under development for sale		<b>89,298</b>	–
Prepaid lease payments		<b>4,462</b>	3,022
Trade and other receivables	<i>12</i>	<b>512,133</b>	425,880
Tax recoverable		–	7,951
Amount due from a joint venture		<b>16,214</b>	14,603
Amount due from the related companies		<b>15,731</b>	–
Bank balances and cash		<b>467,506</b>	228,091
		<u><b>1,529,561</b></u>	<u>911,393</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>13</i>	<b>478,706</b>	355,400
Amounts due to related companies		–	2,602
Taxation payable		<b>41,243</b>	48,681
Derivative financial instruments		–	20
Bank borrowings – due within 1 year		<b>601,182</b>	444,759
		<u><b>1,121,131</b></u>	<u>851,462</u>
<b>NET CURRENT ASSETS</b>		<u><b>408,430</b></u>	<u>59,931</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>4,734,344</b></u>	<u>3,900,603</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AT 31 DECEMBER 2017**

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Other payables	<i>13</i>	<b>28,494</b>	26,299
Deferred tax liabilities		<b>41,815</b>	8,008
Bank borrowings – due after 1 year		<b>1,569,601</b>	1,524,271
		<u><b>1,639,910</b></u>	<u>1,558,578</u>
<b>NET ASSETS</b>		<u><b>3,094,434</b></u>	<u>2,342,025</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>82,500</b>	82,500
Reserves		<b>2,999,873</b>	2,259,525
		<u><b>3,082,373</b></u>	<u>2,342,025</u>
Equity attributable to owners of the Company		<b>12,061</b>	–
Non-controlling interest		<u><b>3,094,434</b></u>	<u>2,342,025</u>

*Notes:*

**1. GENERAL**

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law (Revised) Chapter 22 of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company and immediate parent is Fortune Star Tradings Limited, a company which is incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lee Wan Keung. The address of the registered office of the Company is disclosed in the section “Corporate Information” to the annual report.

The functional currency of the Company is Renminbi (“RMB”), while the consolidated financial statements are presented in Hong Kong dollars (“HK dollars”) as the Company is listed in Hong Kong.

**2. APPLICATION OF NEW AND REVISED TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

*Amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

*New and revised HKFRSs in issue but not yet effective*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Considerations <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

### 3. REVENUE

All the Group's revenue for the year is derived from manufacture and sales of chemical products.

### 4. SEGMENT INFORMATION

#### (a) Operating Segments

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers ("CODMs"), being the Chairman of the Company, in order to allocate resources to segments and to assess their performance. The CODMs review the Group's profit as a whole, which is generated solely from the manufacture and sale of chemical products and determined in accordance with the Group's accounting policies, for performance assessment. Therefore no separate segment information is prepared by the Group.

#### (b) Geographical information

All the Group's revenue from external customers is derived from the PRC for both years.

Most of the Group's non-current assets are located in PRC.

#### (c) Revenue from major products

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Chloromethane products	662,833	543,825
Caustic soda	1,515,580	887,132
Polymers	390,066	199,320
Hydrogen peroxide	159,976	64,844
Fluorochemical products	129,623	59,314
Others	115,669	59,416
	<u>2,973,747</u>	<u>1,813,851</u>

#### (d) Information about major customers

No customer contributed over 10% of the total revenue of the Group in both years.

## 5. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank interest income	4,774	2,112
Interest income from a joint venture	473	2,053
Government grants	14,317	43,383
Scrap sales	6,040	4,203
Income from supply of steam and electricity	19,592	13,932
Rental income	2,139	1,317
Others	329	20,042
	<u>47,664</u>	<u>87,042</u>

## 6. OTHER GAIN AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gain from change in fair value of an investment property	6,920	18,633
Net loss from changes in fair value of derivative financial instruments	(12)	(84)
Loss on disposal of property, plant and equipment	(673)	(1,226)
Write-off property, plant and equipment	–	(9,221)
	<u>6,235</u>	<u>8,102</u>

## 7. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax (“EIT”)	149,004	95,834
Withholding tax on dividend income	60,120	13,123
Other jurisdiction	–	34
(Over) under provision in prior years – EIT	(14,631)	7,362
Deferred tax expenses – current year	33,447	7,402
	<u>227,940</u>	<u>123,755</u>

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%.

For the years ended 31 December 2016 and 31 December 2017, Jiangsu Lee & Man Chemical Limited was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. In November 2017, Jiangxi Lee & Man Chemical Limited was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

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



## 8. PROFIT FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' emoluments	32,897	11,261
Other staff costs:		
Salaries and other benefits (excluding directors)	201,490	150,084
Retirement benefit schemes contributions (excluding directors)	12,711	10,642
	<u>247,098</u>	<u>171,987</u>
Total staff costs		
	<u>247,098</u>	<u>171,987</u>
Finance costs:		
Interest on bank borrowings wholly repayable within five years	83,047	68,452
Less: amounts capitalised to property, plant and equipment (note)	(1,238)	(44,065)
	<u>81,809</u>	<u>24,387</u>
Net adjustment on interest rate swaps designated as cash flow hedges of floating rate debt	–	416
	<u>81,809</u>	<u>24,803</u>
Auditors' remuneration:		
– Audit services	1,575	1,456
– Non-audit services	225	175
Cost of inventories recognised as expenses	1,574,570	1,155,893
Depreciation of property, plant and equipment	288,955	221,086
Amortisation of prepaid lease payments	2,739	2,668
Amortisation of intangible assets included in cost of sales	1,627	1,156
	<u>293,321</u>	<u>224,910</u>
Total depreciation and amortisation		
Capitalised in inventories	(257,090)	(198,385)
	<u>36,231</u>	<u>26,525</u>

*Note:* During the year ended 31 December 2017, certain borrowing costs capitalised arose from the specific borrowings and were calculated by applying a capitalisation rate of 2.74% per annum to expenditures on qualifying assets. During the year ended 31 December 2016, certain borrowing costs capitalised arose from the general borrowings and were calculated by applying a capitalisation rate of 3.28% per annum to expenditures on qualifying assets.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owner of the Company of HK\$703,053,000 (2016: HK\$216,195,000) and 825,000,000 (2016: 825,000,000) shares in issue during the year.

The computation of diluted earnings per share for 2017 did not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares in that year.

No diluted earnings per share for 2016 were presented as there were no potential ordinary shares in issue for 2016.

## 10. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividends recognised as distributions during the year:		
Final dividend of HK4 cents per share for the year ended 31 December 2016	33,000	–
Interim dividend of HK10 cents per share for the year ended 31 December 2017	82,500	–
Final dividend of HK5 cents per share for the year ended 31 December 2015	–	41,250
Interim dividend of HK5 cents per share for the year ended 31 December 2016	–	41,250
	<u>115,500</u>	<u>82,500</u>

A final dividend of HK20 cents (2016: HK4 cents) per share amounting to HK\$165,000,000 (2016: HK\$33,000,000) in respect of the year ended 31 December 2017 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 11. INVENTORIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Raw materials and consumables	272,957	152,680
Work in progress	28,299	18,271
Finished goods	122,961	60,895
	<u>424,217</u>	<u>231,846</u>

## 12. TRADE AND OTHER RECEIVABLES

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

Included in the balance are trade and bills receivables of HK\$380,486,000 (2016: HK\$219,722,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Not exceeding 30 days	252,281	153,699
31–60 days	46,563	40,593
61–90 days	26,895	15,858
91–120 days	31,165	5,102
Over 120 days	23,582	4,470
	<u>380,486</u>	<u>219,722</u>
Trade receivable	380,486	219,722
Prepayments	77,817	40,074
Deposits to suppliers	7,954	40,745
Value-added tax receivables	35,291	119,654
Other receivables	10,585	5,685
	<u>512,133</u>	<u>425,880</u>

### 13. TRADE AND OTHER PAYABLES

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

Included in trade and other payables is trade payable of HK\$124,909,000 (2016: HK\$95,530,000). The aged analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Not exceeding 30 days	<b>79,610</b>	63,217
31–60 days	<b>18,230</b>	9,662
61–90 days	<b>4,447</b>	7,774
Over 90 days	<b>22,622</b>	14,877
Trade payables	<b>124,909</b>	95,530
Receipt in advance	<b>88,124</b>	47,800
Construction costs payable and accruals	<b>140,761</b>	118,990
Value-added tax accruals	<b>25,594</b>	7,271
Other payables	<b>96,897</b>	93,536
Other accruals	<b>30,915</b>	18,572
Total trade and other payables	<b>507,200</b>	381,699
	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Analysed for reporting purpose as		
Non-current liabilities	<b>28,494</b>	26,299
Current liabilities	<b>478,706</b>	355,400
	<b>507,200</b>	381,699

As at 31 December 2017, the balance of other payable comprised a non-current deferred income, amounting to HK\$28,494,000 received from the PRC government for an innovative technology project. As at 31 December 2016, the balance of construction costs payable and accruals comprises non-current construction costs payables is HK\$26,299,000. Other accruals are classified as current liabilities.

### FINAL DIVIDEND

The Directors have proposed a final dividend of HK20 cents per share for the year ended 31 December 2017 to shareholders whose names appear on the Register of Members on 17 May 2018. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting. It is expected that the final dividend will be paid around 29 May 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

### **In relation to the AGM**

The annual general meeting (the “AGM”) of the Company is scheduled to be held on 9 May 2018. For ascertaining shareholders’ right to attend and vote at the AGM, the register of members of the Company will be closed from 4 May 2018 to 9 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on 3 May 2018.

### **In relation to the proposed final dividend**

The board of directors of the Company has resolved to recommend the payment of a final dividend of HK 20 cents per share in cash for the year ended 31 December 2017 to shareholders whose names appear on the register of members of the Company on 17 May 2018 subject to the approval of the shareholders of the Company at the AGM. For ascertaining shareholders’ entitlement to the proposed final dividend, the register of members of the Company will be closed from 15 May 2018 to 17 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on 14 May 2018.

## **BUSINESS REVIEW**

For the year ended 31 December 2017, the Group recorded a revenue of HK\$2,974 million, increased by 63.9% as compared to last year; and a net profit of HK\$703 million for the year, representing an increase of 225.2% as compared to last year.

The Group recorded a gross profit margin of 47.1% for the year ended 31 December 2017, representing an increase of 10.8 basis points as compared to last year; while the net profit margin was recorded 23.6%, representing an increase of 11.7 basis points as compared to last year. The increase in profit due to the increase in sale volume and price.

The increase in the demand of chemical product are due to the increase in the infrastructure in China and the economic recovery get back market to normal in 2017. We have recorded in a high price in part of our chemical products, such as caustic soda, hydrogen peroxide and polytetrafluoroethylene when compared with the price in recent years.

In last year, we have new production lines including, chlorinated polyvinyl chloride, thionyl chloride and styrene-acrylic latex surface sizing agent has been started their operation and contributed the profit for the group in this year.

## **PROSPECTS**

In the coming year, the Group will expand a new styrene-acrylic latex surface sizing agent production line in Jiangsu factory, and expand a new caustic soda production line in Jiangxi factory.

The Group has already choose a location for a new plant in Zhuhai which located at Gaolan Port Economic Zone to produce Lithium battery electrolyte additives and the group expected this new plant will start production in mid-2019.

In addition, the Group has committed to new product research and development, devoted more resource in employing scientific research experts who possess rich chemical experience and in acquiring more scientific research equipment, so as to expand and enhance the internal research and development team. The management expects that the Group can be able to develop new products successfully in the near future that can meet the trend of refined chemical development.

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 bring desirable return to the shareholders.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The total shareholders' equity of the Group as at 31 December 2017 was HK\$3,094 million (31.12.2016: HK\$2,342 million). As at 31 December 2017, the Group had current assets of HK\$1,530 million (31.12.2016: HK\$911 million) and current liabilities of HK\$1,121 million (31.12.2016: HK\$851 million). The current ratio was 1.36 as at 31 December 2017 as compared to 1.07 at 31 December 2016.

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 31 December 2017, the Group had outstanding bank borrowings of HK\$2,171 million (31.12.2016: HK\$1,969 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 31 December 2017, the Group maintained bank balances and cash of HK\$468 million (31.12.2016: HK\$228 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) as at 31 December 2017 was 55.04% (31.12.2016: 74.33%).

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

## **CAPITAL AND OTHER COMMITMENTS**

As at 31 December 2017, 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 land use rights in amount of approximately HK\$277 million.

## **HUMAN RESOURCES**

At 31 December 2017, the Group had a workforce of around 1,900 people. The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staffs are remunerated based on their work performance, professional experience and prevailing market situation. Remuneration packages comprise salary and bonuses based on individual merits.

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

During the year ended 31 December 2017, 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 Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017.

## **AUDIT COMMITTEE**

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the result of the Group for the year ended 31 December 2017 and has discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

## **ANNUAL GENERAL MEETING**

It is proposed that the Annual General Meeting of the Company will be held on 9 May 2018. The Notice of the Annual General Meeting will be published in the company's website and sent to the shareholders of the Company in due course.

On behalf of the Board  
**Wai Siu Kee**  
*Chairman*

Hong Kong, 28 February 2018

*As at the date of this announcement, the Board of the Company comprises 4 executive directors, namely, Ms. Wai Siu Kee, Mr. Lee Man Yan, Professor Chan Albert Sun Chi and Mr. Yang Zuo Ning, and 3 independent non-executive directors, namely, Mr. Wong Kai Tung, Tony, Mr. Wan Chi Keung, Aaron BBS JP and Mr. Heng Victor Ja Wei.*