LEE & MAN CHEMICAL COMPANY LIMITED
理 文 化 工 有 限 公 司

(Incorporated in the Cayman Islands and its members' liability is limited)
Website: http://www.leemanchemical.com
(Stock Code: 746)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue of HK$1,719 million for the period, decreased by 12.0% as compared to last period.
- Net profit of HK$401 million for the period, decreased by 26.4% as compared to last period.
- Gross profit margin for the period was 39.7%, net profit margin was 23.3%.
- Basic earnings per share for the period was HK48.6 cents, with proposed interim dividend of HK18 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 2019 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 2019

		Six months ended 30 June	
	Notes	**2019**	2018
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
Revenue	*3&4*	**1,718,656**	1,953,247
Cost of sales		**(1,036,563)**	(1,000,828)
Gross profit		**682,093**	952,419
Other income	*5*	**85,426**	44,797
Other gains or losses	*6*	**(3,678)**	4,997
Selling and distribution costs		**(106,511)**	(108,787)
General and administrative expenses		**(83,813)**	(105,312)
Research and development cost		**(71,302)**	(77,064)
Finance costs		**(41,027)**	(45,279)
Net exchange gains		**1,591**	3,174
Share of gain (loss) of joint ventures		**212**	(33)
Share of loss of associates		**(128)**	(16)
Profit before taxation		**462,863**	668,896
Income tax expense	*7*	**(61,683)**	(124,117)
Profit for the period	*8*	**401,180**	544,779
Other comprehensive expenses:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation		**(9,161)**	(10,131)
Share of other comprehensive expenses of joint ventures and an associate		**(4)**	(425)
Other comprehensive expenses for the period		**(9,165)**	(10,556)
Total comprehensive income for the period		**392,015**	534,223

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	**Six months ended 30 June**	
		2019	2018
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
Profit (loss) for the period attributable to:			
Owners of the Company		**401,180**	545,354
Non-controlling interests		**–**	(575)
		401,180	544,779
Total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		**392,015**	534,754
Non-controlling interests		**–**	(531)
		392,015	534,223
Earnings per share:	*10*		
– Basic (HK cents)		**48.6**	66.1
– Diluted (HK cents)		**48.6**	63.7

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*	**3,997,323**	3,847,762
Prepaid lease payments		**–**	143,511
Right-of-use assets		**150,750**	–
Intangible assets		**99,013**	100,618
Deposits paid for the acquisition of property, plant and equipment		**106,773**	67,958
Interests in joint ventures		**16,879**	16,665
Interests in associates		**19,994**	18,552
Loan to a joint venture		**97,755**	97,755
Deferred tax asset		**23,107**	23,233
Goodwill		**2,682**	2,682
		4,514,276	4,318,736
CURRENT ASSETS			
Inventories	*12*	**414,003**	585,919
Properties under development for sale		**197,918**	145,842
Prepaid lease payments		**–**	4,259
Trade and other receivables	*13*	**363,404**	266,143
Bills receivable		**97,140**	113,020
Amount due from a joint venture		**14,683**	14,946
Amount due from an associate		**348**	526
Amounts due from related companies		**11,227**	12,115
Bank balances and cash		**591,245**	593,074
		1,689,968	1,735,844
CURRENT LIABILITIES			
Trade and other payables	*14*	**349,328**	377,799
Bills payable		**55,419**	84,377
Contract liabilities		**54,733**	50,690
Amounts due to related companies		**7,207**	757
Taxation payable		**36,001**	100,845
Lease liabilities – due within 1 year		**3,284**	–
Bank borrowings – due within 1 year		**1,045,963**	926,519
		1,551,935	1,540,987
NET CURRENT ASSETS		**138,033**	194,857

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AT 30 JUNE 2019

	Notes	**30 June 2019 (Unaudited)** *HK$'000*	31 December 2018 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,652,309**	4,513,593
NON-CURRENT LIABILITIES			
Other payables	*14*	**44,086**	47,659
Deferred tax liabilities		**30,883**	39,576
Lease liabilities – due after 1 year		**1,207**	–
Bank borrowings – due after 1 year		**812,937**	947,693
		889,113	1,034,928
NET ASSETS		**3,763,196**	3,478,665
CAPITAL AND RESERVES			
Share capital		**82,500**	82,500
Reserves		**3,680,696**	3,396,165
Equity attributable to owners of the Company		**3,763,196**	3,478,665
Non-controlling interests		**–**	–
TOTAL EQUITY		**3,763,196**	3,478,665

Notes:

1. BASIS OF PREPARATION

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

The functional currency of the Company is Renminbi ("RMB"), while the condensed consolidated financial statements are presented in Hong Kong dollars ("HK dollars") as the Company is listed in 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 financial instruments that are measured at fair values at the end of each reporting period.

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 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, certain new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements.

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

HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time from 1 January 2019. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations. HKFRS 16 requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets ("low-value leases"). The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of accumulated profits at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognized by the Group as liabilities. Operating lease payments, including the cost of acquiring or held under operating leases, were recognized in profit or loss over the lease term on a straight-line basis.

On adoption of HKFRS 16, the Group recognized the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to profit or loss in the period in which it is incurred using effective interest method. The Group also applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group further applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and low-value leases are recognised in profit or loss on a straight-line basis over the lease term.

At the inception of a contract that contains a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at cost, being the amount equal to the initial measurement of lease liabilities, adjusted for items such as lease incentives received, initial direct costs paid and expected restoration costs, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Depreciation was charged on a straight-line basis over the shorter of the asset's useful life and the lease term. The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients as permitted by HKFRS 16:

(i) the election of not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

The following table reconciles the operating lease commitments as previously disclosed in note 35 to the consolidated financial statements for the year ended 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	HK$'000
Operating lease commitments at 31 December 2018	7,757
Less: short-term leases and other leases with remaining lease term ending on or before 31 December 2019 exempted from capitalisation	1,151
Less: total future finance costs	289
Present value of remaining lease payments, discounted using the incremental borrowing rate and the total liabilities recognised at 1 January 2019	6,317
Analysed as:	
Current	3,438
Non-current	2,879
	6,317

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

	1 January 2019
	HK$'000
Right-of-use assets relating to operating leases recognized upon application of HKFRS 16	6,376
Reclassified from prepaid lease payments *(note)*	147,770
	154,146

Note: Upfront payments for leasehold lands in the 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$4,259,000 and HK$143,511,000 respectively were reclassified to right-of-use assets.

3. REVENUE

(i) Disaggregation of revenue

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Types of goods or services		
Manufacture and sale of chemical products		
Caustic soda	**691,484**	894,041
Chloromethane products	**498,129**	419,446
Polymers	**212,538**	235,222
Hydrogen peroxide	**105,861**	198,453
Fluorochemical products	**85,581**	93,262
Styrene acrylic latex surface sizing agent	**25,581**	35,136
Others	**99,482**	77,687
	1,718,656	1,953,247

(ii) Performance obligations for contracts with customers

Manufacture and sale of chemical products with product delivery services

The Group manufactures and sells chemical products directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified location (delivery). The normal credit term is 7 to 60 days upon delivery.

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 maker ("CODM"), being the Chairman of the Company, in order to allocate resources to segments and to assess their performance. The CODM reviews 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

The Group's operations are located in the PRC. Most of the Group's revenue from external customers is derived from the PRC and most of the Group's non-current assets are located in the PRC for both periods.

(c) Revenue from major customers

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Customer A	**172,021**	N/A*

* The corresponding revenue from the customer did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2018.

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Government grants	**64,452**	21,895
Electricity and steam income	**13,295**	12,380
Scrap sales	**3,453**	3,727
Bank interest income	**2,455**	3,438
Rental income	**1,168**	1,317
Interest income from a joint venture	**236**	250
Others	**367**	1,790
	85,426	44,797

6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Net (loss) gain on settlement of derivative financial instruments	**(3,380)**	8,830
Loss on disposal of property, plant and equipment	**(298)**	(3,833)
	(3,678)	4,997

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**61,554**	99,093
Withholding tax on dividend income	**8,947**	10,540
Deferred tax	**(8,818)**	14,484
	61,683	124,117

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 subsidiaries in the PRC is 25%.

For the periods ended 30 June 2018 and 30 June 2019, Jiangsu Lee & Man Chemical Limited ("Jiangsu L&M") and Jiangxi Lee & Man Chemical Limited ("Jiangxi L&M") were entitled to reduced EIT rate of 15% as they have 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 periods since there is no assessable profit for both periods.

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:		
Directors' emoluments	**26,027**	27,378
Other staff costs:		
Salaries and other benefits (excluding directors)	**119,812**	110,769
Retirement benefit schemes contributions (excluding directors)	**7,667**	7,333
Total staff costs	**153,506**	145,480
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**38,823**	45,488
Interest on lease liabilities	**131**	–
Less: amounts capitalised to property, plant and equipment (note)	**(99)**	(209)
	38,855	45,279
Cost of inventories recognised as expenses	**1,036,563**	1,000,828
Depreciation of property, plant and equipment	**173,748**	182,805
Depreciation of right-of-use assets	**1,732**	–
Amortisation of prepaid lease payments	**1,698**	1,801
Amortisation of intangible assets	**1,621**	1,986
Total depreciation and amortisation	**178,799**	186,592
Capitalised in inventories	**(159,007)**	(162,564)
	19,792	24,028

Note: During the period ended 30 June 2019, certain borrowing costs capitalised arose from the specific borrowings and were calculated by applying a capitalisation rate of 4.75% (2018: 4.75%) per annum to expenditures on qualifying assets.

9. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Final dividend paid during the period:		
2018 final dividend HK15 cents per share (2018: 2017 final dividend of HK20 cents per share)	**123,750**	165,000
Interim dividend declared subsequent to period end:		
2019 interim dividend HK18 cents per share (2018: 2018 interim dividend of HK23 cents per share)	**148,500**	189,750

The Board has declared that an interim dividend of HK18 cents (2018: HK23 cents) per share for the six months ended 30 June 2019 to shareholders whose names appear in the Register of Members on 2 September 2019.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK$401,180,000 (2018: HK$545,354,000) and 825,000,000 (2018: 825,000,000) shares in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect caused by the share options granted under the share option scheme.

	Six months ended 30 June	
	2019	2018
	'000 Shares	*'000 Shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**825,000**	825,000
Effect of deemed issue of shares under the Company's share option scheme	**1,402**	31,832
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**826,402**	856,832

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$348 million (2018: HK$287 million) on property, plant and equipment to expand its operation.

12. INVENTORIES

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
Raw materials and consumables	**226,300**	388,544
Work in progress	**44,021**	40,938
Finished goods	**143,682**	156,437
	414,003	585,919

13. 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 receivables of approximately HK$119,401,000 (31 December 2018: HK$103,288,000). The aged analysis of trade receivables based on invoice date at the end of the reporting period is as follows:

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
Not exceeding 30 days	**112,288**	94,910
31 to 60 days	**5,124**	7,107
61 to 90 days	**663**	477
91 to 120 days	**917**	184
Over 120 days	**409**	610
	119,401	103,288
Prepayments	**127,661**	101,798
Deposits to suppliers	**61,952**	23,401
Value-added tax receivable	**26,148**	20,885
Other receivables	**28,242**	16,771
Total trade and other receivables	**363,404**	266,143

14. 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 payables of approximately HK$130,653,000 (31 December 2018: HK$121,102,000). The aged analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
Not exceeding 30 days	**86,648**	69,264
31 to 60 days	**15,904**	26,261
61 to 90 days	**7,940**	6,977
Over 90 days	**20,161**	18,600
	130,653	121,102
Construction costs payables and accruals	**126,461**	109,268
Value-added tax accruals	**–**	40,741
Other payables	**94,322**	108,265
Other accruals	**41,978**	46,082
Total trade and other payables	**393,414**	425,458
Analysed for reporting purposes as:		
Current liabilities	**349,328**	377,799
Non-current liabilities	**44,086**	47,659
	393,414	425,458

As at 30 June 2019, other payables included a non-current deferred income, amounting to HK$32,153,000 (31 December 2018: HK$35,728,000) received from the PRC government for an innovative technology project. The amounts will be utilised to the relevant research and development expenses.

15. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2019 has been reviewed with no disagreement by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK18 cents 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 of the Company will be closed from 28 August 2019 to 2 September 2019, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 pm on 27 August 2019.

BUSINESS REVIEW

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK$1,719 million, decreased by 12.0% when compared to the corresponding period last year; and a net profit for the period of approximately HK$401 million, representing a decrease of 26.4% when compared to the corresponding period last year.

The Group's gross profit margin was 39.7%, decreased by 9.1 percentage points when compared to the corresponding period last year and the net profit margin was 23.3%, decreased by 4.6 percentage points when compared to the corresponding period last year.

During the first half of 2019, increase in market demand volatility of chemical products is observed in the downstream market due to the uncertainties in the world economy. The domestic price of chemical products has continued to decline from the high level in the first half of 2018 as the market was in short supply. In addition, the Company proactively fine-tunes the process safety and improves the production equipment in light of the new safety standards implemented to the chemical industry by the government. During which our production capacity is affected and product costs are increased, and that putting pressure on our gross profits and profit margins of the Group in the first half of the year.

PROSPECTS

In view of the increasingly strengthening of the safety and environmental protection requirements of the Chinese government, the Group will enhance the safety and environmental protection measures to enable the Company to operate stably and to grow sustainably and to facilitate the online evaluation of the local environmental protection authorities. At the same time, the Company will strive to promote the concept of green manufacturing, and to practice a clean, efficient and low-carbon development management, so as to be socially responsible through energy conservation and emission reduction.

The Group will continue to expand its income streams and to reduce costs in respond to the shadow over the world economy. The product portfolio of the Company will be increasingly diversified. Sales of commercialised hydrogen will begin in the third quarter of this year, contributing to the development of hydrogen fuel cells. Located at Gaolan Port, Zhuhai, the trial production of the internally-developed lithium battery electrolyte additives will begin in December 2019. The research and development team of the Company dedicates to the research and commercialisation of specialty polymers, lithium battery chemicals and innovative surface agents to provide customers with the appropriate solutions.

In terms of cost savings, the Group continues to invest in production automation and intelligent management implementation in respond to the risk of ever-increasing cost of human resources. Meanwhile, the Company will expand the functionality of the existing ERP management platform. In the second half of this year, a centralised material storage system will be established which helps to lower the inventory level of equipment parts and thus the procurement costs.

The management and the team of the Company will leverage on our internal technical innovation and scientific research, and to continue its persistent efforts in bringing desirable and sustainable return to the shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the total shareholders' equity of the Group was approximately HK$3,763 million (31 December 2018: HK$3,479 million), current assets were approximately HK$1,690 million (31 December 2018: HK$1,736 million) and current liabilities approximately HK$1,552 million (31 December 2018: HK$1,541 million). The current ratio was 1.09 as at 30 June 2019 (31 December 2018: 1.13).

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 2019, the Group had outstanding bank borrowings of approximately HK$1,859 million (31 December 2018: HK$1,874 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 30 June 2019, the Group maintained bank balances and cash of approximately HK$591 million (31 December 2018: HK$593 million). The Group's net debt-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 33.69% as at 30 June 2019 (31 December 2018: 36.83%).

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 30 June 2019, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment and land use rights in amount of approximately HK$294 million.

HUMAN RESOURCES

As at 30 June 2019, the Group had a workforce of around 2,050 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 2019, 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 provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the result of the Group for the period ended 30 June 2019 and has discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

On behalf of the Board
Wai Siu Kee
Chairman

Hong Kong, 13 August 2019

As at the date of this announcement, the Board comprises four executive directors, namely, Ms Wai Siu Kee, Mr Lee Man Yan, Professor Chan Albert Sun Chi, Mr Yang Zuo Ning, 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.