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LEE & MAN HOLDING LIMITED

理文集團有限公司*

(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 2011

FINANCIAL HIGHLIGHTS

Chemical and Handbag Operations

- Revenue increased by 41.5% to HK\$1,348 million.
- Net profit increased by 102.9% to HK\$417 million.
- Net profit margin increased from 21.6% to 30.9%.
- Basic earnings per share increased from HK24.9 cents to HK50.6 cents.
- Proposed interim dividend of HK17.0 cents per share.

Chemical Operation

- Revenue increased by 79.6% to HK\$1,001 million.
- Net profit increased by 145.3% to HK\$373 million.
- Gross profit margin increased from 37.7% to 53.7%.
- Net profit margin increased from 27.3% to 37.3%.

INTERIM RESULTS

The board of directors (the “Board”) of Lee & Man Holding 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 2011 together with comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

	<i>Notes</i>	Six months ended 30 June 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Continuing operation			
Revenue	3	1,000,717	557,121
Cost of sales		(463,553)	(346,918)
Gross profit		537,164	210,203
Other income		10,920	4,103
Selling and distribution costs		(26,751)	(21,254)
General and administrative expenses		(69,907)	(14,744)
Spin-off expenses		(14,182)	-
Finance costs	4	(3,834)	(4,106)
Profit before taxation		433,410	174,202
Income tax expense	5	(60,247)	(22,101)
Profit for the period from continuing operation	6	373,163	152,101
Discontinued operation			
Profit for the period from discontinued operation	7	43,947	53,459
Profit for the period		417,110	205,560
Other comprehensive income			
Reversal (recognition) of deferred tax liability arising on revaluation of property, plant and equipment		47	(67)
Exchange differences arising from translation		38,584	(2,802)
Other comprehensive income for the period		38,631	(2,869)
Total comprehensive income for the period		455,741	202,691
Earnings per share from continuing and discontinued operations :	9		
- Basic (HK cents)		50.6	24.9
- Diluted (HK cents)		49.2	-
Earnings per share from continuing operation :	9		
- Basic (HK cents)		45.2	18.4
- Diluted (HK cents)		44.0	-

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	<i>Notes</i>	30.06.2011 (Unaudited) HK\$'000	31.12.2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,159,644	1,257,403
Prepaid lease payments		38,631	55,855
Investment properties		-	26,341
Intangible assets		8,886	8,323
Deposit paid for acquisition of property, plant and equipment		4,995	29,598
Interest in a jointly controlled entity		4,706	4,706
Defined benefit assets		-	4,538
		<u>1,216,862</u>	<u>1,386,764</u>
CURRENT ASSETS			
Inventories	11	81,991	168,072
Prepaid lease payments		763	1,235
Trade and other receivables	12	319,844	304,323
Tax recoverable		-	2,824
Bank balances and cash		636,865	393,385
		<u>1,039,463</u>	<u>869,839</u>
CURRENT LIABILITIES			
Trade and other payables	13	168,934	313,530
Derivative financial instruments		-	530
Amounts due to related companies		6,376	6,955
Taxation payable		32,277	27,884
Bank borrowings - due within 1 year		206,435	479,577
		<u>414,022</u>	<u>828,476</u>
NET CURRENT ASSETS		<u>625,441</u>	<u>41,363</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,842,303</u>	<u>1,428,127</u>
NON-CURRENT LIABILITIES			
Bank borrowings - due after 1 year		327,208	41,808
Other long term payables		11,077	-
Deferred taxation		4,005	8,917
		<u>342,290</u>	<u>50,725</u>
NET ASSETS		<u>1,500,013</u>	<u>1,377,402</u>
CAPITAL AND RESERVES			
Share capital		82,500	82,500
Reserves		1,417,513	1,294,902
TOTAL EQUITY		<u>1,500,013</u>	<u>1,377,402</u>

**CONDENSED CONSOLIDATED STATEMENT CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Share capital	Share premium	Asset revaluation reserve	Non- distributable reserve	Translation reserve	Share options reserve	Special reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(note)		
At 1 January 2011(audited)	82,500	20,307	86,309	59,575	75,877	66,804	(67,990)	1,054,020	1,377,402
Profit for the period	-	-	-	-	-	-	-	417,110	417,110
Other comprehensive income for the period	-	-	47	-	38,584	-	-	-	38,631
Total comprehensive income for the period	-	-	47	-	38,584	-	-	417,110	455,741
Recognition of equity-settled share-based payments	-	-	-	-	-	31,185	-	-	31,185
Realised on depreciation of property, plant and equipment	-	-	(3,919)	-	-	-	-	3,919	-
Realised on disposal of property, plant and equipment	-	-	(82)	-	-	-	-	82	-
Distribution in specie	-	-	(70,345)	-	(6,090)	-	227,692	(408,322)	(257,065)
Dividend paid	-	-	-	-	-	-	-	(107,250)	(107,250)
At 30 June 2011 (unaudited)	82,500	20,307	12,010	59,575	108,371	97,989	159,702	959,559	1,500,013
At 1 January 2010 (audited)	82,500	20,307	74,727	-	35,049	-	(67,990)	780,662	925,255
Profit for the period	-	-	-	-	-	-	-	205,560	205,560
Other comprehensive income for the period	-	-	(67)	-	(2,802)	-	-	-	(2,869)
Total comprehensive income for the period	-	-	(67)	-	(2,802)	-	-	205,560	202,691
Realised on depreciation of property, plant and equipment	-	-	(1,102)	-	-	-	-	1,102	-
Realised on disposal of property, plant and equipment	-	-	(17)	-	-	-	-	17	-
Dividend paid	-	-	-	-	-	-	-	(57,750)	(57,750)
At 30 June 2010 (unaudited)	82,500	20,307	73,541	-	32,247	-	(67,990)	929,591	1,070,196

note:

The special reserve of the Group represents:

- the difference between the net asset value of the spin off group and the nominal value of share capital of the subsidiaries disposed pursuant to a group reorganization in June 2011;
- 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 OF FINANCIAL INFORMATION

The unaudited consolidated interim financial statements have been prepared in accordance 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 “Stock Exchange”) and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

During June 2011, the Company spun-off its handbag business (the “Spin-off Group”) with its shares listed on the Main Board of the Stock Exchange by way of introduction of Lee & Man Handbags Holding Limited (the “New Listco”), together with a distribution-in-specie of the entire share capital of the New Listco to the shareholders of the Company on a pro rata basis (the “Distribution”) which was completed on 22 June 2011.

Pursuant to the financial effect of the Distribution as explained in the Circular dated 19 May 2011 issued by the Company in connection with the deemed disposal of a subsidiary in relation to the spin off of the New Listco on the Main Board of the Stock Exchange. Immediately following the completion of the Distribution, (i) the Spin-off Group ceased to be subsidiaries of the Company and their financial information was not consolidated by the Group; (ii) The consolidated total assets, total liabilities and net assets of the Company immediately after the Distribution was reduced by the amount of the total assets, total liabilities and net assets of the Spin-off Group, respectively. (iii) As the Distribution was accounted for by the Company as a distribution in specie at carrying value, neither gain nor loss was recognised by the Company as a result of the Distribution and (iv) the Company and its subsidiaries is engaged solely in the chemical business.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2010 annual report.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements contained in the 2010 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning 1 January 2011. The adoption of these standards, amendments or interpretations has no material effect on the Group’s financial position or results of operations.

The Group has not early adopted the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

(a) Operating segments

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold.

The Group’s operating and reportable segments under HKFRS 8 Operating Segments are Chemical and Handbags

Principal activities during the period are as follows :

Continuing operation :

Chemical products - Manufacture and sales of chloromethane products, caustic soda and hydrogen peroxide.

Discontinued operation :

Handbags - Manufacture and sales of handbags.

3. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (continued)

Information regarding the above segments is reported below :

Segment revenues and results

	Continuing operation <u>Chemical</u> <u>products</u> <i>HK\$'000</i>	Discontinued operation <u>Handbags</u> <i>HK\$'000</i>	<u>Consolidated</u> <i>HK\$'000</i>
<u>For the six months ended 30 June 2011</u>			
REVENUE - External sales	<u>1,000,717</u>	<u>347,362</u>	<u>1,348,079</u>
Segment profit	<u>452,335</u>	<u>48,956</u>	501,291
Central administration costs			(910)
Spin-off expenses			(14,182)
Finance costs			<u>(4,566)</u>
Profit before tax			<u>481,633</u>
	Continuing operation <u>Chemical</u> <u>products</u> <i>HK\$'000</i>	Discontinued operation <u>Handbags</u> <i>HK\$'000</i>	<u>Consolidated</u> <i>HK\$'000</i>
<u>For the six months ended 30 June 2010</u>			
REVENUE - External sales	<u>557,121</u>	<u>395,412</u>	<u>952,533</u>
Segment profit	<u>179,432</u>	<u>59,556</u>	238,988
Central administration costs			(1,123)
Finance costs			<u>(4,943)</u>
Profit before tax			<u>232,922</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents profit before taxation earned by each segment without allocation of central administration costs, spin-off expenses and finance costs. This is the measure reported to the Chairman for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"). The handbag operation was discontinued during June 2011 as set out in Note 7.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	<u>Revenue from external customers</u>		<u>Non-current assets (note)</u>	
	<u>Six months ended 30 June</u>		<u>At</u>	<u>At</u>
	<u>2011</u>	<u>2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Continuing operation				
PRC	<u>1,000,717</u>	<u>557,121</u>	<u>1,216,862</u>	<u>1,208,357</u>
Discontinued operation				
Hong Kong	8,446	8,341	1,605	1,567
PRC	7,735	2,208	138,400	145,916
USA	149,544	220,095	36	45
Canada	17,158	13,092	-	-
The Netherlands	25,937	36,757	-	-
Italy	23,375	25,743	-	-
The United Kingdom	23,523	24,823	-	-
Germany	7,249	4,255	-	-
Other European countries	29,401	14,347	-	-
South American countries	21,412	13,181	-	-
Other Asian countries	<u>33,582</u>	<u>32,570</u>	<u>26,247</u>	<u>26,341</u>
Subtotal	<u>347,362</u>	<u>395,412</u>	<u>166,288</u>	<u>173,869</u>
Consolidated	<u>1,348,079</u>	<u>952,533</u>	<u>1,383,150</u>	<u>1,382,226</u>

note : Non-current assets excluded defined benefit assets .

4. FINANCE COSTS

	<u>Six months ended 30 June</u>	
	<u>2011</u>	<u>2010</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Continuing operation		
Interest on :		
Bank borrowings wholly repayable within five years	<u>3,834</u>	<u>4,106</u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	<u>2011</u>	<u>2010</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operation		
The charge comprises :		
Current tax :		
PRC Enterprise Income Tax	60,247	22,101

PRC

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries is exempted from PRC income tax for two years starting from 2008, followed by a 50% reduction for the next three years. These tax holidays and concessions expire in 2012.

6. PROFIT FOR THE PERIOD FROM CONTINUING OPERATION

	Six months ended 30 June	
	<u>2011</u>	<u>2010</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Directors' emoluments	1,709	1,941
Other staff costs	22,975	13,889
Retirement benefit schemes contributions (excluding directors)	20	34
Total staff costs	24,704	15,864
Amortisation of prepaid lease payments	377	360
Amortisation of intangible assets	536	497
Cost of inventories recognised as expenses	463,553	346,918
Depreciation of property, plant and equipment	46,224	39,642
Loss on disposal of property, plant and equipment	-	3
and after crediting:		
Interest income	5,429	149
Exchange gain	1,014	3,420

7. PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATION

On 22 June, 2011, the Group spun-off a subsidiary, Lee & Man Development Limited and its subsidiaries (collectively referred to as the “Handbag Group”), which carried out all of the Group’s handbag business. Following this spin-off, the Group discontinued its handbag business. The spin-off was effected through a separate listing of the Handbag Group by way of introduction, together with distribution in specie to the existing shareholders without raising new fund.

The profit for the period from the discontinued operation is analysed as follows:

	01.01.2011 to 22.06.2011 HK\$'000	01.01.2010 to 30.06.2010 HK\$'000
Revenue	347,362	395,412
Cost of sales	(254,428)	(281,677)
Gross profit	92,934	113,735
Other income	2,043	3,880
Selling and distribution costs	(5,281)	(11,340)
General and administrative expenses	(40,741)	(46,718)
Finance costs	(732)	(837)
Profit before taxation	48,223	58,720
Income tax expense	(4,276)	(5,261)
Profit for the period from discontinued operation	43,947	53,459
Profit for the period has been arrived at after charging:		
Total staff costs	99,417	91,202
Amortisation of prepaid lease payments	233	245
Cost of inventories recognised as expenses	254,428	281,677
Depreciation of property, plant and equipment	8,748	7,997
Loss on disposal of property, plant and equipment	66	23
Exchange loss	1,941	4,200

8. DIVIDENDS

	Six months ended 30 June 2011 HK\$'000	2010 HK\$'000
Final dividend paid during the period :		
2010 final dividend HK 13.0 cents per share (2009 : HK 7.0 cents)	107,250	57,750
Interim dividend declared subsequent to period end		
2011 interim dividend HK 17.0 cents per share (2010 : HK 9.0 cents)	140,250	74,250

The Board has declared that an interim dividend of HK17.0 cents (2010: HK9.0 cents) per share for the six months ended 30 June 2011 to shareholders whose names appear in the Register of Members on 17 August 2011.

In addition to the above, the company distributed a special interim dividend in a sum which equals to the net assets value of the spin-off group amounted to HK\$ 257 million as at 22 June 2011 by way of distribution in specie of the entire share capital of the New Listco to the shareholders of the Company on a pro rata basis.

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:

From continuing and discontinued operations

	Six months ended 30 June 2011 HK\$'000	2010 HK\$'000
Earnings from continuing and discontinued operations for the purpose of basic and diluted earnings per share	417,110	205,560
Weighted average number of ordinary shares for the purpose of basic earnings per share	825,000,000	825,000,000
Effect of dilutive potential ordinary shares: Share options	22,943,643	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	847,943,643	825,000,000

From continuing operation

	Six months ended 30 June 2011 HK\$'000	2010 HK\$'000
Earnings from continuing operation for the purpose of basic and diluted earnings per share	373,163	152,101
Weighted average number of ordinary shares for the purpose of basic earnings per share	825,000,000	825,000,000
Effect of dilutive potential ordinary shares: Share options	22,943,643	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	847,943,643	825,000,000

Diluted earnings per share for 2010 is not presented because the exercise price of those options was higher than its average market price for 2010 and there was no dilutive effect on earnings per share.

10. ADDITIONS TO PROPERTY , PLANT & EQUIPMENT

During the period, the Group spent HK\$ 50 million (2010 : 43 million) on property, plant and equipment to expand chemical business.

11. INVENTORIES

	At 30.06.2011 HK\$'000	At 31.12.2010 HK\$'000
Raw materials	51,037	95,395
Work in progress	9,611	45,822
Finished goods	21,343	26,855
	81,991	168,072

All inventories were carried at cost at the end of the reporting period.

12. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers an average credit period ranged from 7 to 90 days.

Included in the balance are trade and bills receivables of HK\$270,238,000 (31.12.2010: HK\$241,091,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	At <u>30.06.2011</u>	At <u>31.12.2010</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	79,544	169,440
31 – 60 days	58,815	39,214
61 – 90 days	33,950	19,090
Over 90 days	97,929	13,347
	270,238	241,091
Prepayment and deposits	36,055	60,268
Other receivables	13,551	2,964
	319,844	304,323

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 60 days.

Included in trade and other payables are trade and bills payables of HK\$51,796,000 (31.12.2010: HK\$150,838,000). The aged analysis of trade and bills payables at the end of the reporting period is as follows:

	At <u>30.06.2011</u>	At <u>31.12.2010</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	28,034	80,433
31 – 60 days	5,803	33,009
61 – 90 days	11,577	29,291
Over 90 days	6,382	8,105
	51,796	150,838
Other payables and accruals	117,138	162,692
	168,934	313,530

INTERIM DIVIDEND

The Board has declared an interim dividend of HK17.0 cents per share for the six months ended 30 June 2011 to shareholders whose names appear on the Register of Members on 17 August 2011. It is expected that the interim dividend will be paid around 31 August 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 August 2011 to 17 August 2011, 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 11 August 2011.

BUSINESS REVIEW

On 27 June 2011, the Group successfully spun off its handbag business and has this business listed on the Main Board of the Stock Exchange of Hong Kong Limited by way of introduction. The spin-off not only enabled the management team of the Group to focus on the development of chemical business, but also provided investors with a clearer and an independent view on the operating and financial position of the chemical business.

For the six months ended 30 June 2011, the Group recorded a revenue of HK\$1,348 million, increased by 41.5% over the same period last year; and a net profit for the period of HK\$417 million, representing a substantial increase of approximately 102.9% over the same period last year. The chemical business recorded a revenue of HK\$1 billion, increased by approximately 79.6% over the same period last year; and a net profit of HK\$373 million, representing a substantial increase of approximately 145.3% over the same period last year. The handbag business recorded a revenue of HK\$347 million and a net profit of HK\$44 million upon the completion of the spin-off.

The production capacity of the chemical business has further increased since the fourth production line commenced full operation during the first half of the year. Moreover, the increase in raw material costs was relatively modest compared to the substantial increase in product prices, resulting in the significant increase of gross profit margin from 37.7% of last year by 16 percentage points to 53.7%; the net profit margin also increased from 27.3% of last year to 37.3%. Such excellent performance not only generated considerable profit contribution to the Group, but also laid a solid foundation for the future business expansion.

PROSPECTS

Upon the full operation of the fourth chloromethane production line during the first half of the year, the aggregate annual production volume of Jiangsu Chemical Plant has reached 160,000 tons of chloromethane, 220,000 dry tons of caustic soda and 120,000 tons of hydrogen peroxide. In the coming two years, the key business focus of our chemical segment will be on the construction project of a new plant in Ruichang City, Jiangxi Province. We will pursue vigorous development of fluorochemical project at this plant with a view to achieving vertical integration of production model, while first phase production is expected to commence in the first half year of 2013.

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 unrelenting 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 2011 was HK\$1,500 million (31.12.2010 : HK\$1,377 million). As at 30 June 2011, the Group had current assets of HK\$1,039 million (31.12.2010 : HK\$870 million) and current liabilities of HK\$414 million (31.12.2010: HK\$828 million). The current ratio was 2.51 as at 30 June 2011 as compared to 1.05 at 31 December 2010.

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 2011, the Group had outstanding bank borrowings of HK\$534 million (31.12.2010: HK\$521 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 30 June 2011, the Group maintained bank balances and cash of HK\$637 million (31.12.2010: HK\$393 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.09 as at 31 December 2010 to zero as at 30 June 2011.

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 COMMITMENTS

As at 30 June 2011, 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\$3 million and HK\$23 million respectively.

HUMAN RESOURCES

As at 30 June 2011, the Group had a workforce of more than 600 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 six months ended 30 June 2011, 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 six months ended 30 June 2011 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 2011.

On behalf of the Board

Wai Siu Kee

Chairman

Hong Kong, 28 July 2011

As at the date of this announcement, the Board comprises of 4 executive directors, namely, Ms Wai Siu Kee, Mr Lee Man Yan, Mr Yang Zuo Ning and Ms Wong Yuet Ming, 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.

** for identification purposes only*