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LEE & MAN HANDBAGS HOLDING LIMITED

理文手袋集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.leemanhandbags.com>

(Stock Code: 1488)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Revenue decreased by 18.4% to HK\$396 million.
- Net profit decreased by 25.2% to HK\$40 million.
- Gross profit margin decreased from 23.9% to 22.7%.
- Net profit margin decreased from 11.0% to 10.1%.
- Earnings per share decreased from HK6.5 cents to HK4.9 cents.
- Declared interim dividend of HK3.5 cents per share.

INTERIM RESULTS

The board of directors (the “Board”) of Lee & Man Handbags 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 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

| | <i>Notes</i> | Six months ended 30 June | |
|---|--------------|---------------------------------|--------------------|
| | | <u>2013</u> | <u>2012</u> |
| | | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| Revenue | 3 | 395,539 | 484,884 |
| Cost of sales | | <u>(305,716)</u> | <u>(368,822)</u> |
| Gross profit | | 89,823 | 116,062 |
| Other income | | 6,922 | 3,574 |
| Selling and distribution costs | | (12,861) | (15,879) |
| General and administrative expenses | | (40,301) | (44,865) |
| Finance costs | | <u>(165)</u> | <u>(765)</u> |
| Profit before taxation | | 43,418 | 58,127 |
| Income tax expense | 4 | <u>(3,333)</u> | <u>(4,558)</u> |
| Profit for the period | 5 | <u>40,085</u> | <u>53,569</u> |
| Other comprehensive income (expense) : | | | |
| Item that may be subsequently reclassified to profit or loss : | | | |
| Exchange differences arising from translation | | <u>340</u> | <u>(362)</u> |
| Total comprehensive income for the period | | <u>40,425</u> | <u>53,207</u> |
| Earnings per share (HK cents) | 7 | <u>4.9</u> | <u>6.5</u> |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013**

| | <i>Notes</i> | <u>30.06.2013</u> (Unaudited) <i>HK\$'000</i> | <u>31.12.2012</u> (Audited) (Restated) <i>HK\$'000</i> |
|--|--------------|---|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 55,886 | 57,149 |
| Prepaid lease payments | | 23,828 | 23,935 |
| Investment properties | | 25,729 | 25,729 |
| Defined benefit assets | | 3,271 | 3,271 |
| Deferred tax assets | | <u>84</u> | <u>9</u> |
| | | <u>108,798</u> | <u>110,093</u> |
| CURRENT ASSETS | | | |
| Inventories | 9 | 106,808 | 106,656 |
| Prepaid lease payments | | 621 | 617 |
| Trade and other receivables | 10 | 162,959 | 113,736 |
| Derivative financial instruments | | 263 | 434 |
| Tax recoverable | | 1,320 | 2,602 |
| Bank balances and cash | | <u>32,674</u> | <u>80,038</u> |
| | | <u>304,645</u> | <u>304,083</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 98,280 | 91,812 |
| Amount due to a related company | | 243 | 311 |
| Taxation payable | | 3,372 | 1,236 |
| Bank borrowings | | <u>41,708</u> | <u>50,000</u> |
| | | <u>143,603</u> | <u>143,359</u> |
| NET CURRENT ASSETS | | <u>161,042</u> | <u>160,724</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>269,840</u> | <u>270,817</u> |
| NON-CURRENT LIABILITIES | | | |
| Derivative financial instruments | | 365 | 455 |
| Deferred taxation | | <u>219</u> | <u>281</u> |
| | | <u>584</u> | <u>736</u> |
| NET ASSETS | | <u>269,256</u> | <u>270,081</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 82,500 | 82,500 |
| Reserves | | <u>186,756</u> | <u>187,581</u> |
| | | <u>269,256</u> | <u>270,081</u> |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(Unaudited)**

| | Share capital <i>HK\$'000</i> | Asset revaluation reserve <i>HK\$'000</i> <i>(note i)</i> | Translation reserve <i>HK\$'000</i> | Special reserve <i>HK\$'000</i> <i>(note ii)</i> | Accumulated profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-------------------------------------|---|---|---|---|--------------------------|
| At 1 January 2012 (audited) | 82,500 | 6,641 | 5,371 | (38,562) | 187,353 | 243,303 |
| Adjustments (see Note 2) | - | - | - | - | (2,007) | (2,007) |
| At 1 January 2012 (restated) | 82,500 | 6,641 | 5,371 | (38,562) | 185,346 | 241,296 |
| Profit for the period | - | - | - | - | 53,569 | 53,569 |
| Other comprehensive expense for the period | - | - | (362) | - | - | (362) |
| Total comprehensive (expense) income for the period | - | - | (362) | - | 53,569 | 53,207 |
| Dividends recognised as distributions | - | - | - | - | (41,250) | (41,250) |
| At 30 June 2012 (unaudited) | 82,500 | 6,641 | 5,009 | (38,562) | 197,665 | 253,253 |
| At 1 January 2013 (audited) | 82,500 | 6,641 | 6,208 | (38,562) | 215,116 | 271,903 |
| Adjustment (see Note 2) | - | - | - | - | (1,822) | (1,822) |
| At 1 January 2013 (restated) | 82,500 | 6,641 | 6,208 | (38,562) | 213,294 | 270,081 |
| Profit for the period | - | - | - | - | 40,085 | 40,085 |
| Other comprehensive income for the period | - | - | 340 | - | - | 340 |
| Total comprehensive income for the period | - | - | 340 | - | 40,085 | 40,425 |
| Dividend recognised as distributions | - | - | - | - | (41,250) | (41,250) |
| At 30 June 2013 (unaudited) | 82,500 | 6,641 | 6,548 | (38,562) | 212,129 | 269,256 |

notes:

- (i) The asset revaluation reserve represented increase in revaluation arising from the owner-occupied properties becoming to investment properties prior to 1 January 2008.
- (ii) The special reserve of the Group represents:
- the difference between the nominal value of the share capital issued by Lee & Man Development Limited ("LM Development") and the nominal value of the share capital of subsidiaries acquired by it pursuant to a group reorganisation in 1993.
 - the difference between the nominal value of the share capital of a subsidiary, LM Development, acquired pursuant to a group reorganisation in June 2011 and the nominal value of the share capital issued by the Company; and
 - the expenses borne by shareholder for the listing of the Company.

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 United States dollars (“US\$”). 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 investment properties and 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 Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

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. Consequential 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 for “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.

2. BASIS OF PRESENTATION (CONTINUED)

HKAS 19 Employee Benefits (as revised in 2011)

In the current interim period, the Group has applied HKAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a ‘net-interest’ amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the summary below for details).

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 resource allocation purposes, the Group has not included total asset information as part of segment information other than entity wide disclosure.

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.

2. BASIS OF PRESENTATION (CONTINUED)

Summary of the effect of the above changes in accounting policy

The effects of the change in accounting policy described above on the financial positions of the Group as at the beginning of comparative period, i.e. 1 January 2012 and at the end of the immediately preceding financial year, i.e. 31 December 2012, are as follows:

| | As at 1.1.2012 (originally stated) <i>HK\$'000</i> | Adjustments <i>HK\$'000</i> | As at 1.1.2012 (restated) <i>HK\$'000</i> | As at 31.12.2012 (originally stated) <i>HK\$'000</i> | Adjustments <i>HK\$'000</i> | As at 31.12.2012 (restated) <i>HK\$'000</i> |
|------------------------|--|--------------------------------|--|--|--------------------------------|--|
| Defined benefit assets | 4,816 | (2,007) | 2,809 | 5,093 | (1,822) | 3,271 |
| Accumulated profits | 187,353 | (2,007) | 185,346 | 215,116 | (1,822) | 213,294 |

3. SEGMENT INFORMATION

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 CODMs, being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The CODMs review the Group's results and financial position as a whole, which is generated solely from the manufacture and sale of handbags and determined in accordance with the Group's accounting policies, for performance assessment and resources allocation. Therefore no separate segment information is prepared by the Group.

The Group's operations are located in the United States of America ("USA"), the Europe, Hong Kong, and the People's Republic of China ("PRC"). Sales to the largest customer contributed to 15.5% (2012: 18.6%) of the Group's total turnover.

Revenue from customers from sales of handbags of the corresponding period contributing over 10% of the total sales of the Group is as follows:

| | Six months ended 30 June | |
|------------|---------------------------------|------------------------|
| | <u>2013</u> | <u>2012</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Customer A | 61,158 | 75,906 |
| Customer B | 47,368 | 90,186 |
| Customer C | 42,673 | N/A* |
| Customer D | 40,743 | N/A* |

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

The Group's investment properties are located in Thailand. The rest of the Group's non-current assets, other than defined benefit assets and deferred tax assets, are located in the PRC.

3. SEGMENT INFORMATION (CONTINUED)

The Group's revenue from external customers by geographical location during the period is as follows:

| | Revenue from External customers | |
|--------------------------|--|-----------------------|
| | Six months ended 30 June | |
| | <u>2013</u> | <u>2012</u> |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 23,411 | 12,950 |
| PRC | 8,823 | 15,481 |
| USA | 160,789 | 175,838 |
| Canada | 4,932 | 17,153 |
| The Netherlands | 20,725 | 30,196 |
| Italy | 74,531 | 107,420 |
| The United Kingdom | 9,145 | 16,765 |
| Germany | 8,534 | 13,438 |
| Other European countries | 26,005 | 34,947 |
| South American countries | 13,359 | 16,753 |
| Other Asian countries | 45,285 | 43,943 |
| | <u>395,539</u> | <u>484,884</u> |

4. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---------------------------------|---------------------|
| | <u>2013</u> | <u>2012</u> |
| | HK\$'000 | HK\$'000 |
| The charge comprises : | | |
| Current tax : | | |
| Hong Kong Profits Tax | 3,402 | 4,281 |
| PRC Enterprise Income Tax ("EIT") | 68 | - |
| Other jurisdictions Income Tax | - | 6 |
| | <u>3,470</u> | <u>4,287</u> |
| Underprovision in prior years – PRC EIT | - | 1 |
| Deferred tax – current period | (137) | 270 |
| | <u>3,333</u> | <u>4,558</u> |

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

According to the 50:50 onshore/offshore arrangement between the Group and the Inland Revenue Department in Hong Kong, certain profit of the Group is not subject to tax.

PRC

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Other jurisdiction

Taxation arising in other jurisdictions is calculated at the rates prevailing in relevant jurisdictions.

5. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|--|---------------------------------|------------------------|
| | <u>2013</u> | <u>2012</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the period has been arrived at after charging: | | |
| Directors' emoluments | 1,430 | 1,426 |
| Other staff costs | 114,784 | 112,841 |
| Retirement benefit schemes contributions (excluding directors) | 3,826 | 3,030 |
| Total staff costs | <u>120,040</u> | <u>117,297</u> |
| | | |
| Amortisation of prepaid lease payments | 312 | 310 |
| Cost of inventories recognised as expenses | 305,716 | 368,822 |
| Depreciation of property, plant and equipment | 5,261 | 6,847 |
| Net exchange loss | 4,597 | 6,467 |
| Loss on fair value changes on derivative financial instruments | - | 462 |
| | | |
| and after crediting: | | |
| Interest income | 108 | 138 |
| Gain on disposal of property, plant and equipment | 16 | 194 |
| Net gain on fair value changes on derivative financial instruments | 740 | - |

6. DIVIDENDS

| | Six months ended 30 June | |
|---|---------------------------------|------------------------|
| | <u>2013</u> | <u>2012</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Final dividend paid during the period: | | |
| 2012 final dividend HK5.0 cents per share (2011: HK5.0 cents) | 41,250 | 41,250 |
| | | |
| Interim dividend declared subsequent to period end: | | |
| 2013 interim dividend HK3.5 cents per share (2012: HK5.0 cents) | 28,875 | 41,250 |

The Board has declared that an interim dividend of HK3.5 cents (2012: HK5.0 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.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the periods is based on the following data:

| | Six months ended 30 June | |
|---|---------------------------------|-------------------------|
| | <u>2013</u> | <u>2012</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the period for the purpose of basic earnings per share | 40,085 | 53,569 |
| | <i>Number of</i> | <i>Number of</i> |
| | <i>shares</i> | <i>shares</i> |
| Number of ordinary shares for the purpose of basic earnings per share | 825,000,000 | 825,000,000 |

Diluted earnings per share is not presented because there were no dilutive ordinary shares in issue for both periods.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3.9 million (2012: HK\$8.1 million) on property, plant and equipment to expand its operation.

9. INVENTORIES

| | At | At |
|------------------|--------------------------|--------------------------|
| | <u>30.06.2013</u> | <u>31.12.2012</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Raw materials | 46,387 | 42,033 |
| Work in progress | 44,927 | 35,329 |
| Finished goods | 15,494 | 29,294 |
| | 106,808 | 106,656 |

10. 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 approximately HK\$158,956,000 (31.12.2012: HK\$109,469,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

| | <u>At</u> <u>30.06.2013</u> <i>HK\$'000</i> | <u>At</u> <u>31.12.2012</u> <i>HK\$'000</i> |
|-------------------------|---|---|
| Less than 30 days | 80,181 | 59,138 |
| 31 to 60 days | 55,960 | 32,261 |
| 61 to 90 days | 21,854 | 17,471 |
| Over 90 days | 961 | 599 |
| | <u>158,956</u> | <u>109,469</u> |
| Prepayment and deposits | 3,422 | 3,145 |
| Other receivables | 581 | 1,122 |
| | <u>162,959</u> | <u>113,736</u> |

11. 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 approximately HK\$69,213,000 (31.12.2012: HK\$56,941,000). The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

| | <u>At</u> <u>30.06.2013</u> <i>HK\$'000</i> | <u>At</u> <u>31.12.2012</u> <i>HK\$'000</i> |
|-----------------------------|---|---|
| Less than 30 days | 38,983 | 34,517 |
| 31 to 60 days | 21,489 | 17,692 |
| 61 to 90 days | 4,945 | 2,693 |
| Over 90 days | 3,796 | 2,039 |
| | <u>69,213</u> | <u>56,941</u> |
| Other payables and accruals | 29,067 | 34,871 |
| | <u>98,280</u> | <u>91,812</u> |

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.5 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\$396 million, decreased by 18.4% over the last corresponding period; and a net profit for the period of approximately HK\$40 million, decreased by 25.2% over the same period last year. Gross profit margin and net profit margin were 22.7% and 10.1%, representing a decrease of 1.2 and 0.9 percentage point respectively as compared to the last corresponding period.

As the global economy was seriously affected by the factors of the sluggish performance of the European and USA market and the lingering European sovereign debt crisis, the revenue decreased by 18.4% in the current period. The Group, leveraging on the unrelenting efforts made by the management, improved the product design and strengthened the development of mid-high end products. As to the production cost, even in the face of appreciation in Renminbi and significant increase in the labour costs in the PRC, the Group maintained its market share and competitiveness in the handbag industry through effective and stringent cost control and the implementation of production process optimisation project.

PROSPECTS

It is expected that the external economy would continue to be affected by the above factors. Also, in view of the severe shortage of labour in the PRC and the surging labour costs, it will be full of challenge for the handbag business in the second half of the year. Nevertheless, the Group will strive to diversify its product designs, strengthen the development of high-end products, enhance the production processes, reinforce internal controls and implement tight control over the cost in order to maximise profit for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2013 was approximately HK\$269 million (31.12.2012: HK\$270 million). As at 30 June 2013, the Group had current assets of approximately HK\$305 million (31.12.2012: HK\$304 million) and current liabilities of approximately HK\$144 million (31.12.2012: HK\$143 million). The current ratio was 2.12 as at 30 June 2013 and 31 December 2012.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong. As at 30 June 2013, the Group had outstanding bank borrowings of approximately HK\$42 million (31.12.2012: HK\$50 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\$33 million (31.12.2012: HK\$80 million). The Group's net debt-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.03 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) of 0.11 as at 31 December 2012.

The Group has sufficient cash and available banking facilities to meet its commitments and working capital requirements.

CAPITAL COMMITMENTS

As at 30 June 2013, the Group had no capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment.

EMPLOYEES

As at 30 June 2013, the Group had a workforce of around 5,000 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 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 who also acts as the 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 4 executive directors, namely, Ms Wai Siu Kee, Mr Kung Phong, Ms Lee Man Ching and Ms Poon Lai Ming, and 3 independent non-executive directors, namely, Mr Heng Victor Ja Wei, Mr So Wing Keung, and Mr Tsang Hin Man Terence.