LEE & MAN CHEMICAL COMPANY LIMITED
理文化工有限公司
(FORMERLY KNOWN AS LEE & MAN HOLDING LIMITED)
(Incorporated in the Cayman Islands with limited liability)
Website: http://www.leeman.com.hk
(Stock Code: 746)

FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

(Full year 2011 versus full year 2010)

Chemical and Handbag Operations

- Revenue increased by 0.8% to HK$2,156 million.
- Net profit increased by 45.2 % to HK$676 million.
- Net profit margin increased from 21.8% to 31.4%.
- Bank and cash balances at 31 December 2011 : HK$1,233 million.
- Net cash-to-equity ratio at 31 December 2011 : 0.16.
- Basic earnings per share increased from HK56.5 cents to HK82 cents.
- Proposed final dividend of HK12 cents per share.

Chemical Operation

- Revenue increased by 40.7% to HK$ 1,808 million.
- Net profit increased by 77.9% to HK$ 637million.
- Gross profit margin increased from 44.7% to 46.7%.
- Net profit margin increased from 27.9% to 35.2%.

FINANCIAL RESULTS

The board of directors (the "Directors") of Lee & Man Chemical Company Limited (formerly known as Lee & Man Holding 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 2011 together with comparative figures for the year ended 31 December 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Continuing operation			*(restated)*
Revenue	*4*	**1,808,348**	1,285,269
Cost of sales		**(963,084)**	(710,528)
Gross profit		**845,264**	574,741
Other income	*6*	**55,298**	8,295
Net loss on derivative financial instruments		**(1,685)**	-
Selling and distribution costs		**(56,897)**	(46,595)
General and administrative expenses		**(143,095)**	(106,827)
Interest on bank borrowings wholly repayable within five years		**(11,345)**	(8,773)
Share of profit of jointly controlled entities		**7**	-
Profit before taxation		**687,547**	420,841
Income tax expense	*7*	**(50,584)**	(62,700)
Profit for the year from continuing operation		**636,963**	358,141
Discontinued operation			
Profit for the year from discontinued operation	*8*	**33,327**	107,676
Gain arising from translation reserve upon distribution of specie		**6,090**	-
		39,417	107,676
Profit for the year	*9*	**676,380**	465,817
Other comprehensive income			
Exchange differences arising from translation		**71,957**	40,667
Release of translation reserve upon derecognition of subsidiaries		**(6,090)**	-
Share of reserve of jointly controlled entities		**221**	161
Fair value loss on hedging instruments in cash flow hedges		**(2,963)**	-
Other comprehensive income for the year		**63,125**	40,828
Total comprehensive income for the year		**739,505**	506,645
Earnings per share from continuing and discontinued operations :	*10*		
- Basic (HK cents)		**82.0**	56.5
- Diluted (HK cents)		**81.4**	56.5
Earnings per share from continuing operation :	*10*		
- Basic (HK cents)		**77.2**	43.4
- Diluted (HK cents)		**76.7**	43.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Notes	31.12.2011	31.12.2010	1.1.2010
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	*(restated)*
NON-CURRENT ASSETS				
Property, plant and equipment		**1,124,535**	1,170,338	1,073,718
Prepaid lease payments		**45,454**	55,855	55,766
Investment properties		**-**	26,341	22,408
Intangible assets		**8,443**	8,323	8,480
Deposits paid for the acquisition of property, plant and equipment		**14,613**	29,598	12,841
Deposit paid for land use right		**3,045**	-	-
Interests in jointly controlled entities		**4,934**	4,706	-
Loan to a jointly controlled entity		**9,400**	-	-
Defined benefit assets		**-**	4,538	4,250
Deferred tax asset		**-**	626	577
		1,210,424	1,300,325	1,178,040
CURRENT ASSETS				
Inventories	*12*	**95,620**	168,072	108,375
Prepaid lease payments		**929**	1,235	1,210
Trade and other receivables	*13*	**293,601**	304,323	178,387
Derivative financial instruments		**-**	-	704
Tax recoverable		**-**	2,824	-
Restricted bank balances		**-**	-	1,705
Bank balances and cash		**1,233,108**	393,385	70,638
		1,623,258	869,839	361,019
CURRENT LIABILITIES				
Trade and other payables	*14*	**190,234**	313,530	293,991
Derivative financial instruments		**-**	530	-
Amounts due to related companies		**201**	6,955	8,911
Taxation payable		**14,738**	27,884	3,631
Bank borrowings - due within 1 year		**220,148**	479,577	288,832
		425,321	828,476	595,365
NET CURRENT ASSETS (LIABILITIES)		**1,197,937**	41,363	(234,346)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,408,361**	1,341,688	943,694

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 31 DECEMBER 2011

	Notes	**31.12.2011**	31.12.2010	1.1.2010
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	*(restated)*
NON-CURRENT LIABILITIES				
Bank borrowings - due after 1 year		**746,600**	41,808	83,616
Other long term payables		**-**	-	1,676
Deferred tax liabilities		**-**	582	553
Derivative financial instruments		**3,140**	-	-
		749,740	42,390	85,845
NET ASSETS		**1,658,621**	1,299,298	857,849
CAPITAL AND RESERVES				
Share capital		**82,500**	82,500	82,500
Reserves		**1,576,121**	1,216,798	775,349
		1,658,621	1,299,298	857,849

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 addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" to the annual report.

On 22 June 2011, as part of a reorganisation of the Group's businesses, the Company effected a spin-off of Lee & Man Development Company and its subsidiaries (the "Handbag Group') which are principally engaged in the manufacture and sale of handbags (the "Handbag Business") by way of a distribution in specie to the Company's shareholders on a pro rata basis (the "Spin-off").

Following the Spin-off, the Group was principally engaged in the manufacture and sale of chemical products (the "Chemical Business").

Prior to the Spin-off, the functional currency of the Company was United States dollars for the purpose of preparing its consolidated financial statements. Because of the Spin-off, the Company has re-examined its functional currency in light of the change in its source of income. As a result of this examination, the directors have determined that the functional currency of the Company should now be Renminbi ("RMB"). Accordingly, the consolidated financial statements are presented on this basis thereafter.

The consolidated financial statements are presented in Hong Kong dollars as the Company is listed in Hong Kong.

The Company acts as an investment holding company and the principal activities of its principal subsidiaries are set out in note 38 of the annual report

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs issued 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:

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

3. CHANGES IN ACCOUNTING POLICIES

During the year, the Group changed its accounting policy relating to its property, plant and equipment as follow.

Prior to the change, the Group used to measure its property, plant and equipment using the revaluation model. The management of the Group consider that measuring property, plant and equipment at cost model provides more relevant information about the Group's financial performance to the economic decision-making needs of users as most of the companies engaging businesses in the manufacturing and sales of chemical products and handbags in PRC and Hong Kong respectively adopt the same model in measuring the property, plant and equipment. As a result, the Group has decided to state it at cost, less any accumulated depreciation and accumulated impairment losses. This change in accounting policy has been applied retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

3. CHANGES IN ACCOUNTING POLICIES – continued

This change in accounting policy has been applied retrospectively and its effects for the current year and the prior year are as follows:

The effect on the Group's results for the current year and prior year for continuing operation

	2011	2010
	HK$'000	*HK$'000*
Decrease in loss on disposal of property, plant and equipment included in administrative expenses	**36**	88
Decrease in depreciation of property, plant and equipment included in cost of sales	**1,295**	2,313
Decrease in deferred tax charge	**333**	363
Increase in profit for the year	**1,664**	2,764
Decrease in surplus arising on revaluation of property, plant and equipment	**(43,090)**	(7,652)
Decrease in recognition of deferred tax liability arising on revaluation of property, plant and equipment	**10,772**	1,914
Decrease in other comprehensive income for the year	**(32,318)**	(5,738)

The effect on the Group's results for the current year and prior year for discontinued operation

	1.1.2011 to 22.6.2011	1.1.2010 to 31.12.2010
	HK$'000	*HK$'000*
Increase in gain on disposal of property, plant and equipment included in other income	**-**	22
Decrease in loss on disposal of property, plant and equipment included in administrative expenses	**83**	62
Decrease in depreciation of property, plant and equipment included in cost of sales	**3,807**	5,819
Decrease deficit arising on revaluation of property, plant and equipment included in administrative expenses	**-**	65
Decrease in depreciation of property, plant and equipment included in administrative expenses	**54**	87
Decrease in deferred tax credit	**(324)**	(545)
Increase in profit for the year	**3,620**	5,510
Decrease in surplus arising on revaluation of property, plant and equipment	**-**	(14,431)
Decrease in recognition of deferred tax liability arising on revaluation of property, plant and equipment	**-**	1,198
Decrease in other comprehensive income for the year	**-**	(13,233)

3. CHANGES IN ACCOUNTING POLICIES – continued

Impact on basic earnings per share for continuing operation

	2011	2010
	HK cents	*HK cents*
Figures before adjustments	**77.0**	43.1
Adjustment arising from change in accounting policy in relation to property, plant and equipment	**0.2**	0.3
Figures after adjustments	**77.2**	43.4

Impact on diluted earnings per share for continuing operation

	2011	2010
	HK cents	*HK cents*
Figures before adjustments	**76.5**	43.1
Adjustment arising from change in accounting policy in relation to property, plant and equipment	**0.2**	0.3
Figures after adjustments	**76.7**	43.4

Impact on basic and diluted earnings per share for discontinued operation

	1.1.2011 to 22.6.2011	1.1.2010 to 31.12.2010
	HK cents	*HK cents*
Figures before adjustments	**4.4**	12.4
Adjustment arising from change in accounting policy in relation to property, plant and equipment	**0.4**	0.7
Figures after adjustments	**4.8**	13.1

Impact on basic earnings per share for continuing and discontinued operations

	2011	2010
	HK cents	*HK cents*
Figures before adjustments	**81.4**	55.5
Adjustment arising from change in accounting policy in relation to property, plant and equipment	**0.6**	1.0
Figures after adjustments	**82.0**	56.5

Impact on diluted earnings per share for continuing and discontinued operations

	2011	2010
	HK cents	*HK cents*
Figures before adjustments	**80.8**	55.5
Adjustment arising from change in accounting policy in relation to property, plant and equipment	**0.6**	1.0
Figures after adjustments	**81.4**	56.5

3. CHANGES IN ACCOUNTING POLICIES – continued

The effect on the Group's financial position as at 1 January 2010 and 31 December 2010

	As at 1.1.2010 (originally stated)	Adjustments	As at 1.1.2010 (restated)	As at 31.12.2010 (originally stated)	Adjustments	As at 31.12.2010 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	1,147,156	(73,438)	1,073,718	1,257,403	(87,065)	1,170,338
Deferred tax asset	-	577	577	-	626	626
Deferred tax liabilities	(6,008)	5,455	(553)	(8,917)	8,335	(582)
Total effects on net asset	1,141,148	(67,406)	1,073,742	1,248,486	(78,104)	1,170,382
Accumulated profits	780,662	679	781,341	1,054,020	1,563	1,055,583
Asset revaluation reserve	74,727	(68,085)	6,642	86,309	(79,667)	6,642
Total effects on equity	855,389	(67,406)	787,983	1,140,329	(78,104)	1,062,225

4. REVENUE

An analysis of the Group's revenue for the year from continuing operation is as follows:

	2011	2010
	HK$'000	*HK$'000*
Manufacture and sales of chemical products	**1,808,348**	1,285,269

5. SEGMENT INFORMATION

(a) Operating Segments

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

The Group used to have two operating segments, namely, the Handbag Business and the Chemical Business. Following the Spin-off, the CODM regards the Chemical Business as the Group's sole operating reportable segment and reviews the Group's results and financial position as a whole for the purpose of performance measurement and resources allocation. Accordingly, no segment analysis is presented other than entity wide disclosure. As at 31 December 2011, all assets and liabilities are allocated to Chemical Business.

The Handbag Business was reported as a discontinued operation in Note 8.

5. **SEGMENT INFORMATION** - continued

(b) **Geographical information**

The Group's operations from continuing operation are located in the People's Republic of China ("PRC").

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

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
PRC	**1,795,854**	1,279,419	**1,210,424**	1,192,157
USA	**12,494**	-	**-**	-
Other Asian countries	**-**	5,850	**-**	-
	1,808,348	1,285,269	**1,210,424**	1,192,157

Non-current assets excluded those relating to discontinued operation and defined benefit assets .

(c) Information about major customers

Revenue from customers from chemical products of the corresponding years contributing over 10% of the total sales of the Group are as follow:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**240,128**	N/A*

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

6. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**25,858**	1,656
Government grant	**16,011**	1,326
Exchange gain	**5,947**	3,144
Others	**7,482**	2,169
	55,298	8,295

7. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
		(restated)
The charge comprises :		
Current tax :		
PRC Enterprise Income Tax ("EIT")	**95,158**	62,649
EIT refund(note)	**(44,623)**	-
Other jurisdictions	**49**	51
	50,584	62,700

note : This represents EIT refund by the relevant tax authority calculated with reference to amount of qualified property, plant and equipment that the Group sourced within the PRC. The Group recognises this EIT refund upon receipt.

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

Pursuant to the relevant laws and regulations in the PRC, Jiangsu L&M 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.

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

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

8. DISCONTINUED OPERATION

Upon the Spin-off, the Group discontinued its Handbag Business, the results of which from 1 January 2011 to 22 June 2011 (date of Spin-off) and the year ended 31 December 2010 are presented as a discontinued operation as follow:

	01.01.2011 to 22.06.2011	01.01.2010 to 31.12.2010
	HK$'000	*HK$'000*
		(restated)
Revenue	**347,362**	853,539
Cost of sales	**(250,621)**	(614,445)
Gross profit	**96,741**	239,094
Other income	**2,043**	8,642
Selling and distribution costs	**(5,280)**	(33,279)
General and administrative expenses	**(40,604)**	(95,603)
Listing expense	**(14,565)**	-
Finance costs	**(732)**	(1,707)
Profit before taxation	**37,603**	117,147
Income tax expense	**(4,276)**	(9,471)
Profit for the period /year	**33,327**	107,676
Gain arising from translation reserve upon distribution of specie	**6,090**	-
	39,417	107,676
Profit for the period / year from discontinued operation included the following:		
Directors' emoluments	**854**	2,723
Other staff costs	**98,122**	191,977
Retirement benefit schemes contributions (excluding directors)	**442**	950
Total staff costs	**99,418**	195,650
Release of prepaid lease payments	**233**	490
Auditors' remuneration	**188**	520
Cost of inventories recognised as expenses (including reversal of write-down of inventories of HK$771,000(2010:reversal of write-down of HK$3,114,000)	**250,621**	614,445
Depreciation of property, plant and equipment	**4,740**	10,456
Impairment loss recognised in respect of trade receivables (included in selling and distribution costs)	**-**	204
Exchange loss	**1,941**	8,248
and after crediting:		
Interest income	**31**	45
Recovery of doubtful debt	**-**	6
Gain on disposal of property, plant and equipment	**17**	22
Gain on fair value changes on investment properties	**-**	1,374
(Loss) gain on fair value changes on derivative financial instruments	**(494)**	70

During the period from 1 January 2011 to 22 June 2011, the Handbag Group contributed cash inflow of HK$4,147,000 (2010: HK$84,275,000) to the Group's net operating cash flows, paid HK$2,205,000 (2010: HK$52,394,000) in respect of investing activities and paid HK$17,779,000 (2010: HK$24,492,000) in respect of financing activities.

9. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Continuing operation		
Profit for the year has been arrived at after charging :		
Directors' emoluments	**73,110**	68,256
Other staff costs	**44,304**	32,235
Retirement benefit schemes contributions (excluding directors)	**3,580**	1,698
Total staff costs	**120,994**	102,189
Release of prepaid lease payments	**775**	727
Amortisation of intangible asset	**1,055**	1,019
Auditors' remuneration	**1,493**	1,033
Cost of inventories recognised as expenses	**963,084**	710,440
Depreciation of property, plant and equipment	**99,255**	85,543
Loss on disposal of property, plant and equipment	**268**	392
Research and development cost recognised as expenses	**4,136**	2,043

10. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
		(restated)
From continuing and discontinued operations		
Earnings from continuing and discontinued operations for the purpose of basic and diluted earnings per share	**676,380**	465,817
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	**5,525,890**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**830,525,890**	825,000,000
From continuing operation		
Earnings from continuing operation for the purpose of basic and diluted earnings per share	**636,963**	358,141
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	**5,525,890**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**830,525,890**	825,000,000
From discontinued operation		
Earnings from discontinued operation for the purpose of basic and diluted earnings per share	**39,417**	107,676
Number of ordinary shares for the purpose of basic and diluted earnings per share	**825,000,000**	825,000,000

11. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
Final dividend of HK13 cents per share for the year ended 31 December 2010	**107,250**	-
Interim dividend of HK17 cents per share for the year ended 31 December 2011	**140,250**	-
Final dividend of HK 7 cents per share for the year ended 31 December 2009	**-**	57,750
Interim dividend of HK9 cents per share for the year ended 31December 2010	**-**	74,250
	247,500	132,000

A final dividend of HK12cents (2010: HK13cents) per share amounting to HK$99,000,000 (2010: HK$107,250,000) for the year ended 31 December 2011 has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

In addition to the above, the Spin-off was effected by means of a distribution in specie whereby the net assets of the Handbag Group on the date of the Spin-off amounting to approximately HK$195 million was effectively distributed to the Company's shareholders on a pro rata basis.

12. INVENTORIES

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
Raw materials and consumables	**56,784**	95,395	58,153
Work in progress	**8,809**	45,822	38,410
Finished goods	**30,027**	26,855	11,812
	95,620	168,072	108,375

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 and bills receivables of HK$243,790,000 (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:

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
Less than 30 days	**236,398**	208,015	101,216
31 – 60 days	**7,392**	25,635	38,313
61 – 90 days	**-**	4,317	12,970
Over 90 days	**-**	3,124	1,444
	243,790	241,091	153,943
Prepayment and deposits	**37,154**	60,268	22,667
Other receivables	**12,657**	2,964	1,777
Total trade and other receivables	**293,601**	304,323	178,387

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 and bills payables of HK$56,306,000 (2010: HK$150,838,000). The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
Less than 30 days	**44,243**	80,433	88,508
31 – 60 days	**3,473**	33,009	22,905
61 – 90 days	**1,120**	29,291	21,843
Over 90 days	**7,470**	8,105	4,818
	56,306	150,838	138,074
Receipt in advance	**59,167**	53,275	22,561
Construction payable	**23,819**	32,072	74,902
Other payables and accruals	**50,942**	77,345	58,454
Total trade and other payables	**190,234**	313,530	293,991

FINAL DIVIDEND

The Directors have proposed a final dividend of HK12 cents per share for the year ended 31 December 2011 to shareholders whose names appear on the Register of Members on 9 May 2012. 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 16 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 May 2012 to 9 May 2012, both days inclusive, during which period no transfer of shares in the Company can be registered. In order to qualify for the final 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 4 May 2012.

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 year ended 31 December 2011, the Group recorded revenue of HK$2,156 million, increased by 0.8% over the last year; and a net profit for the year of HK$676 million, representing a substantial increase of approximately 45.2% over the same period last year. The chemical business recorded revenue of HK$1,808 million, increased by approximately 40.7% over the same period last year; and a net profit of HK$637 million, representing a substantial increase of approximately 77.9% over the same period last year. The handbag business recorded revenue of HK$347 million and a net profit of HK$39 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. As for the product selling prices, there were significant fluctuations in main product prices during the year; high prices dropped sharply in the second half of the year whereas the by-product prices rose substantially. Overall annual gross profit margin has increased from 44.7% of last year by 2.0 percentage points to 46.7%; the net profit margin also increased from 27.9% of last year by 7.3 percentage points to 35.2%. 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 designed annual production capacity 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 year, the key business focus of our chemical segment will be on the construction of a new plant in Ruichang City, Jiangxi Province.

The Group intends to spend about RMB1.9 billion for development of the fluorochemical downstream products in two phases and the first production line is expected to commence operation in the first half of 2013. The project will be financed by internal funds and bank borrowings while the relevant bank financing lines have been granted and made available for drawdown at any time according to the progress requirement of the project.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders'equity of the Group as at 31 December 2011 was HK$1,659 million (31.12.2010 : HK$1,299 million). As at 31 December 2011, the Group had current assets of HK$1,623 million (31.12.2010 : HK$870 million) and current liabilities of HK$425 million (31.12.2010: HK$828 million). The current ratio was 3.8 as at 31 December 2011 as compared to 1.0 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 31 December 2011, the Group had outstanding bank borrowings of HK$967 million (31.12.2010: HK$521 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2011, the Group maintained bank balances and cash of HK$1,233 million (31.12.2010: HK$393 million). The Group's net cash-to-equity ratio (cash and cash equivalents net of total borrowings over shareholders' equity) as at 31 December 2011 was 0.16.

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 31 December 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 HK$150 million and HK$56 million respectively.

On 28 June 2011, the Group entered into a joint venture agreement ("JV Agreement") with Lee & Man Paper Manufacturing Limited ("LMP") and Southern Hill Company Limited ("HK Company") for the purpose of establishing a Wholly Foreign Owned Enterprise ("WFOE") named 瑞昌理文物流有限公司. The registered capital of the WFOE shall be US$12M. The Company and LMP undertake to each contribute US$6M (approximately HK$46.8M) (representing 50% of the total amount of registered capital of the WFOE by way of shareholder's loan.

As at 31 December 2011, the Group has loan to the HK Company of HK$9.4M and had commitment of HK$37.4M contracted for but not provided in the consolidated financial statement in respect of the shareholder's loan.

HUMAN RESOURCES

At 31 December 2011, the Group had a workforce of more than 700 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 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 year ended 31 December 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, comprising all the independent non-executive directors of the Company, has reviewed the result of the Group for the year ended 31 December 2011 and have 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 30 April 2012. 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, 27 February 2012

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.