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LEE & MAN CHEMICAL COMPANY LIMITED

理文化工有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.leeman.com.hk>

(Stock Code: 746)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

- Revenue of HK\$1,560 million for the year, increased by 17.4% as compared to last year.
- Net profit of HK\$330 million for the year, increased by 6.9% as compared to last year.
- Gross profit margin of 41.9% for the year.
- Net profit margin of 21.2% for the year.
- Earnings per share of HK40 cents for the year.
- Proposed final dividend of HK8 cents per share.

FINANCIAL RESULTS

The board of directors (the “Directors”) of Lee & Man Chemical Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 together with comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Revenue	3	1,560,028	1,329,131
Cost of sales		<u>(906,101)</u>	<u>(855,224)</u>
Gross profit		653,927	473,907
Other income	5	86,245	177,449
Net gain from fair value changes on derivative financial instruments		3,911	13,967
Selling and distribution costs		(68,480)	(60,954)
General and administrative expenses		(140,144)	(104,120)
Research and development cost		(83,904)	(77,393)
Finance costs	7	(37,336)	(48,359)
Share of (loss) profit of joint ventures		<u>(2,749)</u>	<u>460</u>
Profit before taxation		411,470	374,957
Income tax expense	6	<u>(81,359)</u>	<u>(66,225)</u>
Profit for the year	7	<u>330,111</u>	<u>308,732</u>
Other comprehensive (expense) income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation		(49,392)	41,273
Net gain on hedging instruments in cash flow hedges		<u>2,136</u>	<u>4,514</u>
Other comprehensive (expense) income for the year		<u>(47,256)</u>	<u>45,787</u>
Total comprehensive income for the year		<u>282,855</u>	<u>354,519</u>
Earnings per share	8		
Basic (HK cents)		<u>40.0</u>	<u>37.4</u>
Diluted (HK cents)		<u>40.0</u>	<u>37.4</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	<i>Notes</i>	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,929,545	2,251,570
Prepaid lease payments		78,890	82,109
Investment property		48,953	48,470
Intangible assets		4,945	6,282
Deposits paid for the acquisition of property, plant and equipment		216,983	178,326
Interests in joint ventures		24,143	27,338
Other deposits		38,197	2,038
Derivative financial instruments		31	360
Deferred tax asset		25,349	26,372
		<u>3,367,036</u>	<u>2,622,865</u>
CURRENT ASSETS			
Inventories	10	165,390	116,578
Prepaid lease payments		1,877	1,913
Trade and other receivables	11	474,993	270,470
Loan to a joint venture		91,103	83,353
Amount due from a joint venture		15,625	15,927
Derivative financial instruments		1,269	2,024
Bank balances and cash		596,752	1,061,504
		<u>1,347,009</u>	<u>1,551,769</u>
CURRENT LIABILITIES			
Trade and other payables	12	439,983	327,799
Amount due to a related company		4,047	2,938
Taxation payable		28,001	38,289
Derivative financial instruments		4,621	502
Bank borrowings - due within 1 year		709,695	581,414
		<u>1,186,347</u>	<u>950,942</u>
NET CURRENT ASSETS		<u>160,662</u>	<u>600,827</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,527,698</u>	<u>3,223,692</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 31 DECEMBER 2014

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank borrowings - due after 1 year	1,229,347	1,090,273
Derivative financial instruments	388	2,811
	<u>1,229,735</u>	<u>1,093,084</u>
NET ASSETS	<u>2,297,963</u>	<u>2,130,608</u>
 CAPITAL AND RESERVES		
Share capital	82,500	82,500
Reserves	<u>2,215,463</u>	<u>2,048,108</u>
	<u>2,297,963</u>	<u>2,130,608</u>

Notes:

1. GENERAL

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

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

The Company acts as an investment holding company and the principal activities of its principal subsidiaries are set out in note 35 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 ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Except as described below, 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.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have significant financial assets and financial liabilities for offset.

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle ³
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 July 2014, with limited exception.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2017.

⁶ Effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 Financial Instruments - continued

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in note 37 of the annual report.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

The directors anticipate that the application of the new and revised standards will have no material impact on the results and the financial position of the Group.

3. REVENUE

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

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacture and sales of chemical products	<u>1,560,028</u>	<u>1,329,131</u>

4. SEGMENT INFORMATION

(a) Operating Segments

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

(b) Geographical information

The Group's operations are located in the People's Republic of China ("PRC"). Its non-current assets are located in the PRC.

The Group's revenue from external customers by geographical location of the operations is detailed below:

	<u>Revenue from external customers</u>	
	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	1,560,028	1,327,225
India	-	1,906
	<u>1,560,028</u>	<u>1,329,131</u>

(c) Revenue from major products

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

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chloromethane products	736,018	543,472
Caustic soda	583,083	578,503
Hydrogen peroxide	137,867	147,584
Others	103,060	59,572
	<u>1,560,028</u>	<u>1,329,131</u>

4. SEGMENT INFORMATION- continued

(d) Information about major customers

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

5. OTHER INCOME

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	37,506	64,012
Government grants (note)	21,771	37,279
Scrap sales	13,253	9,137
Net exchange gain	-	50,625
Others	13,715	16,396
	<u>86,245</u>	<u>177,449</u>

note : The Group recognises these grants as other income upon receipt.

6. INCOME TAX EXPENSE

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises :		
Current tax :		
PRC Enterprise Income Tax ("EIT")	83,035	92,383
Other jurisdiction	43	47
Overprovision in prior years:		
EIT	(2,255)	-
Deferred tax :		
Current year	536	(26,205)
	<u>81,359</u>	<u>66,225</u>

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

For the year 2013 and 2014, Jiangsu Lee & Man Chemical Limited was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise.

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

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

7. PROFIT FOR THE YEAR

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Profit for the year has been arrived at after charging :		
Directors' emoluments	9,763	15,434
Other staff costs:		
Salaries and other benefits (excluding directors)	102,941	82,168
Retirement benefit schemes contributions (excluding directors)	9,955	6,079
Total staff costs	<u>122,659</u>	<u>103,681</u>
Finance costs:		
Interest on bank borrowings wholly repayable within five years	50,302	42,946
Less: amounts capitalised to property, plant and equipment (note)	<u>(17,312)</u>	<u>-</u>
	32,990	42,946
Net adjustment on interest rate swaps designated as cash flow hedges of floating rate debt	<u>4,346</u>	<u>5,413</u>
	<u>37,336</u>	<u>48,359</u>
Release of prepaid lease payments	1,703	1,790
Amortisation of intangible assets	1,236	1,227
Auditors' remuneration	1,381	1,305
Cost of inventories recognised as expenses	906,101	855,224
Depreciation of property, plant and equipment	156,246	119,381
Loss on disposal of property, plant and equipment	1,834	169
Net exchange loss	<u>30,153</u>	<u>-</u>

note : Borrowing costs capitalised during the year arose from the general borrowings and were calculated by applying a capitalisation rate of 2.3% (2013: Nil) per annum to expenditures on qualifying assets.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year of HK\$330,111,000 (2013: HK\$308,732,000) and 825,000,000 (2013: 825,000,000) shares in issue during the year.

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

9. DIVIDENDS

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Dividends recognised as distributions during the year:		
Final dividend of HK7 cents per share for the year ended 31 December 2013	57,750	-
Interim dividend of HK7 cents per share for the year ended 31 December 2014	57,750	-
Final dividend of HK8 cents per share for the year ended 31 December 2012	-	66,000
Interim dividend of HK7 cents per share for the year ended 31 December 2013	-	57,750
	<u>115,500</u>	<u>123,750</u>

A final dividend of HK8 cents (2013: HK7 cents) per share amounting to HK\$66,000,000 (2013: HK\$57,750,000) in respect of the year ended 31 December 2014 has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

10. INVENTORIES

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Raw materials and consumables	88,455	91,808
Work in progress	24,715	8,790
Finished goods	52,220	15,980
	<u>165,390</u>	<u>116,578</u>

11. TRADE AND OTHER RECEIVABLES

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

Included in the balance are trade and bills receivables of HK\$146,814,000 (2013: HK\$105,723,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Not exceeding 30 days	120,217	98,161
31 – 60 days	20,373	5,202
61 – 90 days	4,427	1,723
91 – 120 days	1,797	637
	<u>146,814</u>	<u>105,723</u>
Prepayments	107,650	46,569
Deposits to suppliers	40,151	13,690
Value-added tax receivables	178,566	103,454
Other receivables	1,812	1,034
Total trade and other receivables	<u>474,993</u>	<u>270,470</u>

12. TRADE AND OTHER PAYABLES

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

Included in trade and other payables is trade payables of HK\$78,463,000 (2013: HK\$73,862,000). The aged analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not exceeding 30 days	50,439	51,522
31 – 60 days	7,598	9,050
61 – 90 days	9,031	2,219
Over 90 days	11,395	11,071
	78,463	73,862
Receipt in advance	44,553	19,887
Construction costs payable and accruals	250,935	169,296
Value-added tax accruals	26,159	27,595
Other payables	25,154	26,951
Other accruals	14,719	10,208
Total trade and other payables	439,983	327,799

FINAL DIVIDEND

The Directors have proposed a final dividend of HK8 cents per share for the year ended 31 December 2014 to shareholders whose names appear on the Register of Members on 26 May 2015. 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 3 June 2015.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The annual general meeting (the “AGM”) of the Company is scheduled to be held on 18 May 2015. For ascertaining shareholders’ right to attend and vote at the AGM, the register of members of the Company will be closed from 14 May 2015 to 18 May 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on 13 May 2015.

In relation to the proposed final dividend

The board of directors of the Company has resolved to recommend the payment of a final dividend of HK8 cents per share in cash for the year ended 31 December 2014 to shareholders whose names appear on the register of members of the Company on 26 May 2015 subject to the approval of the shareholders of the Company at the AGM. For ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 22 May 2015 to 26 May 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 21 May 2015.

BUSINESS REVIEW

For the year ended 31 December 2014, the Group recorded a revenue of HK\$1,560 million, increased by 17.4% as compared to last year; and a net profit of HK\$330 million for the year, representing an increase of 6.9% as compared to last year.

Gross profit margin of the Group for the year ended 31 December 2014 increased substantially from 35.7% of the last year to 41.9%; while the net profit margin recorded a slight decrease from 23.2% to 21.2%, due to the exchange loss arising from the depreciation of RMB which partially offset the Group's profit.

PROSPECTS

The Group completed the construction of the new Jiangxi plant. The first phase production line has been officially put into production in the second half of the year and has contributed profit since November. The Group plans to invest approximately RMB400 million of capital expenditure for the second phase production line in 2015 which is expected to operate in full-scale in the fourth quarter and enables to expand the Group's profitability.

The project is financed by internal funds and bank borrowings. As at 31 December 2014, the Group maintained bank balances and cash of approximately HK\$597 million. The Group has sufficient cash and available banking facilities to meet its future capital expenditure and working capital requirements.

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 2014 was HK\$2,298 million (31.12.2013 : HK\$2,131 million). As at 31 December 2014, the Group had current assets of HK\$1,347 million (31.12.2013: HK\$1,552 million) and current liabilities of HK\$1,186 million (31.12.2013: HK\$951 million). The current ratio was 1.1 as at 31 December 2014 as compared to 1.6 at 31 December 2013.

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 2014, the Group had outstanding bank borrowings of HK\$1,939 million (31.12.2013: HK\$1,672 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 31 December 2014, the Group maintained bank balances and cash of HK\$ 597 million (31.12.2013: HK\$1,062 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) as at 31 December 2014 was 58% (31.12.2013: 28%).

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 2014, 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, intangible assets and land use rights in amount of HK\$546 million.

HUMAN RESOURCES

At 31 December 2014, the Group had a workforce of around 1,600 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 year ended 31 December 2014, 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 2014 except where stated and explained below.

The Group has an Executive Chairman. No individual has been appointed as a chief executive officer before 1 August 2014. 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 to adopt the provision. On 1 August 2014, Mr. Lee Man Yan has been appointed as the chief executive officer of the Company. The Chairman provides leadership to and oversees the effective functioning of the Board, while the Chief Executive Officer monitors the Group’s senior management team and focuses on the day-to-day operations of the Group.

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 2014 and has discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 18 May 2015. 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, 9 March 2015

As at the date of this announcement, the Board of the Company comprises 4 executive directors, namely, Ms. Wai Siu Kee, Mr. Lee Man Yan, 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.