**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 2013

## FINANCIAL HIGHLIGHTS

- Revenue of HK$1,329 million for current year, dropped by 12.6% as compared to last year.
- Net profit of HK$309 million for current year, decreased by 14.7% as compared to last year.
- Gross profit margin of 35.7% for current year.
- Net profit margin of 23.2% for current year.
- Earnings per share of HK37.4 cents for current year.
- Proposed final dividend of HK7 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 2013 together with comparative figures for the year ended 31 December 2012 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

| | *Notes* | **2013** | 2012 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **1,329,131** | 1,520,512 |
| Cost of sales | | **(855,224)** | (998,257) |
| Gross profit | | **473,907** | 522,255 |
| Other income | *5* | **177,449** | 144,630 |
| Net gain from fair value changes on derivative financial instruments | | **13,967** | 6,970 |
| Selling and distribution costs | | **(60,954)** | (58,312) |
| General and administrative expenses | | **(104,120)** | (106,788) |
| Research and development cost | | **(77,393)** | (51,433) |
| Finance costs | *7* | **(48,359)** | (38,046) |
| Share of profit (loss) of joint ventures | | **460** | (325) |
| Profit before taxation | | **374,957** | 418,951 |
| Income tax expense | *6* | **(66,225)** | (57,014) |
| Profit for the year | *7* | **308,732** | 361,937 |
| **Other comprehensive income (expense)** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Exchange differences arising from translation | | **41,273** | (2,116) |
| Net gain (loss) on hedging instruments in cash flow hedges | | **4,514** | (4,503) |
| Other comprehensive income (expense) for the year | | **45,787** | (6,619) |
| Total comprehensive income for the year | | **354,519** | 355,318 |
| Earnings per share | *8* | | |
| Basic (HK cents) | | **37.4** | 43.9 |
| Diluted (HK cents) | | **37.4** | 43.9 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AT 31 DECEMBER 2013**

| | *Notes* | **2013** | 2012 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **2,251,570** | 1,346,493 |
| Prepaid lease payments | | **82,109** | 63,291 |
| Investment property | | **48,470** | - |
| Intangible assets | | **6,282** | 7,337 |
| Deposits paid for the acquisition of property, plant and equipment | | **178,326** | 205,970 |
| Deposit paid for land use right | | **-** | 9,046 |
| Interests in joint ventures | | **27,338** | 25,047 |
| Loan to a joint venture | | **-** | 64,390 |
| Other deposit | | **2,038** | - |
| Derivative financial instruments | | **360** | - |
| Deferred tax asset | | **26,372** | - |
| | | **2,622,865** | 1,721,574 |
| **CURRENT ASSETS** | | | |
| Inventories | *10* | **116,578** | 76,253 |
| Prepaid lease payments | | **1,913** | 941 |
| Trade and other receivables | *11* | **270,470** | 160,038 |
| Loan to a joint venture | | **83,353** | - |
| Amount due from a joint venture | | **15,927** | 6,211 |
| Derivative financial instruments | | **2,024** | 6,941 |
| Bank balances and cash | | **1,061,504** | 1,520,219 |
| | | **1,551,769** | 1,770,603 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *12* | **327,799** | 152,025 |
| Amount due to a related company | | **2,938** | 6,989 |
| Taxation payable | | **38,289** | 12,629 |
| Derivative financial instruments | | **502** | - |
| Bank borrowings - due within 1 year | | **581,414** | 218,826 |
| | | **950,942** | 390,469 |
| **NET CURRENT ASSETS** | | **600,827** | 1,380,134 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,223,692** | 3,101,708 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION -** continued
**AT 31 DECEMBER 2013**

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **NON-CURRENT LIABILITIES** | | |
| Bank borrowings - due after 1 year | **1,090,273** | 1,198,130 |
| Derivative financial instruments | **2,811** | 9,739 |
| | **1,093,084** | 1,207,869 |
| **NET ASSETS** | **2,130,608** | 1,893,839 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **82,500** | 82,500 |
| Reserves | **2,048,108** | 1,811,339 |
| | **2,130,608** | 1,893,839 |

*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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKRFS 11 and HKRFS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKRFS 12 | Disclosure of Interests in Other Entities |
| HKRFS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

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 HKFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities**

The Group has applied the amendments to HKFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's structured foreign currency forward contract and interest rate swaps. Detailed disclosures are set out in note 22 of the annual report.

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

**New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements. The impact of the application of these standards is set out below.

**Impact of the application of HKFRS 11**

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) - Int13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity). The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards. The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investments in Southern Hill Company Limited and 常熟東港置業有限公司, which were classified as jointly controlled entities under HKAS 31 should be classified as joint ventures under HKFRS 11.

**HKFRS 13 Fair Value Measurement**

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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. HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 16 and 37c of the annual report for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

**Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, 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 required to be allocated on the same basis - the amendments do not change the 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Company 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[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKRFS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HK(IFRIC) – Int 21 | Levies[1] |

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for annual periods beginning on or after 1 January 2016.

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 Company.

**HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces 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 hedge accounting. Key requirements of HKFRS 9 are described as follows:

- 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.

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 anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. 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.

**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.

## 3. REVENUE

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$’000*** | *HK$’000* |
| Manufacture and sales of chemical products | **1,329,131** | 1,520,512 |

## 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 from continuing operation are located in the PRC. Its non-current assets, other than loan to a joint venture, are located in the PRC.

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

| | Revenue from external customers | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$’000*** | *HK$’000* |
| PRC | **1,327,225** | 1,469,726 |
| India | **1,906** | - |
| The United States of America | **-** | 48,555 |
| Korea | **-** | 2,231 |
| | **1,329,131** | 1,520,512 |

### (c) Revenue from major products

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$’000*** | *HK$’000* |
| Caustic soda | **578,503** | 663,532 |
| Chloromethane products | **543,472** | 576,684 |
| Hydrogen peroxide | **147,584** | 113,579 |
| Others | **59,572** | 166,717 |
| | **1,329,131** | 1,520,512 |

### (d) Information about major customers

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

## 5. OTHER INCOME

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Bank interest income | **64,012** | 64,378 |
| Net exchange gain | **50,625** | 36,669 |
| Government grants (note) | **37,279** | 34,980 |
| Scrap sales | **9,137** | 7,257 |
| Others | **16,396** | 1,346 |
| | **177,449** | 144,630 |

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

## 6. INCOME TAX EXPENSE

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| The charge comprises : | | |
| Current tax : | | |
| PRC Enterprise Income Tax ("EIT") | **92,383** | 56,963 |
| Other jurisdiction | **47** | 51 |
| Deferred tax : | | |
| Current year | **(26,205)** | - |
| | **66,225** | 57,014 |

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 Lee & Man Chemical Limited ("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 expired in 2012. For the year 2013, Jiangsu L&M was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New-Tech 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

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Profit for the year has been arrived at after charging : | | |
| Directors' emoluments | **15,434** | 38,651 |
| Other staff costs: | | |
| Salaries and other benefits (excluding directors) | **82,168** | 52,765 |
| Retirement benefit schemes contributions (excluding directors) | **6,079** | 3,907 |
| Total staff costs | **103,681** | 95,323 |
| Finance costs: | | |
| Interest on bank borrowings wholly repayable within five years | **42,946** | 33,962 |
| Net adjustment on interest rate swaps designated as cash flow hedges of floating rate debt | **5,413** | 4,084 |
| | **48,359** | 38,046 |
| Release of prepaid lease payments | **1,790** | 929 |
| Amortisation of intangible asset | **1,227** | 1,196 |
| Auditors' remuneration | **1,305** | 1,714 |
| Cost of inventories recognised as expenses | **855,224** | 998,257 |
| Depreciation of property, plant and equipment | **119,381** | 110,823 |
| Loss on disposal of property, plant and equipment | **169** | 16 |

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK$308,732,000 (2012: HK$361,937,000) and 825,000,000 (2012: 825,000,000) shares in issue during the year.

The computation of diluted earnings per share for 2013 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 2013.

## 9. DIVIDENDS

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Dividends recognised as distributions during the year: | | |
| 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** | - |
| Final dividend of HK12 cents per share for the year ended 31 December 2011 | **-** | 99,000 |
| Interim dividend of HK8 cents per share for the year ended 31 December 2012 | **-** | 66,000 |
| | **123,750** | 165,000 |

A final dividend of HK7 cents (2012: HK8 cents) per share amounting to HK$57,750,000 (2012: HK$66,000,000) in respect of the year ended 31 December 2013 has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

## 10. INVENTORIES

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Raw materials and consumables | **91,808** | 44,811 |
| Work in progress | **8,790** | 7,048 |
| Finished goods | **15,980** | 24,394 |
| | **116,578** | 76,253 |

## 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$105,723,000 (2012: HK$75,769,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Not exceeding 30 days | **98,161** | 72,307 |
| 31 – 60 days | **5,202** | 2,665 |
| 61 – 90 days | **1,723** | 797 |
| 91 – 120 days | **637** | - |
| | **105,723** | 75,769 |
| Prepayments | **46,569** | 28,546 |
| Deposits to suppliers | **13,690** | 32,733 |
| Value-added tax receivables | **103,454** | 19,128 |
| Other receivables | **1,034** | 3,862 |
| Total trade and other receivables | **270,470** | 160,038 |

## 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 and bills payables of HK$73,862,000 (2012: HK$43,970,000). The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not exceeding 30 days | **51,522** | 32,286 |
| 31 – 60 days | **9,050** | 2,374 |
| 61 – 90 days | **2,219** | 2,534 |
| Over 90 days | **11,071** | 6,776 |
| | **73,862** | 43,970 |
| Receipt in advance | **19,887** | 26,472 |
| Construction cost payable and accruals | **169,296** | 24,926 |
| Value-added tax accruals | **27,595** | 21,559 |
| Other payables | **26,951** | 9,267 |
| Other accruals | **10,208** | 25,831 |
| Total trade and other payables | **327,799** | 152,025 |

## FINAL DIVIDEND

The Directors have proposed a final dividend of HK7 cents per share for the year ended 31 December 2013 to shareholders whose names appear on the Register of Members on 23 May 2014. 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 30 May 2014.

## 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 14 May 2014. For ascertaining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from 12 May 2014 to 14 May 2014, 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 9 May 2014.

**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 HK7cents per share in cash for the year ended 31 December 2013 to shareholders whose names appear on the register of members of the Company on 23 May 2014 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 21 May 2014 to 23 May 2014, 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 20 May 2014.

## BUSINESS REVIEW

For the year ended 31 December 2013, the Group recorded a revenue of HK$1,329 million, dropped by 12.6% as compared to last year; and a net profit of HK$309 million for current year, representing a decrease of 14.7% as compared to last year.

The significant decrease in net profit for the period was mainly attributable to the slowdown of economic growth in the PRC and the increment cost on research & development and financing upon the trial production of Jiangxi plant in Fourth Quarter. Besides, under the impact on the declining product prices in the "Over-Supply" market, the profit margin for the year dropped while compared with last year.

Although the products prices remained low in the first half of the year, the average price rebounded and maintained at stable level during second half of the year. As compared to the last corresponding period, the average selling price per ton of our main chemical products, namely methylene chloride, chloroform and caustic soda, dropped sharply by approximately 8%, 22% and 22% during the 2013 (2012: decreased by approximately 44%, 54% and 13%) In addition, the average purchase costs of raw materials, mainly including industrial crude salt and methanol, was stable. The management believed that selling prices has reached the bottom in 2013 and are expected to keep at stable level in the coming years, upon the introduction of government policies in stabilising the economy & environmental measures in the PRC.

As affected by the above factors, gross profit margin of the Group for the year ended 31 December 2013 increased from 34.3% of the last year to 35.7% and the net profit margin slightly decreased from 23.8% to 23.2%.

## PROSPECTS

Under the Group's business strategy in the coming year, the Group will continuously focus on construction of plant at Ruichang City, Jiangxi Province for development of the flurochemical products. As at 31 December 2013, approximately RMB1.3 billion of capital expenditures was incurred. During 2014, the operation of production lines has gradually been commenced and expected to make contributions for the Group's profits.

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 2013 was HK$2,131 million (31.12.2012 : HK$1,894 million). As at 31 December 2013, the Group had current assets of HK$1,552 million (31.12.2012 : HK$1,771 million) and current liabilities of HK$951 million (31.12.2012: HK$390 million). The current ratio was 1.6 as at 31 December 2013 as compared to 4.5 at 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 and the PRC. As at 31 December 2013, the Group had outstanding bank borrowings of HK$1,672 million (31.12.2012: HK$1,417 million). These bank loans were secured by corporate guarantees provided by the company and its certain subsidiaries. As at 31 December 2013, the Group maintained bank balances and cash of HK$ 1,062 million (31.12.2012: HK$1,520 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) as at 31 December 2013 was 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 2013, 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 in amount of HK$558 million.

## HUMAN RESOURCES

At 31 December 2013, the Group had a workforce of around 1,200 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 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 Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013 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 2013 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 14 May 2014. 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, 17 March 2014

*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.*