LEE & MAN HANDBAGS HOLDING LIMITED
理文手袋集團有限公司
(Incorporated in the Cayman Islands with limited liability)
Website: http://www.leemanhandbags.com
(Stock Code: 1488)

FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2011

- Revenue increased by 2.4% to HK$874 million as compared to the last year.
- Net profit decreased by 0.6% to HK$107 million as compared to the last year.
- Gross profit margin was 26.1%.
- Net profit margin was 12.3%.
- Earnings per share HK13 cents.
- Proposed final dividend of HK 5 cents per share.

FINANCIAL RESULTS

The board of directors (the "Directors") of Lee & Man Handbags 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** *HK$'000*	2010 *HK$'000* *(restated)*
Revenue		**873,815**	853,539
Cost of sales		**(646,120)**	(614,445)
Gross profit		**227,695**	239,094
Other income		**11,576**	8,642
Selling and distribution costs		**(27,690)**	(33,279)
General and administrative expenses		**(77,535)**	(95,603)
Listing expenses		**(14,565)**	-
Finance costs		**(1,509)**	(1,707)
Profit before taxation		**117,972**	117,147
Income tax expense	*5*	**(10,925)**	(9,471)
Profit for the year	*6*	**107,047**	107,676
Other comprehensive (expense) income			
Exchange differences arising from translation		**(758)**	2,661
Total comprehensive income for the year		**106,289**	110,337
Earnings per share (HK cents)	*8*	**13.0**	13.1

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		**56,522**	57,809	60,658
Prepaid lease payments		**24,573**	17,760	18,250
Investment properties		**25,082**	26,341	22,408
Deposit paid for the acquisition of property, plant and equipment		**1,738**	1,094	451
Defined benefit assets		**4,816**	4,538	4,250
Deferred tax asset		**503**	625	576
		113,234	108,167	106,593
CURRENT ASSETS				
Inventories	9	**117,411**	82,684	69,904
Prepaid lease payments		**394**	490	490
Trade and other receivables	10	**180,490**	150,616	118,446
Derivative financial instruments		-	-	704
Amount due from immediate holding company		-	-	163,041
Tax recoverable		-	2,824	-
Bank balances and cash		**54,763**	56,290	48,833
		353,058	292,904	401,418
CURRENT LIABILITIES				
Trade and other payables	11	**107,323**	123,499	108,339
Derivative financial instruments		-	530	-
Amounts due to related companies		**629**	926	1,041
Tax payable		**8,213**	2,481	3,585
Bank borrowings - due within 1 year		**106,305**	125,853	150,345
		222,470	253,289	263,310
NET CURRENT ASSETS		**130,588**	39,615	138,108
TOTAL ASSETS LESS CURRENT LIABILITIES		**243,822**	147,782	244,701
NON-CURRENT LIABILITY				
Deferred tax liability		**519**	583	553
NET ASSETS		**243,303**	147,199	244,148
CAPITAL AND RESERVES				
Share capital		**82,500**	1	1
Reserves		**160,803**	147,198	244,147
		243,303	147,199	244,148

Notes:

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands on 4 January 2011 under the Companies Law (Revised) Chapter 22 of the Cayman Islands. 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.

The subsidiaries of the Company that are principally engaged in the manufacture and sale of handbags (the "Handbags Business") were previously held by Lee and Man Chemical Company Limited (formerly known as Lee & Man Holdings Limited) ("LM"), a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company was interspersed between LM Development, the then holding company of the Handbags Business, and LM. The Company became the holding company of the Group on 18 May 2011(the "Reorganisation").

On 22 June 2011, LM effected a spin-off of the Company by way of a distribution in specie of the entire issued share capital of the Company to the LM shareholders on a pro rata basis (the "Spin-off"). On the same date, the Company's shares were also listed on the Stock Exchange by way of an introduction.

As at 31 December 2011, the Company's parent and ultimate holding company is Full Gold Trading Limited ("Full Gold"), a company incorporated in the British Virgin Islands ("BVI"). Its immediate holding company was LM before 22 June 2011. Its ultimate controlling party is Mr. Lee Wan Keung.

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

The Company acts as an investment holding company. The Group is principally engaged in the manufacture and sale of handbags.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Reorganisation involved the interspersion of the Company between LM and LM Development. Accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2010 and 2011 have been prepared as if the current group structure had been in existence throughout both years or since the respective dates of establishment of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2010 has been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at such date.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") / CHANGES IN ACCOUNTING POLICIES

New and revised Standards and Interpretations applied in the current year

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 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

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") / CHANGES IN ACCOUNTING POLICIES - continued

Amendments to HK (IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement

The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

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.

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Change in Accounting Policy

During the year, the Group has 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 handbags in Hong Kong 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".

The effect of this change in accounting policy for the current year and the prior year are as follows:

<u>The effect on the Group's results for the current year and prior year</u>

	2011 *HK$'000*	2010 *HK$'000*
Increase in gain on disposal of property, plant and equipment included in other income	**133**	**22**
Decrease in loss on disposal of property, plant and equipment included in administrative expenses	**-**	**62**
Decrease in depreciation of property, plant and equipment included in cost of sales	**8,223**	**5,819**
Decrease in deficit arising on revaluation of property, plant and equipment included in administrative expenses	**107**	**65**
Decrease in depreciation of property, plant and equipment Included in administrative expenses	**19**	**87**
Decrease in deferred tax credit	**(699)**	**(545)**
Increase in profit for the year	**7,783**	**5,510**
Decrease in surplus arising on revaluation of property, plant and equipment	**(20,118)**	**(14,431)**
Decrease in deferred tax liability arising on revaluation surplus of property, plant and equipment	**1,710**	**1,198**
Decrease in other comprehensive income for the year	**(18,408)**	**(13,233)**

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") / CHANGES IN ACCOUNTING POLICIES - continued

***Change in Accounting Policy*-** continued

Impact on basic earnings per share

	2011 *HK cents*	2010 *HK cents*
Figures before adjustments	**12.1**	**12.4**
Adjustment arising from changes in accounting policy in relation to property, plant and equipment	**0.9**	**0.7**
Figures after adjustments	**13.0**	**13.1**

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

	As at1.1.2010 (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	123,147	(62,489)	60,658	128,674	(70,865)	57,809
Deferred tax liabilities	(5,420)	4,867	(553)	(6,054)	5,471	(583)
Deferred tax assets	-	576	576	-	625	625
Total effects on net asset	117,727	(57,046)	60,681	122,620	(64,769)	57,851
Accumulated profits	202,655	2,011	204,666	103,017	2,039	105,056
Asset revaluation reserve	65,698	(59,057)	6,641	73,449	(66,808)	6,641
Total effects on equity	268,353	(57,046)	211,307	176,466	(64,769)	111,697

3. **APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") / CHANGES IN ACCOUNTING POLICIES** - continued

New and revised Standards and Interpretations 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 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 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.

Amendments to HKAS 12 Deferred Tax - Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 has no significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

3. **APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") / CHANGES IN ACCOUNTING POLICIES -** continued

HKAS 19 (Revised 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of the amendments to HKAS 19 will have impact on amounts reported in respect of the Groups' defined benefit plans as the Group will change its accounting policies in the recognition of actuarial gains and losses and past service costs. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

4. SEGMENT INFORMATION

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

The Group's operations are located in the United States of America ("USA") , the Europe, Hong Kong, and the People's Republic of China ("PRC"). Sales to the largest customer contributed to 13.1% (2010: 16.7%) of the Group's total turnover.

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

	2011	2010
	HK$'000	*HK$'000*
Customer A	**114,414**	N/A*
Customer B	**N/A***	142,214
Customer C	**N/A***	88,267

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

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

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

	Revenue from external customers	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**28,132**	19,461
PRC	**32,084**	12,392
USA	**368,867**	457,729
Canada	**46,122**	31,927
The Netherlands	**53,969**	76,782
Italy	**97,238**	65,380
The United Kingdom	**43,566**	47,967
Germany	**27,036**	14,390
Other European countries	**52,438**	30,023
South American countries	**40,933**	28,914
Other Asian countries	**83,430**	68,574
	873,815	853,539

5. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
		(restated)
The charge comprises :		
Current tax :		
Hong Kong Profits Tax	**10,822**	9,488
PRC Enterprise Income Tax	**718**	-
Other jurisdictions Income Tax	**13**	2
	11,553	9,490
Overprovision in prior year		
Hong Kong Profits Tax	**(686)**	-
Deferred tax :		
Current year	**58**	(19)
	10,925	9,471

Hong Kong

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

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

PRC

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

Other jurisdictions

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

6. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**1,532**	2,723
Other staff costs	**217,762**	191,977
Retirement benefit schemes contributions (excluding directors)	**986**	950
Total staff costs	**220,280**	195,650
Release of prepaid lease payments	**543**	490
Auditors' remuneration	**992**	520
Cost of inventories recognised as expenses (including write-down of inventories of HK$3,229,000 (2010 : reversal of write-down of inventories of HK$3,114,000))	**646,120**	614,445
Depreciation of property, plant and equipment	**9,907**	10,456
Impairment loss recognised in respect of trade receivables (included in selling and distribution costs)	**430**	204
Net exchange loss	**7,993**	8,248
Recovery of doubtful debt	**-**	(6)
Gain on fair value changes on investment properties	**-**	(1,374)
Loss (gain) on fair value changes on derivative financial instruments	**494**	(70)
Gain on disposal of property, plant and equipment	**(186)**	(22)
Interest income	**(231)**	(45)

7. DIVIDENDS

The Company did not declare nor pay any dividends during the year ended 31 December 2010. However LM Development , the directly owned subsidiary, declared the following dividends to LM during the year ended 31 December 2010.

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
Interim dividend of HK3 cents per share for the year ended 31 December 2011 declared by the Company	**24,750**	-
Interim dividend for the year ended 31 December 2010 declared by LM Development to its then shareholders	**-**	207,286
	24,750	207,286

A final dividend of HK5 cents per share for the year ended 31 December 2011 has been proposed by the directors and is subject to approval by the Company's shareholders in annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK$107,047,000 (2010: HK$107,676,000) and 825,000,000 (2010: 825,000,000) shares.

The number of shares for calculating basic earnings per share for both years is determined on the basis that the Reorganisation had been completed on 1 January 2010. Diluted earnings per share is not presented because there were no dilutive ordinary shares in issue during the years.

9. INVENTORIES

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	**45,265**	34,940	31,007
Work in progress	**52,075**	37,209	31,803
Finished goods	**20,071**	10,535	7,094
	117,411	82,684	69,904

10. TRADE AND OTHER RECEIVABLES

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

Included in the balance are trade and bills receivables of HK$177,171,000 (2010: HK$143,815,000). 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	**89,902**	110,755	67,836
31 – 60 days	**49,037**	25,619	34,239
61 – 90 days	**31,341**	4,317	12,970
Over 90 days	**6,891**	3,124	1,443
	177,171	143,815	116,488
Prepayment and deposits	**2,260**	5,810	1,063
Other receivables	**1,059**	991	895
	180,490	150,616	118,446

11. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period obtained for trade purchases is 7 to 60 days.

Included in trade and other payables are trade and bills payables of HK$70,494,000 (2010: HK$86,014,000). The aged analysis of trade and bills payables 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	**43,187**	26,583	37,574
31 – 60 days	**22,764**	30,969	20,448
61 – 90 days	**2,125**	25,765	21,111
Over 90 days	**2,418**	2,697	1,842
	70,494	86,014	80,975
Other payables and accruals	**36,829**	37,485	27,364
	107,323	123,499	108,339

FINAL DIVIDEND

The Directors have proposed a final dividend of HK5 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 completed its spin-off with its shares successfully 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 handbag business, but also provided investors with a clearer and an independent view on the operating and financial position of the handbag business.

For the year ended 31 December 2011, the Group recorded revenue of HK$874 million, slightly increased by 2.4% over the last year; and a net profit of HK$107 million which was in line with the last year. Gross profit margin and net profit margin for the year were 26.1% and 12.3% respectively.

Although the US and European markets remained weak with the European sovereign debt crisis not yet been resolved and the overseas economy as a whole has suffered ; the Group, leveraging on the persistent efforts made by the management to strengthen the development of mid-high end products, has achieved a steady growth of revenue for the year. As to the production cost, even in the face of a substantial increase in the wages level in the PRC and surging prices in raw materials, the Group was able to maintain a stable net profit through effective and stringent cost control, the implementation of production process optimization project and the improvement of product design.

PROSPECTS

Despite the uncertainty of economic prospects in Europe and U.S, the Group expects the market demand for handbag products remains stable. The Group will strive to diversify its product designs, strengthen the development of high-end products, enhance the production processes, reinforce internal controls and implement tight control over the cost in order to generate stable profit for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 31 December 2011 was HK$243 million (31.12.2010 : HK$147million). As at 31 December 2011, the Group had current assets of HK$353 million (31.12.2010 : HK$293 million) and current liabilities of HK$222 million (31.12.2010: HK$253 million). The current ratio was 1.59 as at 31 December 2011 as compared to 1.16 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. As at 31 December 2011, the Group had outstanding bank borrowings of HK$106 million (31.12.2010: HK$126 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$55 million (31.12.2010: HK$56 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.47 as at 31 December 2010 to 0.21 as at 31 December 2011.

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

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 in amount of HK$1 million.

HUMAN RESOURCES

At 31 December 2011, the Group had a workforce of more than 5,000 people. The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staffs are remunerated based on their work performance, professional experience and prevailing market situation. Remuneration packages comprise salary and bonuses based on individual merits.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the 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 who also acts as the chief executive officer. The Executive Chairman with the assistance of the Group's senior management team oversees and manages the Group's business. Other functions normally undertaken by a chief executive officer of a company are delegated to members of the Group's senior management team. This structure deviates from the code provision of Code that requires the roles of the chairman and the chief executive officer to be separate and not performed by the same individual. The Directors has considered this matter carefully and decided not to adopt the provision. The Directors believe that the current management structure has been effective in facilitating the operation and development of the Group and its business for a considerable period of time and that the necessary checks and balances consistent with sound corporate governance practices are in place. Accordingly, the Directors do not envisage the Group should change its current management structure. However, the Directors will review the management structure from time to time to ensure it continues to meet these objectives.

AUDIT COMMITTEE

The Audit Committee, 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.Kung Phong, Ms Lee Man Ching and Ms Poon Lai Ming and 3 independent non-executive directors, namely, Mr. So Wing Keung, Mr. Heng Victor Ja Wei and Mr. Tsang Hin Man, Terence.