利記控股有限公司

SINCE 1947 **LEE KEE HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

INTERIM RESULTS ANNOUNCEMENT FOR THE TWELVE MONTHS PERIOD ENDED 31ST DECEMBER 2013

Due to the change of financial year end date from 31st December to 31st March, the Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") has prepared the unaudited condensed consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the twelve months period ended 31st December 2013 (the "12-month Period") and hereby announces such results together with the comparative figures of the corresponding twelve months period in 2012 (i.e. for the year ended 31st December 2012, the "Corresponding Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE TWELVE MONTHS PERIOD ENDED 31ST DECEMBER 2013

	Note	**Twelve months period ended 31st December 2013** *HK$'000* **(Unaudited)**	Year ended 31st December 2012 *HK$'000* (Audited) (Restated)
Revenues	*5*	**2,424,424**	2,470,562
Cost of sales		**(2,343,064)**	(2,418,599)
Gross profit		**81,360**	51,963
Other income		**865**	951
Distribution and selling expenses		**(18,723)**	(18,548)
Administrative expenses		**(74,404)**	(72,183)
Other gains, net		**3,418**	8,043
Operating loss	*6*	**(7,484)**	(29,774)
Finance income		**5,343**	5,045
Finance costs		**(1,132)**	(2,842)
Finance income, net	*7*	**4,211**	2,203
Share of profit/(loss) of a joint venture		**1,897**	(2,169)
Loss before income tax		**(1,376)**	(29,740)
Income tax (expense)/credit	*8*	**(830)**	37
Loss for the period/year		**(2,206)**	(29,703)
Loss attributable to equity holders of the Company		**(2,206)**	(29,703)
Loss per share for loss attributable to equity holders of the Company during the period/year — basic and diluted (Hong Kong cents)	*9*	**(0.27)**	(3.58)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE TWELVE MONTHS PERIOD ENDED 31ST DECEMBER 2013

	Twelve months period ended 31st December 2013 *HK$'000* **(Unaudited)**	Year ended 31st December 2012 *HK$'000* (Audited) (Restated) (Note 3)
Loss for the period/year	**(2,206)**	(29,703)
Other comprehensive income/(loss) for the period/year:		
Items that may be reclassified subsequently to profit or loss		
Exchange translation differences	**2,275**	934
Movement of available-for-sale financial assets revaluation reserve	**(4,098)**	16,201
Share of other comprehensive income of a joint venture	**452**	332
Other comprehensive (loss)/income for the period/year, net of tax	**(1,371)**	17,467
Total comprehensive loss for the period/year	**(3,577)**	(12,236)
Total comprehensive loss attributable to equity holders of the Company	**(3,577)**	(12,236)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2013

	Note	**As at 31st December 2013 *HK$'000* (Unaudited)**	As at 31st December 2012 *HK$'000* (Audited) (Restated) (Note 3)
Non-current assets			
Leasehold land	*11*	**14,676**	15,113
Property, plant and equipment	*12*	**36,625**	34,671
Interests in a joint venture		**20,492**	18,143
Available-for-sale financial assets	*13*	**21,997**	29,758
Deferred income tax assets		**3,132**	2,696
Prepayment for property, plant and equipment		**–**	3,089
		96,922	103,470
Current assets			
Inventories		**750,178**	532,746
Trade and other receivables	*14*	**245,410**	156,639
Amounts due from related companies		**1,458**	1,313
Income tax recoverable		**770**	3,930
Derivative financial instruments		**135**	374
Bank balances and cash		**272,561**	421,816
		1,270,512	1,116,818
Total assets		**1,367,434**	1,220,288
Capital and reserves attributable to the equity holders of the Company			
Share capital		**82,875**	82,875
Share premium		**495,293**	495,293
Other reserves		**539,673**	543,250
Total equity		**1,117,841**	1,121,418

	Note	**As at 31st December 2013** *HK$'000* **(Unaudited)**	As at 31st December 2012 *HK$'000* (Audited) (Restated) (Note 3)
Non-current liabilities			
Deferred income tax liabilities		**1,690**	1,727
Current liabilities			
Trade and other payables	*15*	**79,493**	94,087
Bank borrowings		**167,828**	2,492
Income tax payable		**16**	450
Derivative financial instruments		**566**	114
		247,903	97,143
Total liabilities		**249,593**	98,870
Total equity and liabilities		**1,367,434**	1,220,288
Net current assets		**1,022,609**	1,019,675
Total assets less current liabilities		**1,119,531**	1,123,145

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11th November 2005 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. The address of the Company's registered office is Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (the "Group") are trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy, stainless steel, other electroplating chemical products and provision of related services in Hong Kong and Mainland China.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock exchange").

The Company has its primary listing on the stock exchange of Hong Kong Limited. This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK dollars"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 13th February 2014.

2. BASIS OF PREPARATION

Pursuant to a resolution of the Board of Directors dated 24th October 2013, the Company's financial year end date has been changed from 31st December to 31st March. Accordingly, the current financial period will cover a fifteen months period from 1st January 2013 to 31st March 2014. This condensed consolidated interim financial information now presented covers a twelve months period from 1st January 2013 to 31st December 2013, and the comparative figures in this condensed interim financial information cover a twelve months period from 1st January 2012 to 31st December 2012.

This unaudited condensed consolidated interim financial information for the twelve months ended 31st December 2013 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2012, as described in those annual financial statements.

- HKFRS 11, 'Joint arrangements'. Under HKFRS 11 Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined it to be a joint venture.

  Before 1st January 2013, the Group's interest in its jointly controlled entity was proportionately consolidated. HKFRS 11 does not permit proportionate consolidation of joint ventures and requires equity accounting. The Group has applied the new policy for interests in joint ventures occurring on or after 1st January 2012 in accordance with the transition provisions of HKFRS 11. The Group recognised its interests in a joint venture at the beginning of the earliest period presented (1st January 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's interests in a joint venture for applying equity accounting.

Under the equity method of accounting, interests in joint a ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1st January 2012. There is no impact on the net assets of the periods presented.

The effects of the change in accounting policies on the financial position, income statement and the cash flows of the Group at 1st January 2012 and 31st December 2012 are shown in Note 2(a) below. The change in accounting policy has had no impact on earnings per share.

There are no new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing 1st January 2013 that could be expected to have a material impact on the Group, except for additional and revised disclosures.

New and amended standards have been issued but are not effective for the financial year beginning 1st January 2013 and have not been early adopted:

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1st January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(a) Adoption of HKFRS 11

The Group has an interest in a joint arrangement. Under HKAS 31, this was assessed as a jointly controlled entity and was proportionately consolidated. The Group has reassessed the classification of this joint arrangement under HKFRS 11.

The Group's joint arrangements are structured as a limited company and provide the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, the entity is classified as a joint venture of the Group.

Under HKFRS 11, the Group has accounted for the joint venture using equity method of accounting. The tables below show the effect on the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows. There was no effect on loss per share.

Impact on condensed consolidated statement of financial position

Increase/(decrease)	As at 31st December 2012 *HK$'000* (Unaudited)	As at 1st January 2012 *HK$'000* (Unaudited)
Assets:		
— Leasehold land	(545)	(551)
— Property, plant and equipment	(7,805)	(8,336)
— Inventories	(3,361)	(2,584)
— Trade and other receivables	(2,171)	(3,467)
— Amount due from/(to) a joint venturer of a jointly controlled entity	(180)	128
— Amounts due from related companies	1,313	1,156
— Bank balances and cash	(18,202)	(10,721)
— Interests in a joint venture	18,143	–
Total	(12,808)	(24,375)
Liabilities:		
— Trade and other payables	(231)	(749)
— Bank borrowings	(12,577)	(30,951)
— Amount due to a joint venture	–	7,325
Total	(12,808)	(24,375)

Impact on condensed consolidated income statement

Increase/(decrease)	Year ended 31st December 2012 *HK$'000* (Unaudited)
Revenues	(45,168)
Cost of sales	(41,909)
Other income	(291)
Operating expenses	(3,373)
Other gains, net	101
Finance costs, net	(2,245)
Share of losses of a joint venture	2,169

Impact on condensed consolidated statement of comprehensive income

Increase/(decrease)	Year ended 31st December 2012 *HK$'000* (Unaudited)
Exchange translation differences	(332)
Share of other comprehensive income of a joint venture	332

Impact on condensed consolidated statement of cash flows

Increase/(decrease)	Year ended 31st December 2012 *HK$'000* (Unaudited)
Cash flows from operating activities	2,036
Cash flows from investing activities	(27,156)
Cash flows from financing activities	18,374
Net decrease in cash and cash equivalents	(6,746)

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2012.

5. REVENUES AND SEGMENT REPORTING

The Group is principally engaged in the trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy and stainless steel and other electroplating chemical products. Revenues recognised during the period are as follows:

	Twelve months period ended 31st December 2013 ***HK$'000*** **(Unaudited)**	Year ended 31st December 2012 *HK$'000* (Audited) (Restated)
Revenues		
Sales of goods	**2,424,424**	2,470,562

(a) Segment information

	Twelve months period ended 31st December 2013		Year ended 31st December 2012	
	Revenues ***HK$'000*** **(Unaudited)**	**Segment results** ***HK$'000*** **(Unaudited)**	Revenues *HK$'000* (Audited) (Restated)	Segment results *HK$'000* (Audited) (Restated)
Hong Kong	**2,041,734**	**(14,056)**	2,141,429	(39,047)
Mainland China	**382,690**	**2,289**	329,133	279
	2,424,424	**(11,767)**	2,470,562	(38,768)

The chief operating decision-maker has been identified as the Group's most senior executive management, who collectively review the Group's internal reporting in order to assess performance, allocate resources and make strategic decisions.

The chief operating decision-maker reviews the performance of the Group mainly from a geographical perspective. The Group is organised into two operating segments, namely (i) Hong Kong and (ii) Mainland China. Both operating segments represent trading of different types of metal products.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of operating results (before income tax expense) of each segment which excludes the effects of other income, other gains, net finance income, net and share of results of a joint venture in the results for each operating segment.

Revenue from external customers is stated after elimination of inter-segment revenue. Sales between segments are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the condensed consolidated income statement.

An analysis of the Group's segment assets and segment liabilities by reporting segment is set out below:

	As at 31st December 2013		
	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment assets	**1,150,781**	**216,653**	**1,367,434**
Segment liabilities	**147,937**	**101,656**	**249,593**

	As at 31st December 2012		
	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
	(Restated)	(Restated)	(Restated)
Segment assets	1,036,664	183,624	1,220,288
Segment liabilities	69,757	29,113	98,870

Segment assets and liabilities represent total assets and liabilities of the Group respectively. The segment assets and liabilities previously reviewed by the chief operating decision-maker exclude non-current assets, deferred income tax liabilities and derivative financial instruments.

(b) Reconciliation of segment results

	Twelve months period ended 31st December 2013 *HK$'000* (Unaudited)	Year ended 31st December 2012 *HK$'000* (Audited) (Restated)
Total segment results	**(11,767)**	(38,768)
Other income	**865**	951
Other gains, net	**3,418**	8,043
Finance income, net	**4,211**	2,203
Share of profit/(loss) of a joint venture	**1,897**	(2,169)
Loss before income tax	**(1,376)**	(29,740)

6. OPERATING LOSS

The following items have been charged/(credited) to the operating loss during the period:

	Twelve months period ended 31st December 2013 *HK$'000* (Unaudited)	Year ended 31st December 2012 *HK$'000* (Audited) (Restated)
Depreciation of property, plant and equipment	**9,743**	11,721
Amortization of leasehold land	**437**	436
Cost of inventories recognised as expense	**2,337,799**	2,419,463
Gain on disposal of property, plant and equipment	**(27)**	–
Gain on metal future trading contracts	**(1,009)**	(1,810)
Staff costs, including directors' remuneration	**44,757**	42,029
Impairment of available-for-sale financial assets	**3,662**	12,856
Reversal of provision for impairment of inventories	**(720)**	(4,545)
Provision (reversal of provision) for impairment of trade receivables	**830**	(20)
Net exchange gain	**(6,044)**	(2,301)
Reversal of provision for impairment of other receivable	**–**	(16,788)

7. FINANCE INCOME, NET

	Twelve months period ended 31st December 2013 *HK$'000* (Unaudited)	Year ended 31st December 2012 *HK$'000* (Audited) (Restated)
Interest income	**5,343**	5,045
Interest on loans against trust receipts	**(1,132)**	(2,842)
Finance income, net	**4,211**	2,203

8. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period/year. Income tax on profits arising from operations in Mainland China has been calculated on the estimated assessable profit for the period/year at the rates of income tax prevailing in places in which the Group's entities operate.

	Twelve months period ended 31st December 2013 *HK$'000* **(Unaudited)**	Year ended 31st December 2012 *HK$'000* (Audited)
Current income tax		
— Hong Kong profits tax	**(945)**	(1,156)
— Mainland China corporate income tax	**(358)**	(222)
Deferred income tax	**473**	1,520
Under provision in prior year	**–**	(105)
Income tax (expense)/credit	**(830)**	37

9. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the number of ordinary shares in issue during the period/year.

	Twelve months period ended 31st December 2013 (Unaudited)	Year ended 31st December 2012 (Audited)
Loss attributable to equity holders of the Company (HK$'000)	**(2,206)**	(29,703)
Number of ordinary shares in issue ('000)	**828,750**	828,750
Basic loss per share (Hong Kong cents per share)	**(0.27)**	(3.58)

(b) Diluted

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of potential ordinary shares which is the share options granted to the directors of the Company and the employees of the Group under the Pre-IPO Share Option Scheme (the "Scheme"). For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. All share option under the Scheme lapsed during the year ended 31st December 2012.

Diluted loss per share is the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the period/year.

10. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the twelve months period ended 31st December 2013 (2012: Nil).

11. LEASEHOLD LAND

Twelve months period ended 31st December 2013 (Unaudited)	*HK$'000*
Opening net book amount as at 1st January 2013 (Restated)	15,113
Amortisation	(437)
Closing net book amount as at 31st December 2013	14,676

Year ended 31st December 2012 (Audited) (Restated)	*HK$'000*
Opening net book amount as at 1st January 2012 (Restated)	15,549
Amortisation	(436)
Closing net book amount as at 31st December 2012 (Restated)	15,113

The Group's interests in leasehold land represent prepaid operating lease payments.

12. PROPERTY, PLANT AND EQUIPMENT

Twelve months period ended 31st December 2013 (Unaudited)	*HK$'000*
Opening net book amount as at 1st January 2013 (Restated)	34,671
Exchange difference	55
Additions	11,782
Disposals	(140)
Depreciation	(9,743)
Closing net book amount as at 31st December 2013	36,625

Year ended 31st December 2012 (Audited) (Restated)	*HK$'000*
Opening net book amount as at 1st January 2012 (Restated)	45,228
Exchange difference	2
Additions	1,162
Depreciation	(11,721)
Closing net book amount as at 31st December 2012 (Restated)	34,671

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31st December 2013	As at 31st December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Available-for-sale financial assets		
— equity securities, at fair value listed in Hong Kong	**21,997**	22,712
— unlisted limited partnership, at fair value	**–**	7,046
	21,997	29,758

The equity securities listed in Hong Kong are denominated in Hong Kong dollars while the investment in an unlisted limited partnership is denominated in United Kingdom Pounds.

14. TRADE AND OTHER RECEIVABLES

	As at 31st December 2013	As at 31st December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited) (Restated)
Trade receivables, net of provision *(note (a))*	**168,931**	119,408
Prepayments to suppliers	**38,646**	8,675
Deposits	**1,269**	1,324
Other receivables	**36,564**	27,232
	245,410	156,639

Note (a):

The Group offers credit terms to its customers ranging from cash on delivery to 90 days. The ageing of trade receivables, based on invoice date, is as follows:

	As at 31st December 2013	As at 31st December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited) (Restated)
0 to 30 days	**125,653**	84,231
31 to 60 days	**28,018**	22,576
61 to 90 days	**6,559**	4,868
Over 90 days	**8,701**	7,733
	168,931	119,408

15. TRADE AND OTHER PAYABLES

	As at 31st December 2013 *HK$'000* **(Unaudited)**	As at 31st December 2012 *HK$'000* (Audited) (Restated)
Trade payables		
— to third parties	**33,544**	67,233
— to a related company	**16,062**	5,551
Prepayments from customers	**18,946**	12,002
Accrued expenses	**10,941**	9,301
	79,493	94,087

The ageing of trade payables, based on invoice date, is as follows:

	As at 31st December 2013 *HK$'000* **(Unaudited)**	As at 31st December 2012 *HK$'000* (Audited) (Restated)
0 to 30 days	**41,060**	29,094
31 to 60 days	**7,890**	43,248
61 to 90 days	**574**	442
Over 90 days	**82**	–
	49,606	72,784

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business Performance

The global economy sustained a mixed bag of economic signals in 2013 as it continued to face significant uncertainty and moderate growth. Although the continuation of quantitative easing in the USA calmed some nerves, the effects of the tapering measures, a gradual reduction in bond purchases by increments, adopted recently by the US Federal Reserve remained to be convinced in the midst of unemployment woes. The easing of sovereign debts in the European Union heralded the continued improvement in the global financial environment. However, manufacturing production remained weak while the growth in infrastructure spending peaked and housing construction softened.

PRC's GDP increased at the same pace as year-on-year by 7.7% in 2013 and is forecast to expand year-on-year by 7.4% in 2014. Industrial output rose 9.7% year-on-year in December 2013 compared with a 10% increase in November 2013. Fixed Asset Investment in 2013 increased 19.6% year-on-year, compared with a 20.6% in 2012. The producer-price index fell 1.4% year-on-year as manufacturing overcapacity in some industries exacerbated its decline, gave evidence to the further weakening of the world's second largest economy. Falling prices in oil, steel and iron ore indicated excessive supplies in commodities and metals.

In light of the overall downward pressure on metal prices, of which, Zinc (the main product of the Group) and Nickel fell approximately 1.2% and 18.5% respectively over the 12-month Period and uncertain global economy conditions, revenue for the 12-month Period fell 1.9% to approximately HK$2,424 million compared to approximately HK$2,471 million for the Corresponding Period. Tonnage sold by the Group increased slightly by 0.71% to 129,300 tonnes, from 128,382 tonnes in the Corresponding Period. Yet, the Group managed to improve gross profit margin with various measures to narrow down negative metal price impact. Accordingly, gross profit for the 12-month Period increased 56.6% to approximately HK$81.3 million from approximately HK$51.9 million for the Corresponding Period. Loss attributable to equity holders of the Company for the 12-month Period narrowed significantly to HK$2.2 million compared to HK$29.7 million in the Corresponding Period.

Distribution and selling expenses during the 12-month Period slightly increased 0.94% proportionate to the increased tonnage sold over the Corresponding Period and administrative expenses increased by 3.08%.

Other gains in the 12-month Period dropped 57.5% to HK$3.4 million, compared to the Corresponding Period, mainly arose from an exchange gain on the Group's Renminbi assets in Hong Kong. Such exchange gain was setoff partially by an impairment provision for Group's available-for-sale financial assets. Finance income, net mainly came from the interest received.

BUSINESS REVIEW

A dominant player in the PRC and regional zinc alloy industry

As a leading metal supply-chain management specialist, LEE KEE offers unique integrated value added services to its customers, making it a 'one-stop shop' for the processing, sourcing and distribution of ferrous and non-ferrous metals, particularly zinc alloys. With maintaining its dominant leading position in the PRC and regional zinc alloy industry, LEE KEE serves around 1,100 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia, across different industries. 58.7% of the Group's revenue derived from the manufactures of toys and leisure goods, household products (such as appliances and furniture) and gift/premium products during the 12-month Period.

Present in all major and growing manufacturing regions of China

LEE KEE has built a strong presence in major manufacturing hubs in Southern and Eastern China, including Shenzhen, Guangzhou and Wuxi, via a network of strategic sales and distribution centres. The Group also maintains the Chengdu office as part of its expansion into China's Western regions, which has been developing as one of the main industrial regions and capture increasing manufacturing activities.

Each sales and distribution centre continued to expand and strengthen LEE KEE's relationships with customers, ensuring the Group is well positioned to capture future growth opportunities in the gloomy economic environment.

During the 12-month Period, LEE KEE's PRC sales and distribution centres contributed approximately HK$383 million or 15.8% (Corresponding Period: HK$329 million or 13.3%) of the Group's total revenue, while 84.2% (Corresponding Period: 86.7%) of revenue was attributed to the Group's principal sales and logistical centre located in Hong Kong, which remains the primary gateway for the import of zinc and other non-ferrous metals into the PRC.

Established relationship with suppliers

LEE KEE's leading market position is based on strong long-term collaboration with a number of world-class non-ferrous metal suppliers around the world. All suppliers are subject to strict requirements regarding production standards, operating processes and quality control which ensure the Group's products meet international high quality standards.

Complementary businesses diversifying revenue and differentiating Group's offerings

LEE KEE has participated in a number of upstream and downstream businesses to provide value-added services to its customers, enabling the Group to increase margins, expand its revenue sources and maintain market share by differentiating its products from its major competitors.

Lee Yip Metal Products Company Limited ("Lee Yip") is a wholly-owned stainless steel processing and distribution subsidiary which provides additional revenue to the Group. Based at LEE KEE's Tai Po Technology and Logistics Centre in Hong Kong (with operations in the PRC and Hong Kong), Lee Yip sold approximately 4,590 tonnes of stainless steel during the 12-month Period (Corresponding Period: 3,740 tonnes) which contributed revenue of approximately HK$87.7 million (Corresponding Period: HK$76 million).

Genesis Alloys (Ningbo) Limited ("Genesis Ningbo") is the Group's 50%-owned zinc alloy production joint venture. During the 12-month Period, Genesis Ningbo produced approximately 13,350 tonnes of zinc alloy (Corresponding Period: 11,140 tonnes) and contributed net profit approximately HK$1.90 million (Corresponding Period: net loss of approximately HK$2.17 million).

Promet Metals Testing Laboratory Limited ("Promet") is LEE KEE's wholly-owned metals testing subsidiary, accredited by The Hong Kong Laboratory Accreditation Scheme. Supplementing the Group's in-house technical support and quality assurance, it provides chemical testing and verification service, significantly adding value to the Group's customers by helping them troubleshoot production defects, minimize production costs and lower the risk of product recalls and litigation. With Promet, the Group aims to enhance customer loyalty and hence contribute to the Group's long-term revenue stream.

Admission to The London Metal Exchange ("LME") as an Associate Trade Member

Lee Kee Group Limited (a wholly-owned subsidiary of the Company), has been admitted to the LME, the world's premier industrial metals trading platform, as a Category 5 Associate Trade Member. LEE KEE will capitalise on this unique position to further bolster its network and continue to enhance its expertise in the industry by leveraging the latest information on the metals market.

Prospects

Despite the complicated situation of external macro-economic environment, opportunities are flourishing in the midst of uncertainty.

Growth in the United States is expected to gain moderate momentum, but its recovery will be somewhat constrained by unemployment woes and financial challenges from the banking sector. The rate of economic contraction in Europe will continue to stabilise with countries like Greece and Italy testing the market with fresh sovereign bond offerings to repair their weak GDP standings.

China's economy is expected to be stable in 2014 despite its economic growth slowed in the last quarter of 2013 as increases in factory output and investment spending eased in December 2013. The Chinese government is trying to shift its investment-driven economy to one of domestic consumption-oriented growth to sustain employment while policy makers are busy in controlling financial risks and reining in credit expansion that has sparked concern at bad loans are piling up in state-owned banks.

With emerging middle class with high living standard and the accelerated Urbanization in China, LEE KEE's management is confident that LEE KEE's high quality products will be better positioned to capture such high end market and infrastructure upgrades across South East Asia.

LEE KEE's strong financial position has seen the Group ride through economic turmoil in the past and will do so again. In order to position itself for demand recovery, the Group will continue to streamline its operations, adapt its product mix to the rapidly changing environment and leverage on value-added services to substantially improve the Group's overall margins.

Management will also prudently explore potential new opportunities to enhance the Group's profitability over the coming year.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

(comparative financial figures of the Corresponding Period are restated)

The Group primarily finances its operation through internal resources, borrowings from banks and capital contributions from its shareholders. As at 31st December 2013, the Group had unrestricted cash and bank balances of approximately HK$272 million (31st December 2012: HK$422 million) and bank borrowings of approximately HK$168 million (31st December 2012: HK$2.49 million). The borrowings, which are short term in nature, were substantially made in United States dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 31st December 2013 was 15.1% (31st December 2012: 0.22%). The Group has a current ratio (current assets to current liabilities) of 513% (31st December 2012: 1,150%).

The Company has issued guarantees to the extent of approximately HK$657 million to banks to secure general banking facilities of approximately HK$643 million to certain subsidiaries, of which approximately HK$168 million were utilised as of 31st December 2013.

The Group constantly evaluates and monitors its exposure to metals prices with reference to the market conditions. In order to control the exposure efficiently and to capitalise on price trends, the Group's management will employ appropriate operating strategies throughout 2014.

The Group's foreign exchange exposure mainly resulted from the translation amongst Hong Kong dollars, Renminbi and United States dollars.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the 12-month Period (Corresponding Period: Nil).

EMPLOYEES

As at 31st December 2013, the Group had approximately 170 employees. Employees' remuneration, promotion and salary review are assessed on job responsibilities, work performance, professional experience and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes. During the 12-month Period, staff costs (including directors' emoluments) were approximately HK$44 million (Corresponding Period: HK$42 million).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during the 12-month Period.

CORPORATE GOVERNANCE

To the knowledge and belief of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange and are not aware of any non-compliance with the CG Code during the 12-month Period.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the twelve months ended 31st December 2013 has been reviewed by the Company's Audit Committee.

As at the date of this announcement, the Directors of the Company are Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan, Clara, Ms. MA Siu Tao, Mr. CHUNG Wai Kwok, Jimmy, Mr. LEUNG Kwok Keung* and Mr. HU Wai Kwok*.*

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 13th February 2014

* *Independent non-executive Directors*