利記控股有限公司

LEE KEE HOLDINGS LIMITED

SINCE 1947

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2011

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the year ended 31st December 2011 together with the comparative figures of the corresponding year ended 31st December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31st December	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenues	*3*	**3,519,748**	3,610,302
Cost of sales		**(3,451,517)**	(3,450,070)
Gross profit		**68,231**	160,232
Other income	*4*	**4,566**	2,948
Distribution and selling expenses		**(22,272)**	(16,637)
Administrative expenses		**(75,409)**	(74,701)
Other gains, net		**3,832**	8,305
Operating (loss)/profit		**(21,052)**	80,147
Finance costs	*5*	**(9,954)**	(6,109)
(Loss)/profit before income tax	*6*	**(31,006)**	74,038
Income tax expense	*7*	**(254)**	(12,020)
(Loss)/profit for the year		**(31,260)**	62,018
(Loss)/profit attributable to:			
Equity holders of the Company		**(31,618)**	59,472
Non-controlling interests		**358**	2,546
		(31,260)	62,018
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year — basic and diluted (Hong Kong cents)	*8*	**(3.82)**	7.18
Dividends	*9*	**8,287**	20,718

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31st December	
	2011	2010
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(31,260)**	62,018
Other comprehensive income for the year:		
Exchange translation differences	**2,153**	958
Release of exchange reserve upon disposal of a subsidiary	**—**	(662)
Movement of available-for-sale financial assets revaluation reserve	**(10,643)**	3,397
Other comprehensive income for the year, net of tax	**(8,490)**	3,693
Total comprehensive income for the year	**(39,750)**	65,711
Total comprehensive income attributable to:		
Equity holders of the Company	**(40,108)**	63,060
Non-controlling interests	**358**	2,651
	(39,750)	65,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31st December 2011** *HK$'000*	31st December 2010 *HK$'000*
Non-current assets			
Leasehold land	*10*	**16,100**	16,522
Property, plant and equipment	*11*	**53,564**	59,672
Deferred income tax assets		**1,950**	1,225
Available-for-sale financial assets	*12*	**26,412**	37,773
Prepayment for property, plant and equipment		**400**	—
		98,426	115,192
Current assets			
Inventories		**829,098**	816,361
Trade and other receivables	*13*	**202,573**	184,861
Prepayment for leasehold land		**—**	3,148
Income tax recoverable		**9,948**	272
Derivative financial instruments		**1,344**	—
Bank balances and cash		**446,579**	602,628
		1,489,542	1,607,270
Assets classified as held for sale	*14*	**—**	11,279
		1,489,542	1,618,549
Total assets		**1,587,968**	1,733,741
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		**555,486**	601,123
Proposed dividend		**—**	12,431
		1,133,654	1,191,722
Non-controlling interests		**—**	1,300
Total equity		**1,133,654**	1,193,022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**31st December 2011** ***HK$'000***	31st December 2010 *HK$'000*
Non-current liability			
Deferred income tax liabilities		**2,501**	2,971
Current liabilities			
Trade and other payables	*15*	**111,934**	136,563
Amount due to a joint venturer of a jointly controlled entity		**128**	396
Bank borrowings		**338,194**	390,433
Income tax payable		**1,109**	4,656
Derivative financial instruments		**448**	—
Amount due to non-controlling interests		**—**	5,700
		451,813	537,748
Total liabilities		**454,314**	540,719
Total equity and liabilities		**1,587,968**	1,733,741
Net current assets		**1,037,729**	1,080,801
Total assets less current liabilities		**1,136,155**	1,195,993

Notes

1. BASIS OF PREPARATION

These consolidated income statement for the year ended 31st December 2011 and consolidated statement of financial position as at 31st December 2011 and the related notes 1 to 15 are extracted from the Group's consolidated financial statements for the year ended 31st December 2011. The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (which include Hong Kong Accounting Standards ("HKAS")). These policies have been consistently applied to the two years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and derivative financial instruments, which are carried at fair values.

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following amendments to existing standards, which are relevant to the Group's operations, are mandatory for the year ended 31st December 2011:

- Improvements to HKFRSs (2010) were issued in May 2010 by the HKICPA. The improvements comprise 11 amendments across 7 different standards. The adoption of the improvements has had no material impact on the Group's consolidated financial statements.

The Group has not early adopted the new standards, amendments and interpretations to existing standards issued by the HKICPA that are not yet effective for the year ended 31st December 2011, and is in the process of assessing their impact on future accounting periods.

3. 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 year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenues		
Sales of goods	**3,519,748**	3,610,302

(a) Segment information

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 collectively 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) China mainland. 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 and finance costs in the result for each operating segment.

3. **REVENUES AND SEGMENT REPORTING (CONTINUED)**

(a) **Segment information** (*Continued*)

The segment information for the reporting segments for the year ended 31st December 2011 is as follows:

	Hong Kong *HK$'000*	**China mainland** *HK$'000*	**Total** *HK$'000*
Segment revenues	**2,800,528**	**719,220**	**3,519,748**
Segment results	**(23,516)**	**(5,934)**	**(29,450)**
Other segment expenditure items included in the segment results as follows:			
Cost of inventories sold	**2,731,256**	**706,704**	**3,437,960**
Depreciation of property, plant and equipment	**12,727**	**1,220**	**13,947**
Amortisation of leasehold land	**437**	**14**	**451**
Provision for inventories	**6,787**	**657**	**7,444**
Provision for impairment of trade receivables	**—**	**72**	**72**
Write back of trade receivables	**—**	**(551)**	**(551)**
Segment assets	**1,234,939**	**253,259**	**1,488,198**
Segment liabilities	**258,484**	**192,881**	**451,365**

The segment information for the reporting segments for the year ended 31st December 2010 is as follows:

	Hong Kong *HK$'000*	China mainland *HK$'000*	Total *HK$'000*
Segment revenues	3,060,267	550,035	3,610,302
Segment results	63,677	5,217	68,894
Other segment expenditure items included in the segment results as follows:			
Cost of inventories sold	2,918,334	528,393	3,446,727
Depreciation of property, plant and equipment	10,638	2,331	12,969
Amortisation of leasehold land	437	363	800
(Reversal of provision)/provision for inventories	(3,260)	788	(2,472)
Provision for impairment of trade receivables	13	688	701
Segment assets	1,500,217	103,905	1,604,122
Segment liabilities	494,728	43,020	537,748

3. REVENUES AND SEGMENT REPORTING (CONTINUED)

(a) Segment information (*Continued*)

Segment assets and segment liabilities comprise current assets (except for prepayment for leasehold land and derivative financial instruments) and current liabilities (except for derivative financial instruments) respectively.

The total of non-current assets other than financial instruments, prepayment for property, plant and equipment and deferred income tax assets located in Hong Kong is approximately HK$60,216,000 (2010: HK$66,397,000), and the total of these non-current assets located in China mainland is approximately HK$9,448,000 (2010: HK$9,797,000).

(b) Reconciliation of segment results, segment assets and segment liabilities

	2011	2010
	HK$'000	*HK$'000*
Segment results		
Total segment results	**(29,450)**	68,894
Other income	**4,566**	2,948
Other gains, net	**3,832**	8,305
Finance costs	**(9,954)**	(6,109)
(Loss)/profit before income tax per consolidated income statement	**(31,006)**	74,038

	2011	2010
	HK$'000	*HK$'000*
Segment assets		
Total segment assets	**1,488,198**	1,604,122
Leasehold land	**16,100**	16,522
Property, plant and equipment	**53,564**	59,672
Deferred income tax assets	**1,950**	1,225
Available-for-sale financial assets	**26,412**	37,773
Prepayment for leasehold land	**—**	3,148
Prepayment for property, plant and equipment	**400**	—
Assets classified as held for sale	**—**	11,279
Derivative financial instruments	**1,344**	—
Total assets per consolidated statement of financial position	**1,587,968**	1,733,741

	2011	2010
	HK$'000	*HK$'000*
Segment liabilities		
Total segment liabilities	**451,365**	537,748
Deferred income tax liabilities	**2,501**	2,971
Derivative financial instruments	**448**	—
Total liabilities per consolidated statement of financial position	**454,314**	540,719

4. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	**3,048**	2,166
Management fee, net of withholding tax	**70**	70
Others	**1,448**	712
	4,566	2,948

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on		
Loans against trust receipts	**7,419**	4,140
Short-term bank loans	**2,535**	1,969
	9,954	6,109

6. (LOSS)/PROFIT BEFORE INCOME TAX

Profit before income tax is arrived after (crediting)/charging:

	2011	2010
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**13,947**	12,969
Amortisation of leasehold land	**451**	800
Cost of inventories sold	**3,437,960**	3,446,727
Gain on metal future trading contracts	**(9,996)**	(72)
Provision for impairment of other receivables *(note)*	**22,535**	—

Notes: In November 2011, the Company announced that it maintained an account for metals and futures trading (the "Account") with MF Global UK Limited which had been put into special administration. The provision for impairment of other receivables was against the amount of cash maintained in the Account.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Income tax on profits arising from operations in China mainland has been calculated on the estimated assessable profit for the year at the rates of income tax prevailing in China mainland in which the Group's entities operate.

	2011	2010
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**1,815**	11,156
— China mainland corporate income tax	**142**	1,903
Deferred income tax	**(1,195)**	(1,032)
Over-provision in prior years	**(508)**	(7)
Income tax expense	**254**	12,020

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2011	2010
(Loss)/profit attributable to the equity holders of the Company *(HK$'000)*	**(31,618)**	59,472
Number of ordinary shares in issue *('000)*	**828,750**	828,750
Basic (loss)/earnings per share *(Hong Kong cents per share)*	**(3.82)**	7.18

(b) Diluted

Diluted (loss)/earnings 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 share 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. 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.

Diluted (loss)/earnings per share for the years ended 31st December 2011 and 2010 are the same as the basic (loss)/earnings per share as the outstanding share options for the years ended 31st December 2011 and 2010 are anti-dilutive.

9. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim dividend of HK1 cent (2010: HK1 cent) per ordinary share *(note (a))*	**8,287**	8,287
Proposed final dividend of Nil (2010: HK1.5 cents) per ordinary share *(note (b))*	**—**	12,431
	8,287	20,718

Notes:

(a) An interim dividend in respect of 2011 of HK1 cent (2010: HK1 cent) per ordinary share, amounting to a total dividend of HK$8,287,000 (2010: HK$8,287,000) was paid on 16th September 2011.

(b) The directors did not recommend the payment of a final dividend in respect of 2011 at the board meeting on 23rd March 2012. A final dividend in respect of 2010 of HK1.5 cents per ordinary share, amounting to a total dividend of HK$12,431,250 was approved at the annual general meeting on 12th May 2011. The comparative financial statements did not reflect this dividend payable.

10. LEASEHOLD LAND

	2011	2010
	HK$'000	*HK$'000*
At 1st January	**16,522**	43,754
Exchange difference	**29**	123
Amortisation	**(451)**	(800)
Disposal of a subsidiary	**—**	(9,639)
Reclassified as assets classified as held for sale *(note 14)*	**—**	(16,916)
At 31st December	**16,100**	16,522

11. PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	HK$'000	*HK$'000*
At 1st January	**59,672**	79,885
Exchange difference	**493**	293
Additions	**7,363**	6,908
Depreciation	**(13,947)**	(12,969)
Disposals	**(16)**	(20)
Disposal of a subsidiary	**—**	(14,425)
Written off	**(1)**	—
At 31st December	**53,564**	59,672

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	2010
	HK$'000	*HK$'000*
Available-for-sale financial assets		
— equity security, at fair value listed in Hong Kong	**22,854**	33,567
— unlisted limited partnership, at fair value	**3,558**	4,206
	26,412	37,773

The movement for the available-for-sale financial assets during the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1st January	**37,773**	4,380
Additions	**—**	29,996
Return of investment	**(718)**	—
Change in fair values of available-for-sale financial assets	**(10,643)**	3,397
At 31st December	**26,412**	37,773

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

13. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables, net of provision *(note (a))*	**150,930**	162,711
Prepayments to suppliers	**6,842**	5,550
Deposits	**950**	2,117
Other receivables *(note (b))*	**43,851**	14,483
	202,573	184,861

Notes:

(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:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**106,331**	126,177
31 to 60 days	**26,708**	28,476
61 to 90 days	**6,677**	5,405
Over 90 days	**11,214**	2,653
	150,930	162,711

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) As at 31st December 2011, other receivables of approximately HK$15,924,000 (2010: HK$6,305,000) were past due but not impaired, unsecured and guaranteed by an independent third party. These relate to sales proceeds and other receivable resulting from disposal of and return of prepayment for respectively certain leasehold land in China mainland (note 14). Based on the repayment schedule subsequently agreed with the guarantor on 6th March 2012, HK$371,000 (equivalent to RMB300,000) of the total overdue balance was settled on 15th March 2012, and the remaining balance is scheduled to be fully settled by August 2012. The overdue balance as at 31st December 2010 was settled in January 2011.

Other receivables of approximately HK$22,535,000 due from MF Global UK Limited was fully impaired as at 31st December 2011 (note 6).

14. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a board resolution passed in June 2010, the Group entered into sales and purchase agreements with an independent third party to dispose of the Group's interest in certain leasehold land in China mainland.

Movements on the assets classified as held for sale are as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1st January	**11,279**	—
Reclassified as assets classified as held for sale from leasehold land *(note 10)*	**—**	16,916
Exchange difference	**647**	260
Disposal	**(11,926)**	(5,897)
At 31st December	**—**	11,279

During the year, certain leasehold land in China mainland was disposed of to an independent third party resulting in a gain of approximately HK$675,000 (2010: HK$311,000).

15. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables to third parties	**88,516**	86,725
Prepayments from customers	**13,002**	36,704
Accrued expenses	**10,416**	13,134
	111,934	136,563

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

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**81,234**	86,665
31 to 60 days	**6,996**	60
Over 90 days	**286**	—
	88,516	86,725

OVERALL BUSINESS PERFORMANCE

During the first half of 2011, the earthquake and tsunami in northeastern Japan not only shocked the world with its consequential human suffering and economic loss, but also highlighted the need for appropriate controls in the field of nuclear energy. Industries linked to both commodities and energy have experienced changes and fluctuations different to those in recent years. Floods in Thailand had a similar impact later in the year, although smaller in magnitude, given the limited size of the Thai economy. During the second half of 2011, Europe's sovereign debt crisis, together with some encouraging economic signs from the United States, saw the US dollars strengthen against the Euro, reversing a long term trend.

China mainland implemented a series of macroeconomic controls to curb the overheating property market during the first half of 2011, and experienced a slowdown in the growth of exports after the disaster in Japan, where demand for products from the global market weakened considerably. Although exports expanded in November 2011 by 13.8% year on year, it was the most sluggish performance since November 2009. Almost simultaneously, China's manufacturing PMI declined from 50.4% in October to 49.0% in November 2011, which was the first time since March 2009 that the index had dropped below the critical level of 50%, indicating a contraction in the manufacturing sector of the China mainland.

Despite the above scenario of natural disasters and financial market turmoil, LEE KEE managed to almost maintain its tonnage sold of 159,400 metric tones in 2011 which was only a slight decrease of 6.2% as compared to 170,000 metric tones in 2010, while the revenue of LEE KEE decreased from approximately HK$3,610 million in 2010 to approximately HK$3,520 million in 2011, also representing a slight decrease of 2.5% year-on-year.

With the downward price trend of most base metals in 2011, especially in the second half, gross profit of LEE KEE was negatively impacted and fell from approximately HK$160.2 million in 2010 to approximately HK$68.2 million in 2011. The closing price of zinc (which is the major product of the Group) on the London Metal Exchange fell from US$2,470 per metric tonne on 4th January 2011 to US$2,365 on 30 June 2011, representing a 4.3% decrease and further to US$1,845 per metric tonne by 30th December 2011 or a further drop of approximately 22% that totalled around a 25% drop for the full year. Nickel, copper and aluminum prices fell approximately 25%, 20% and 18% respectively during 2011.

The selling and distribution expenses has been increased by 33.9% although there is a slightly decrease in revenue and tonnage sold. Such a situation is mainly because of the increase in the proportion of revenue arisen in the China mainland (20.4% in 2011 against 15.2% in 2010), of which selling and distribution expenses is higher than that of Hong Kong.

In October 2011, a well-known metal brokerage firm, MF Global UK Limited ("MF Global"), applied to the High Court in London for special administration and the cash balance of around HK$22.5 million maintained with MF Global UK by the Group for metal trading has been impaired and recorded in the consolidated financial statements in 2011. The Group took prompt actions including engaging and consulting with legal advisers in London to seek recovery of the funds and closely monitor the situation.

Increases in the interest rate and bank borrowings explain the increase in finance costs. Overall, results attributable to the equity holders of the Company was changed from a profit of approximately HK$59.5 million in 2010, to a loss of approximately HK$31.6 million in 2011.

BUSINESS REVIEW

LEE KEE has positioned itself as a leading metal supply-chain management specialist on professional expertise and decades of experience. By capitalizing on its unique integrated value added services, LEE KEE provides customized services to its customers through the processing, sourcing and distribution of quality metals, as well as serving both the import and domestic markets of non-ferrous and ferrous metals and electroplating chemicals.

Leveraging on the prominent position taken by the Group in quality metal supply-chain operations spanning processing, sourcing and distribution of quality metals, LEE KEE's zinc alloy sales volume for 2011 represented approximately 72% of the PRC's total zinc alloy import volume. With a comfortable coverage of customers from different geographical regions and industry segments, LEE KEE enjoys the paramount support of a number of reputable suppliers and serves around 1,280 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia.

During recent years, China mainland has been promoting investment in manufacturing industries in Central and Western China. These industries have a geographical overlap with our potential customers, which are primarily focusing on the manufacturing of commercial products ranging from bathroom fittings, household hardware, toys and home appliances, to fashion accessories and automobile parts. With an office recently set up in Chengdu by the Group in China mainland, our sales and distribution centres now strategically cover key regions in Central and Western China. This allows LEE KEE to capture the growth of domestic demand in China mainland, to broaden its customer base and reap benefit from the huge potential of China mainland in terms of future growth opportunities. Revenue from China mainland rose to approximately HK$719 million, up 30.8% over 2010 and the proportion of revenue derived in China mainland also increased from 15.2% to 20.4%.

Promet Metals Testing Laboratory Limited ("Promet"), our wholly-owned subsidiary which is accredited by The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"), further exhibited its competence of providing technical support to the Group by expanding its scope of testing services to stainless steel during the year. LEE KEE regards Promet as a vehicle which provides a significant competitive edge over its competitors.

Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned zinc alloy production joint venture, produced approximately 13,680 tonnes of zinc alloy (2010: 14,230 tonnes) and contributed revenue of approximately HK$51 million (2010: HK$78 million) to the Group during 2011.

LEE KEE has always been optimistic about the stainless steel development and contributions from Lee Yip Metal Products Company Limited ("Lee Yip"), and for this reason the Group increased its stake from 70% to 100% in September 2011 with a total consideration of HK$4.6 million. Lee Yip, which enjoys the twin benefits of sharing its location with Tai Po

Technology and Logistic Centre and having its operations extended to the PRC, sold 5,063 tonnes (2010: 5,617 tonnes) of stainless steel, contributing revenue of approximately HK$113 million (2010: HK$133 million) to the Group in 2011.

Notwithstanding the Group's disappointing results for 2011, LEE KEE introduced a number of efficiencies to its business process flow and enhanced both the upstream and downstream operations through a stringent review of cost control measures. Our flexibility was increased through a streamlining exercise and the demands of our customers were fulfilled in a very timely manner. The Group also secured quality suppliers with new storage and blending capacity.

PROSPECTS

LEE KEE remains cautiously optimistic about the outlook of the global economy in 2012. Europe's sovereign debt crisis will still dominate the downturn of the global economy, whilst elections and political transitions in some key countries may trigger changes and uncertainty. On the other hand, the combination of declining global inflation, accommodative monetary policies and inventory building should expand global industrial output in the short-term, thus ultimately leading to a strengthening of the demand for minerals and metals. Against this background, the Group will recover its revenue from increased tonnage sold.

The economy in China mainland will face challenges in 2012. The moderate slump in exports resulting from the European recession may be mitigated by a change in policy focus from managing inflation to supporting growth. In fact, there have already been two downward revisions of the Required Reserve Ratio by the People's Bank of China. Domestic demand in China mainland will become the primary driving force for economic growth, which in turn will generate more demand for our products and services. LEE KEE will leverage its prevailing advantage of being the leading metal supply-chain management specialist and derive benefits from its integrated operation. We will also keep an eye on other parts in China mainland, and explore any opportunities that may arise in the future.

The global production of stainless steel saw a strong recovery in 2011, rising 23.6% above the prior year. With an increased stake in Lee Yip, it is expected that LEE KEE will benefit from the increased turnover to be generated from Lee Yip in the future.

LEE KEE invests into its future through enhancing performances in core business segments and diversifying into new business segments. We have the financial strength, operating skills and presence across a range of markets to give us the resilience and confidence to move forward through changing and demanding times. It is expected that growth will recommence when the business environment improves, at which time LEE KEE should reach new heights and bring attractive returns to its loyal shareholders.

DIVIDENDS

On 19th August 2011, the Directors declared an interim dividend of HK1 cent per share (2010: HK1 cent per share), amounting to HK$8,287,500 (2010: HK$8,287,500) which was paid on 16th September 2011.

The Directors do not recommend the payment of a final dividend (2010: a final dividend of HK1.5 cents per share, amounting to HK$12,431,250) in respect of 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14th May 2012 toTuesday,15th May 2012, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. onFriday,11th May 2012.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources, borrowings from banks and capital contributions from our shareholders. As at 31st December 2011, the Group had unrestricted cash and bank balances of approximately HK$447 million (2010: HK$603 million) and bank borrowings of approximately HK$338 million (2010: HK$390 million). The borrowings, which are short term in nature, were substantially made in Renminbi and Hong Kong dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 31st December 2011 was 29.8% (2010: 32.7%). The Group has a current ratio of 329.7% (2010: 301.0%).

The Company had issued guarantees to the extent of approximately HK$1,482 million to banks to secure general banking facilities of approximately HK$1,294 million to certain subsidiaries, of which approximately HK$338 million had been utilised as of 31st December 2011.

The Group constantly evaluates and monitors its risk exposure to the metals prices with reference to the market conditions. In order to control the exposure efficiently and to capitalise on direction of price trends, the Group's management will employ appropriate operating strategies and set inventory levels accordingly.

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

EMPLOYEES

As at 31st December 2011, the Group had approximately 160 employees (2010: 150 employees) and the Group's 50%-owned joint venture, Genesis Ningbo, had approximately 40 employees (2010: 40 employees). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences 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 2011, staff cost (including directors' emoluments) was approximately HK$47 million (2010: HK$50 million).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during 2011.

CORPORATE GOVERNANCE

To the knowledge of the Directors, they consider that the Company has applied the principles of the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange and to certain extent, of the recommended best practices thereof, and are not aware of any non-compliance with the code provisions of the CG Code during 2011.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS AND SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial statements have been reviewed by the Company's Audit Committee. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2011 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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. William Tasman WISE, 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, 23rd March 2012

* *Independent non-executive Directors*