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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2012

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 2012 together with the comparative figures of the corresponding year ended 31st December 2011 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31st December	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Revenues	*3*	**2,515,730**	3,519,748
Cost of sales		**(2,460,508)**	(3,451,517)
Gross profit		**55,222**	68,231
Other income	*4*	**1,242**	1,518
Distribution and selling expenses		**(19,452)**	(22,272)
Administrative expenses		**(74,652)**	(75,409)
Other gains, net		**7,942**	3,832
Operating loss		**(29,698)**	(24,100)
Finance income		**5,128**	3,048
Finance costs		**(5,170)**	(9,954)
Finance costs, net	*5*	**(42)**	(6,906)
Loss before income tax	*6*	**(29,740)**	(31,006)
Income tax credit/(expense)	*7*	**37**	(254)
Loss for the year		**(29,703)**	(31,260)
Loss attributable to:			
Equity holders of the Company		**(29,703)**	(31,618)
Non-controlling interests		**–**	358
		(29,703)	(31,260)
Loss per share for loss attributable to equity holders of the Company during the year — basic and diluted (Hong Kong cents)	*8*	**(3.58)**	(3.82)
Dividends	*9*	**–**	8,287

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31st December	
	2012	2011
	HK$'000	*HK$'000*
Loss for the year	**(29,703)**	(31,260)
Other comprehensive income/(loss) for the year:		
Exchange translation differences	**1,266**	2,153
Movement of available-for-sale financial assets revaluation reserve	**16,201**	(10,643)
Other comprehensive income/(loss) for the year, net of tax	**17,467**	(8,490)
Total comprehensive loss for the year	**(12,236)**	(39,750)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(12,236)**	(40,108)
Non-controlling interests	**–**	358
	(12,236)	(39,750)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31st December 2012** *HK$'000*	31st December 2011 *HK$'000*
Non-current assets			
Leasehold land	*10*	**15,658**	16,100
Property, plant and equipment	*11*	**42,476**	53,564
Deferred income tax assets		**2,696**	1,950
Available-for-sale financial assets	*12*	**29,758**	26,412
Prepayment for property, plant and equipment		**3,089**	400
		93,677	98,426
Current assets			
Inventories		**536,107**	829,098
Trade and other receivables	*13*	**158,810**	202,573
Amount due from a joint venturer of a jointly controlled entity		**180**	–
Income tax recoverable		**3,930**	9,948
Derivative financial instruments		**374**	1,344
Bank balances and cash		**440,018**	446,579
		1,139,419	1,489,542
Total assets		**1,233,096**	1,587,968
Capital and reserves attributable to equity holders of the Company			
Share capital		**82,875**	82,875
Share premium		**495,293**	495,293
Other reserves		**543,250**	555,486
Total equity		**1,121,418**	1,133,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	**31st December 2012** *HK$'000*	31st December 2011 *HK$'000*
Non-current liabilities			
Deferred income tax liabilities		**1,727**	2,501
Current liabilities			
Trade and other payables	*14*	**94,318**	111,934
Amount due to a joint venturer of a jointly controlled entity		**–**	128
Bank borrowings	*15*	**15,069**	338,194
Income tax payable		**450**	1,109
Derivative financial instruments		**114**	448
		109,951	451,813
Total liabilities		**111,678**	454,314
Total equity and liabilities		**1,233,096**	1,587,968
Net current assets		**1,029,468**	1,037,729
Total assets less current liabilities		**1,123,145**	1,136,155

Notes

1. BASIS OF PREPARATION

The consolidated financial statements of the Company 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")). The consolidated financial statements have been prepared under the historical cost convention, as modified for available-for-sale financial assets and derivative financial instruments, which are carried at fair values. Certain comparative figures have been reclassified to conform to the current year's presentation.

2. The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Adoption of amendments to existing standards

The Group has adopted the following amendments to existing standards, which are mandatory for accounting periods beginning on or after 1st January 2012.

HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendment	Disclosures — Transfers of financial assets
HKAS 12 Amendment	Deferred Tax — Recovery of underlying assets

The adoption of these amendments does not have any significant impact to the results and financial position of the Group.

New standards, amendments to existing standards and interpretations not yet adopted

The following new standards, amendments to existing standards and interpretation have been issued but are not effective and have not been early adopted. The Group has already commenced an assessment of the impact of these new standards, amendments to existing standards and interpretation but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

HKFRS 1 Amendment	Government loans[1]
HKFRS 7 Amendment	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1,4]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 Amendment	Presentation of items of other comprehensive income[1]
HKAS 19 (2011)	Employee benefits[1]
HKAS 27 (2011)	Separate financial statements[1]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 Amendment	Offsetting financial assets and financial liabilities[2]
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[1]
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities[2]
HKFRSs (Amendment)	Annual Improvements 2009–2011 Cycle[1]

1 effective for the Group for annual period beginning on 1st January 2013
2 effective for the Group for annual period beginning on 1st January 2014
3 effective for the Group for annual period beginning on 1st January 2015
4 proportionate consolidation for the Group's jointly controlled entity is no longer allowed under HKFRS 11. The Group will adopt equity accounting for its interest in the jointly controlled entity from 1st January 2013

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:

	2012	2011
	HK$'000	*HK$'000*
Revenues		
Sales of goods	**2,515,730**	3,519,748

(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) 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 and finance costs, net in the results for each operating segment.

The segment information for the reporting segments for the year ended 31st December 2012 is as follows:

	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenues	**1,981,913**	**533,817**	**2,515,730**
Segment results	**(39,047)**	**165**	**(38,882)**
Other segment expenditure items included in the segment results as follows:			
Cost of inventories recognized as expense	**1,945,563**	**515,809**	**2,461,372**
Depreciation of property, plant and equipment	**11,353**	**1,206**	**12,559**
Amortisation of leasehold land	**437**	**14**	**451**
(Reversal of)/provision for impairment of inventories	**(5,387)**	**842**	**(4,545)**
Reversal of impairment of trade receivables	**(20)**	**–**	**(20)**
Segment assets	**951,517**	**187,528**	**1,139,045**
Segment liabilities	**67,915**	**41,922**	**109,837**

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$'000*	Mainland China *HK$'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 recognized as expense	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 impairment of inventories	6,787	657	7,444
Reversal of impairment of trade receivables	–	(479)	(479)
Segment assets	1,234,939	253,259	1,488,198
Segment liabilities	402,271	49,094	451,365

Segment assets and segment liabilities comprise current assets (except for 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$49,231,000 (2011: HK$60,216,000), and the total of these non-current assets located in China mainland is approximately HK$8,903,000 (2011: HK$9,448,000).

3. REVENUES AND SEGMENT REPORTING *(Continued)*

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

	2012	2011
	HK$'000	*HK$'000*
Segment results		
Total segment results	**(38,882)**	(29,450)
Other income	**1,242**	1,518
Other gains, net	**7,942**	3,832
Finance costs, net	**(42)**	(6,906)
Loss before income tax per consolidated income statement	**(29,740)**	(31,006)

	2012	2011
	HK$'000	*HK$'000*
Segment assets		
Total segment assets	**1,139,045**	1,488,198
Leasehold land	**15,658**	16,100
Property, plant and equipment	**42,476**	53,564
Deferred income tax assets	**2,696**	1,950
Available-for-sale financial assets	**29,758**	26,412
Prepayment for property, plant and equipment	**3,089**	400
Derivative financial instruments	**374**	1,344
Total assets per consolidated statement of financial position	**1,233,096**	1,587,968

	2012	2011
	HK$'000	*HK$'000*
Segment liabilities		
Total segment liabilities	**109,837**	451,365
Deferred income tax liabilities	**1,727**	2,501
Derivative financial instruments	**114**	448
Total liabilities per consolidated statement of financial position	**111,678**	454,314

4. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Management fee, net of withholding tax	**70**	70
Others	**1,172**	1,448
	1,242	1,518

5. FINANCE COSTS, NET

	2012	2011
	HK$'000	*HK$'000*
Interest income	**(5,128)**	(3,048)
Interest expense on		
Loans against trust receipts	**2,842**	7,419
Short-term bank loans	**2,328**	2,535
Finance costs, net	**42**	6,906

6. LOSS BEFORE INCOME TAX

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

	2012	2011
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**12,559**	13,947
Amortisation of leasehold land	**451**	451
Cost of inventories recognized as expense	**2,461,372**	3,437,960
Impairment of available-for-sale financial assets	**12,856**	–
Gain on metal future trading contracts	**(1,810)**	(9,996)
Exchange gain, net	**(2,245)**	(15,710)
(Reversal of)/provision for impairment of other receivables *(note)*	**(16,788)**	22,535

Note: 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 represented the amount of cash maintained in the Account. In October 2012, the Company entered into an agreement with a third party to sell down the Account at a consideration of approximately HK$16,788,000 and such amount was fully recovered during the year.

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Income tax on profits arising from operations in the Mainland China has been calculated on the estimated assessable profit for the year at the rates of income tax prevailing in places in which the Group's entities operate.

	2012	2011
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**1,156**	1,815
— Mainland China corporate income tax	**222**	142
Deferred income tax	**(1,520)**	(1,195)
Under/(over)-provision in prior years	**105**	(508)
Income tax (credit)/expense	**(37)**	254

8. LOSS PER SHARE

(a) Basic

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

	2012	2011
Loss attributable to equity holders of the Company (HK$'000)	**(29,703)**	(31,618)
Number of ordinary shares in issue ('000)	**828,750**	828,750
Basic loss per share (Hong Kong cents per share)	**(3.58)**	(3.82)

(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. 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 per share for the years ended 31st December 2012 and 2011 are the same as the basic loss per share as the outstanding share options for the years ended 31st December 2012 and 2011 are anti-dilutive.

9. DIVIDENDS

	2012 ***HK$'000***	2011 *HK$'000*
Interim dividend of Nil (2011: HK1 cent) per ordinary share	**–**	8,287
Proposed final dividend of Nil (2011: Nil) per ordinary share *(note (a))*	**–**	–
	–	8,287

Note:

(a) The directors did not recommend the payment of a final dividend in respect of 2012 at the board meeting on 15th March 2013.

10. LEASEHOLD LAND

	2012	2011
	HK$'000	*HK$'000*
At 1st January	**16,100**	16,522
Exchange difference	**9**	29
Amortisation	**(451)**	(451)
At 31st December	**15,658**	16,100

11. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	HK$'000	*HK$'000*
At 1st January	**53,564**	59,672
Exchange difference	**122**	493
Additions	**1,401**	7,363
Depreciation	**(12,559)**	(13,947)
Disposals	**(52)**	(16)
Written off	**–**	(1)
At 31st December	**42,476**	53,564

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
	HK$'000	*HK$'000*
Available-for-sale financial assets		
— equity securities, at fair value listed in Hong Kong	**22,712**	22,854
— unlisted limited partnership, at fair value	**7,046**	3,558
	29,758	26,412

13. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables, net of provision *(note (a))*	**120,876**	150,930
Prepayments to suppliers	**8,675**	6,842
Deposits	**1,324**	950
Other receivables	**27,935**	43,851
	158,810	202,573

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**85,699**	106,331
31 to 60 days	**22,575**	26,708
61 to 90 days	**4,868**	6,677
Over 90 days	**7,734**	11,214
	120,876	150,930

14. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables to third parties	**70,028**	88,516
Prepayments from customers	**14,115**	13,002
Accrued expenses	**10,175**	10,416
	94,318	111,934

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

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**26,338**	81,234
31 to 60 days	**43,248**	6,996
61 to 90 days	**442**	–
Over 90 days	**–**	286
	70,028	88,516

15. BANK BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Short-term bank loan	**12,683**	30,952
Loans against trust receipts	**2,386**	307,242
	15,069	338,194

OVERALL BUSINESS PERFORMANCE

2012 saw a deepening of the sovereign debt crisis in Europe and a slow US economic recovery, which led to falling demand for Chinese exports and LEE KEE's products. Chinese export growth slowed to 7.9% over the full year, compared to 20.3% growth in 2011. This created an extremely difficult business environment for the Group, particularly in the first half of the year, as weak global trade led to unstable base metal prices, particularly for zinc, LEE KEE's main product.

Confidence amongst Chinese exporters improved in the second half of the year as the European crisis stabilized and on greater certainty following the completion of elections and leadership transitions in the United States and China. This contributed to an upswing in China's economy towards the end of the year, allowing the Group to recover some profitability and margins, while cutting inventory.

Base metal prices fluctuated widely in 2012, with zinc prices reaching a 12-month high of US$2,220 per metric tonne on 26th January 2012 and a low of US$1,745 per metric tonne on 27th June 2012. Zinc closed the year priced at US$2,080 per metric tonne on 31st December 2012, up 10.8% from US$1,878 per metric tonne on 3rd January 2012. Nickel and aluminum prices fell 9.7% and 0.2 % over the year respectively, while copper rose 1.8% over the year.

Tonnage sold by LEE KEE (including its jointly controlled entity) during 2012 fell 17% to 131,000 metric tonnes, down from 159,000 metric tonnes in 2011. This decline was mostly attributable to the economy and softer demand over the year. The lower tonnage sold and fluctuating base metal prices were the main contributors to a 29% decline in revenue to HK$2,516 million, compared to HK$3,520 million in 2011. Similarly, gross profit declined 19% to HK$55.2 million, compared to HK$68.2 million in the previous year.

Due to the lower tonnage shipped, distribution and selling expenses for the full year were HK$19.5 million, down 13% on the previous year. Administration expenses also fell 1% to HK$74.7 million. Finance costs for 2012 were down 48% to HK$5.1 million due to trade loan reductions after the Group cut inventory in the second half.

Other gains rose 107% in 2012 to HK$7.9 million, compared to the previous year. This is mostly attributable to a partial reversal of a HK$22.5 million impairment booked by the Group in 2011 following the collapse of MF Global UK Limited (in special administration). In October 2012, the Group sold its unsecured creditor claim for a net HK$16.7 million, reversing the earlier impairment by approximately 74%. The Group also booked an impairment charge of HK$12.9 million on its investments in shares listed on The Stock Exchange of Hong Kong Limited.

The net additional gains boosted the Group's overall result. During the year under review, it recorded a loss attributable to the shareholders of the Company of HK$29.7 million, a 6% improvement on the loss of HK$31.6 million in the previous year. Despite this loss, the Group maintained a healthy balance sheet, with HK$440 million cash on hand and a gearing ratio of 1.3%.

BUSINESS REVIEW

A dominant player in the PRC and regional zinc alloy industry

LEE KEE maintained its dominant position in the PRC and regional zinc alloy industry, enabling it to grow its market share despite declining volumes sold across the entire industry. The Group serves around 1,160 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia.

As a leading metal supply-chain management specialist, the Group 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 alloy.

More than 53% of the Group's revenue comes from manufacturers of toys and leisure goods, household products (such as appliances and furniture) and gift/premium products.

Present in all major and growing manufacturing regions of China

Over the full year, LEE KEE's sales and distribution centres in the PRC contributed HK$534 million or 21% of the Group's total revenue. The remaining 79% of revenue is attributable to the Group's principal sales and logistical centre located in Hong Kong, which remains the principal gateway for the import of zinc and other non-ferrous metals into the PRC.

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 a sales office in Chengdu as part of its expansion into China's western regions — which are expected to become the nation's next manufacturing hub.

Despite slowing demand, each centre continued to expand and strengthen LEE KEE's relationships with customers, ensuring the Group is well positioned to capture future growth opportunities.

Established relationship with suppliers

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

Complementary businesses diversifying revenue and differentiating Group's offerings

LEE KEE has invested in a number of upstream and downstream businesses to provide value-adding services to its customers — enabling the Group to increase margins, expand its sources of revenue and maintain market share by differentiating its service offering from its 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 3,745 tonnes of stainless steel during the year (2011: 5,063 tonnes) and contributed revenue of approximately HK$76 million (2011: HK$113 million).

Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), is the Group's 50%-owned zinc alloy production joint venture with the Genesis Group. It was developed to provide an alternative source of zinc alloy, supporting the Group's margins. It produced approximately 11,140 tonnes of zinc alloy during the year (2011: 13,680 tonnes) and contributed revenue of approximately HK$46 million (2011: HK$51 million) to the Group.

Promet Metals Testing Laboratory Limited ("Promet") is LEE KEE's wholly-owned materials 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 certification — 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. Through Promet, the Group aims to increase the loyalty of its customer base although its contribution to the Group's overall revenue in 2012 was not yet significant.

PROSPECTS

The Group expects the economic upswing experienced in China towards the end of 2012 will continue into 2013. Nonetheless, risks remain, including austerity-driven recession in some European countries and the unresolved fiscal deficit debate in the United States.

Industrial metal prices in the short term should continue their upward momentum as China's economy accelerates and manufacturing activities recover, despite weak global demand. LEE KEE's management remains confident that long-term demand for LEE KEE's products will remain strong, especially in light of the 18th National Congress' commitment to further urbanization, as well as infrastructure upgrades across South East Asia.

LEE KEE's strong balance sheet has seen the Group ride through a number of economic cycles, while its smaller competitors were forced to exit the market. In order to position itself for demand recovery, the Group will continue to streamline its operations, adapt its product mix to changing market conditions and leverage on value-adding services such as those provided by Promet to increase margins. The Group will also continue to deepen client relationships, particularly in key growth areas such as North Eastern and Western China, and South-East Asia.

Management will also prudently explore measures, including acquisitions, to enhance profitability over the coming year.

DIVIDEND

The Directors do not recommend the payment of a final dividend (2011: Nil) in respect of 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 21st May 2013 to Friday, 24th May 2013, 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. on Monday, 20th May 2013.

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 2012, the Group had unrestricted cash and bank balances of approximately HK$440 million (2011: HK$447 million) and bank borrowings of approximately HK$15 million (2011: HK$338 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 2012 was 1.3% (2011: 29.8%). The Group has a current ratio of 1,036.3% (2011: 329.7%).

The Company had issued guarantees to the extent of approximately HK$1,437 million to banks to secure general banking facilities of approximately HK$1,030 million to certain subsidiaries, of which approximately HK$2.4 million trust receipts loans had been utilised as of 31st December 2012.

The Group constantly evaluates and monitors its risk exposure to 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 exchange rate between Hong Kong dollars and United States dollars.

EMPLOYEES

As at 31st December 2012, the Group had approximately 160 employees (2011: 160 employees) and the Group's 50%-owned joint venture, Genesis Ningbo, had approximately 40 employees (2011: 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 bonuses 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 2012, staff costs (including directors' emoluments) were approximately HK$48 million (2011: HK$47 million).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during 2012.

CORPORATE GOVERNANCE

To the knowledge and belief of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31st March 2012) and Corporate Governance Code (effective from 1st April 2012) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. The Directors are not aware of any non-compliance with the code provisions of the CG Code during 2012.

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 this preliminary announcement of the Group's results for the year ended 31st December 2012 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. CHUNG Wai Kwok, Jimmy, Mr. LEUNG Kwok Keung* and Mr. HU Wai Kwok*.*

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 15th March 2013

* *Independent non-executive Directors*