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 SIX MONTHS ENDED 30TH JUNE 2013

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the six months ended 30th June 2013 (the "Interim Period") together with the comparative figures for the corresponding period ended 30th June 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2013

		Six months ended 30th June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited) (Restated) (Note 2)
Revenues	*4*	**1,161,743**	1,271,333
Cost of sales		**(1,126,180)**	(1,254,667)
Gross profit		**35,563**	16,666
Other income		**426**	711
Distribution and selling expenses		**(8,524)**	(8,513)
Administrative expenses		**(36,786)**	(36,816)
Other gains/(losses), net		**754**	(17,077)
Operating loss	*5*	**(8,567)**	(45,029)
Finance income		**3,096**	1,202
Finance cost		**(85)**	(2,261)
Finance income/(costs), net		**3,011**	(1,059)
Share of profit/(loss) of a joint venture		**1,100**	(1,109)
Loss before income tax		**(4,456)**	(47,197)
Income tax expense	*6*	**(356)**	(114)
Loss for the period		**(4,812)**	(47,311)
Loss attributable to equity holders of the Company		**(4,812)**	(47,311)
Loss per share for loss attributable to equity holders of the Company during the period — basic and diluted (Hong Kong cents)	*7*	**(0.58)**	(5.71)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2013

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
		(Note 2)
Loss for the period	**(4,812)**	(47,311)
Other comprehensive income/(loss) for the period:		
Items that may be reclassified subsequently to profit or loss		
Exchange translation differences	**1,351**	(658)
Movement of available-for-sale financial assets revaluation reserve	**(11,669)**	10,369
Share of other comprehensive income of a joint venture	**248**	122
Other comprehensive (loss)/income for the period, net of tax	**(10,070)**	9,833
Total comprehensive loss for the period	**(14,882)**	(37,478)
Total comprehensive loss attributable to equity holders of the Company	**(14,882)**	(37,478)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2013

	Note	As at 30th June 2013 HK$'000 (Unaudited)	As at 31st December 2012 HK$'000 (Audited) (Restated) (Note 2)
Non-current assets			
Leasehold land		**14,895**	15,113
Property, plant and equipment		**35,740**	34,671
Deferred income tax assets		**2,946**	2,696
Available-for-sale financial assets	*9*	**14,427**	29,758
Interests in a joint venture		**19,491**	18,143
Prepayment for property, plant and equipment		**1,786**	3,089
		89,285	103,470
Current assets			
Inventories		**568,408**	532,746
Trade and other receivables	*10*	**185,823**	156,639
Amounts due from related companies		**1,383**	1,313
Income tax recoverable		**2,292**	3,930
Derivative financial instruments		**264**	374
Bank balances and cash		**404,395**	421,816
		1,162,565	1,116,818
Total assets		**1,251,850**	1,220,288

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30TH JUNE 2013

	Note	**As at 30th June 2013 HK$'000 (Unaudited)**	As at 31st December 2012 HK$'000 (Audited) (Restated) (Note 2)
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		**528,368**	543,250
Total equity		**1,106,536**	1,121,418
Non-current liabilities			
Deferred income tax liabilities		**1,790**	1,727
Current liabilities			
Trade and other payables	*11*	**143,041**	94,087
Bank borrowings		**51**	2,492
Income tax payable		**432**	450
Derivative financial instruments		**—**	114
		143,524	97,143
Total liabilities		**145,314**	98,870
Total equity and liabilities		**1,251,850**	1,220,288
Net current assets		**1,019,041**	1,019,675
Total assets less current liabilities		**1,108,326**	1,123,145

Notes

1 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30th June 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").

2 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.

2 ACCOUNTING POLICIES (CONTINUED)

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other 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 earnings per share.

2 ACCOUNTING POLICIES (CONTINUED)

(a) Adoption of HKFRS 11 (Continued)

Impact on condensed consolidated statement of financial position

Increase/(decrease)	31st December 2012 *HK$'000* (Unaudited)	1st January 2012 *HK$'000* (Unaudited)
Assets:		
— Leasehold land	(545)	(551)
— Property, plant and equipment	(7,805)	(8,336)
— Inventories	(3,361)	(2,584)
— Trade and other debtors	(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)

2 ACCOUNTING POLICIES (CONTINUED)

(a) Adoption of HKFRS 11 (Continued)

Impact on condensed consolidated income statement

Increase/(decrease)	Year ended 31st December 2012 *HK$'000* (Unaudited)	Six months ended 30th June 2012 *HK$'000* (Unaudited)
Revenues	(96,705)	(23,507)
Cost of sales	(93,446)	(21,892)
Other income	(291)	(19)
Operating expenses	(3,373)	(1,538)
Other gains, net	101	8
Finance costs, net	(2,245)	(1,213)
Share of losses of a joint venture	2,169	1,109

Impact on condensed consolidated statement of comprehensive income

Increase/(decrease)	Year ended 31st December 2012 *HK$'000* (Unaudited)	Six months ended 30th June 2012 *HK$'000* (Unaudited)
Exchange translation differences	(332)	(122)
Share of other comprehensive income of a joint venture	332	122

Impact on condensed consolidated statement of cash flows

Increase/(decrease)	Year ended 31st December 2012 *HK$'000* (Unaudited)	Six months ended 30th June 2012 *HK$'000* (Unaudited)
Cash flows from operating activities	2,036	5,321
Cash flows from investing activities	(27,156)	6
Cash flows from financing activities	18,374	14
Net decrease/increase in cash and cash equivalents	(6,746)	5,341

3 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.

4 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:

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Revenues		
Sales of goods	**1,161,743**	1,271,333

(a) Segment information

	Six months ended 30th June 2013		Six months ended 30th June 2012	
	Revenues	**Segment results**	Revenues	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
			(Restated)	(Restated)
Hong Kong	**934,949**	**(9,761)**	1,013,416	(28,095)
Mainland China	**226,794**	**14**	257,917	(568)
	1,161,743	**(9,747)**	1,271,333	(28,663)

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 the trading of different types of metal products.

4 REVENUES AND SEGMENT REPORTING (CONTINUED)

(a) Segment information (Continued)

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/(losses), net and finance income/(costs), net 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 30th June 2013		
	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment assets	**1,052,048**	**199,802**	**1,251,850**
Segment liabilities	**108,494**	**36,820**	**145,314**

	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.

4 REVENUES AND SEGMENT REPORTING (CONTINUED)

(b) Reconciliation of segment results

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Total segment results	**(9,747)**	(28,663)
Other income	**426**	711
Other gains/(losses), net	**754**	(17,077)
Finance income/(costs), net	**3,011**	(1,059)
Share of profit/(loss) of a joint venture	**1,100**	(1,109)
Loss before income tax	**(4,456)**	(47,197)

5 OPERATING LOSS

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

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Depreciation of property, plant and equipment	**5,750**	5,464
Amortization of leasehold land	**218**	218
Cost of inventories recognised as expense	**1,113,332**	1,251,748
Gain on disposal of property, plant and equipment	**(27)**	—
Gain on metal future trading contracts	**(1,304)**	(2,012)
Staff costs, including directors' remuneration	**20,638**	20,447
Impairment of available-for-sale financial assets	**3,662**	12,856
Provision/(reversal of provision) for impairment of inventories	**3,073**	(3,724)
Provision for impairment of trade receivables	**830**	—
Net exchange (gain)/loss	**(3,085)**	6,233

6 INCOME TAX EXPENSE

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

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax	**374**	541
— Mainland China corporate income tax	**169**	—
Deferred income tax	**(187)**	(427)
Income tax expense	**356**	114

7 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.

	Six months ended 30th June	
	2013	2012
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (HK$'000)	**(4,812)**	(47,311)
Number of ordinary shares in issue ('000)	**828,750**	828,750
Basic loss per share (Hong Kong cents per share)	**(0.58)**	(5.71)

(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 six months ended 30th June 2013 and 2012 are the same as the basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

8 INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2013 (2012: Nil).

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30th June 2013 *HK$'000* **(Unaudited)**	As at 31st December 2012 *HK$'000* (Audited)
Available-for-sale financial assets		
— equity securities, at fair value listed in Hong Kong	**14,427**	22,712
— unlisted limited partnership, at fair value	**—**	7,046
	14,427	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.

10 TRADE AND OTHER RECEIVABLES

	As at 30th June 2013 *HK$'000* **(Unaudited)**	As at 31st December 2012 *HK$'000* (Audited) (Restated)
Trade receivables, net of provision *(note (a))*	**139,432**	119,408
Prepayments to suppliers	**9,369**	8,675
Deposits	**1,227**	1,324
Other receivables	**35,795**	27,232
	185,823	156,639

10 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:

	As at 30th June 2013 ***HK$'000*** **(Unaudited)**	As at 31st December 2012 *HK$'000* (Audited) (Restated)
0 to 30 days	**104,397**	84,231
31 to 60 days	**22,574**	22,576
61 to 90 days	**7,182**	4,868
Over 90 days	**5,279**	7,733
	139,432	119,408

11 TRADE AND OTHER PAYABLES

	As at 30th June 2013 ***HK$'000*** **(Unaudited)**	As at 31st December 2012 *HK$'000* (Audited) (Restated)
Trade payables		
— to third parties	**110,889**	67,233
— to a related company	**9,571**	5,551
Prepayments from customers	**13,145**	12,002
Accrued expenses	**9,436**	9,301
	143,041	94,087

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

	As at 30th June 2013 ***HK$'000*** **(Unaudited)**	As at 31st December 2012 *HK$'000* (Audited) (Restated)
0 to 30 days	**116,313**	29,094
31 to 60 days	**2,178**	43,248
61 to 90 days	**885**	442
Over 90 days	**1,084**	—
	120,460	72,784

MANAGEMENT DISCUSSION AND ANALYSIS

(comparative financial figures of 2012 are restated)

Overall Business Performance

The first half of 2013 was a period of mixed sentiment as the world economy continued to face significant uncertainty and moderate export growth. The continuation of quantitative easing in the USA calmed some nerves despite the fact that growth in the first half of the year was sub-par, whilst in Europe the rate of economic contraction did at least appear to be stabilizing. Chinese exports, which account for about half of total manufacturing production, remained weak, whilst the growth in infrastructure spending peaked and housing construction softened.

China's economy grew by 7.6% year-on-year during the period under review, a marked slowdown in comparison with the same period last year and down dramatically from the pre-Lehman collapse. Though it was extremely solid relative to the rest of the world, especially considering the size of the economy in question, China's trade still faced uncertainties with fragile and sluggish growth elsewhere and was negatively impacted by the combination of equity markets hit by expected lower debt purchasing scale, slow growth in export demand, tightening of credit liquidity in China, and excessive supply for metal commodities.

As a consequence, the Group experienced overall downward pressure on metal price, of which, Zinc (the main product of the Group) and Nickel fell approximately 11% and 20% respectively over the Interim Period. Revenue for the first half of 2013 fell 8.62% to approximately HK$1,162 million, compared to revenue of approximately HK$1,271 million or reduction of HK$110 million in the same period last year. Tonnage sold by the Group fell around 1.94% to 61,170 metric tonnes, from 62,380 tonnes in the first half of 2012. Gross profit for the Interim Period increased to approximately HK$35.6 million or increased by 113% from approximately HK$16.7 million for the first half of last year and was largely attributable to reliable value-added services that are much appreciated by customers especially under adverse business conditions.

Distribution and selling expenses during the period increased 0.12% compared to the same period of last year, while administrative expenses fell 0.08% or improved by HK$0.03 million.

Other gains (losses), compared to the other loss of HK$17.0 million in the same period of last year which was mainly arose from an impairment of a listed securities of HK$12.9 million, improved by HK$17.8 million to a gain of HK$0.75 million in the Interim Period that included inside was an exchange gain of HK$3.08 million as a result of appreciation of the Chinese Renminbi on the Group's Renminbi assets in Hong Kong and gain on metal future contracts of HK$1.30 million. The aforesaid exchange gain and metal future gain was set off partially by an impairment provided for Group's available-for-sale financial asset of HK$3.66 million.

Business Review

A dominant player in the PRC and regional zinc alloy industry

LEE KEE maintained its dominant leading position in the PRC and regional zinc alloy industry, enabling it to grow its market share despite declining volumes across the entire industry. The Group serves around 1,130 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 alloys.

56.8% of the Group's revenue came from the manufactures of toys and leisure goods, household products (such as appliances and furniture) and gift/premium products during the period of review.

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 a 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 first six months of the year, LEE KEE's sales and distribution centres in the PRC contributed approximately HK$227 million or 19.5% (first half of 2012: HK$258 million or 20.2%) of the Group's total revenue, while 80.5% (first half of 2012: 79.8%) 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 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 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 service offering 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 2,220 tonnes of stainless steel during the period (first half of 2012: 1,830 tonnes) which contributed revenue of approximately HK$44.0 million (first half of 2012: HK$38.1 million).

Genesis Alloys (Ningbo) Limited ("Genesis Ningbo") is the Group's 50%-owned zinc alloy production joint venture. It was developed to provide an alternative and stable source of zinc alloy, supporting the Group's core business. It produced approximately 6,220 tonnes of zinc alloy (first half of 2012: 5,480 tonnes) and contributed net profit approximately HK$1.10 million during the first half of 2013 (first half of 2012: net loss of approximately HK$1.10 million).

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 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.

Prospects

The external macro-economic situation remains complicated, but uncertainty also creates opportunity.

Despite the continued improvement in the global financial environment, particularly the easing of sovereign debt in the euro zone, medium-term global risks remain. The global expansion will take place at multiple speeds with emerging economies continuing to lead the expansion. Growth in the United States is expected to gain moderate momentum, but the recovery in Europe will be constrained by challenging balance sheet repair in several countries.

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, especially in line with China's policy to shift from one reliant on exports and investment to a more decelerate but sustainable growth based on domestic consumption 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, such as in-house technical support, quality assurance, chemical testing and verification provided by Promet, to substantially improve the Group's overall margins. The Group will also continue to strengthen client relationships, particularly in key growth areas such as North Eastern and Western China, and South-East Asia.

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 2012 are restated)

The Group primarily finances its operation through internal resources, borrowings from banks and capital contributions from its shareholders. As at 30th June 2013, the Group had unrestricted cash and bank balances of approximately HK$404 million (31st December 2012: HK$422 million) and bank borrowings of approximately HK$51,000 (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 30th June 2013 was 0.004% (31st December 2012: 0.22%). The Group has a current ratio (current assets to current liabilities) of 810% (31st December 2012: 1,150%).

The Company had issued guarantees to the extent of approximately HK$1,094 million to banks to secure general banking facilities of approximately HK$844 million to certain subsidiaries, of which approximately HK$51,000 had been utilised as of 30th June 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 capitalize on price trends, the Group's management will employ appropriate operating strategies throughout the remainder of 2013.

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

DIVIDENDS

The Board does not recommend the payment of an interim dividend (first half of 2012: Nil).

EMPLOYEES

As at 30th June 2013, the Group had approximately 140 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 Interim Period, staff costs (including directors' emoluments) were approximately HK$20.6 million (first half of 2012: HK$20.5 million).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2013 has been reviewed by the Company's Audit Committee and PricewaterhouseCoopers, the Company's Auditor.

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, 2nd August 2013

* *Independent non-executive Directors*