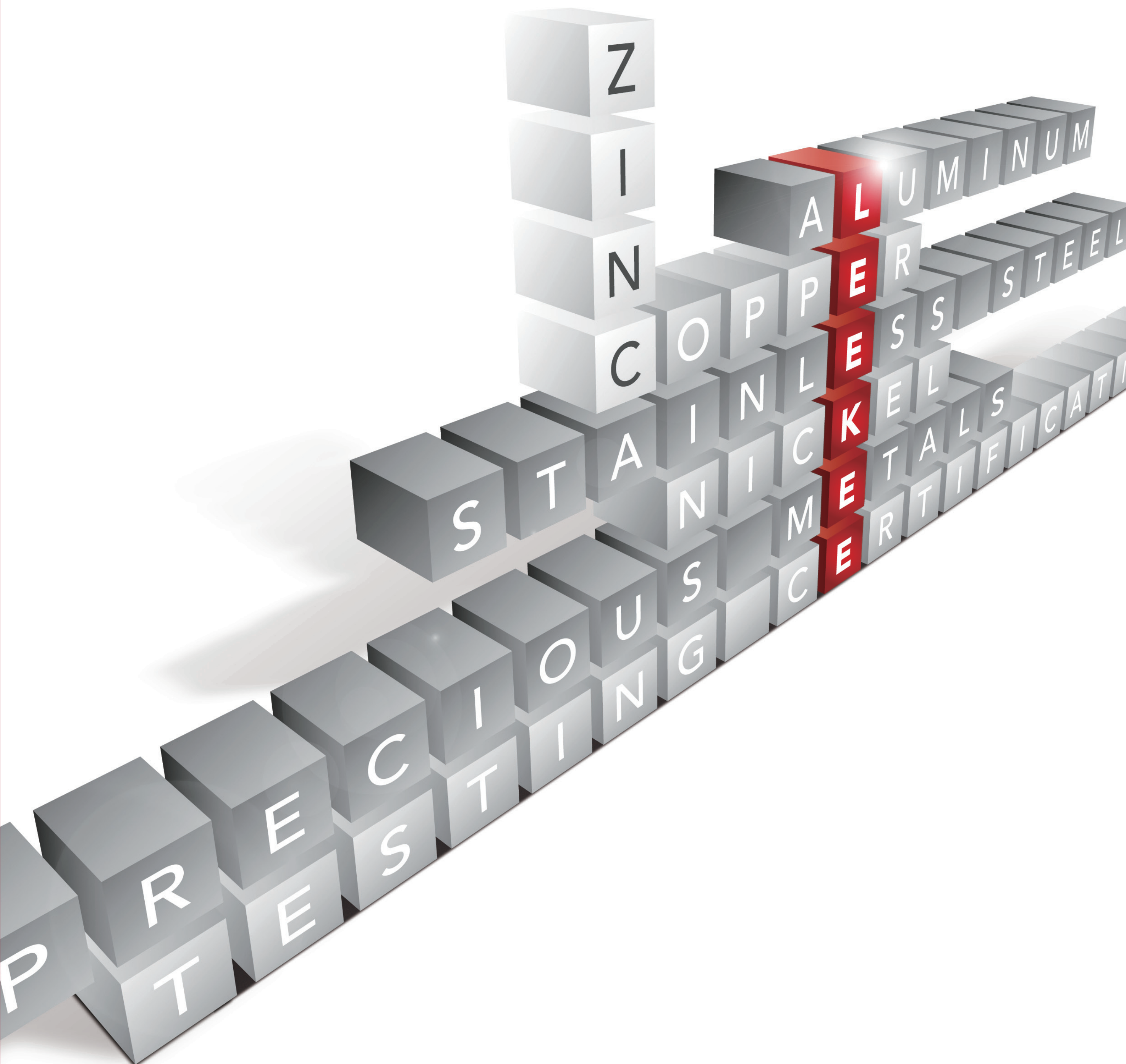
利記控股有限公司
LEE KEE HOLDINGS LIMITED

SINCE 1947

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）

Stock code 股份代號：637



Annual Report 2012 年報


FOUNDATION
SUCCESS
QUALITY
SPIRIT

Lee Kee is a leading **metal supply-chain** management specialist, with professional expertise and decades of experience in servicing both the import and domestic markets with non-ferrous and ferrous metals, and electroplating chemicals. It provides customized services through the reliable processing, sourcing and distribution of quality metals to a wide range of loyal customers.

Contents

Corporate Information

DIRECTORS

Executive Directors

CHAN Pak Chung *(Chairman of the Board)*
CHAN Yuen Shan, Clara *(Vice Chairman and CEO)*
MA Siu Tao

Independent Non-executive Directors

CHUNG Wai Kwok, Jimmy
LEUNG Kwok Keung
HU Wai Kwok

COMPANY SECRETARY

CHEUK Wa Pang *(CPA (HKICPA), FCCA, ACA)*

AUDIT COMMITTEE

CHUNG Wai Kwok, Jimmy
(Chairman of the Audit Committee)
LEUNG Kwok Keung
HU Wai Kwok

REMUNERATION COMMITTEE

LEUNG Kwok Keung
(Chairman of the Remuneration Committee)
CHAN Pak Chung
CHUNG Wai Kwok, Jimmy

NOMINATION COMMITTEE

CHAN Pak Chung
(Chairman of the Nomination Committee)
CHUN Wai Kwok
LEUNG Kwok Keung

AUTHORISED REPRESENTATIVES

CHAN Yuen Shan, Clara
CHEUK Wa Pang

REGISTERED OFFICE

P.O. Box 309 GT, Ugland House,
South Church Street, George Town,
Grand Cayman, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16 Dai Fat Street
Tai Po Industrial Estate
New Territories
Hong Kong

WEBSITE OF THE COMPANY

www.leekeegroup.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:
King & Wood Mallesons
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to Cayman Islands Law:
Maples and Calder Asia
1504 One International Finance Centre
1 Harbour View Street
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

STOCK CODE

637

Corporate Structure

(operating companies as at 31.12.2012)

利記控股有限公司
LEE KEE HOLDINGS LIMITED

利記集團有限公司
LEE KEE GROUP LTD.

- **Lee Kee Metal Co., Ltd. (HK)**
  Distribution of zinc alloy and zinc
- **Lee Fung Metal Co., Ltd. (HK)**
  Distribution of non-ferrous metals, includes aluminum alloy and aluminum
- **Lee Sing Materials Co., Ltd. (HK)**
  Distribution of nickel and other chemicals, precious metal chemicals
- **Lee Yip Metal Products Co., Ltd. (HK)**
  Distribution and processing of stainless steel
- **Toba Co., Ltd. (HK)**
  Property holdings
- **Standard Glory Management Co., Ltd. (HK)**
  Provision of management service
- **Lee City Asia Co., Ltd. (HK)**
  Property holdings
- **Promet Metals Testing Laboratory Ltd. (HK)**
  Metal testing laboratory
- **LKG Elite (Shenzhen) Co., Ltd. (PRC)**
  Distribution of non-ferrous metal
- **LKG Elite (Wuxi) Co., Ltd. (PRC)**
  Distribution of non-ferrous metal
- **LKG Elite (Guangzhou) Co., Ltd. (PRC)**
  Distribution of non-ferrous metal
- **Genesis Alloys (Ningbo) Ltd. * (PRC)**
  Manufacturing of zinc alloy

* *50% owned*


COMMITMENT
VISION

Exploring
to enhance profitability

LEE KEE's strong financial position has seen the Group ride through a number of economic cycles over many years. In order to position itself for a recovery in customers' demand and to increase margins, the Group will continue to streamline its operations, adapt its product mix to changing market conditions and leverage on its unique value-added services.

Our focus this year
has been to retain market share by using value-added services to differentiate our products, diversifying our sources of revenue and strengthening our positioning in key growth markets.

Chan Pak Chung
Chairman

DEAR SHAREHOLDERS,

I hereby present the results of LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group" or "we") for the year of 2012.

The year was one of two parts for LEE KEE. Our performance in the first half of 2012 was sharply impacted by a fall in base metal prices (especially zinc) and the struggling global economy, with Europe in particular paralyzed by sovereign bond restructures and bailouts. The general situation was further complicated by the US presidential election. This clouded the business outlook for many of our customers — primarily Chinese SME manufacturers — reducing overall demand for the Group's products.

Conditions generally improved in the second half of the year with some stabilizing of the global economy and the China's 18th National Congress' continued commitment to pro-growth policies. This saw China's manufacturing PMI improve from 49.2% in August 2012 to 50.6% in December 2012, enabling us to increase margins and profitability and partially offset our worse performance in the first half of the year.

This reversal was not enough to prevent a decline in overall revenue and tonnage sold compared to 2011, or prevent the Group from recording a loss attributable to shareholders of approximately HK$29.7 million. This loss was 6% less than the previous year.

With many of these economic factors being beyond our control, the focus this year has been to retain market share by using value-added services to differentiate our products, diversifying our sources of revenue and strengthening our positioning in key growth markets.

LEE KEE maintained its dominant position in the PRC and regional zinc alloy industry (its zinc alloy sales volume for 2012 represented around 72% of the PRC's total zinc alloy import volume), thanks largely to the Group's 'one-stop shop' capability covering the processing, sourcing and distribution of ferrous and non-ferrous metals. This key differentiator continues to set us apart from our competitors.

We continued to expand our subsidiaries, such as our wholly-owned stainless steel processing and distribution subsidiary, Lee Yip, and 50%-owned zinc alloy production joint venture, Genesis Ningbo, in order to diversify our sources of revenue. Both companies continued to win new customers and increase their contribution to the Group's overall revenue, slowly reducing our reliance on our primary zinc alloy business.

We also continued to strengthen our relationships with existing customers, and establish new customers, through our sales and distribution centers in Hong Kong and Mainland China — including our sales center in Chengdu. Our long-term customer relationships have seen LEE KEE through many economic cycles over its more than 65 years of experience, leaving us well placed to benefit from a future turnaround in the market.

Despite this year's challenges, we remain optimistic about the future prospects of our business and remain committed to delivering quality products and professional service well into the future.

Finally, I would like to take this opportunity to express our sincere appreciation to all customers for their continued business and loyalty. I would also like to thank the management team, our staff and our business partners for their expertise, hard work and support through the challenging period last year.

CHAN Pak Chung
Chairman

15 March 2013

Complementary businesses

diversifying revenue

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

Financial Summary

Following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years:

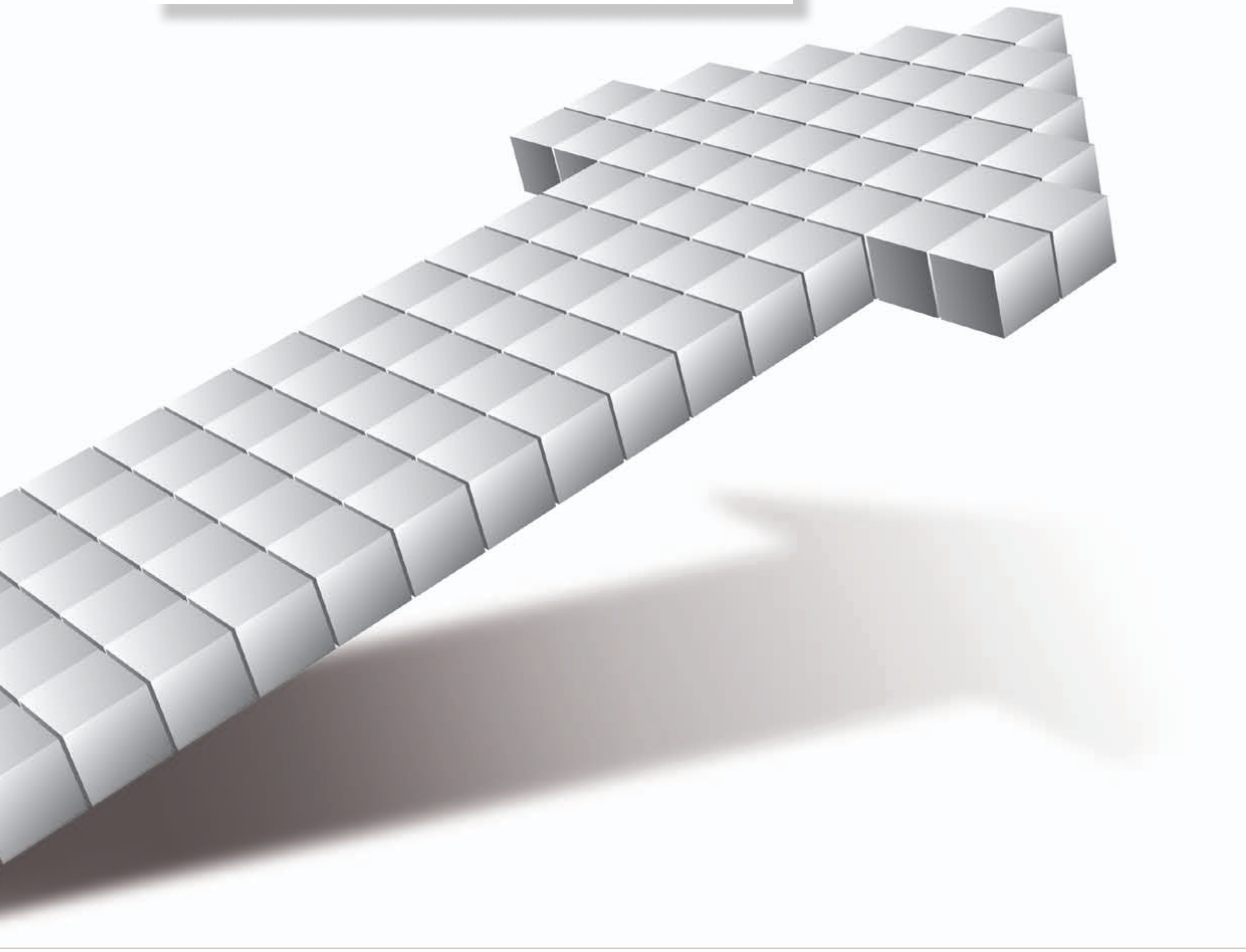
CONSOLIDATED RESULTS

	Year ended 31st December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,515,730**	3,519,748	3,610,302	2,433,980	4,127,696
(Loss)/profit before income tax	**(29,740)**	(31,006)	74,038	123,201	(2,298)
Income tax credit/(expense)	**37**	(254)	(12,020)	(16,178)	(3,066)
(Loss)/profit for the year	**(29,703)**	(31,260)	62,018	107,023	(5,364)
Attributable to:					
Equity holders of the Company	**(29,703)**	(31,618)	59,472	106,940	60
Minority interests	**–**	358	2,546	83	(5,424)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**93,677**	98,426	115,192	131,264	128,923
Total current assets	**1,139,419**	1,489,542	1,618,549	1,544,137	1,227,848
Total assets	**1,233,096**	1,587,968	1,733,741	1,675,401	1,356,771
Total non-current liabilities	**1,727**	2,501	2,971	2,952	2,203
Total current liabilities	**109,951**	451,813	537,748	423,772	152,810
Total liabilities	**111,678**	454,314	540,719	426,724	155,013
Net assets	**1,121,418**	1,133,654	1,193,022	1,248,677	1,201,758

LEE KEE has built a strong presence in major manufacturing hubs in Southern and Eastern China, which continued to expand and strengthen LEE KEE's relationships with customers, ensuring the Group is well positioned to capture future growth opportunities.



LEE KEE will continue to deepen customer relationships, particularly in key growth areas such as northeastern and western China, and Southeast Asia. Management will also prudently explore new measures, including acquisitions, to enhance profitability over the coming year.

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 the share of 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 financial position with HK$440 million cash on hand and a gearing ratio of 1.3%.

Management Discussion and Analysis

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-added 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. 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 from external customers 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 financial position 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-added 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).

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 65, is the Chairman of the Board and an Executive Director of the Company and a director of principal subsidiaries of the Company and the joint venture of the Group. Mr. Chan has been serving the Group since 1967 and is now leading and governing the Board of the Company to ensure the Board works and performs its responsibilities effectively. Mr. Chan has more than 45 years of experience in the group development and non-ferrous metals industry. He obtained a Master Degree in Material Engineering from the Yanshan University. Mr. Chan is also a Permanent Honorary President of Hong Kong Diecasting and Foundry Association Limited, Honorary Fellow (Machinery and Metal Industries) of the Professional Validation Council of Hong Kong Industries, the Supervisory Vice Chairman of Hong Kong Metal Merchants Association, Honorary President of the Professional Validation Council of Hong Kong Industries, Honorable President of the Federation of Hong Kong Machinery and Metal Industries and Honorary President of Hong Kong Association for the Advancement of Science and Technology. Mr. Chan is the spouse of Ms. MA Siu Tao and the father of Ms. CHAN Yuen Shan, Clara and Mr. CHAN Ka Chun, Patrick.

Ms. CHAN Yuen Shan, Clara, aged 41, is the Vice-Chairman, Chief Executive Officer and an Executive Director of the Company, a director of principal subsidiaries of the Company and the joint venture of the Group. Ms. Chan joined the Group in November 1995 and is now responsible for strategic direction and ensuring the implementation of the strategies and policies. She also leads the Group in the business development and operations. Ms. Chan has over 19 years of experience in the non-ferrous metals industry. She obtained a Bachelor Degree in Administrative Studies from the Open University in collaboration with the British Columbia Institution of Technology. Ms. Chan is a Member of the 11th Chinese People's Political Consultative Conference Guangxi Autonymous Region and the Awardee of the Young Industrialist Awards of Hong Kong 2008. She is a member of the Trade and Industry Advisory Board, a Vice Chairman of Hong Kong Diecasting and Foundry Association Limited, a Vice President of Hong Kong Yong Industrialist Council, a Founder and Chairman of Lee Sang Charity Foundation Co. Ltd., a charitable organization. Ms. Chan is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao and sister of CHAN Ka Chun, Patrick.

Ms. MA Siu Tao, aged 63, is an Executive Director of the Company and director of principal subsidiaries of the Company. Ms. Ma joined the Group in 1985 and is now responsible for advising on corporate and sales marketing strategies. Ms. Ma has been working in the non-ferrous metals industry for more than 27 years. She obtained a Master Degree in Material Engineering from the Yanshan University. Ms. Ma is the Executive Director of Hong Kong Diecasting and Foundry Association Limited and an associate of the Professional Validation Council of Hong Kong Industries. Ms. Ma is the spouse of Mr. CHAN Pak Chung and the mother of Ms. CHAN Yuen Shan, Clara and Mr. CHAN Ka Chun, Patrick.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Wai Kwok, Jimmy, aged 63, is an independent non-executive Director of the Company appointed in September 2006. Mr. Chung has over 25 years of experience in financial advisory, taxation and management. He was a partner of PricewaterhouseCoopers and retired in June 2005. In October 2005, he joined a professional consulting firm, Russell Bedford Hong Kong Limited, as Director — Tax & Business Advisory. Mr. Chung is a member of Hong Kong Institute of Certified Public Accountants, the Taxation Institution of Hong Kong and the Association of Chartered Certified Accountants (ACCA). He was the President of the Hong Kong branch of ACCA for the year 2005/06. He is currently also an independent non-executive director of Fittec International Group Limited, Fook Woo Group Holdings Limited and Tradelink Electronic Commerce Limited, all are listed on the Main Board of the Stock Exchange; and China World Trade Center Company Limited, listed on the Shanghai Stock Exchange.

Mr. LEUNG Kwok Keung, aged 49, is an independent non-executive Director of the Company appointed in September 2006. Mr. Leung is currently an independent non-executive director of Global Link Communications Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Leung worked in an international accountancy firm in Hong Kong for 12 years and has over 10 years' experience as financial controller for companies listed on the Main Board of the Stock Exchange. He obtained a bachelor degree in accountancy from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) and a degree in Bachelor of Laws from Tsinghua University. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Institute of Chartered Accountants in England and Wales.

Mr. HU Wai Kwok, aged 40, is an Independent Non-executive Director of the Company appointed in May 2007. He is currently an Executive Director of JPMorgan Asset Management Real Assets (Asia) Limited, focusing on infrastructure investments. Prior to that, he was the Vice General Manager of The National Trust & Investments Ltd. ("Natrust"), a company providing financial services in China. Prior to joining Natrust, Mr. Hu was a director of Emerging Markets Partnership. He has over 15 years' experience in corporate finance and direct investments. Mr. Hu holds a Bachelor Degree in Economics from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. Mr. Hu is a Chartered Financial Analyst.

SENIOR MANAGEMENT

Mr. CHEUK Wa Pang, aged 48, is the Chief Financial Officer, the Qualified Accountant and the Company Secretary of the Company. Mr. Cheuk joined the Group in December 2002 and is responsible for the financial matters of the Group. Prior to joining the Group, Mr. Cheuk worked as financial controller and company secretary as well as business consultant of various private and listed companies. Mr. Cheuk has over 21 years of experience in finance, accounting and auditing. Mr. Cheuk holds a Bachelor Degree of Science in Engineering from the University of Hong Kong, a Master Degree in Applied Finance and a Master Degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a member of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Ying Wai, Raymond, aged 42, is the Chief Operating Officer of the Group. Mr. Leung joined the Group in March 2012 and is responsible for the operational excellence of the Group. Prior to joining the Group, Mr. Leung worked in a well known Japanese multinational corporation, SONY, for 20 years and acted as the Regional Managing Director under Sony group over 11 years. Mr. Leung is expertise of implementing tailor-made supply chain solutions for various industries in Asia, as well as developing turnkey business model including sourcing, demand planning, manufacturing, packaging and distribution. Mr. Leung obtained a Bachelor Degree of Computer Science from the Victoria University of Technology and a Master Degree of Science in Automation Systems and Management from the City University of Hong Kong.

Mr. CHENG Yick Tong, Steven, aged 43, is the Technical Director of the Group and responsible for the overall quality assurance of the Group's products and technical services to ensure the Group's professionalism as a raw material supplier in the die-casting industry. Mr. Cheng is also involved in the exploration of new technical development on both materials and production process. Mr. Cheng joined the Group in July 1998 with four years experience of metal testing laboratory operations. Mr. Cheng obtained a Bachelors Degree in Applied Science in Chemistry from the University of Technology in Sydney, Australia and a Master Degree in Materials Technology and Management from the City University of Hong Kong.

Mr. CHAN Ka Chun, Patrick ("Mr. Patrick Chan"), aged 40, is a director of principle subsidiaries of the Company. Mr. Patrick Chan joined the Group in August 2006 and is now responsible for the overall management of the stainless steel business and future development projects of the Group. He has over 7 years of experience in the stainless steel industry. Mr. Patrick Chan obtained a Bachelor of Science Degree in Aeronautical Science from Embry-Riddle Aeronautical University and a Master Degree in Business Administration from the University of Hong Kong. He is the Treasurer of Hong Kong Metal Merchants Association, a director of Hong Kong Auto Parts Industry Association, a committee member of Hong Kong Aviation Industry Association and Vice President of Hong Kong Electrical Appliances Manufacturer Association. Prior to joining the Group, Mr. Patrick Chan was an Airline Pilot. Mr. Patrick Chan is the son of Mr. CHAN Pak Chung and Ms. MA Siu Tao and brother of Ms. CHAN Yuen Shan, Clara.

Mr. YAN Cheuk Yam, aged 66, was appointed as an Independent Non-executive Director of the Company in September 2006. He resigned from the directorship in February 2007 and acted as the Head of China Division of the Group since March 2007. Mr. Yan is responsible for the advising of the Group's development and local relationship in the PRC. He is also a director of the Group's certain PRC subsidiaries. Prior to this employment, Mr. Yan was a director of a steel pipes company and a consultant of a Dongguan metals factory. Mr. Yan has more than 25 years' experience in steel business and metal trading in the PRC, Taiwan and Hong Kong.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. Accordingly, the Company implemented various measures to comply with the then Code on Corporate Governance Practices (until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) (collectively the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during 2012.

To the knowledge of the Directors and save as disclosed herein, the Directors consider that the Company has complied with the CG Code and are not aware of any non-compliance with the then provisions in the CG Code for 2012.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the Model Code by the Directors during 2012.

BOARD OF DIRECTORS

The composition of the Board and the biographical details of the Directors are set out in the Report of the Directors and also Directors and Senior Management sections of the annual report respectively.

The Board is responsible for providing entrepreneurial leadership, either directly or through its committees, to the Company and its subsidiaries (collectively the "Group") in order to deliver long-term value to shareholders. It establishes corporate policies, sets strategic direction, ensures that an effective internal control environment is in place, and oversees the management which is responsible for day-to-day operations. The Board established on 20th December 2006 the Executive Committee which can exercise the powers delegated by the Board pursuant to the written terms of reference, except the powers to approve major issues and reserved matters, such as acquisition and disposal, connected transactions which are reserved by the Board. The management is responsible for day-to-day management of the Company under the leadership of the Chief Executive Officer.

The Company has received the annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considered them independent to the Group.

Save as disclosed in the Directors and Senior Management section and to the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among the board members.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has two different persons for the posts of the Chairman of the Board and Chief Executive Officer. The Chairman of the Board, Mr. CHAN Pak Chung, leads and govern the Board (including but not limited to chair all the board meetings and general meetings), and in his absence, another Director of the Company will be chosen to chair such meetings pursuant to the Company's Articles. The Chief Executive Officer of the Company, Ms. CHAN Yuen Shan, Clara, is responsible for the Group's strategic direction and ensuring the implementation of the strategies and policies. She also leads the Group in the business development and operations.

NON-EXECUTIVE DIRECTORS

All Independent Non-executive Directors entered into appointment letters with the Company for a term of two years, two of which are renewed from 4th October 2012 and one of which is renewed from 14th May 2011 after the expiry of the previous term.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee on 15th September 2006 with written terms of reference. The primary duties of the Remuneration Committee included reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the share option scheme. The Remuneration Committee has three members comprising Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok, Jimmy and Mr. LEUNG Kwok Keung, two of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. LEUNG Kwok Keung and discharged its duties by reviewing the remuneration packages of Executive Directors during 2012.

NOMINATION OF DIRECTORS

The Company established the Nomination Committee on 15th September 2006 with written terms of reference. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee has three members comprising Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok and Mr. LEUNG Kwok Keung, two of whom are Independent Non-Executive Directors. The Nomination Committee is chaired by Mr. CHAN Pak Chung and discharged its duties by reviewing of the structure, size and the composition of the Board during 2012.

CORPORATE GOVERNANCE COMMITTEE

The Company established the Corporate Governance Committee on 23rd March 2012 with written terms of reference. The Corporate Governance Committee is mainly responsible for reviewing and monitoring corporate governance issues. The Corporate Governance Committee has three members comprising Mr. CHAN Pak Chung, Mr. CHEUK Wa Pang (Chief Financial Officer and Company Secretary) and LEE King On (Compliance Manager). It is chaired by Mr. CHAN Pak Chung and discharged its duties by reviewing the group policies, code of conducts, training records of directors during 2012.

AUDITORS' REMUNERATION

The remuneration of the audit services rendered by the auditor of the Company were mutually agreed in view of the scope of services and the audit fee during 2012 was HK$1,315,000 for annual audit. In addition, the auditor of the Company also provided non-audit services to the Group in respect of mainly interim review and tax and the aggregate fee amounted to approximately HK$449,000.

AUDIT COMMITTEE

The Company established the Audit Committee on 15th September 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include the review and supervision of the financial reporting processes and internal control systems of the Group. The Audit Committee comprises Mr. CHUNG Wai Kwok, Jimmy, being the Chairman, Mr. LEUNG Kwok Keung, and Mr. HU Wai Kwok, all are Independent Non-executive Directors.

During 2012, the Audit Committee discharged its duties by reviewing the financial matters, financial statements and internal control as well as discussing with Executive Directors and the auditor of the Company, and making recommendations to the Board.

ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following tables summaries the attendance of individual Director and committee member in 2012:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. CHAN Pak Chung	8/8	–	2/2	3/3
Ms. CHAN Yuen Shan, Clara	8/8	–	–	–
Ms. MA Siu Tao	8/8	–	–	3/3
Mr. William Tasman WISE*	3/8	–	–	–
Mr. CHUNG Wai Kwok, Jimmy	8/8	3/3	2/2	–
Mr. LEUNG Kwok Keung	8/8	3/3	2/2	3/3
Mr. HU Wai Kwok	8/8	3/3	–	–

* Mr. William Tasman WISE resigned as a Director w.e.f. 15 May 2012. During his office in 2012, he attended all the board meetings held.

PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for 2012 (the "2012 Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the 2012 Financial Statements in its Independent Auditor's Report of the annual report.

INTERNAL CONTROL

The Board acknowledged its responsibility for reviewing the effectiveness of the internal control system and engaged an external independent consultancy firm to review the internal control of the Group for the financial year of 2012 covering material financial, operational, compliance and risk controls, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget. Being no material control failures were identified and certain necessary actions is being implemented to improve the internal control of the Group, both the Audit Committee and the Board are satisfied with the results and concluded that the Group's internal control system is effective.

SHAREHOLDERS RIGHTS AND INVESTOR RELATIONS

The Company adopts a Shareholders Communication Policy to provide with ready, equal and timely access to the information about the Company to enable the shareholders of the Company (the "Shareholders") to exercise their rights in an informed manner, and to allow the Shareholders to engage actively with the Company.

All the Shareholders have the right to attend and vote at the general meetings and can convene an extraordinary general meeting pursuant to Article 79 of the Company's Articles of Association. For proposing resolution at the general meeting, the Shareholders should submit it to the Company Secretary via email address ir@leekeegroup.com with details. The Board welcomes views and questions from the Shareholders who may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post to No. 16 Dai Fat Street, Tai Po Industrial Estate, New Territories, Hong Kong or by email to ir@leekeegroup.com. In addition, the Group maintains its own website at which the Shareholders can access to for the Company's information and communication with the Company. The Shareholders are encouraged to provide email address to the Company for communication.

There are no significant changes in the Company's Memorandum and Articles of Association during 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained sufficient public float for 2012.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are (i) sourcing and distribution of non-ferrous metals, electroplating chemicals, precious metals and stainless steel, and such as silver, gold and rhodium), processing and distribution of stainless steel and (ii) providing related value-added customer services. The activities of the subsidiaries are set out in note 27 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 33.

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.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 23 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$1,322,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2012 amounted to approximately HK$1,047 million.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 10.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTIONS

The Company adopted the Pre-IPO share option scheme (the "Pre-IPO Scheme") and the share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the shareholder of the Company passed on 15th September 2006.

1. Pre-IPO Scheme

The purpose of the Pre-IPO Scheme is to recognise the contribution of certain directors and full-time employees of members of the Group whom the Board considers had contributed to the growth of the Group and/or to the listing of Shares on the Stock Exchange. The options were granted at a consideration for HK$1. The exercise price of the granted options is HK$2.136 per share which is equal to 80% of the offer price in connection with the listing of the Company's shares on the Stock Exchange in 2006. Each option gives the holder the right to subscribe for shares of the Company. The Pre-IPO Scheme will remain valid until its expiry date.

A summary of the principal terms of the Pre-IPO Scheme are set out in the Company's Prospectus dated 21st September 2006.

Details of the share options granted and outstanding as at 31st December 2012 under the Pre-IPO Scheme are set out in note 22 to the financial statements.

As at 31st December 2012, no option was still outstanding under the Pre-IPO Scheme.

2. Share Option Scheme

The purpose of the Share Option Scheme is established to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders of the Company as a whole. The participants of the Share Option Scheme may include directors and employees of any member of the Group, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group. The options will be granted at a consideration for HK$1. The Share Option Scheme will remain valid until 14th September 2016.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the higher of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of such grant, which shall be a business day;

(ii) the average of the closing prices of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer of such grant; and

(iii) the nominal value of a Share on the date of offer of such grant.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and under any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the aggregate of the Shares at the time of listing plus shares issued under the Over-allotment Option (the "Scheme Mandate Limit") or the refreshed Scheme Mandate Limit approved by the shareholders. In addition, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time must not exceed 30% of the issued share capital of the Company in issue from time to time. The total number of Shares issued and which fall to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme(s) of the Company to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of total number of Shares in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting at which such participant and his associates abstaining from voting.

No options have been granted under the Share Option Scheme since the adoption date on 15th September 2006 and up to 31st December 2012.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. CHAN Pak Chung
Ms. CHAN Yuen Shan, Clara
Ms. MA Siu Tao

Independent Non-executive Directors

Mr. CHUNG Wai Kwok, Jimmy
Mr. LEUNG Kwok Keung
Mr. HU Wai Kwok

In accordance with Article 130 of the Articles of Association of the Company, Mr. CHAN Pak Chung and Mr. HU Wai Kwok shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and the Senior Management are set out on page 17 of the Annual Report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31st December 2012, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange under Division 7 and 8 of Part XV of the SFO or required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long Position in Shares of the Company

Name of Director	Capacity	Number of Shares in which interested	Approximate percentage of issues Shares
Mr. CHAN Pak Chung (Note 1)	Founder of a discretionary trust	600,000,000	72.40
Ms. MA Siu Tao (Note 2)	Beneficiary of a trust	600,000,000	72.40
Ms. CHAN Yuen Shan, Clara (Note 3)	Beneficiary of a trust	600,000,000	72.40

Notes:

1. The 600,000,000 Shares are held by Gold Alliance Global Services Limited ("GAGSL") whose entire share capital is held by Gold Alliance International Management Limited ("GAIML"), which is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung. Mr. CHAN Pak Chung is the settlor of the P.C. CHAN Family Trust and is deemed to be interested in the 600,000,000 Shares held by GAGSL under the SFO.

2. Ms. MA Siu Tao, the spouse of Mr. CHAN Pak Chung and an Executive Director, is deemed to be interested in the 600,000,000 Shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.

3. Ms. CHAN Yuen Shan, Clara, the daughter of Mr. CHAN Pak Chung and an Executive Director and Chief Executive Officer, is deemed to be interested in the 600,000,000 Shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.

Saved as disclosed above, as at 31st December 2012, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying shares of the Company recorded in the register to be kept under section 336 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31st December 2012, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Long Position in the Shares of the Company

Name	Capacity	Number of Shares in which interested	Approximate percentage of issued Shares
Gold Alliance Global Services Limited	Registered owner	600,000,000	72.40
Gold Alliance International Management Limited	Interest of controlled corporation	600,000,000	72.40
HSBC International Trustee Limited	Trustee	600,000,000	72.40

Note: The entire share capital of GAGSL is held by GAIML, which is in turn held by HSBC Trustee acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and other family members of Mr. CHAN Pak Chung.

Saved as disclosed above, as at 31st December 2012, no person, other than the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under section 336 of the SFO.

OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31st December 2012, no other persons had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the Group sold less than 30% of its goods to its five largest customers.

The percentage of purchases for 2012 attributable to the Group's major suppliers is as follows:

Purchases	
— the largest supplier	29%
— five largest suppliers combined	71%

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

CHAN Pak Chung
Chairman

Hong Kong, 15th March 2013

羅兵咸永道

TO THE SHAREHOLDERS OF LEE KEE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 83, which comprise the consolidated and company statements of financial position as at 31st December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15th March 2013

Consolidated Income Statement

For the year ended 31st December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Revenues	5	**2,515,730**	3,519,748
Cost of sales	7	**(2,460,508)**	(3,451,517)
Gross profit		**55,222**	68,231
Other income	6	**1,242**	1,518
Distribution and selling expenses	7	**(19,452)**	(22,272)
Administrative expenses	7	**(74,652)**	(75,409)
Other gains, net	8	**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	9	**(42)**	(6,906)
Loss before income tax		**(29,740)**	(31,006)
Income tax credit/(expense)	12	**37**	(254)
Loss for the year		**(29,703)**	(31,260)
Loss attributable to:			
Equity holders of the Company	14	**(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)	13	**(3.58)**	(3.82)
Dividends	15	**–**	8,287

The notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2012

	2012 HK$'000	2011 HK$'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)

The notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As At 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Leasehold land	16	**15,658**	16,100
Property, plant and equipment	17	**42,476**	53,564
Deferred income tax assets	26	**2,696**	1,950
Available-for-sale financial assets	18	**29,758**	26,412
Prepayment for property, plant and equipment		**3,089**	400
		93,677	98,426
Current assets			
Inventories	19	**536,107**	829,098
Trade and other receivables	20	**158,810**	202,573
Amount due from a joint venturer of a jointly controlled entity	28	**180**	–
Income tax recoverable		**3,930**	9,948
Derivative financial instruments		**374**	1,344
Bank balances and cash	21	**440,018**	446,579
Total current assets		**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	22	**82,875**	82,875
Share premium	23	**495,293**	495,293
Other reserves	23	**543,250**	555,486
Total equity		**1,121,418**	1,133,654

Consolidated Statement of Financial Position

As At 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Deferred income tax liabilities	26	**1,727**	2,501
Current liabilities			
Trade and other payables	24	**94,318**	111,934
Amount due to a joint venturer of a jointly controlled entity	28	**–**	128
Bank borrowings	25	**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

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Interests in subsidiaries	27	**1,123,801**	181,171
Current assets			
Amounts due from subsidiaries	27	**–**	981,992
Prepayment		**172**	172
Bank balances and cash	21	**6,264**	6,998
		6,436	989,162
Total assets		**1,130,237**	1,170,333
Capital and reserves attributable to equity holders of the Company			
Share capital	22	**82,875**	82,875
Share premium	23	**495,293**	495,293
Other reserves	23	**551,902**	591,750
Total equity		**1,130,070**	1,169,918
Current liabilities			
Other payables		**167**	415
Total equity and liabilities		**1,130,237**	1,170,333
Net current assets		**6,269**	988,747
Total assets less current liabilities		**1,130,070**	1,169,918

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Net cash generated from/(used in) operations	29	**311,917**	(67,558)
Interest paid		**(5,170)**	(9,954)
Hong Kong profits tax refunded/(paid)		**4,097**	(14,422)
Mainland China corporate income tax paid		**(220)**	(250)
Net cash generated from/(used in) operating activities		**310,624**	(92,184)
Investing activities			
Interest received		**5,128**	3,048
Payments for property, plant and equipment		**(4,090)**	(7,763)
Proceeds from disposal of property, plant and equipment		**7**	3
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder		**–**	(4,600)
Return of investment in available-for-sale financial assets		**–**	718
Net cash generated from/(used in) investing activities		**1,045**	(8,594)
Financing activities			
Net (repayment)/inception of short term bank loans		**(18,269)**	1,640
Net repayment of loans against trust receipts		**(304,856)**	(53,879)
Dividends paid		**–**	(20,718)
Net cash used in financing activities		**(323,125)**	(72,957)
Decrease in cash and cash equivalents		**(11,456)**	(173,735)
Cash and cash equivalents at 1st January		**446,579**	602,628
Exchange gain on cash and cash equivalents		**4,895**	17,686
Cash and cash equivalents at 31st December		**440,018**	446,579

The notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2012

	Attributable to equity holders of the Company				
	Share capital HK$'000	Share premium HK$'000	Other reserves (Note 23) HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January 2012	**82,875**	**495,293**	**555,486**	**–**	**1,133,654**
Loss for the year	**–**	**–**	**(29,703)**	**–**	**(29,703)**
Other comprehensive income:					
Exchange translation differences	**–**	**–**	**1,266**	**–**	**1,266**
Movement of available-for-sale financial assets revaluation reserve (Note 23)	**–**	**–**	**16,201**	**–**	**16,201**
Total comprehensive loss for the year	**–**	**–**	**(12,236)**	**–**	**(12,236)**
At 31st December 2012	**82,875**	**495,293**	**543,250**	**–**	**1,121,418**
At 1st January 2011	82,875	495,293	613,554	–	1,193,022
Loss for the year	–	–	(31,618)	358	(31,260)
Other comprehensive income/(loss):					
Exchange translation differences	–	–	2,153	–	2,153
Movement of available-for-sale financial assets revaluation reserve (Note 23)	–	–	(10,643)	–	(10,643)
Total comprehensive (loss)/income for the year	–	–	(40,108)	358	(39,750)
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder	–	–	2,758	(1,658)	1,100
Dividends paid	–	–	(20,718)	–	(20,718)
At 31st December 2011	82,875	495,293	555,486	–	1,133,654

The notes on pages 40 to 83 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in units of Hong Kong dollars ("HK dollars"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 15th March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (which include Hong Kong Accounting Standards ("HKASs"). 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. Certain comparative figures have been reclassified to conform to the current year's presentation.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries and its jointly controlled entity made up to 31st December.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

(iv) Jointly controlled entity

A jointly controlled entity is a joint venture whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. The Group's interests in a jointly controlled entity are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entity's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the consolidated financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entity that is attributable to the other joint venturer. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the Group's purchase of assets from the jointly controlled entity until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under "other gains, net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(ii) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale financial assets revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Leasehold land interests classified as finance leases and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line basis to allocate cost less estimated residual values over their estimated useful lives. The principal annual rates are as follows:

Leasehold land interests classified as finance leases	Over the period of the lease
Buildings	2.5% to 5%
Leasehold improvements	20% to 33 1/3%
Motor vehicles and yacht	10% to 30%
Machinery	10% to 30%
Furniture, fixtures and office equipment	20%
Computer system	20% to 33 1/3%

Construction in progress represents various plant and equipment under construction and pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction as well as capitalised borrowing costs, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the construction period.

Construction in progress is transferred to other items of property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(f)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net", in the income statement.

(e) Leasehold land

Leasehold land is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period from 20 to 40 years. Amortisation of leasehold land is calculated on a straight-line basis over the period of leases.

(f) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Impairment of investments in subsidiaries and non-financial assets *(Continued)*

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(g) Financial assets

The Group classifies its financial assets (other than derivative financial instruments in note 2(l)) in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "bank balances and cash" in the consolidated statement of financial position (notes 2(i) and 2(j)).

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains or losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of "other income". Dividends on available-for-sale equity instruments are recognised in the income statement as part of "other income" when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

(ii) Available-for-sale financial assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that an asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in note 2(i).

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is considered to be uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

(k) Assets classified as held for sale

Assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amounts and fair values less costs to sell if their carrying amounts are to be recovered principally through a sale transaction rather than through continuing use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. Changes in the fair value of those derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement within "other gains, net".

(m) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and a jointly controlled entity operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Current and deferred income tax *(Continued)*

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and a jointly controlled entity, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits

(i) Pension obligation

The Group participates in mandatory provident fund schemes ("MPF Schemes") for all employees in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance. The contributions to the MPF Schemes are based on a minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a maximum cap of HK$1,250 from 1st June 2012 (2011: HK$1,000)). The assets of the MPF Schemes are held in separate trustee-administered funds.

The Group's contributions to the MPF Schemes are expensed as incurred.

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The relevant Group's entities are required to contribute a specified percentage of its payroll costs to the central pension scheme. The contributions are expensed in the income statement as they become payable in accordance with the rules of the central pension scheme.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of the bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(iv) Share-based compensation

The Group operates two equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) Revenues and income recognition

Revenues from the sale of goods are recognised on the transfer of risks and rewards of ownership which generally coincides with the time when the goods are delivered to customers and title has passed. Revenues are shown net of returns and discounts and after eliminating revenues within the Group.

Interest income is recognised on a time-proportion basis using the effective interest method.

Management fee income is recognised when services are rendered.

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land classified as operating leases, are charged to the income statement on a straight-line basis over the period of the lease.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of (i) the amount initially recognised less, where appropriate, cumulative amortisation recognised in the income statement over the period of the relevant liabilities and (ii) the amount of which the Group is obligated to reimburse the recipient under the financial guarantee contracts.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's most senior executive management who collectively reviews the Group's internal reporting in order to make strategic decisions.

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders in the case of final dividend and by the Company's directors in the case of interim dividend.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognised assets and liabilities, such as bank balances and cash, trade receivables, trade payables, and bank borrowings, denominated in United States Dollars ("US dollars") and Renminbi ("RMB").

Management conducts periodic reviews of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Foreign exchange risk (Continued)

In respect of US dollars, the Group considers that minimal risk arises as the rate of exchange between HK dollars and US dollars is controlled within a tight range under the Hong Kong's Linked Exchange Rate System.

In respect of RMB, at 31st December 2012, if RMB had strengthened/weakened by 5% (2011: 5%) against the HK dollars with all other variables held constant, post-tax loss for the year would have been approximately HK$12,715,000 lower/higher (2011: post-tax loss for the year would have been approximately HK$12,015,000 lower/higher).

(ii) Cash flow and fair value interest rate risks

The Group has bank borrowings at floating interest rates with maturities of less than 120 days as stated in note 25, which subject the Group to cash flow interest rate risk.

At 31st December 2012, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$11,000 higher/lower (2011: post-tax loss for the year would have been HK$146,000 higher/lower) as a result of higher/lower (2011: higher/lower) interest expense on bank borrowings.

The Group's bank deposits were at fixed rates and expose the Group to fair value interest risk. As all the Group's bank deposits were short-term in nature, any change in the interest rate from time to time is not considered to have significant impact to the Group's performance.

(iii) Price risk

The Group is exposed to equity securities price risk mainly because of the investment in listed equity instrument in Hong Kong, classified on the consolidated statement of financial position as available-for-sale financial assets.

At 31st December 2012, if the fair value of the listed equity instrument increased or decreased by 5%, the Group's available-for-sale financial assets revaluation reserve would have been increased or decreased by approximately HK$1,136,000 (2011: HK$1,143,000).

The Group also exposed to commodity price risk in relation to its metal products which is largely dependent on the market price of the relevant commodity. The Group closely monitors the price of its products in order to determine its pricing strategies.

(iv) Credit risk

Credit risk is managed on a group basis. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers and other counter parties, including outstanding trade and other receivables and committed transactions.

The carrying amounts of bank deposits and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure of credit risk in relation to its financial assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Credit risk (Continued)

All bank deposits are placed with highly reputable and sizable banks and financial institutions without significant credit risk.

The table below shows the deposits placed with banks and financial institutions at the end of the reporting period using the Moody's credit rating symbols.

	2012 HK$'000	2011 HK$'000
Rating:		
A1	**210,440**	78,584
A2	**87**	100,068
A3	**25,971**	82
Aa1	**2,438**	178,358
Aa2	**52,004**	108
Aa3	**148,516**	88,622
Baa1	**–**	76
Baa2	**39**	336
	439,495	446,234

With regard to trade and other receivables, the Group assesses the credit quality of the customers and other counter parties, taking into account their financial position, past experience and other factors. The Group performs periodic credit evaluations of its customers and other counter parties and believes that adequate provision for doubtful receivables has been made in the consolidated financial statements. Management does not expect any further losses from non-performance by these counterparties.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and other counter parties.

(v) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(v) *Liquidity risk (Continued)*

Management monitors the Group's liquidity on the basis of availability of bank balances and cash and unutilised committed credit lines. Available bank and cash balances and committed credit lines as of 31st December 2012 are as follows:

	HK$'000
Bank balances and cash	**440,018**
Committed credit lines available	**1,042,587**
Less: Utilised credit lines	**(93,258)**
	(949,329)

The following table shows the remaining contractual maturities at the end of the reporting periods of the Group's non-derivative financial liabilities and net-settled derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group is required to pay.

	On demand or within one year HK$'000	Carrying amount HK$'000
At 31st December 2012		
Trade payables and accrued expenses	**80,203**	**80,203**
Derivative financial instruments	**114**	**114**
Bank borrowings	**15,370**	**15,069**
	95,687	**95,386**
At 31st December 2011		
Trade payables and accrued expenses	98,932	98,932
Amount due to a joint venturer of a jointly controlled entity	128	128
Derivative financial instruments	448	448
Bank borrowings	339,069	338,194
	438,577	437,702

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down or repay bank borrowings.

Management monitors the utilisation of borrowings and ensures full compliance with loan covenants during the year and at the end of each reporting period.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank borrowings divided by total equity.

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain a gearing ratio below 30%.

The gearing ratios at 31st December 2012 and 2011 were as follows:

	2012 **HK$'000**	2011 HK$'000
Total bank borrowings (note 25)	**15,069**	338,194
Total equity	**1,121,418**	1,133,654
Gearing ratio	**1.3%**	29.8%

Decrease in gearing ratio is mainly due to the decrease in borrowings.

(c) Fair value estimation

The carrying amounts of the Group's financial assets including bank balances and cash, trade and other receivables; and financial liabilities including trade and other payables, and short term bank borrowings approximate their fair values due to their short maturities. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

The following table analyses financial instruments measured at fair values. The different levels have been defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Group's assets and liabilities that are measured at fair values at 31st December 2012:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Derivative financial instruments (note)	**–**	**374**	**–**	**374**
Available-for-sale financial assets				
— listed securities	**22,712**	**–**	**–**	**22,712**
— unlisted investment	**–**	**–**	**7,046**	**7,046**
	22,712	**374**	**7,046**	**30,132**
Liabilities				
Derivative financial instruments (note)	**–**	**114**	**–**	**114**

The Group's assets and liabilities that are measured at fair values at 31st December 2011:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments (note)	–	1,344	–	1,344
Available-for-sale financial assets				
— listed securities	22,854	–	–	22,854
— unlisted investment	–	–	3,558	3,558
	22,854	1,344	3,558	27,756
Liabilities				
Derivative financial instruments (note)	–	448	–	448

Note: At 31st December 2012, the Group had outstanding metal future trading contracts mainly to sell/purchase aluminium, nickel and zinc. The maximum notional principal amounts of these future contracts at 31st December 2012 were as follows:

	2012 HK$'000	2011 HK$'000
Buy	**373**	3,816
Sell	**1,189**	5,628

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

The fair value of financial instruments traded in active markets is based on quoted market price at the financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use-of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is include in level 3.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The movement during the years ended 31st December 2012 and 2011 in the balance of Level 3 fair value measurements is as follows:

	2012 **HK$'000**	2011 HK$'000
At 1st January	**3,558**	4,206
Return of investment	**–**	(718)
Change in fair value of available-for-sale financial assets during the year	**3,488**	70
At 31st December	**7,046**	3,558

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives, residual values and depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(b) Impairment of non-financial assets

Non-financial assets including property, plant and equipment and leasehold land are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Company's and the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Net realisable value of inventories

Net realisable value is the estimated selling price in the ordinary course of business, less estimated direct selling expenses. These estimates are based on current market conditions and historical experience of selling goods of a similar nature. They could change as a result of changes in market conditions. Management reassesses the estimations at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Impairment of trade and other receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and other counter parties and current market conditions. It could change as a result of change in the financial positions of customers and other counter parties. Management reassesses the provision at the end of each reporting period.

(e) Income taxes and deferred tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

5 REVENUES AND SEGMENT REPORTING

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

5 REVENUES AND SEGMENT REPORTING *(Continued)*

(a) Segment information *(Continued)*

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

	Hong Kong HK$'000	Mainland China HK$'000	Total 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 recognised 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**

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 recognised 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.

5 REVENUES AND SEGMENT REPORTING *(Continued)*

(a) Segment information *(Continued)*

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 Mainland China is approximately HK$8,903,000 (2011: HK$9,448,000).

(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

6 OTHER INCOME

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

7 EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling expenses and administrative expenses are analysed as follows:

	2012 HK$'000	2011 HK$'000
Auditors' remuneration	1,731	1,481
Depreciation of property, plant and equipment	12,559	13,947
Amortisation of leasehold land	451	451
Staff costs, including directors' remuneration (note 10)	47,848	46,842
Operating lease rentals for land and buildings	2,564	2,372
Cost of inventories recognised as expense	2,461,372	3,437,960
(Reversal of)/provision for impairment of inventories	(4,545)	7,444
Reversal of impairment of trade receivables	(20)	(479)

8 OTHER GAINS, NET

	2012 HK$'000	2011 HK$'000
Loss on disposal of property, plant and equipment	(45)	(14)
Gain on disposal of assets classified as held for sale	–	675
Gain on metal future trading contracts	1,810	9,996
Net exchange gain	2,245	15,710
Reversal of/(provision for) impairment of other receivables (note)	16,788	(22,535)
Impairment of available-for-sale financial assets	(12,856)	–
	7,942	3,832

Note: In November 2012, the Group settled its claim against MF Global UK Limited ("MF Global UK") in respect of HK$22,535,000 cash deposits maintained in MF Global UK account for metals and futures trading at a consideration of HK$16,788,000. As the cash deposits had been fully provided for as at 31 December 2011, the amount recovered has been accounted for as a reversal of impairment for the year ended 31st December 2012.

9 FINANCE COSTS, NET

	2012 HK$'000	2011 HK$'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

10 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2012 HK$'000	2011 HK$'000
Wages, salaries and allowances	**46,767**	45,784
Pension costs — defined contribution	**1,081**	1,058
	47,848	46,842

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Name of directors	Fees HK$'000	Salaries and other allowances HK$'000	Bonuses HK$'000	Pension HK$'000	Total HK$'000
2012					
Mr Chan Pak Chung	**–**	**4,695**	**–**	**14**	**4,709**
Ms Chan Yuen Shan, Clara (chief executive officer)	**–**	**2,040**	**–**	**14**	**2,054**
Ms Ma Siu Tao	**–**	**2,223**	**–**	**14**	**2,237**
Mr William Tasman Wise[1]	**87**	**275**	**–**	**–**	**362**
Mr Chung Wai Kwok, Jimmy	**240**	**–**	**–**	**–**	**240**
Mr Leung Kwok Keung	**240**	**–**	**–**	**–**	**240**
Mr Hu Wai Kwok	**240**	**–**	**–**	**–**	**240**
	807	**9,233**	**–**	**42**	**10,082**
2011					
Mr Chan Pak Chung	–	4,560	–	12	4,572
Ms Chan Yuen Shan, Clara (chief executive officer)	–	1,920	–	12	1,932
Ms Ma Siu Tao	–	2,160	–	12	2,172
Mr William Tasman Wise[1]	240	739	–	–	979
Mr Chung Wai Kwok, Jimmy	240	–	–	–	240
Mr Leung Kwok Keung	240	–	–	–	240
Mr Hu Wai Kwok	240	–	–	–	240
	960	9,379	–	36	10,375

1 Mr William Tasman Wise has tendered his resignation as an executive director of the Company effective from 15th May 2012.

(b) Five highest paid individuals and senior management remuneration

The five individuals whose emoluments were the highest in the Group during the year include three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) of the five highest paid individuals during the year are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other allowances	**3,017**	2,836
Bonuses	**105**	290
Pension	**28**	24
	3,150	3,150

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals and senior management remuneration *(Continued)*

The emoluments payable to these individuals and senior management during the year fell within the following emolument bands:

	Number of individuals			
	Five Highest Paid		Senior Management*	
	2012	2011	**2012**	2011
HK$500,001 to HK$1,000,000	**–**	–	**3**	2
HK$1,000,001 to HK$1,500,000	**1**	1	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1	**1**	1
	2	2	**5**	3

* Out of the 5 (2011: 3) senior management, 2 (2011: 1) of which are/is also the five highest paid individual(s).

During the year, no emoluments have been paid to the directors of the Company or the five largest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

12 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 the places in which the Group's entities operate.

	2012 HK$'000	2011 HK$'000
Current income tax		
— Hong Kong profits tax	**1,156**	1,815
— Mainland China corporate income tax	**222**	142
Deferred income tax (note 26)	**(1,520)**	(1,195)
Under/(over)-provision in prior years	**105**	(508)
Income tax (credit)/expense	**(37)**	254

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the income tax rate of Hong Kong as follows:

	2012 HK$'000	2011 HK$'000
Loss before income tax	**(29,740)**	(31,006)
Calculated at a tax rate of 16.5% (2011: 16.5%)	**(4,907)**	(5,116)
Effect of different income tax rates	**(61)**	(121)
Income not subject to tax	**(1,761)**	(2,012)
Expenses not deductible for tax purposes	**2,862**	1,187
Tax losses not recognised	**4,410**	7,548
Utilisation of previously unrecognised tax losses	**(685)**	(724)
Under/(over)-provision in prior years	**105**	(508)
Income tax (credit)/expense	**(37)**	254

13 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 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 per share for the years ended 31st December 2012 and 2011 are the same as the basic loss per share as the exercise of the outstanding share options would be auti-dilutive.

14 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$39,848,000 (2011: HK$74,472,000).

15 DIVIDENDS

	2012 **HK$'000**	2011 HK$'000
Interim dividend, paid, of HK$nil (2011: HK$1 cent) per ordinary share (note (a))	**–**	8,287
	–	8,287

Notes:

(a) An interim dividend in respect of 2011 of HK$1 cent per ordinary share, amounting to a total dividend HK$8,287,000 was paid on 16th September 2011. The directors did not recommend the payment of an interim dividend in respect of 2012.

(b) The directors did not recommend the payment of a final dividend in respect of 2012 and 2011 at the board meeting on 15th March 2013 and 23rd March 2012, respectively.

16 LEASEHOLD LAND

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

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2012 HK$'000	2011 HK$'000
Held on leases of between 10 and 50 years		
In Hong Kong	15,114	15,550
Outside Hong Kong	544	550
	15,658	16,100

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles and yacht HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Computer system HK$'000	Total HK$'000
Cost								
At 1st January 2012	5,900	21,836	31,289	28,578	11,995	5,643	7,099	112,340
Exchange difference	–	92	1	–	72	27	19	211
Additions	–	–	452	–	299	329	321	1,401
Disposals	–	–	–	–	(236)	(41)	–	(277)
At 31st December 2012	5,900	21,928	31,742	28,578	12,130	5,958	7,439	113,675
Accumulated depreciation								
At 1st January 2012	1,490	3,414	20,014	17,163	6,531	4,105	6,059	58,776
Exchange difference	–	22	1	–	38	12	16	89
Charge for the year	124	644	5,308	3,852	1,567	625	439	12,559
Disposals	–	–	–	–	(189)	(36)	–	(225)
At 31st December 2012	1,614	4,080	25,323	21,015	7,947	4,706	6,514	71,199
Net book value at 31st December 2012	4,286	17,848	6,419	7,563	4,183	1,252	925	42,476

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles and yacht HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Computer system HK$'000	Total HK$'000
Cost								
At 1st January 2011	5,900	21,526	30,702	23,126	11,297	5,383	6,419	104,353
Exchange difference	–	310	4	3	280	41	53	691
Additions	–	–	583	5,449	418	286	627	7,363
Disposals	–	–	–	–	–	(58)	–	(58)
Written off	–	–	–	–	–	(9)	–	(9)
At 31st December 2011	5,900	21,836	31,289	28,578	11,995	5,643	7,099	112,340
Accumulated depreciation								
At 1st January 2011	1,365	2,724	13,594	13,474	4,549	3,461	5,514	44,681
Exchange difference	–	52	5	1	85	20	35	198
Charge for the year	125	638	6,415	3,688	1,897	674	510	13,947
Disposals	–	–	–	–	–	(42)	–	(42)
Written off	–	–	–	–	–	(8)	–	(8)
At 31st December 2011	1,490	3,414	20,014	17,163	6,531	4,105	6,059	58,776
Net book value at 31st December 2011	4,410	18,422	11,275	11,415	5,464	1,538	1,040	53,564

	2012 HK$'000	2011 HK$'000
Net book value of leasehold land and buildings are analysed as follows:		
Leasehold land and buildings in Hong Kong hold on:		
Leases of between 10 and 50 years	**17,631**	18,128
Buildings in the PRC, hold on:		
Leases of between 10 and 50 years	**4,503**	4,704
	22,134	22,832

Depreciation expense of HK$1,240,000 (2011: HK$1,657,000) was included in "cost of sales", and HK$11,319,000 (2011: HK$12,290,000) was included in "administrative expenses".

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$'000	2011 HK$'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

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.

19 INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**143**	620
Finished goods	**535,964**	828,478
	536,107	829,098

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$2,461,372,000 (2011: HK$3,437,960,000).

20 TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'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 (note (b))	**27,935**	43,851
	158,810	202,573

The carrying values of the Group's trade and other receivables approximate their fair values.

20 TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2012 HK$'000	2011 HK$'000
0 to 30 day	**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

The carrying amounts of the trade receivables are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
HK dollars	**18,912**	30,676
US dollars	**67,338**	78,253
Renminbi	**34,626**	42,001
	120,876	150,930

As at 31st December 2012, trade receivables of approximately HK$78,131,000 (2011: HK$107,142,000) were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables, based on due date, is as follows:

	2012 HK$'000	2011 HK$'000
1 to 30 days	**59,669**	85,466
31 to 60 days	**9,734**	12,649
61 to 90 days	**2,893**	2,832
Over 90 days	**5,835**	6,195
	78,131	107,142

The Group has made full provision for impairment of trade receivables of approximately HK$220,000 (2011: HK$3,719,000) as at 31st December 2012.

Movements on the provision for impairment of trade receivables are as follows:

	2012 HK$'000	2011 HK$'000
At 1st January	**3,719**	4,470
Reversal of impairment of trade receivables	**(20)**	(479)
Receivables written off during the year as uncollectible	**(3,479)**	(272)
At 31st December	**220**	3,719

20 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) As at 31st December 2012, other receivables of approximately HK$1,480,870 (2011: HK$15,924,000) were past due but not impaired. These relate to disposal proceeds of, and return of prepayment for, certain leasehold land in Mainland China. The amounts have been fully settled by January 2013.

During the year, the Group settled its claim against MF Global UK in respect of HK$22,535,000 cash deposits maintained in MF Global UK account for metals and futures trading at a consideration of HK$16,788,000. The deposit of HK$22,535,000 had been fully impaired as at 31 December 2011. The settlement of HK$16,788,000 has been fully received by the Group in November 2012.

The creation and release of provision for impaired receivables have been included in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

21 BANK BALANCES AND CASH

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**256,836**	314,912	**6,264**	6,998
Short-term bank deposits	**183,182**	131,667	**–**	–
	440,018	446,579	**6,264**	6,998

The weighted average effective interest rates on short-term bank deposits of the Group and the Company were as follows:

	Group		Company	
	2012	2011	**2012**	2011
Short-term bank deposits	**2.8%**	2.3%	**–**	–

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The carrying amounts of bank balances and cash are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**31,484**	51,683	**175**	917
US dollars	**85,368**	77,736	**6,089**	6,081
Renminbi	**322,947**	316,950	**–**	–
Others	**219**	210	**–**	–
	440,018	446,579	**6,264**	6,998

22 SHARE CAPITAL

(a) Authorised and issued capital

	Number of shares	Nominal amount HK$'000
Authorised:		
At 1st January 2011, 31st December 2011 and 31st December 2012	8,000,000,000	800,000
Issued and fully paid — ordinary shares of HK$0.1 each:		
At 31st December 2011 and 31st December 2012	828,750,000	82,875

(b) Share option schemes

Pursuant to the written resolutions passed by the then sole shareholder of the Company on 15th September 2006, two share option schemes, namely, Pre-IPO Share Option Scheme and Share Option Scheme were approved and adopted by the Company.

(i) Pre-IPO Share Option Scheme

During 2006, the Company granted options under the Pre-IPO Share Option Scheme to certain directors of the Company and employees of the Group, which entitle them to subscribe for a total of 21,960,180 shares at a subscription price of HK$2.136 per share and are exercisable in the following manner:

Maximum percentage of option exercisable	Period for exercise of the relevant percentage of the option
33% of the total number of the options granted to any grantee	From the expiry of the first anniversary of the listing date on 4th October 2006 ("Listing Date") to the last day of the fourth anniversary of the Listing Date (both days inclusive)
33% of the total number of the options granted to any grantee	From the expiry of the second anniversary of the Listing Date to the last day of the fifth anniversary of the Listing Date (both days inclusive)
34% of the total number of the options granted to any grantee	From the expiry of the third anniversary of the Listing Date to the last day of the sixth anniversary of the Listing Date (both days inclusive)

Nil share options issued under the Pre-IPO Share Option Scheme are exercisable as at 31st December 2012 (2011: 7,026,556) in accordance with the above rules.

7,026,556 share options granted under the Pre-IPO Share Option Scheme lapsed during the year (2011: 6,898,654 options). No share options granted under the Pre-IPO Share Option Scheme were exercised during the year.

22 SHARE CAPITAL *(Continued)*

(b) Share option schemes *(Continued)*

(i) *Pre-IPO Share Option Scheme* (Continued)

The fair value of options granted in 2006 determined using the binomial option pricing model was approximately HK$31 million. The significant inputs into the model were share price of HK$2.67 per share as at the grant date, exercise price as shown above, volatility of the share of 65%, expected life of options of three years, expected dividend yield of 4.48% and annual risk-free interest rate of 3.97%. The volatility measured at the standard deviation of expected share price returns is based on the 5-year historical volatility of price return of companies engaged in the industry of metal trading listed on the Stock Exchange.

(ii) *Share Option Scheme*

No option have been granted under the Share Option Scheme.

23 SHARE PREMIUM AND OTHER RESERVES

Group

		Other reserves								
	Share premium HK$'000	Merger reserve (note (b)) HK$'000	Capital redemption reserve HK$'000	Reserve funds (note (a)) HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2012	495,293	(17,830)	125	490	(7,246)	9,957	6,668	563,322	555,486	1,050,779
Loss for the year	–	–	–	–	–	–	–	(29,703)	(29,703)	(29,703)
Exchange translation differences	–	–	–	–	–	–	1,266	–	1,266	1,266
Impairment of available-for-sale financial assets	–	–	–	–	12,856	–	–	–	12,856	12,856
Change in fair value of available-for-sale financial assets	–	–	–	–	3,345	–	–	–	3,345	3,345
Pre-IPO share option scheme — lapse of share options	–	–	–	–	–	(9,957)	–	9,957	–	–
At 31st December 2012	495,293	(17,830)	125	490	8,955	–	7,934	543,576	543,250	1,038,543

23 SHARE PREMIUM AND OTHER RESERVES *(Continued)*

Group

	Share premium HK$'000	Other reserves: Merger reserve (note (b)) HK$'000	Capital redemption reserve HK$'000	Reserve funds (note (a)) HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2011	495,293	(17,830)	125	490	3,397	19,732	4,515	603,125	613,554	1,108,847
Loss for the year	–	–	–	–	–	–	–	(31,618)	(31,618)	(31,618)
Exchange translation differences	–	–	–	–	–	–	2,153	–	2,153	2,153
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder (note (c))	–	–	–	–	–	–	–	2,758	2,758	2,758
Change in fair value of available-for-sale financial assets	–	–	–	–	(10,643)	–	–	–	(10,643)	(10,643)
Pre-IPO Share Option Scheme — lapse of share options	–	–	–	–	–	(9,775)	–	9,775	–	–
Dividends paid	–	–	–	–	–	–	–	(20,718)	(20,718)	(20,718)
At 31st December 2011	495,293	(17,830)	125	490	(7,246)	9,957	6,668	563,322	555,486	1,050,779

Notes:

(a) In accordance with the relevant rules and regulations, the Group's entities registered in the Mainland China are required to transfer part of its profit after income tax to reserve funds. The transfer is also subject to the approval of the boards of directors of these entities, in accordance with their articles of association.

(b) The merger reserve was arising from an adjustment to eliminate the Group's share of share capital of a then non-wholly owned subsidiary against the Group's investment cost in the subsidiary using the principle of merger accounting as at 31st December 2007.

(c) On 21st September 2011, a wholly owned subsidiary of the Company, Lee Yip Metal Products Company (BVI) Limited ("Lee Yip (BVI)") entered into a sale and purchase agreement with a non-controlling shareholder to acquire the remaining 30% equity interests of a non-wholly owned subsidiary of Lee Yip (BVI) and a shareholder's loan at a total consideration of HK$4.6 million. Upon completion of this transaction, the non-wholly owned subsidiary became a wholly owned subsidiary of the Company.

23 SHARE PREMIUM AND OTHER RESERVES *(Continued)*

Company

	Share premium HK$'000	Other reserves: Contributed surplus (note) HK$'000	Other reserves: Capital redemption reserve HK$'000	Other reserves: Share-based compensation reserve HK$'000	Other reserves: Accumulated losses HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2012	**495,293**	**640,631**	**125**	**9,957**	**(58,963)**	**591,750**	**1,087,043**
Loss for the year	**–**	**–**	**–**	**–**	**(39,848)**	**(39,848)**	**(39,848)**
Pre-IPO share option scheme							
— lapse of share options	**–**	**–**	**–**	**(9,957)**	**9,957**	**–**	**–**
At 31st December 2012	**495,293**	**640,631**	**125**	**–**	**(88,854)**	**551,902**	**1,047,195**
At 1st January 2011	495,293	640,631	125	19,732	26,452	686,940	1,182,233
Loss for the year	–	–	–	–	(74,472)	(74,472)	(74,472)
Pre-IPO Share Option Scheme							
— lapse of share options	–	–	–	(9,775)	9,775	–	–
Dividends paid	–	–	–	–	(20,718)	(20,718)	(20,718)
At 31st December 2011	495,293	640,631	125	9,957	(58,963)	591,750	1,087,043

Note: The contributed surplus of the Company represents the value of the one share of Lee Kee Group (BVI) Limited allotted and issued to the Company at premium of approximately HK$640,631,000 at the direction of Mr Chan Pak Chung ("Mr Chan") and pursuant to a deed of gift entered into between Mr Chan and the Company in consideration of the conversion of the ordinary shares of Lee Kee Group Limited held by Mr Chan to non-voting deferred shares.

24 TRADE AND OTHER PAYABLES

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

24 TRADE AND OTHER PAYABLES *(Continued)*

The carrying values of the Group's trade and other payables approximate their fair values.

The carrying amounts of trade payables are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
HK dollars	**14,668**	763
US dollars	**43,048**	80,892
Renminbi	**12,312**	6,803
Others	**–**	58
	70,028	88,516

25 BANK BORROWINGS

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

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
HK dollars	**2,386**	307,242
Renminbi	**12,683**	30,952
	15,069	338,194

The effective interest rates at the end of the reporting periods were as follows:

	2012	2011
Short-term bank loan	**8.06%**	8.37%
Loans against trust receipts	**2.13%**	1.57%

The bank borrowings are all subject to contractual interest repricing dates within six months from the end of the reporting period.

26 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a principal income tax rate of 16.5% (2011: 16.5%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**(2,696)**	(1,950)
Deferred tax liabilities	**1,727**	2,501
	(969)	551

The net movement on the deferred income tax account is as follows:

	2012 HK$'000	2011 HK$'000
At 1st January	**551**	1,746
Credited to income statement (note 12)	**(1,520)**	(1,195)
At 31st December	**(969)**	551

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are is as follows:

	Deferred income tax assets				**Deferred income tax liabilities**	
	Unrealised profit on inventories		**Accelerated accounting depreciation**		**Accelerated tax depreciation**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
At 1st January	**–**	–	**1,950**	1,225	**(2,501)**	(2,971)
Deferred income tax credited to income statement	**370**	–	**376**	725	**774**	470
At 31st December	**370**	–	**2,326**	1,950	**(1,727)**	(2,501)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$22,457,000 (2011: HK$18,708,000) in respect of losses amounting to approximately HK$118,751,000 (2011: HK$96,000,000) that can be carried forward against future taxable income. Tax losses arising in Hong Kong amounting to approximately HK$85,070,000 (2011: HK$62,256,000) have no expiry date while the remaining tax losses amounting to approximately HK$33,681,000 (2011: HK$33,744,000) will expire within five years.

27 INTERESTS IN SUBSIDIARIES

	Company 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**264,171**	264,171
Loan to a subsidiary (note (a))	**982,125**	–
	1,246,296	264,171
Less: Provision for impairment	**(122,495)**	(83,000)
	1,123,801	181,171

Notes:

(a) Loan to a subsidiary is unsecured and non-interest bearing. The loan has no fixed terms of repayment and is regarded as equity contribution to the subsidiary.

(b) Other amounts due from subsidiaries were denominated in Hong Kong dollars, unsecured, interest free and repayable on demand.

The following is a list of principal subsidiaries at 31st December 2012:

Company name	Place of incorporation and kind of legal entity	Issued capital/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities and place of operation
# Lee Kee Group (BVI) Limited	British Virgin Islands, limited liability company	2 shares of HK$1 each	100%	Investment holding in British Virgin Islands
Lee City Asia Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding in Hong Kong
Lee Fung Metal Company Limited	Hong Kong, limited liability company	100,000 shares of HK$1 each	100%	Trading of non-ferrous metal in Hong Kong
Lee Kee Group Limited	Hong Kong, limited liability company	1,000 shares of HK$1 each	100%	Investment holding in Hong Kong
Lee Kee Metal Company Limited	Hong Kong, limited liability company	500,000 shares of HK$10 each	100%	Trading of zinc and zinc alloy in Hong Kong
Lee Sing Materials Company Limited	Hong Kong, limited liability company	100,000 shares of HK$1 each	100%	Trading of chemical products in Hong Kong
Lee Yip Metal Products Company Limited	Hong Kong, limited liability company	1,000,000 shares of HK$1 each	100%	Trading of stainless steel in Hong Kong
Standard Glory Management Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Provision of management services in Hong Kong

27 INTERESTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation and kind of legal entity	Issued capital/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities and place of operation
Toba Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding in Hong Kong
LKG Elite (Shenzhen) Co., Ltd.	The People's Republic of China, limited liability company	RMB18,400,000	100%	Distribution of non-ferrous metals in Mainland China
LKG Elite (Guangzhou) Co., Ltd.	The People's Republic of China, limited liability company	RMB2,500,000	100%	Distribution of non-ferrous metals in Mainland China
LKG Elite (Wuxi) Co., Ltd.	The People's Republic of China, limited liability company	USD1,920,000	100%	Distribution of non-ferrous metals in Mainland China

\# Directly held by the Company

28 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

The Group has a 50% interest in a jointly controlled entity, Genesis Recycling Technology (BVI) Limited ("GRTL"). GRTL and its wholly owned subsidiaries, Genesis Alloys Limited and Genesis Alloys (Ningbo) Limited (collectively referred to as the "Genesis Group") are engaged in the manufacturing and trading of alloy products in the Mainland China. The following are the particulars of the jointly controlled entity at 31st December 2012:

Company name	Place of incorporation	Issued capital	Percentage of equity interest attributable to the Group	Principal activities
Genesis Recycling Technology (BVI) Limited	British Virgin Islands	2,100,000 shares of US$1 each	50%	Investment holding

28 INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The following amounts represent the Group's 50% share of the consolidated assets and liabilities of Genesis Group at 31st December 2012, and revenues and results of Genesis Group for the year then ended. They are included in the consolidated statement of financial position and consolidated income statement of the Group:

	2012	2011
	HK$'000	HK$'000
Assets		
Non-current assets	**8,349**	8,887
Current assets	**26,689**	16,772
	35,038	25,659
Liabilities		
Current liabilities	**17,700**	33,284
Net assets/(liabilities)	**17,338**	(7,625)
Revenues	**96,704**	131,110
Expenses	**(98,873)**	(132,658)
Loss after tax	**(2,169)**	(1,548)

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities of the jointly controlled entity itself.

The balances with a joint venturer of a jointly controlled entity is denominated in US dollars, unsecured, interest free and has no fixed terms of repayment.

29 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of loss before income tax to net cash generated from/(used in) operations

	2012 **HK$'000**	2011 HK$'000
Loss before income tax	**(29,740)**	(31,006)
Depreciation of property, plant and equipment	**12,559**	13,947
Amortisation of leasehold land	**451**	451
Interest income	**(5,128)**	(3,048)
Interest expense	**5,170**	9,954
Loss on disposal of property, plant and equipment	**45**	14
Gain on disposal of assets classified as held for sale	**–**	(675)
Unrealised loss/(gain) on derivative financial instruments	**636**	(896)
Impairment of available-for-sale financial assets	**12,856**	–
Foreign exchange gain on operating activities	**(3,762)**	(16,878)
Operating cash outflow before working capital changes	**(6,913)**	(28,137)
Changes in working capital:		
Inventories	**292,991**	(12,737)
Trade and other receivables	**43,763**	(1,787)
Trade and other payables	**(17,616)**	(24,629)
Balance with a joint venturer of a jointly controlled entity	**(308)**	(268)
Net cash generated from/(used in) operations	**311,917**	(67,558)

30 COMMITMENTS — GROUP

(a) Operating lease commitments — as a lessee

The Group's future aggregate minimum rental expense in respect of land and buildings under non-cancellable operating leases is payable as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**1,034**	1,310
In the second to fifth years inclusive	**–**	790
	1,034	2,100

(b) Capital commitments

The Group's capital expenditure contracted at the end of the reporting period but not yet incurred is as follows:

	2012 **HK$'000**	2011 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**3,361**	6,473

The jointly controlled entity has no material capital commitment as at 31st December 2012 and 2011.

31 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Related party transactions carried out during the year were as follows:

	Note	2012 HK$'000	2011 HK$'000
Income			
Management fee from Genesis Alloys (Ningbo) Limited ("Genesis Ningbo")	(i)	**140**	156
Expense			
Purchase of goods by the Group from Genesis Ningbo	(ii)	**103,075**	160,706
Rental paid to Sonic Gold Limited	(iii)	**480**	480

Notes:

(i) The Group received a management fee from Genesis Ningbo, a wholly owned subsidiary of the Group's jointly controlled entity, pursuant to the terms of management service agreement entered into with the related company for the provision of operating support services at fixed monthly service fee.

(ii) The Group purchased goods from Genesis Ningbo at prices as agreed by both parties for each transaction.

(iii) The Group paid rental expenses for directors' quarters to Sonic Gold Limited, a company controlled by Ms Chan Yuen Shan, Clara, a director of the Company, at fixed sums as agreed by both parties.

(b) Key management compensation

	2012 HK$'000	2011 HK$'000
Salaries and other short term employee benefits	**19,350**	19,693
Post employment benefits — pension	**234**	216
	19,584	19,909

(c) Balances with related parties

Other than as disclosed in note 27, the Group had no material balances with related parties.

(d) Others

At 31st December 2012, the Company provided corporate guarantees in respect of banking facilities made available to certain subsidiaries to the extent of approximately HK$1,437 million (2011: HK$1,482 million), of which approximately HK$93 million credit lines (2011: HK$362 million) was utilised.

32 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

The directors regard Gold Alliance International Management Limited and Gold Alliance Global Services Limited, companies incorporated in the British Virgin Islands, as being the ultimate and immediate holding companies of the Company, respectively.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lee Kee Holdings Limited (the "Company") will be held at Eaton Smart Hong Kong, Diamond Ballroom 8, B1st Floor, 380 Nathan Road, Kowloon, Hong Kong on Friday, 24th May 2013 at 2:30 p.m. for the following purposes:

1. To receive and adopt the audited Consolidated Financial Statements of the Company and its subsidiaries and the Reports of the Directors and the Auditors for the year ended 31st December 2012.

2. To consider the re-election of retiring Directors and to authorise the Board of Directors to fix the Directors' remuneration.

3. To consider the re-appointment of Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

   "**THAT**:

   (a) subject to paragraph (c) below of this Resolution, and pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all the powers of the Company to allot, issue and deal with any shares of the Company (the "Shares") and to make or grant offers, agreements or options (including any warrant, bond, note, securities or debenture conferring any rights to subscribe for or otherwise receive Shares) which may require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above of this Resolution shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) to make or grant offers, agreements and options (including any warrant, bond, note, securities or debenture conferring any rights to subscribe for or otherwise receive Shares) which may require the exercise of such power to allot, issue and deal with additional Shares after the end of the Relevant Period (as hereinafter defined in this Resolution);

   (c) the aggregate nominal value of the Shares allotted or issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined in this Resolution); or (ii) any script dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or (iii) any specific authority granted by the shareholders of the Company in general meeting, shall not exceed the aggregate of (aa) 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the time of passing this Resolution and (bb) conditional on Resolution No. 4 and Resolution No. 5 being passed, the total nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the authorization granted to the Directors under the Resolution No. 4, and the approval granted pursuant to paragraphs (a) and (b) above of this Resolution shall be limited accordingly;

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association of the Company to be held; or

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this Resolution;

"Rights Issue" means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors of the Company, to holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or with regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company); and

(e) the authority conferred by this Resolution shall be in substitution for all previous authorities granted to the Directors of the Company, except that it shall be without prejudice to and shall not affect the exercise of the power of the Directors of the Company pursuant to such authorities to allot additional shares of the Company up to and in accordance with the approval therein contained prior to the date of this Resolution."

5. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

"**THAT**:

(a) subject to paragraph (b) below of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all powers of the Company to repurchase shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the Shares may be listed and is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities of the Stock Exchange or equivalent rules or regulations of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal value of the Share repurchased by the Company pursuant to the approval in paragraph (a) above of this Resolution during the Relevant Period (as hereinafter defined in this Resolution) shall not exceed 10 per cent. of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this Resolution, and the authority granted pursuant to paragraph (a) above of this Resolution shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association of the Company to be held; or

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing the authority given to the Directors by this Resolution."

6. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution upon the passing of Resolutions 4 and 5 set out in this notice:

"**THAT** conditional upon the Resolutions No. 4 and Resolution No. 5 of this notice being passed, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with any unissued shares of the Company (the "Shares") pursuant to the said Resolution No. 4 be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to the said Resolution No. 5, provided that such extended amount shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue at the time of passing this Resolution."

By Order of the Board
CHEUK Wa Pang
Company Secretary

Hong Kong, 19th April 2013

Head Office and Principal Place of Business in Hong Kong:
16 Dai Fat Street
Tai Po Industrial Estate
New Territories
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more separate proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at 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 not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

3. Delivery of a form of proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.

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