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 2013/14 年報

POWERING GROWTH

We Create Value Solutions for Metals

LEE KEE is a leading solutions provider for the metals industry and specializes in providing quality metals and value-added solutions to customers. With a mission "to create value solutions for metals," our team of professional, innovative and dedicated personnel is fully committed to support our customers — from metal selection to metal customization, from supply chain management to production process enhancement and technical consultancy.

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
HO Kwai Ching, Mark

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
HO Kwai Ching, Mark

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)
CHUNG Wai Kwok, Jimmy
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
Level 22, Hopewell Centre,
183 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

Stock Code

637

CORPORATE STRUCTURE

(Operating companies as at 31st March 2014)

利記控股有限公司
LEE KEE HOLDINGS LIMITED
SINCE 1947

利記集團有限公司
LEE KEE GROUP LTD.
SINCE 1947

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

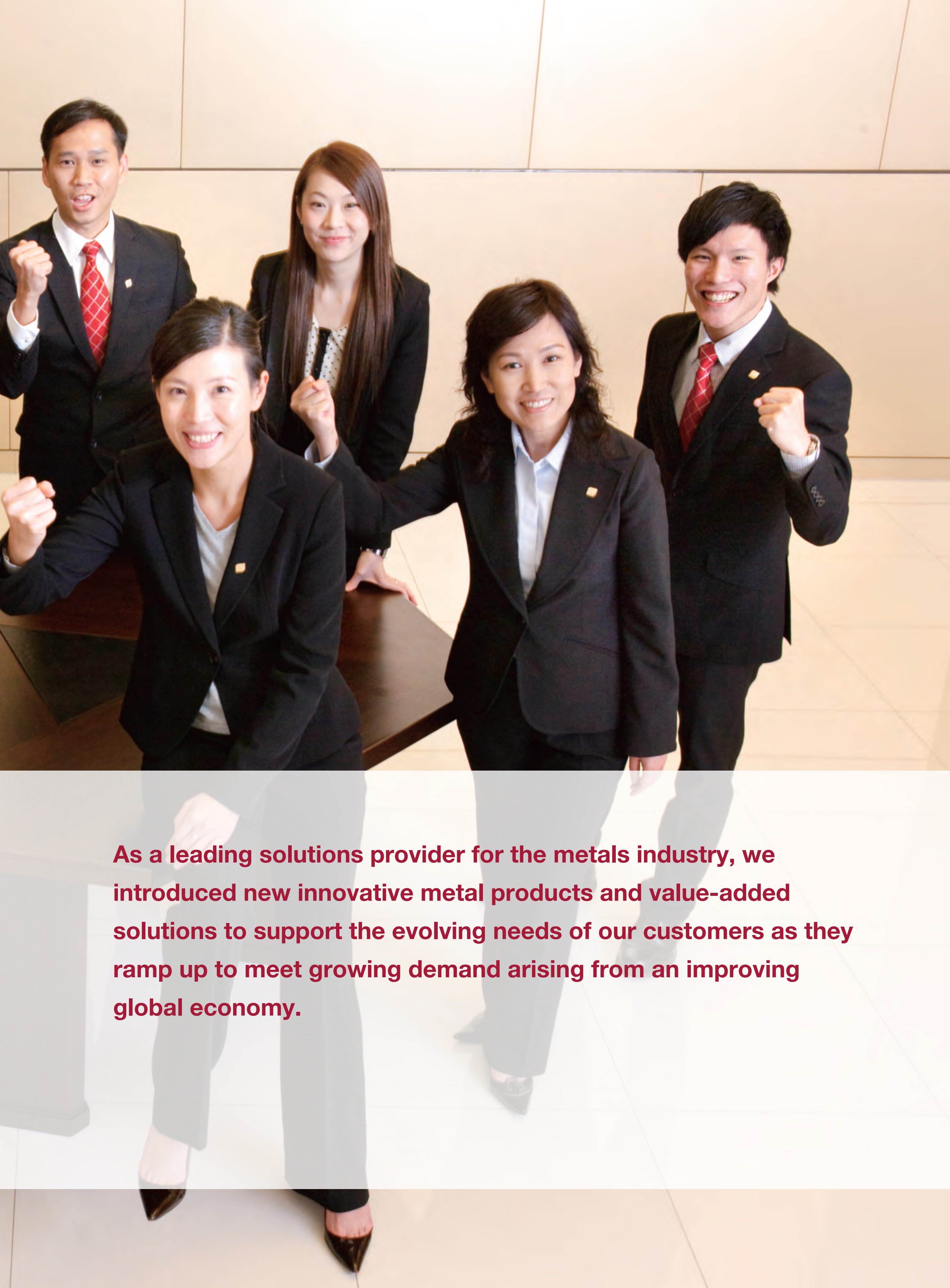
LKG Elite (Wuxi) Co., Ltd. (PRC)
Distribution of non-ferrous metal

LKG Elite (Guangzhou) Co., Ltd. (PRC)
Distribution of non-ferrous metal

Genesis Alloys (Ningbo) Ltd. * (PRC)
Manufacturing of zinc alloy

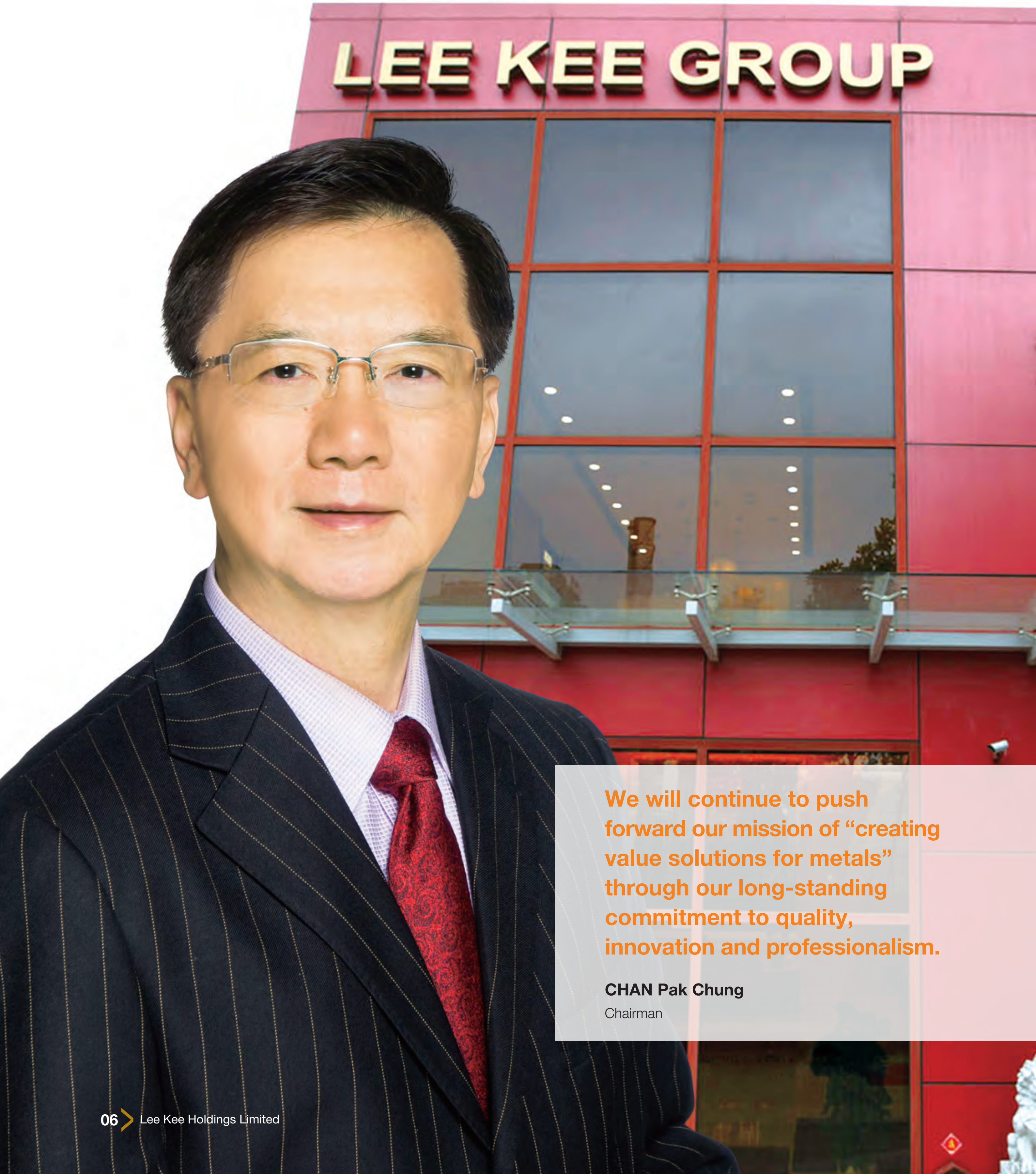
* 50% owned

Creating Value



As a leading solutions provider for the metals industry, we introduced new innovative metal products and value-added solutions to support the evolving needs of our customers as they ramp up to meet growing demand arising from an improving global economy.

CHAIRMAN'S STATEMENT



We will continue to push forward our mission of "creating value solutions for metals" through our long-standing commitment to quality, innovation and professionalism.

CHAN Pak Chung
Chairman

CHAIRMAN'S STATEMENT

Dear shareholders

The financial performance of LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group" or "we") improved substantially during the fifteen months ended 31st March 2014, with ongoing economic recovery in the United States and Europe underpinning the effect of the many growth-powering services and initiatives we have recently introduced. In particular, I am pleased to announce that LEE KEE has recorded a net profit of HK$3.87 million during the fifteen months under review.

I am confident that this result is just the beginning of a broader resurgence, with LEE KEE profiting from an improved business environment, and securing new sources of growth and high-potential business streams.

Both the United States and European economies are now registering positive economic growth — a trend confirmed by the U.S. Federal Reserve's decision in late 2013 to reduce bond purchases and taper its long-running quantitative easing program. This has further strengthened demand for LEE KEE's quality metals products and value-added solutions as manufacturers increasingly ramp up activity and produce a broader range of end-products.

In China, LEE KEE is particularly well placed to profit in the short and long-term, both from the stimulus measures recently introduced by the government and central bank, as well as from Beijing's long-term goal of rebalancing the economy away from exports and investment in favour of higher consumption. The rise of the middle class and urbanisation in China and other key emerging markets in Asia will drive demand for LEE KEE's quality metals, which are used across more than 20 industries.

The rising demand for metals is also providing a robust foundation for the continued development of LEE KEE's range of value-adding services. Metal companies around the world are now seeking more than just the supply of quality metals; they are seeking an all-encompassing offering that combines supply chain management, technical consultancy services, alloy customization, quality assurance testing services and market intelligence. As a market leader, LEE KEE is uniquely qualified to add-value in all these areas, which has seen us lock-in our relationships with clients across different levels of the manufacturing process and grow our margins in an otherwise extremely competitive industry.

Looking forward, we are optimistic about the outlook for our business and our ability to provide strong returns to our stakeholders. I am highly confident that LEE KEE will further grow its market share, attract new customers and expand the loyalty of its existing customers to encompass additional business streams. We will also continue to push forward our mission of "creating value solutions for metals" through our long-standing commitment to quality, innovation and professionalism.

To conclude, I would like to take this opportunity to thank my management team, my loyal colleagues, as well as our valued business partners for their expertise, hard work and support during the past fifteen months. I would also like to express my sincere appreciation to LEE KEE's customers for their sustained and cherished loyalty.

CHAN Pak Chung
Chairman

12th June 2014

Professional **Expertise**

LEE KEE prides itself on the professionalism of its people, products and solutions. We bring professional expertise to the manufacturing industry — from metal supply to supply chain management, from technical consulting to production process enhancement.

MESSAGE FROM THE CEO

We have established a solid foundation for expanding and powering the growth of our business and our leadership in the creation of value solutions for metals.

CHAN Yuen Shan, Clara
Vice-Chairman and Chief Executive Officer

MESSAGE FROM THE CEO

2013 and 2014 have been significant years for LEE KEE, in which we laid a solid foundation for expanding and powering the growth of our business and our leadership in the creation of value solutions for metals. This involved a substantial expansion of LEE KEE's range of tailored metals products and value-adding solutions in order to better meet the needs of our customers and expand our sources of revenue to include all levels of the manufacturing process.

LEE KEE is a market leader in the provision of quality metal products and value-adding solutions, with around 1,100 customers across the manufacturing industry relying on LEE KEE's tailored metal products, metals solutions and expertise for improving their supply chains, production processes and overcoming technical challenges. We specialise in a range of metal and metal alloys, including zinc and nickel (which together are responsible for around 85% of LEE KEE's revenue), as well as aluminium and stainless steel.

Our current and future performance will benefit considerably from the recent resurgence of the global zinc and nickel markets.

Zinc consumption is rising in all major economies, a move that is in line with improving confidence amongst manufacturers, as well as rising demand from the growing middle class in the Greater China and other emerging markets for more high-quality products — for which zinc is a key input. Meanwhile, the scheduled closure of major zinc mines in Canada, Australia and other countries will pressure the supply end of the market and may result in a deficit by the end of 2014, according to the International Lead and Zinc Study Group (ILZSG).

The global supply of nickel could also experience sizable deficits in the coming years as a result of Indonesia's ban on nickel ore exports and a possible widening of trading sanctions against Russia. Both countries are among the top three global producers of nickel.

We are taking steps to ensure that we derive benefit from these positive price trends, while also strengthening our ability to reduce downside risk during times when metal prices are weaker.

This year, LEE KEE became the first Hong Kong company to be accepted as a Category 5 Associate Trade Member of the LME, placing us side-by-side with metal industry giants. This acceptance has greatly enhanced the value that our solutions provide to customers, while growing the reputation of the LEE KEE brand and supporting our expansion into new markets.

While on the subject of expanding value, we have also put in place a team of experienced advisors that will help LEE KEE identify and take advantage of new growth opportunities, particularly in areas such as sourcing strategies, alloying expertise and technical knowledge.

We are also investing in the latest equipment and technology to improve and expand LEE KEE's range of consultancy and metal testing services, allowing us to better serve and access new high-potential business sectors. Two such sectors are auto and green manufacturing — markets where we are already successfully expanding LEE KEE's presence after gaining ISO14001:2004 quality accreditation for our environmental management system and ISO/TS 16949:2009 quality accreditation for the automotive industry.

LEE KEE's future growth prospects are bright and we will continue to work hard to translate the above opportunities into sustainable returns. We hope that you will continue to support us on this journey.

CHAN Yuen Shan, Clara
Vice-Chairman and Chief Executive Officer

12th June 2014

FINANCIAL SUMMARY

The result was mostly attributed to a recovery in the U.S. and European markets, new innovative value-added metal solutions and the Group's ability to profit from fluctuating metal prices.

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 presented on a basis as stated in the note below:

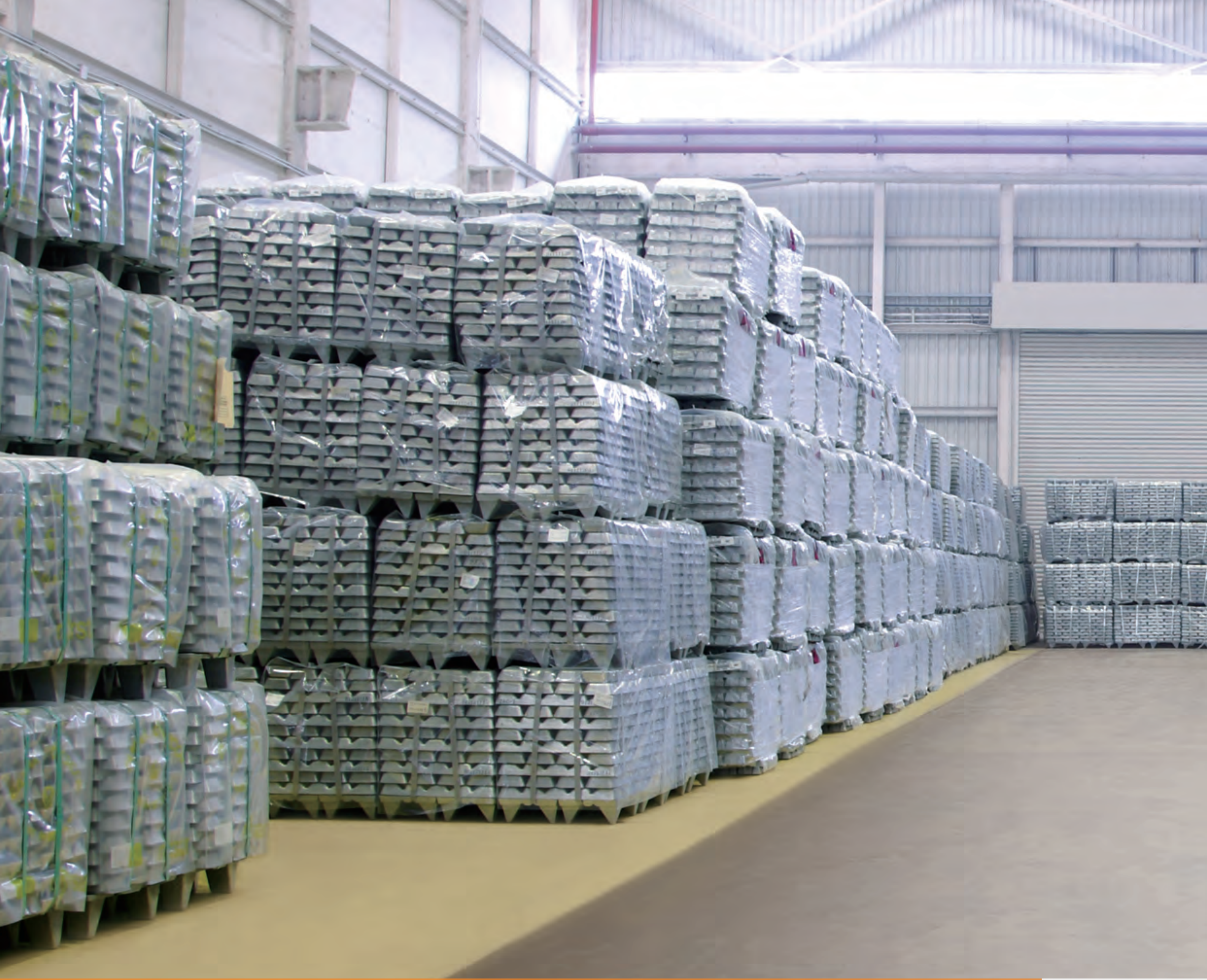
Consolidated results

	15 months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000	2011 (Restated) HK$'000	2010 (Restated) HK$'000	2009 (Restated) HK$'000
Revenue	**2,886,467**	2,470,562	3,468,991	3,528,356	2,365,316
Profit/(loss) before income tax	**5,256**	(29,740)	(31,006)	74,038	123,201
Income tax (expense)/credit	**(1,388)**	37	(254)	(12,020)	(16,178)
Profit/(loss) for the year	**3,868**	(29,703)	(31,260)	62,018	107,023
Attributable to:					
Equity holders of the Company	**3,868**	(29,703)	(31,618)	59,472	106,940
Minority interests	**—**	—	358	2,546	83

Consolidated assets and liabilities

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000	2011 (Restated) HK$'000	2010 (Restated) HK$'000	2009 (Restated) HK$'000
Total assets	**1,390,217**	1,220,288	1,563,465	1,708,875	1,649,703
Total liabilities	**268,720**	98,870	429,811	515,853	401,026
Total equity	**1,121,497**	1,121,418	1,133,654	1,193,022	1,248,677

Note: The prior years' consolidated results and consolidated assets and liabilities have been restated following the adoption of HKFRS 11, "Joint Arrangement".



Premium **Quality Products and Services**

We have made substantial investments in our metals, people and solutions to meet rising demand from growing economies in China and ASEAN. This rising middle class will continue to drive demand for quality metals and premium products, for which LEE KEE's metals are the key component.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business Performance

Financial performance

LEE KEE's financial performance improved significantly during the fifteen months ended 31st March 2014 ("the 15-month Period" or "the 15-months under review") as strengthening global economic fundamentals fuelled demand for LEE KEE's growing suite of metal products, value-added services and solutions, as well as the Group's ability to profit from fluctuating metal prices, helped it return to profit.

Global prices for zinc (LEE KEE's main product) and nickel were volatile during the 15-month Period with the LME 3-month price of zinc and nickel — falling approximately 7% and 10% respectively overall. This volatility was characterized by a price hike during January and February 2013, followed by a steep drop in prices ending around May 2013, before commencing a progressive upward price trend for the remainder of the Period.

Revenue for the 15-month Period reached HK$2,887 million, up from HK$2,471 million for the twelve months ended 31st December 2012 ("the Previous 12-month Period"). Tonnage sold by the Group in the 15-month Period was 153,830 tonnes, up from 128,382 tonnes for the Previous 12-month Period, with the 15-month Period covering two Chinese New Year festivals — a traditionally slow period for the Group.

Gross profit for the 15-month Period was HK$118 million, up from HK$51.9 million for the Previous 12-month Period. Gross profit margin for the 15-months under review was 4.07%, compared to 2.10% for the Previous 12-month Period. The Group recorded a profit attributable to equity holders of the Company of HK$3.87 million during the 15-months under review, compared to a loss of HK$29.7 million for the Previous 12-month Period. The growth in gross profit and profit attributable to equity holders of the Company was mainly due to a recovery in the U.S and European markets, more reliable value-added services and the Group's ability to profit from fluctuating metal prices.

Selling and distribution expenses rose as a result of a higher tonnage sold overall, as well as a result of a higher proportion of tonnage sold in China where selling and distribution expenses are higher than in Hong Kong.

LEE KEE's administrative expenses for the 15-months under review were HK$94.9 million compared to HK$72.2 million for the Previous 12-month Period. This increase was attributable to the longer period of time under review.

The Group also recorded other gains of HK$0.29 million during the 15-month Period, compared to a net gain of HK$8.0 million in the Previous 12-month Period that included a HK$16.7 million reversal of impairment on financial assets and a HK$12.9 million impairment charge related to its investment in a company listed on The Stock Exchange of Hong Kong Limited.

The Group's net financing income rose to HK$4.67 million during the 15-months under review, compared to HK$2.2 million during the Previous 12-month Period.

The Group continues to maintain a healthy balance sheet, with HK$241 million cash on hand as of 31st March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

A leading solutions provider for metals

LEE KEE is a leading solutions provider for the metals industry which specializes in providing quality metal materials and value-added solutions to its customers. Since its founding more than 60 years ago, it has built a strong reputation based on innovation, professionalism and its strong network across all facets of the global metals industry.

LEE KEE's primary focus during the 15-months under review has been "powering growth", which saw the Group initiate a number of high-potential investments in manpower and new services to improve its dominant market position in Hong Kong and China, and better position itself in ASEAN, to capture growing manufacturing volumes in the region.

During the 15-month Period, the Group was the trusted partner of around 1,100 customers from more than 20 industries based across the Greater China region and ASEAN.

Greater China and ASEAN were particularly important source of growth for the Group. This growth was brought about by an ongoing expansion of capacity and continued investment in LEE KEE's sales and distribution centres in the industrial powerhouses of Hong Kong, Shenzhen, Guangzhou, Wuxi and Chengdu.

LME membership places LEE KEE among world's leading metal players

In January 2014, LEE KEE joined the ranks of renowned international metal players by becoming the first company in Hong Kong to be admitted as a Category 5 Associate Trade Member of the London Metal Exchange ("LME").

LEE KEE's status as a contemporary business partner of the world's leading metal companies has provided a number of advantages — both practical and reputational — such as an improved ability to leverage up-to-the-minute information on the global metals market. This has greatly enhanced the value of the solutions provided by LEE KEE to its customers, while also expanding the reach of its global metal trading platform. The added prestige of being a member of the world's premier metals trading platform also lifted LEE KEE's already strong recognition and reputation in the market and will boost the Group's future revenue growth and expansion into new markets.

Positioning for future growth by expanding range of innovative solutions

LEE KEE is committed to being the partner of choice for metals companies during every stage of the manufacturing process — from metal supply to supply chain management, from technical consulting to production process enhancement. It is for this reason that more and more of the world's leading miners, die-casters, metal stampers and electroplating specialists are turning to LEE KEE for value-adding solutions, including metal sourcing and production, supply chain and logistics services, market intelligence, technical support and consultancy services, technical development and metal customisation, metal testing services and buyer management.

- *Tailored products and advanced technical capabilities meeting high-end customer needs*
  LEE KEE's ability to provide high-quality metal products and speciality alloys, tailored to meet the highly-specific needs of its customers, continued to power its ongoing expansion into new markets and market segments during the 15-months under review.

The Group has placed a top priority on further developing the capabilities of its technical team and expanding LEE KEE's range of technical services by investing in new technology. This included the introduction of "3D Flow" simulation technology which helps customers identify and resolve problems related to mould design and production, helping them minimise production costs and increase production efficiency.

- *Expanding metal testing capability*
  LEE KEE's wholly-owned metals testing subsidiary Promet Metals Testing Laboratory Limited ("Promet") is Hong Kong's first Hong Kong Laboratory Accreditation Scheme (HOKLAS) facility. It provides a growing range of chemical testing and verification services that help customers meet their quality control and accreditation requirements and ensure that their metal products comply with international standards. Promet's unique expertise also distinguishes LEE KEE from other solutions providers and strengthen the relationship with customers.

  During the 15-months under review, LEE KEE continued to invest in new technology and machinery to further expand Promet's scope of testing services. Promet recently gained HOKLAS accreditation for its carbon steel lab testing services, enabling it to meet strong demand from the Hong Kong construction industry looking to uphold their compliance with Hong Kong's new Construction Standard Regulations for steel used in reinforced concrete (CS2:2012). It is one of many examples of how Promet is helping LEE KEE move up the value chain through the provision of value-adding services and stay ahead of the competition.

- *Growing contribution from upstream and downstream businesses*
  The 15-months under review saw a rapid improvement in the productivity and revenue contribution of LEE KEE's upstream and downstream businesses, as more and more customers took advantage of the value-adding solutions offered by both businesses.

  Lee Yip Metal Products Company Limited ("Lee Yip") is LEE KEE's wholly-owned stainless steel processing and distribution subsidiary, based at the Group's Tai Po Technology and Logistics Centre in Hong Kong (with operations in the PRC and Hong Kong).

  As part of the Group's focus on "powering growth", Lee Yip invested in new machinery and logistics capabilities to accommodate its customers' business models and changing market trends. These investments have started to pay off, with Lee Yip entering into a number of business relationships with several construction and furnishing businesses. This resulted in a notable uptick in its performance, with Lee Yip selling approximately 5,700 tonnes of stainless steel during the 15-months under review and contributing revenue of approximately HK$106 million (Previous 12-month Period: 3,740 tonnes sold and HK$76 million in contributed revenue).

  Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), is the Group's 50%-owned zinc alloy production joint venture with Nyrstar, based in Ningbo, China. It was the first foreign invested zinc alloy producer in China and has quickly gained a reputation as one of the most reliable and high-quality zinc alloy producers in the non-ferrous metals industry.

  The recent upturn in the global zinc market, as well as growing demand from China's emerging middle class for quality products, supported Genesis Ningbo's rapid growth in the 15-months under review, with the company producing approximately 16,200 tonnes of zinc alloy (Previous 12-month Period: 11,140 tonnes produced). Revenue of Genesis Ningbo for the 15-month Period was HK$289 million (Previous 12-month Period: HK$193 million).

New environmental and auto quality accreditations supporting sustainable growth

LEE KEE was recently granted ISO14001:2004 accreditation for its environmental management system — recognition of the Group's commitment and ability to address the delicate balance between maintaining profitability and reducing environmental impact. It also recently gained ISO/TS 16949:2009 accreditation, a prestigious automotive industry benchmark, for its ability to meet quality standards as a reputable supplier throughout the supply chain.

These new environmental and automotive quality accreditations opened up LEE KEE's products to a wider pool of customers and have powered the Group's sustainable growth.

Appointment of expert advisors to identify strategic growth opportunities

LEE KEE has appointed a team of experienced advisors to contribute to the continuation of the Group's growth strategy. The advisors bring their experience and specialisation in the areas of sourcing strategies, smelting and alloying and investment. The advisors will assist LEE KEE to identify and take advantage of new markets, high-potential business streams and other emerging growth opportunities that will power its business into the future.

Prospects

LME membership offering more opportunities for growth

LEE KEE will continue to take advantage of its unique status as the first Category 5 Associate Trade Member of the LME in Hong Kong to boost its marketing in these markets, as well as in ASEAN, and further expand the value provided by its solutions. LEE KEE will also take advantage of the global reach of the LME platform to explore new opportunities and avenues for growth.

Improving economic conditions to support dominant market position

LEE KEE's strong balance sheet and dominant market share means that the Group is well positioned to benefit from the rising middle class in the Greater China and ASEAN, which is expected to drive demand for quality metals and premium products, for which LEE KEE's metals are a key component.

Demand for LEE KEE products and services will also be supported by the steadily improving U.S. and European economies, as well as recent economic stimulus measures introduced by the PRC government to support activity in the country's key export and manufacturing industries.

The Group cautiously expects zinc and nickel prices in the coming periods to be supported by limited global supply caused by recent and upcoming mine closures in Canada and Australia, restrictive mineral export policies imposed in markets such as Indonesia and a possible widening of trade sanctions against Russia.

Creation of more value-adding solutions

LEE KEE will continue to invest in expanding its technical and metal testing services in order to provide additional value to a broader base of customers by meeting their specific and evolving needs. This continued investment will ensure that LEE KEE moves further up the value chain and remains a partner of choice for metal companies and manufacturers.

LEE KEE will also continue to invest in its upstream and downstream businesses — Lee Yip and Genesis Ningbo — to further grow their scale and profitability and ensure a reliable supply of high-quality stainless steel and zinc alloy products.

Invest in knowledge management system to better serve customers

LEE KEE will soon introduce a knowledge management system in order to capture, develop and share the Group's collective knowledge and experience. The system will help LEE KEE retain and make best use of the expertise and know-how of its people, enhance its already strong industry network, while reducing the turnaround time required to develop tailored products and solutions. Once in place, the Group expects the knowledge management system will greatly increase operational efficiency and improve LEE KEE's ability to serve a greater number of customers.

Leverage quality accreditations to expand product range and attract more customers

LEE KEE will leverage on its recently granted ISO14001:2004 and ISO/TS16949:2009 quality accreditations to expand its range of tailored metal products and services and grow its market share in the automotive and green industries. LEE KEE will also evaluate the feasibility of gaining quality accreditations in other industries in order to open up new opportunities.

Work with expert advisors to capture more opportunities

LEE KEE will liaise closely with its advisors to take advantage of new sources of growth and emerging business opportunities, particularly in areas such as raw material sourcing and the creation of tailored metal alloys, in order to meet new industrial applications.

Prudent financial management and evaluation of investment opportunities

LEE KEE will continue to take steps to streamline its operations and contain costs to enhance its profitability in the coming years and maximise the Group's long-term returns to shareholders.

The management will also prudently explore high-potential investment opportunities, including selected acquisitions, during the coming periods in order to strengthen LEE KEE's market share, improve its product range and open up additional growth opportunities.

Dividends

The Directors, after consideration of the development of the Group, the financial results and position of the Company, recommended a payment of a final dividend of HK1 cent per share for the 15-month Period (Previous 12-month Period: Nil) amounting to HK$8,287,500 (Previous 12-month Period: Nil) to the shareholders whose names appear on the Register of Members of the Company on 22nd August 2014. Subject to the approval at the forthcoming Annual General Meeting of the Company, the dividend is expected to be paid on or around 5th September 2014.

Closure of Register of Members

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 12th August 2014 to Friday, 15th August 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 11th August 2014.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members of the Company (the "Register of Members") be closed from Thursday, 21st August 2014 to Friday, 22nd August 2014, both days inclusive, during which period no transfers of shares will be effected. In order to establish entitlements to the proposed final dividend, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20th August 2014.

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 March 2014, the Group had unrestricted cash and bank balances of approximately HK$241 million (31st December 2012: HK$422 million) and bank borrowings of approximately HK$185 million (31st December 2012: HK$2.49 million). The borrowings, which are short-term in nature, were substantially made in United States dollars and Hong Kong dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 31st March 2014 was 16.5% (31st December 2012: 0.22%). The Group has a current ratio of 488% as at 31st March 2014 (31st December 2012: 1,182%).

The Company had issued guarantees to the extent of approximately HK$1,216 million to banks to secure general banking facilities of approximately HK$695 million to certain subsidiaries, of which approximately HK$217 million had been utilised as of 31st March 2014.

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 fluctuation between Hong Kong dollars and Renminbi.

Employees

As at 31st March 2014, the Group had approximately 150 employees (Previous 12-month Period: 160 employees) and the Group's 50%-owned joint venture, Genesis Ningbo, had approximately 40 employees (Previous 12-month Period: 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 the 15-month Period, staff costs (including directors' emoluments) were approximately HK$59 million (Previous 12-month Period: HK$42 million).

DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Executive Directors

Mr. CHAN Pak Chung, aged 66, 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 46 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 Die-casting and Foundry Association Limited, Honorary Fellow (Machinery and Metal Industries) of the Professional Validation Council of Hong Kong Industries, 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 42, 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 20 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 Autonomous Region and the Awardee of the Young Industrialist Awards of Hong Kong 2008. She is the Chairman of Youth Council, a member of the Trade and Industry Advisory Board of HKSAR, a member of CreateHK design-Business Collaboration Scheme Assessment Panel of HKSAR, a Vice Chairman of Hong Kong Die-casting and Foundry Association Limited, a Vice President of Hong Kong Yong Industrialist Council. Ms. Chan is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao and sister of Mr. CHAN Ka Chun, Patrick.

Ms. MA Siu Tao, aged 64, 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 28 years. She obtained a Master Degree in Material Engineering from the Yanshan University. Ms. Ma is the Executive Committee member 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 64, 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, and Tradelink Electronic Commerce Limited, both are listed on the Main Board of the Stock Exchange; and China World Trade Center Company Limited, listed on the Shanghai Stock Exchange.

DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Mr. LEUNG Kwok Keung, aged 50, 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 11 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 41, is an Independent Non-executive Director of the Company appointed in May 2007. He is currently the Chief Investment Officer of Shandong Hi-Speed Everbright Industrial Fund under China Everbright Limited. Prior to that, he was an Executive Director of JPMorgan Asset Management Real Assets (Asia) Limited, focusing on infrastructure investments and the Vice General Manager of The National Trust & Investments Ltd. ("Natrust"), a company providing financial services in China. Before joining Natrust, Mr. Hu was a director of Emerging Markets Partnership. He has over 16 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.

Mr. HO Kwai Ching, **Mark,** aged 52, is an Independent Non-executive Director of the Company appointed in June 2014. He is currently the Chief Operating Officer of Oriental Patron Securities Limited ("OPSL"). Prior to joining OPSL, he was the Chief Compliance Officer of Hong Kong Mercantile Exchange Limited, the Director of Business Development of Sun Hung Kai Securities Limited and a Director of Phillip Securities (HK) Limited. He was also previously Vice President of Corporate Strategy of Hong Kong Exchanges and Clearing Limited and Head of Compliance of Hong Kong Futures Exchange Limited. He has more than 20 years of experience in the securities and futures industry. He is also an independent non-executive director of Hengan International Group Company Limited (a company listed on The Stock Exchange of Hong Kong Limited).

Senior Management

Mr. CHEUK Wa Pang, aged 49, 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 22 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 43, 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.

DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Mr. CHAN Ka Chun, Patrick ("**Mr. Patrick Chan**"), aged 41, 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 8 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 Industries 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 67, 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 26 years' experience in steel business and metal trading in the PRC, Taiwan and Hong Kong.

Advisors

To further strengthen the Group's expertise and development in the metal industry, the Group has engaged the following advisors who have sound knowledge in metal industry:

Mr. William Tasman WISE has held a number of senior positions in the mining and smelting industry for over 40 years, including general manager responsible for global marketing and sales for both Zinifex Limited and Pasminco Limited and is a former director of the Company. He currently works as a business consultant and resides in Melbourne, Australia. Mr. Wise obtained a Bachelor Degree in Economics from the University of Tasmania.

Mr. Matthew James HOWELL is the Chief Executive Officer of Tomago Aluminium, one of Australia's largest primary aluminium smelters. He has in excess of 28 years in the base metals and precious metals sectors, with experience in the smelting and recycling of zinc, copper, gold, silver lead and a range of exotic specialties. Mr. Howell has a long history in zinc smelting and specialty zinc die cast alloy development and casting. He was project manager for the development and construction for Genesis Alloys (Ningbo) Limited. Mr. Howell holds an honours Bachelor of Degree of Science from the University of Tasmania.

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 Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the 15-month Period.

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 the 15-month Period.

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 the 15-month Period.

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, Senior Management and Advisors 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, Senior Management and Advisors 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.

CORPORATE GOVERNANCE REPORT

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. He is also responsible for the overall business strategy of the Group. The Chief Executive Officer of the Company, Ms. CHAN Yuen Shan, Clara, is responsible for proposing strategies to the Board and implementing the strategies and policies laid down by the Board. She also leads the management in the development and daily operations of the Group.

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, one of which is renewed from 14th May 2013 after the expiry of the previous term and one of which was appointed with effect from 16th June 2014.

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 the 15-month Period.

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 the 15-month Period.

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 Mr. 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 the 15-month Period.

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 the 15-month Period was HK$1,400,000 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$508,000.

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.

Note: Mr. HO Kwai Ching, Mark was newly appointed as an Independent Non-executive Director and a member of the Audit Committee with effect from 16th June 2014.

During the 15-month Period, 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 the 15-month Period:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. CHAN Pak Chung	10/10	—	1/1	1/1
Ms. CHAN Yuen Shan, Clara	9/10	—	—	—
Ms. MA Siu Tao	10/10	—	—	—
Mr. CHUNG Wai Kwok, Jimmy	9/10	4/4	1/1	1/1
Mr. LEUNG Kwok Keung	9/10	4/4	1/1	1/1
Mr. HU Wai Kwok	10/10	4/4	—	—

All of the Directors attended the 2013 annual general meeting of the Company.

Preparation of Financial Statements

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the 15-month Period (the "Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the 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 during the 15-month Period 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 the 15-month Period.

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 the 15-month Period.

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 15 months ended 31st March 2014 (“15-month Period”).

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 38.

The Directors, after consideration of the development of the Group, the financial results and position of the Company, recommended a payment of a final dividend of HK1 cent per share for the 15-month Period (Previous 12-month Period: Nil) amounting to HK$8,287,500 (Previous 12-month Period: Nil) out of the Company's distributable reserve to the shareholders whose names appear on the Register of Members of the Company on 22nd August 2014. Subject to the approval at the forthcoming Annual General Meeting of the Company, the dividend is expected to be paid on or around 5th September 2014.

Closure of Register of Members

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 12th August 2014 to Friday, 15th August 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 11th August 2014.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members of the Company be closed from Thursday, 21st August 2014 to Friday, 22nd August 2014, both days inclusive, during which period no transfers of shares will be effected. In order to establish entitlements to the proposed final dividend, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20th August 2014.

Reserves

Movements in the reserves of the Group and of the Company during the 15-month Period are set out in note 23 to the financial statements.

REPORT OF THE DIRECTORS

Donations

Charitable and other donations made by the Group during the 15-month Period amounted to approximately HK$870,000.

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 March 2014 amounted to approximately HK$1,046,000,000.

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 13.

Purchase, Sale or Redemption of Securities

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during the 15-month Period.

Share Options

The Company adopted the Pre-IPO share option scheme (the "Pre-IPO Scheme") which has lapsed 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.

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 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 March 2014.

REPORT OF THE DIRECTORS

Directors

The Directors during the 15-month Period 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
Mr. HO Kwai Ching, Mark (appointed with effect from 16th June 2014)

In accordance with Article 130 of the Articles of Association of the Company, Ms. CHAN Yuen Shan, Clara and Ms. MA Siu Tao shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with Article 114 of the Articles of Association of the Company, Mr. HO Kwai Ching, Mark shall retire and being eligible, offer himself 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 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 company 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 22 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 March 2014, 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 issued 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.

4. Mr. HO Kwai Ching, Mark, an Independent Non-executive Director appointed with effect from 16th June 2014, was deemed to be interested in 50,000 Shares (representing approximately 0.006% of the issued Shares) under the SFO.

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 in, or debentures of, the Company or its associated corporation.

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 March 2014, 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, at no time during the 15-month Period, 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 March 2014, 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 15-month Period, the Group sold less than 30% of its goods to its five largest customers.

The percentage of purchases for the 15-month Period attributable to the Group's major suppliers is as follows:

Purchases	
— the largest supplier	33%
— 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 15-month Period.

Disclosure of information pursuant to Rule 13.51(B)(1) of the Listing Rules

The monthly salary (including basic salary, statutory mandatory provident fund contribution and other allowances, if any) of three Executive Directors, namely, Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan, Clara and Ms. MA Siu Tao, were revised with effect from 1st June 2014 from HK$396,250, HK$217,470 and HK$188,250 to HK$396,500, HK$226,000 and HK$188,500 respectively. The entitlement of a discretionary management bonus to be determined by the Remuneration Committee of the Board remained unchanged.

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, 12th June 2014

INDEPENDENT AUDITOR'S REPORT

pwc

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 38 to 100, which comprise the consolidated and company statements of financial position as at 31st March 2014, 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 fifteen months period from 1st January 2013 to 31st March 2014, 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.

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.

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

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 March 2014, and of the Group's profit and cash flows for the fifteen months period from 1st January 2013 to 31st March 2014 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, 12th June 2014

CONSOLIDATED INCOME STATEMENT

For the fifteen months ended 31st March 2014

	Note	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) (Note 2) HK$'000
Revenues	5	**2,886,467**	2,470,562
Cost of sales	7	**(2,768,798)**	(2,418,599)
Gross profit		**117,669**	51,963
Other income	6	**1,009**	951
Distribution and selling expenses	7	**(24,400)**	(18,548)
Administrative expenses	7	**(94,928)**	(72,183)
Other gains, net	8	**293**	8,043
Operating loss		**(357)**	(29,774)
Finance income		**6,479**	5,045
Finance costs		**(1,811)**	(2,842)
Finance income, net	9	**4,668**	2,203
Share of profit/(loss) of a joint venture		**945**	(2,169)
Profit/(loss) before income tax		**5,256**	(29,740)
Income tax (expense)/credit	12	**(1,388)**	37
Profit/(loss) for the period/year		**3,868**	(29,703)
Profit/(loss) attributable to:			
Equity holders of the Company	14	**3,868**	(29,703)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the period/year			
— basic and diluted (Hong Kong cents)	13	**0.47**	(3.58)

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

Details of dividends payable to equity holders of the Company attributable to the profit for the period are set out in Note 15.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fifteen months ended 31st March 2014

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) (Note 2) HK$'000
Profit/(loss) for the period/year	3,868	(29,703)
Other comprehensive income/(loss)		
Items that have been reclassified or may be subsequently reclassified to income statement		
Exchange translation differences	403	934
Share of other comprehensive income of a joint venture	49	332
Movement of available-for-sale financial assets revaluation reserve	(4,241)	16,201
Other comprehensive (loss)/income for the period/year	(3,789)	17,467
Total comprehensive income/(loss) for the period/year	79	(12,236)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	79	(12,236)

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2014

	Note	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) (Note 2) HK$'000	As at 1st January 2012 (Restated) (Note 2) HK$'000
Non-current assets				
Leasehold land	16	**14,567**	15,113	15,549
Property, plant and equipment	17	**35,336**	34,671	45,228
Interest in a joint venture	28	**19,137**	18,143	—
Deferred income tax assets	26	**2,856**	2,696	1,950
Available-for-sale financial assets	18	**21,855**	29,758	26,412
Prepayment for property, plant and equipment		**—**	3,089	400
		93,751	103,470	89,539
Current assets				
Inventories	19	**852,505**	532,746	826,514
Trade and other receivables	20	**198,534**	156,639	199,106
Amounts due from related companies	31	**1,493**	1,313	1,156
Income tax recoverable		**517**	3,930	9,948
Derivative financial instruments		**1,972**	374	1,344
Bank balances and cash	21	**241,445**	421,816	435,858
Total current assets		**1,296,466**	1,116,818	1,473,926
Total assets		**1,390,217**	1,220,288	1,563,465
Capital and reserves attributable to equity holders of the Company				
Share capital	22	**82,875**	82,875	82,875
Share premium	23	**495,293**	495,293	495,293
Other reserves	23	**543,329**	543,250	555,486
Total equity		**1,121,497**	1,121,418	1,133,654

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2014

	Note	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) (Note 2) HK$'000	As at 1st January 2012 (Restated) (Note 2) HK$'000
Non-current liabilities				
Deferred income tax liabilities	26	**1,617**	1,727	2,501
Other non-current liabilities		**1,299**	2,657	2,629
		2,916	4,384	5,130
Current liabilities				
Trade and other payables	24	**80,732**	91,430	108,556
Amount due to a joint venture		**—**	—	7,325
Borrowings	25	**184,995**	2,492	307,243
Income tax payable		**77**	450	1,109
Derivative financial instruments		**—**	114	448
		265,804	94,486	424,681
Total liabilities		**268,720**	98,870	429,811
Total equity and liabilities		**1,390,217**	1,220,288	1,563,465
Net current assets		**1,030,662**	1,022,332	1,049,245
Total assets less current liabilities		**1,124,413**	1,125,802	1,138,784

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March 2014

	Note	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Non-current assets			
Interests in subsidiaries	27	**1,127,954**	1,123,801
Current assets			
Prepayment		**129**	172
Bank balances and cash	21	**913**	6,264
		1,042	6,436
Total assets		**1,128,996**	1,130,237
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	**550,806**	551,902
Total equity		**1,128,974**	1,130,070
Current liabilities			
Other payables		**22**	167
Total equity and liabilities		**1,128,996**	1,130,237
Net current assets		**1,020**	6,269
Total assets less current liabilities		**1,128,974**	1,130,070

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fifteen months ended 31st March 2014

	Note	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) (Note 2) HK$'000
Operating activities			
Net cash (used in)/generated from operations	29(a)	**(360,322)**	311,626
Interest paid		**(1,811)**	(2,842)
Hong Kong profits tax refunded		**1,900**	4,096
Mainland China corporate income tax paid		**(518)**	(220)
Net cash (used in)/generated from operating activities		**(360,751)**	312,660
Investing activities			
Interest received		**6,479**	5,045
Prepayment for property, plant and equipment		**—**	(2,690)
Proceeds from disposal of property, plant and equipment	29(b)	**187**	—
Acquisition of property, plant and equipment		**(10,039)**	(1,161)
Equity contribution to a joint venture		**—**	(19,980)
Repayment of amount due to a joint venture		**—**	(7,325)
Net cash used in investing activities		**(3,373)**	(26,111)
Financing activities			
Addition/(repayment) of short-term bank loans, net		**182,503**	(304,751)
Net cash generated from/(used in) financing activities		**182,503**	(304,751)
Decrease in cash and cash equivalents		**(181,621)**	(18,202)
Cash and cash equivalents at beginning of the period/year		**421,816**	435,858
Exchange gain on cash and cash equivalents		**1,250**	4,160
Cash and cash equivalents at end of the period/year		**241,445**	421,816

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fifteen months ended 31st March 2014

	Attributable to equity holders of the Company			
	Share capital	Share premium	Other reserves (Restated) (Note 23)	Total Equity (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2013	**82,875**	**495,293**	**543,250**	**1,121,418**
Comprehensive income				
Profit for the period	—	—	**3,868**	**3,868**
Other comprehensive income				
Exchange translation differences	—	—	**403**	**403**
Share of other comprehensive income of a joint venture	—	—	**49**	**49**
Movement of available-for-sale financial assets revaluation reserve (Note 23)	—	—	**(4,241)**	**(4,241)**
Other comprehensive loss for the period	—	—	**(3,789)**	**(3,789)**
Total comprehensive income for the period	—	—	**79**	**79**
At 31st March 2014	**82,875**	**495,293**	**543,329**	**1,121,497**
At 1st January 2012	82,875	495,293	555,486	1,133,654
Comprehensive income				
Loss for the year	—	—	(29,703)	(29,703)
Other comprehensive income				
Exchange translation differences	—	—	934	934
Share of other comprehensive income of a joint venture	—	—	332	332
Movement of available-for-sale financial assets revaluation reserve (Note 23)	—	—	16,201	16,201
Other comprehensive income for the year	—	—	17,467	17,467
Total comprehensive loss for the year	—	—	(12,236)	(12,236)
At 31st December 2012	82,875	495,293	543,250	1,121,418

The notes on pages 45 to 100 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in units of Hong Kong dollars ("HK dollars"), unless otherwise stated, and have been approved for issue by the Board of Directors on 12th June 2014.

Pursuant to a resolution of the Board of Directors dated 24th October 2013, the Company's financial year end date has been changed from 31st December to 31st March for better allocation of the Group's resources. Accordingly, these consolidated financial statements cover a fifteen months period from 1st January 2013 to 31st March 2014 whilst the comparative financial period covers a twelve months period from 1st January 2012 to 31st December 2012.

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 in all periods 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 period'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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(i) The following new standard, which is relevant to the Group, has been adopted by the Group for the first time for the financial period beginning 1st January 2013.

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

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(i) (Continued)

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

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

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

The effects of the change in accounting policies on the consolidated financial statements are shown in the tables below. The change in accounting policy has had no impact on earnings per share.

Impact on consolidated income statement

For the year ended 31st December 2012

	As previously reported HK$'000	Effect of adopting HKFRS 11 HK$'000	As restated HK$'000
Revenues	2,515,730	(45,168)	2,470,562
Cost of sales	2,460,508	(41,909)	2,418,599
Other income	1,242	(291)	951
Distribution and selling expenses	19,452	(904)	18,548
Administrative expenses	74,652	(2,469)	72,183
Other gains, net	7,942	101	8,043
Finance (costs)/income, net	(42)	2,245	2,203
Share of loss of a joint venture	—	2,169	2,169
Income tax credit	37	—	37
Loss attributable to equity holders of the company	29,703	—	29,703

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(i) (Continued)

Impact on consolidated statement of financial position

As at 31st December 2012

	As previously reported HK$'000	Effect of adopting HKFRS 11 HK$'000	As restated HK$'000
Leasehold land	15,658	(545)	15,113
Property, plant and equipment	42,476	(7,805)	34,671
Interest in a joint venture	—	18,143	18,143
Deferred income tax assets	2,696	—	2,696
Available-for-sale financial assets	29,758	—	29,758
Prepayment for property, plant and equipment	3,089	—	3,089
Inventories	536,107	(3,361)	532,746
Trade and other receivables	158,810	(2,171)	156,639
Amount due from a joint venturer of a joint venture	180	(180)	—
Amounts due from related parties	—	1,313	1,313
Income tax recoverable	3,930	—	3,930
Derivative financial instruments	374	—	374
Bank balances and cash	440,018	(18,202)	421,816
Deferred income tax liabilities	1,727	—	1,727
Other non-current liabilities	2,657	—	2,657
Trade and other payables	91,661	(231)	91,430
Bank borrowings	15,069	(12,577)	2,492
Income tax payable	450	—	450
Derivative financial instruments	114	—	114
Share capital	82,875	—	82,875
Share premium	495,293	—	495,293
Other reserves	543,250	—	543,250

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(i) (Continued)

Impact on consolidated statement of financial position

As at 1st January 2012

	As previously reported HK$'000	Effect of adopting HKFRS 11 HK$'000	As restated HK$'000
Leasehold land	16,100	(551)	15,549
Property, plant and equipment	53,564	(8,336)	45,228
Deferred income tax assets	1,950	—	1,950
Available-for-sale financial assets	26,412	—	26,412
Prepayment for property, plant and equipment	400	—	400
Inventories	829,098	(2,584)	826,514
Trade and other receivables	202,573	(3,467)	199,106
Amounts due from related parties	—	1,156	1,156
Income tax recoverable	9,948	—	9,948
Derivative financial instruments	1,344	—	1,344
Bank balances and cash	446,579	(10,721)	435,858
Deferred income tax liabilities	2,501	—	2,501
Other non-current liabilities	2,629	—	2,629
Trade and other payables	109,305	(749)	108,556
Amount due to a joint venturer of a joint venture	128	(128)	—
Amount due to a joint venture	—	7,325	7,325
Bank borrowings	338,194	(30,951)	307,243
Income tax payable	1,109	—	1,109
Derivative financial instruments	448	—	448
Share capital	82,875	—	82,875
Share premium	495,293	—	495,293
Other reserves	555,486	—	555,486

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(i) (Continued)

Impact on consolidated statement of comprehensive income

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

Impact on consolidated statement of cash flows

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

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(ii) The following new standards, amendments and interpretation to standards are also mandatory for the Group's financial period beginning 1st January 2013. The adoption of these new standards, amendments and interpretation to standards has not had any significant impact to the results and financial position of the Group, except that certain disclosures have been extended.

HKFRS 1 Amendment	Government Loans
HKFRS 1 Amendment	Annual Improvement to 2013 — first time adoption
HKFRS 7 Amendment	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendment to HKFRS 13	Annual improvements to 2012 — Fair Value Measurements
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investment in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRSs Amendment	Annual Improvements 2009–2011 Cycle

(iii) The following new standards, amendments and interpretation to standards have been issued but are not effective for the financial period beginning 1st January 2013 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments[3]
Additions to HKFRS 9	Financial instruments — Financial liabilities[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 19 Amendment	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRSs 10, 12 and HKAS 27 (2011)	Investment Entities[1]
HK(IFRIC)-Int 21	Levies[1]
HKFRSs Amendments	Annual Improvements 2010–2012 Cycle[2]
HKFRSs Amendments	Annual Improvements 2011–2013 Cycle[2]

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(iii) (Continued)

[1] effective for annual periods beginning on or after 1st January 2014
[2] effective for annual periods beginning on or after 1st July 2014
[3] mandatory effective date has not yet been fixed
[4] effective for annual periods beginning on or after 1st January 2016

Management is in the process of making an assessment of the likely impact of these changes but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and/or the presentation of its financial statements will result.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March 2014.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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.

Intra-group transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 Summary of Significant Accounting Policies (Continued)

(b) Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. 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 profit or loss.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Joint arrangements

As set out at Note 2(a)(i) above, the Group has applied HKFRS 11 to its joint arrangement as of 1st January 2012. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

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

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1st January 2012.

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

2 Summary of Significant Accounting Policies (Continued)

(d) 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 period-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 debt 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.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement 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.

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. Currency translation differences arising are recognised in the other comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

(e) 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.

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%

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(g)).

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

(f) 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 of 40 years. Amortisation of leasehold land is calculated on a straight-line basis over the period of the lease.

(g) 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.

2 Summary of Significant Accounting Policies (Continued)

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

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 consolidated income statement.

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.

(h) 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", "amount due from related companies" and "bank balances and cash" in the consolidated statement of financial position (notes 2(j) and 2(k)).

(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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within 'other gains, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2 Summary of Significant Accounting Policies (Continued)

(h) Financial assets (Continued)

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 consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated 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.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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 also evidence that the assets are 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 profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 Summary of Significant Accounting Policies (Continued)

(i) 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.

(j) 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 in the income statement.

(k) Cash and cash equivalents

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

(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.

2 Summary of Significant Accounting Policies (Continued)

(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 its joint venture 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.

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 joint venture, 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). 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.

2 Summary of Significant Accounting Policies (Continued)

(q) Employee benefits (Continued)

(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.

(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 is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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 performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 Summary of Significant Accounting Policies (Continued)

(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.

(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 payments 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 executive management, who collectively review the Group's internal reporting in order to make strategic decisions.

2 Summary of Significant Accounting Policies (Continued)

(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.

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 March 2014, if RMB had strengthened/weakened by 5% (31st December 2012: 5%) against the HK dollars with all other variables held constant, post-tax profit for the period would have been approximately HK$8,006,000 higher/lower (31st December 2012: post-tax loss for the year would have been approximately HK$12,715,000 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 in general, which subject the Group to cash flow interest rate risk.

At 31st March 2014, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the period would have been HK$70,000 lower/higher (31st December 2012: post-tax loss for the year would have been less than HK$1,000 higher/lower) as a result of higher/lower interest expense on bank borrowings.

The Group's bank deposits were at fixed rates and expose the Group to fair value interest rate 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.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(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 March 2014, 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$1,093,000 (2012: HK$1,136,000).

The Group also exposed to commodity price risk in relation to its metal products which is largely dependent on the material 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.

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

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.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(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.

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 March 2014 are as follows:

	HK$'000
Bank balances and cash	241,445
Committed credit lines available	694,679
Less: Utilised credit lines for bank borrowings	(216,862)
	477,817

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 March 2014		
Trade payables and accrued expenses	**70,338**	**70,338**
Bank borrowings	**185,434**	**184,995**
	255,772	**255,333**
At 31st December 2012 (restated)		
Trade payables and accrued expenses	79,428	79,428
Derivative financial instruments	114	114
Bank borrowings	2,623	2,492
	82,165	82,034

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 period 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.

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

The gearing ratios at of 31st March 2014 and 31st December 2012 were as follows:

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
Total bank borrowings (note 25)	**184,995**	2,492
Total equity	**1,121,497**	1,121,418
Gearing ratio	**0.165**	0.002

Increase in gearing ratio is mainly due to the increase in borrowings at the financial reporting date.

3 Financial Risk Management (Continued)

(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 method by which the fair values of financial instruments are established are categorised as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data.

The Group's assets and liabilities that are measured at fair values at 31st March 2014:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments	—	1,972	—	1,972
Available-for-sale financial assets				
— listed securities	21,855	—	—	21,855
— unlisted investment	—	—	—	—
	21,855	1,972	—	23,827

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	—	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	—	114	—	114

3 Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet 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.

At 31st March 2014, the Group had outstanding metal future trading contracts mainly to sell/purchase zinc. The maximum notional principal amounts of these future contracts at 31st March 2014 and 31st December 2012 were as follows:

	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Buy	11,378	9,340
Sell	36,522	22,093

The movements during the period ended 31st March 2014 and the year ended 31st December 2012 in the balance of Level 3 fair value measurements are as follows:

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000
At the beginning of the period/year	7,046	3,558
Change in fair value of available-for-sale financial assets during the period/year	(3,384)	3,488
Impairment of available-for-sale financial assets	(3,662)	—
At the end of the period/year	—	7,046

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 nonstrategic 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 available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when available-for-sale financial assets are impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Any changes in expectation may impact the recognition of impairment charge to the income statement and therefore the results of the Group.

(c) 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.

4 Critical Accounting Estimates and Judgements (Continued)

(d) 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.

(e) 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.

(f) 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 period are as follows:

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Revenues		
Sales of goods	**2,886,467**	2,470,562

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.

5 Revenues and Segment Reporting (Continued)

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.

(a) Segment information

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

The segment information for the reporting segments as at and for the fifteen months ended 31st March 2014 is as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenues	2,272,408	614,059	2,886,467
Segment results	(4,734)	3,075	(1,659)
Other segment expenditure items included in the segment results as follows:			
Cost of inventories recognised as expense	2,178,817	590,792	2,769,609
Depreciation of property, plant and equipment	12,231	236	12,467
Amortisation of leasehold land	546	—	546
Provision for/(reversal of) impairment of inventories	320	(1,131)	(811)
Provision for impairment of trade receivables	584	295	879
Segment assets	1,178,008	212,209	1,390,217
Segment liabilities	160,848	107,872	268,720

5 Revenues and Segment Reporting (Continued)

(a) Segment information (Continued)

The segment information for the reporting segments as at and for the year ended 31st December 2012 (as restated) is as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenues	1,989,009	481,553	2,470,562
Segment results	(39,047)	279	(38,768)
Other segment expenditure items included in the segment results as follows:			
Cost of inventories recognised as expense	1,956,070	467,074	2,423,144
Depreciation of property, plant and equipment	11,477	244	11,721
Amortisation of leasehold land	436	—	436
(Reversal of)/provision for impairment of inventories	(5,387)	842	(4,545)
Reversal of impairment of trade receivables	(20)	—	(20)
Segment assets	1,036,664	183,624	1,220,288
Segment liabilities	69,757	29,113	98,870

(b) Reconciliation of segment results

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Segment results		
Total segment results	**(1,659)**	(38,768)
Other income	**1,009**	951
Other gains, net	**293**	8,043
Finance income, net	**4,668**	2,203
Share of profit/(loss) of a joint venture	**945**	(2,169)
Profit/(loss) before income tax	**5,256**	(29,740)

6 Other Income

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Management fee, net of withholding tax	176	140
Others	833	811
	1,009	951

7 Expenses by Nature

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

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Auditor's remuneration	1,885	1,651
Depreciation of property, plant and equipment	12,467	11,721
Amortisation of leasehold land	546	436
Staff costs, including directors' remuneration (Note 10)	58,835	42,029
Operating lease rentals for land and buildings	2,773	2,455
Cost of inventories recognised as expense	2,769,609	2,423,144
Reversal of impairment of inventories	(811)	(4,545)
Provision for/(reversal of) impairment of trade receivables	879	(20)
Additional charge payable on factory premises (note)	3,419	—

Note: During the period, the Group was required to pay an additional charge to the Science & Technology Parks Corporation ("Science Parks") in respect of its Tai Po factory premises as a result of a delay in completing certain required capital investments. The Group expects the required investment to be completed before March 2015 (also see Note 30(b)).

8 Other Gains, Net

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Gain on disposal of property, plant and equipment	187	—
Unrealised gain on metal future trading contracts	1,972	260
Realised gain on metal future trading contracts	695	1,549
Net exchange gain	1,101	2,302
Reversal impairment of other receivables (note)	—	16,788
Impairment of available-for-sale financial assets	(3,662)	(12,856)
	293	8,043

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 31st December 2011, the amount recovered was accounted for as a reversal of impairment for the year ended 31st December 2012.

9 Finance Income, Net

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Interest income	6,479	5,045
Interest expense on short-term bank borrowings	(1,811)	(2,842)
Finance income, net	4,668	2,203

10 Staff Costs (Including Directors' Remuneration)

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Wages, salaries and allowances	57,317	40,854
Pension costs — defined contribution	1,518	1,175
	58,835	42,029

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
Fifteen months ended 31st March 2014					
Mr Chan Pak Chung	—	5,925	—	1	5,926
Ms Chan Yuen Shan, Clara *(Chief executive officer)*	—	3,219	—	19	3,238
Ms Ma Siu Tao	—	2,805	—	19	2,824
Mr Chung Wai Kwok, Jimmy	300	—	—	—	300
Mr Leung Kwok Keung	300	—	—	—	300
Mr Hu Wai Kwok	300	—	—	—	300
	900	11,949	—	39	12,888

Name of directors	Fees HK$'000	Salaries and other allowances HK$'000	Bonuses HK$'000	Pension HK$'000	Total HK$'000
Year ended 31st December 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

1 Mr William Tasman Wise resigned as an executive director of the Company effective from 15th May 2012.

11 Directors' and Senior Management's Emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the period/year include three (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2012: two) of the five highest paid individuals during the period/year are as follows:

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000
Salaries and other allowances	3,846	3,017
Bonuses	—	105
Pension	38	28
	3,884	3,150

The emoluments payable to these individuals during the period/year fell within the following emolument bands:

	Number of individuals			
	Five Highest Paid		Senior Management*	
	Fifteen months ended 31st March 2014	Year ended 31st December 2012	Fifteen months ended 31st March 2014	Year ended 31st December 2012
HK$500,001 to HK$1,000,000	—	—	2	3
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
HK$2,000,001 to HK$2,500,000	1	—	1	—
	2	2	5	5

* out of the 5 (2012: 5) senior management, 2 (2012: 2) are also within the five highest paid individuals

During the period/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 (2012: Nil).

12 Income Tax Expense/(Credit)

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

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Current income tax		
— Hong Kong profits tax	1,033	1,156
— Mainland China corporate income tax	398	222
Deferred income tax (note 26)	(270)	(1,520)
Under-provision in prior years	227	105
Income tax expense/(credit)	1,388	(37)

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

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Profit/(loss) before income tax excluding share of profit/(loss) of a joint venture	4,311	(27,571)
Calculated at a tax rate of 16.5% (2012: 16.5%)	711	(4,549)
Effect of different income tax rates	262	117
Income not subject to tax	(1,353)	(1,692)
Expenses not deductible for tax purposes	1,197	2,749
Tax losses not recognised	4,725	3,918
Utilisation of previously unrecognised tax losses	(4,381)	(685)
Under-provision in prior years	227	105
Income tax expense/(credit)	1,388	(37)

13 Earnings/(Loss) Per Share

(a) Basic

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

	Fifteen months ended 31st March 2014	Year ended 31st December 2012
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**3,868**	(29,703)
Number of ordinary shares in issue ('000)	**828,750**	828,750
Basic earnings/(loss) per share (Hong Kong cents per share)	**0.47**	(3.58)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had one category of potential ordinary share which was 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 year ended 31st December 2012 was the same as the basis loss per share as the exercise of the outstanding share options would be anti-dilutive. All share options lapsed by 31st December 2012.

Diluted earnings per share for the fifteen months ended 31st March 2014 is the same as basic earnings per share as there are no potential dilutive ordinary shares outstanding during the period.

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$1,096,000 (2012: HK$39,848,000).

15 Dividends

A final dividend of HK$0.01 per share for the period ended 31st March 2014 was proposed by the board of directors on 12th June 2014 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to HK$8,288,000 is not reflected as dividend payable in the financial statements, but will be distributed out of the share premium account during the year ending 31st March 2015.

The directors did not recommend the payment of a final dividend in respect of the year ended 31st December 2012 at the board meeting on 15th March 2013.

16 Leasehold land

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
At the beginning of the period/year	**15,113**	15,549
Amortisation	**(546)**	(436)
At the end of the period/year	**14,567**	15,113

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

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
Held on leases of between 10 and 50 years		
In Hong Kong	**14,567**	15,113

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 2013								
As originally stated	5,900	21,928	31,742	28,578	12,130	5,958	7,439	113,675
Impact of change in accounting policy	–	(5,940)	–	(52)	(5,358)	(559)	–	(11,909)
	5,900	15,988	31,742	28,526	6,772	5,399	7,439	101,766
Exchange difference	–	–	–	–	–	3	3	6
Additions	–	–	120	6,962	5,159	224	663	13,128
Disposals	–	–	–	(910)	–	–	–	(910)
Written off	–	–	–	–	–	–	–	–
At 31st March 2014	5,900	15,988	31,862	34,578	11,931	5,626	8,105	113,990
Accumulated depreciation								
At 1st January 2013								
As originally stated	1,614	4,080	25,323	21,015	7,947	4,706	6,514	71,199
Impact of change in accounting policy	–	(1,436)	–	(38)	(2,256)	(374)	–	(4,104)
	1,614	2,644	25,323	20,977	5,691	4,332	6,514	67,095
Exchange difference	–	–	1	–	1	–	–	2
Charge for the period	155	465	5,344	4,276	1,157	572	498	12,467
Disposals	–	–	–	(910)	–	–	–	(910)
Written off	–	–	–	–	–	–	–	–
At 31st March 2014	1,769	3,109	30,668	24,343	6,849	4,904	7,012	78,654
Net book value at 31st March 2014	4,131	12,879	1,194	10,235	5,082	722	1,093	35,336

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 2012								
As originally stated	5,900	21,836	31,289	28,578	11,995	5,643	7,099	112,340
Impact of change in accounting policy	—	(5,848)	—	(52)	(5,290)	(570)	—	(11,760)
	5,900	15,988	31,289	28,526	6,705	5,073	7,099	100,580
Exchange difference	—	—	1	—	—	4	19	24
Additions	—	—	452	—	67	322	321	1,162
Disposals	—	—	—	—	—	—	—	—
Written off	—	—	—	—	—	—	—	—
At 31st December 2012	5,900	15,988	31,742	28,526	6,772	5,399	7,439	101,766
Accumulated depreciation								
At 1st January 2012								
As originally stated	1,490	3,414	20,014	17,163	6,531	4,105	6,059	58,776
Impact of change in accounting policy	—	(1,143)	—	(23)	(1,921)	(337)	—	(3,424)
	1,490	2,271	20,014	17,140	4,610	3,768	6,059	55,352
Exchange difference	—	—	1	—	—	4	17	22
Charge for the year	124	373	5,308	3,837	1,081	560	438	11,721
Disposals	—	—	—	—	—	—	—	—
Written off	—	—	—	—	—	—	—	—
At 31st December 2012	1,614	2,644	25,323	20,977	5,691	4,332	6,514	67,095
Net book value at 31st December 2012	4,286	13,344	6,419	7,549	1,081	1,067	925	34,671

17 Property, Plant and Equipment (Continued)

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
Net book value of leasehold land and buildings is analysed as follows:		
Leasehold land and buildings in Hong Kong hold on:		
Leases of between 10 and 50 years	**17,010**	17,630

Depreciation expense of HK$1,105,000 (2012: HK$816,000) and HK$11,362,000 (2012: HK$10,905,000) were included in "cost of sales" and "administrative expenses", respectively.

18 Available-for-sale Financial Assets

	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Available-for-sale financial assets		
— equity securities, at fair value listed in Hong Kong	**21,855**	22,712
— unlisted limited partnership, at fair value	**—**	7,046
	21,855	29,758

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

During the period ended 31st March 2014, the unlisted limited partnership of HK$7,046,000 was fully impaired as management assessed that the amount is expected to be irrecoverable as a result of the financial difficulties experienced by the investee. Consequently, the relevant available-for-sale financial assets revaluation reserve amounting to HK$3,384,000 was released from equity and an impairment charge of HK$3,662,000 was made in the consolidated income statement.

19 Inventories

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
Finished goods	**852,505**	532,746

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$2,769,609,000 (2012: HK$2,423,144,000).

20 Trade and Other Receivables

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
Trade receivables, net of provision	**136,333**	119,408
Prepayments to suppliers	**34,799**	8,675
Deposits	**1,158**	1,324
Other receivables	**26,244**	27,232
	198,534	156,639

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

20 Trade and Other Receivables (Continued)

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

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
0 to 30 day	**115,187**	84,231
31 to 60 days	**13,389**	22,576
61 to 90 days	**2,888**	4,868
Over 90 days	**4,869**	7,733
	136,333	119,408

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

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
HK dollars	**20,609**	15,545
US dollars	**104,581**	73,284
Renminbi	**11,143**	30,579
	136,333	119,408

20 Trade and Other Receivables (Continued)

As at 31st March 2014, trade receivables of HK$85,946,000 (31st December 2012: HK$78,131,000) 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:

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
1 to 30 days	**73,388**	59,669
31 to 60 days	**8,133**	9,734
61 to 90 days	**938**	2,893
Over 90 days	**3,487**	5,835
	85,946	78,131

As at 31st March 2014, trade receivables of HK$2,384,000 (31st December 2012: HK$220,000) were impaired. The amount of provision for impairment made was HK$1,050,000 as at 31st March 2014 (31st December 2012: HK$220,000). The individually impaired receivables mainly relate to a number of independent customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Most of these receivables have been past due for over 1 year.

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

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
At the beginning of the period/year	**220**	292
Provision for/(reversal of) impairment of trade receivables	**879**	(20)
Currency translation difference	**(49)**	(52)
At the end of the period/year	**1,050**	220

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	
	As at 31st March 2014	As at 31st December 2012 (Restated)	**As at 31st March 2014**	As at 31st December 2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**101,888**	238,635	**913**	6,264
Short-term bank deposits	**139,557**	183,181	**—**	—
	241,445	421,816	**913**	6,264

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

	Group		Company	
	As at 31st March 2014	As at 31st December 2012 (Restated)	**As at 31st March 2014**	As at 31st December 2012
Short-term bank deposits	**3.7%**	2.8%	**—**	—

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	
	As at 31st March 2014	As at 31st December 2012 (Restated)	**As at 31st March 2014**	As at 31st December 2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**22,696**	31,168	**310**	175
US dollars	**11,851**	85,368	**603**	6,089
Renminbi	**206,740**	305,062	**—**	—
Others	**158**	218	**—**	—
	241,445	421,816	**913**	6,264

22 Share Capital

(a) Authorised and issued capital

	Number of shares	Nominal amount HK$'000
Authorised:		
At 1st January 2012, 31st December 2012 and 31st March 2014	8,000,000,000	800,000
Issued and fully paid — ordinary shares of HK$0.1 each:		
At 1st January 2012, 31st December 2012 and 31st March 2014	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)

22 Share Capital (Continued)

(b) Share option schemes (Continued)

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

No share options granted under the Pre-IPO Share Option Scheme were exercised during the year ended 31st December 2012 and all share options granted under the Pre-IPO Share Option Scheme lapsed by 31st December 2012.

(ii) Share Option Scheme

No option has been granted under the Share Option Scheme.

23 Share Premium and Other Reserves

Group

		Other reserves								
	Share Premium (note (a)) HK$'000	Merger reserve (note (b)) HK$'000	Capital redemption reserve HK$'000	Reserve funds (note (c)) HK$'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 2013	495,293	(17,830)	125	490	8,955	–	7,934	543,576	543,250	1,038,543
Profit for the period	–	–	–	–	–	–	–	3,868	3,868	3,868
Exchange translation differences	–	–	–	–	–	–	403	–	403	403
Share of other comprehensive income of a joint venture	–	–	–	–	–	–	49	–	49	49
Impairment of available-for-sale financial assets	–	–	–	–	(3,384)	–	–	–	(3,384)	(3,384)
Change in fair value of available-for-sale financial assets	–	–	–	–	(857)	–	–	–	(857)	(857)
Transfer to statutory reserves	–	–	–	118	–	–	–	(118)	–	–
At 31st March 2014	495,293	(17,830)	125	608	4,714	–	8,386	547,326	543,329	1,038,622

23 Share Premium and Other Reserves (Continued)

Group (Continued)

	Share premium	Merger reserve	Capital redemption reserve	Reserve funds	Available-for-sale financial assets revaluation reserve	Share-based compensation reserve	Exchange reserve (Restated)	Retained earnings	Sub-total	Total
		Other reserves								
	(note (a))	(note (b))		(note (c))						
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'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	–	–	–	–	–	–	934	–	934	934
Share of other comprehensive income of a joint venture	–	–	–	–	–	–	332	–	332	332
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

Notes:

(a) Pursuant to the Companies Law (2004 Revision) of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(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) 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.

23 Share Premium and Other Reserves (Continued)

Company

	Share premium	Other reserves: Contributed surplus (note)	Other reserves: Capital redemption reserve	Other reserves: Share-based compensation reserve	Accumulated losses	Sub-total	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2013	**495,293**	**640,631**	**125**	**–**	**(88,854)**	**551,902**	**1,047,195**
Loss for the period	**–**	**–**	**–**	**–**	**(1,096)**	**(1,096)**	**(1,096)**
At 31st March 2014	**495,293**	**640,631**	**125**	**–**	**(89,950)**	**550,806**	**1,046,099**
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

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

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
Trade payables		
— to third parties	**45,172**	67,233
— to a related company	**13,875**	5,551
Prepayments from customers	**10,394**	12,002
Accrued expenses	**11,291**	6,644
	80,732	91,430

24 Trade and Other Payables (Continued)

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

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
0 to 30 days	54,415	29,094
31 to 60 days	83	43,248
Over 60 days	4,549	442
	59,047	72,784

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:

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
HK dollars	8,457	18,973
US dollars	25,459	38,742
Renminbi	25,131	15,069
	59,047	72,784

25 Bank Borrowings

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
Short-term bank loans	184,995	2,492

All of the Group's borrowings were repayable within one year. The carrying amounts of the short-term borrowings approximate their fair values as the impact of discounting is not significant.

As at 31st March 2014, short-term bank loans were secured by a corporate guarantee given by the Company (Note 31(d)).

25 Bank Borrowings (Continued)

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

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
HK dollars	—	2,492
US dollars	184,995	—
	184,995	2,492

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

	As at 31st March 2014	As at 31st December 2012 (Restated)
Short-term bank loans	1.87%	2.13%

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% (31st December 2012: 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 balance sheet:

	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Deferred tax assets	2,856	2,696
Deferred tax liabilities	(1,617)	(1,727)
	1,239	969

26 Deferred Income Tax (Continued)

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

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000
At the beginning of the period/year	**969**	(551)
Credited to income statement (Note 12)	**270**	1,520
At the end of the period/year	**1,239**	969

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

	Deferred income tax assets				Deferred income tax liabilities	
	Unrealised profit on inventories		Accelerated accounting depreciation		Accelerated tax depreciation	
	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000
At beginning of the period/year	**370**	—	**2,326**	1,950	**(1,727)**	(2,501)
Deferred income tax (debited)/credited to income statement	**(356)**	370	**516**	376	**110**	774
At end of the period/year	**14**	370	**2,842**	2,326	**(1,617)**	(1,727)

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$14,730,000 (31st December 2012: HK$16,851,000) in respect of losses amounting to approximately HK$89,274,000 (31st December 2012: HK$96,086,000) that can be carried forward against future taxable income. Tax losses arising in Hong Kong amounting to approximately HK$89,274,000 (31st December 2012:HK$84,354,000) have no expiry date while no tax losses (31st December 2012:HK$11,732,000) will expire within five years.

27 Interests in Subsidiaries

	Company	
	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Unlisted shares, at cost	**264,171**	264,171
Loan to a subsidiary (note)	**986,278**	982,125
	1,250,449	1,246,296
Less: Provision for impairment	**(122,495)**	(122,495)
	1,127,954	1,123,801

Note: 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.

The following is a list of principal subsidiaries at 31st March 2014:

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

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
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
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 China mainland
LKG Elite (Guangzhou) Co., Ltd.	The People's Republic of China, limited liability company	RMB2,500,000	100%	Distribution of non-ferrous metals in China mainland
LKG Elite (Wuxi) Co., Ltd.	The People's Republic of China, limited liability company	USD1,920,000	100%	Distribution of non-ferrous metals in China mainland

Directly held by the Company

28 Interest in a Joint Venture

	As at 31st March 2014 HK$'000	As at 31st December 2012 (Restated) HK$'000
Unlisted shares	**9,782**	9,782
Loans to a joint venture (note)	**29,060**	29,060
	38,842	38,842
Share of undistributed post acquisition reserves	**(19,705)**	(20,699)
	19,137	18,143

Note: Loans to the joint venture are denominated in United States dollars, unsecured, non-interest bearing and are regarded as equity contribution by the Group.

The Group has a 50% interest in a joint arrangement that is structured as a limited liability company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangement. Therefore, the entity is classified as a joint venture of the Group. The following are the particulars of the joint venture at 31st March 2014:

Company name	Place of incorporation/ operation	Issued capital	Percentage of equity interest attributable to the Group	Principal activities	Measurement method
Genesis Recycling Technology (BVI) Limited ("GRTL")	British Virgin Islands/ The PRC	2,100,000 shares of US$1 each	50%	Manufacturing and trading of alloy products	Equity

The net movements on the interest in a joint venture are as follows:

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
At the beginning of the period/year	**18,143**	—
Equity contribution	**—**	19,980
Share of profit/(loss)	**945**	(2,169)
Share of other comprehensive income	**49**	332
At the end of the period/year	**19,137**	18,143

28 Interest in a Joint Venture (Continued)

Set out below are the summarised financial information for the joint venture which is accounted for using the equity method.

Summarised statement of financial position

	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Current		
Cash and cash equivalents	5,266	36,404
Other current assets (excluding cash)	24,559	16,644
Total current assets	29,825	53,048
Financial liabilities (excluding trade payables)	(2,087)	(29,170)
Other current liabilities (including trade payables)	(4,129)	(4,264)
Total current liabilities	(6,216)	(33,434)
Non-current		
Assets	14,665	16,671
Net assets	38,274	36,285
Interest in joint venture@50%	19,137	18,143

28 Interest in a Joint Venture (Continued)

Summarised statement of comprehensive income

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000
Revenue	289,341	193,410
Depreciation and amortisation	(2,180)	(1,705)
Interest income	44	166
Interest expense	(179)	(4,656)
Profit/(loss) before income tax	1,891	(4,338)
Income tax expense	—	—
Profit/(loss) after tax	1,891	(4,338)
Other comprehensive income	98	664
Total comprehensive income/(loss)	1,989	(3,674)

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the joint venture itself.

29 Notes to Consolidated Statement of Cash Flows

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

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Profit/(loss) before income tax	5,256	(29,740)
Depreciation of property, plant and equipment	12,467	11,721
Amortisation of leasehold land	546	436
Interest income	(6,479)	(5,045)
Interest expense	1,811	2,842
Gain on disposal of property, plant and equipment	(187)	—
Share of (profit)/loss of a joint venture	(945)	2,169
Provision for/(reversal of) impairment of trade receivable	879	(20)
Reversal of impairment of inventories	(811)	(4,545)
Impairment of available-for-sale financial assets	3,662	12,856
Unrealised gain on derivative financial instruments	(1,972)	(260)
Foreign exchange gain on operating activities	(851)	(3,229)
Operating cash inflow/(outflow) before working capital changes	13,376	(12,815)
Changes in working capital:		
Inventories	(318,948)	298,313
Trade and other receivables	(42,774)	42,487
Trade, other payables and other liabilities	(12,056)	(17,098)
Derivative financial instruments	260	896
Amounts due from related companies	(180)	(157)
Net cash (used in)/generated from operations	(360,322)	311,626

29 Notes to Consolidated Statement of Cash Flows (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 (Restated) HK$'000
Disposal of property, plant and equipment:		
Net book amount	—	—
Gain on disposal of property, plant and equipment	187	—
Proceeds from disposal of property, plant and equipment	187	—

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:

	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Within one year	1,091	1,034
In the second to fifth years inclusive	600	—
	1,691	1,034

(b) Capital commitments

The Group's capital commitment in respect of property, plant and equipment at the end of the reporting period but not yet incurred is as follows:

	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Authorised but not contracted for (note)	11,364	—
Contracted but not provided for (note)	636	3,361

Note: In accordance with the agreement entered into between the Group and the Science Parks, as of 31st March 2014, the Group is committed to invest approximately HK$12 million machinery and equipment before the end of March 2015. Failure to do so might result in further charges being levied by the Science Parks according to the time period delayed (also see Note 7).

31 Related Party Transactions

(a) Transactions with related parties

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

	Note	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000
Income			
Management fee received from Genesis Alloys (Ningbo) Limited ("Genesis Ningbo")	(i)	**176**	140
Expense			
Purchase of goods from Genesis Ningbo	(ii)	**131,378**	103,075
Rental paid to Sonic Gold Limited	(iii)	**600**	480

(i) The Group received management fee from Genesis Ningbo, a wholly owned subsidiary of the GRTL, 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.

(ii) 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) Balances with related companies

	As at 31st March 2014 HK$'000	As at 31st December 2012 HK$'000
Amounts due from related companies		
Genesis Alloy (HK) Limited (a wholly owned subsidiary of GRTL)	**1,472**	1,292
GRTL	**21**	21
	1,493	1,313
Trade payables to a related company		
Genesis Ningbo (Note 24)	**13,875**	5,551
Prepayment for purchases to		
Genesis Ningbo	**9,825**	4,284

Amounts due from/(to) related companies are unsecured, interest-free and repayable on demand or according to the relevant trading terms, as appropriate.

31 Related Party Transactions (Continued)

(c) Key management compensation

	Fifteen months ended 31st March 2014 HK$'000	Year ended 31st December 2012 HK$'000
Salaries and other short term employee benefits	**21,693**	19,350
Post employment benefits — pension	**152**	234
	21,845	19,584

(d) Others

At 31st March 2014, the Company provided corporate guarantees in respect of banking facilities made available to certain subsidiaries amounting to approximately HK$1,216 million (2012: HK$1,437 million), of which approximately HK$217 million trade finance facilities (2012: HK$93 million) were 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, Hong Kong, Jordan Room, 2nd Floor, 380 Nathan Road, Kowloon, Hong Kong on Friday, 15th August 2014 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 fifteen months ended 31st March 2014.

2. To declare a final dividend of the Company for the fifteen months ended 31st March 2014.

3. To consider the re-election of the following retiring Directors, each as a separate resolution:

   (a) (i) Ms. CHAN Yuen Shan, Clara

   (ii) Ms. MA Siu Tao

   (iii) Mr. HO Kwai Ching, Mark; and

   (b) to authorise the Board of Directors to fix the Directors' remuneration

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

5. 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) the exercise of options under a share option scheme of the Company; and (iv) any specific authority granted by the shareholders of the Company in general meeting, shall not exceed the aggregate of 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 the said approval 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."

6. 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."

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

"**THAT** conditional upon the Resolutions No. 5 and Resolution No. 6 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. 5 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. 6, 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, 8th July 2014

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 Level 22, Hopewell Centre, 183 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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