SINCE 1947

利 記 控 股 有 限 公 司
Lee Kee Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 637

2008 ANNUAL REPORT

Innovating from

A SOLID FOUNDATION

Being a crucial bridge linking international metals producers and end-users, LEE KEE will continue to provide quality services to the fragmented and diversified die-casting industry.

Contents

Corporate Information

DIRECTORS

Executive Directors

CHAN Pak Chung *(Chairman of the Board)*
CHAN Yuen Shan, Clara
MA Siu Tao
William Tasman WISE

Independent Non-executive Directors

CHUNG Wai Kwok, Jimmy
LEUNG Kwok Keung
HU Wai Kwok

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

CHAN Pak Chung *(Chairman of the Nomination Committee)*
MA Siu Tao
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

Room 1302–05, 13th Floor
Manulife Provident Funds Place
345 Nathan Road, Yaumatei
Kowloon, Hong Kong

STOCK CODE

637

WEBSITE OF THE COMPANY

www.leekeegroup.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Existing Branch Share Registrar (cease as registrar w.e.f. 1st May 2009)
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

New Branch Share Registrar (act as registrar w.e.f. 1st May 2009)
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:

Richards Butler
20th Floor, Alexandra House
16–20 Chater Road, 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
BNP Paribas Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

Corporate Structure

利記控股有限公司
Lee Kee Holdings Limited

利記集團有限公司
Lee Kee Group Ltd.

- **Lee City Asia Co., Ltd. (Hong Kong)** — *Property holding*
- **Lee Kee Metal Co., Ltd. (Hong Kong)** — *Distribution of zinc and zinc alloy*
- **LKG Elite (Shenzhen) Co., Ltd. (PRC)** — *Distribution of non-ferrous metals*
- **Lee Fung Metal Co., Ltd. (Hong Kong)** — *Distribution of non-ferrous metals, includes aluminum alloy and aluminum*
- **LKG Elite (Wuxi) Co., Ltd. (PRC)** — *Distribution of non-ferrous metals*
- **Lee Sing Materials Co., Ltd. (Hong Kong)** — *Distribution of nickel and other chemicals*
- **LKG Elite (Guangzhou) Co., Ltd. (PRC)** — *Distribution of non-ferrous metals*
- **Lee Tai Precious Metal Co., Ltd. (Hong Kong)** — *Distribution of precious metal*
- **Lee Yip Metal Products Co., Ltd.# (Hong Kong)** — *Distribution and processing of stainless steel*
- **Toba Co., Ltd. (Hong Kong)** — *Property holding*
- **Foshan Nanhai Almax Non-Ferrous Metals Co., Ltd.^ (PRC)** — *Manufacturing and distribution of aluminium alloy*
- **Standard Glory Management Co., Ltd. (Hong Kong)** — *Provision of management service*
- **Genesis Alloys (Ningbo) Ltd.* (PRC)** — *Manufacturing of zinc alloy*

\# *70% owned*
^ *60% owned*
* *50% owned*

Chairman's Statement

Chan Pak Chung
Chairman

Exploring synergy on solid foundation

DEAR SHAREHOLDERS,

Base metal prices dropped significantly in 2008, continuing a downward trend that began in 2007, with zinc falling 49%, nickel 55%, aluminium 36% and copper 54% during the calendar year. The worsening global economy, evidenced by survey reports of world manufacturing conditions that revealed unprecedented weakness, permitted metal inventories to climb to high levels, resulting in depressed prices. Cutbacks in mine and smelter production went some way to offsetting the plunge in prices, but failed to reverse the overall downward trend caused by soft demand.

During such an immensely difficult year and against a backdrop of economic strife that continues to wreak havoc on a global scale, LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group") maintained steady performance with sound financial standing and fared better than the majority of its competitors when the economic downturn began to bite. This was primarily due to prudent management in early 2008 when a series of cautious strategies and measures was established. Its positive effect was noted in the Group's 2008 interim results and balance sheet. LEE KEE's greatest challenge, however, sprang from a fall in demand for diecasting products in the fourth quarter, as export orders for customers in the US and EU plummeted.

As the financial crisis gathered pace in the second half of 2008, it was particularly harsh on sales of zinc and aluminium when sales dropped by 14.8%. For the full year zinc and aluminium sales were down by a more modest 6.3%, from 176,000 tonnes in 2007 to 166,000 tonnes in 2008.

In addition, LEE KEE's market in the People's Republic of China (PRC) came under pressure in 2008 after operating costs among customers were pushed up by an RMB appreciation averaging 6.38% and a fall in manufacturing orders caused by the financial tsunami.

The Group responded to this challenging set of negative market dynamics during 2008 by exerting inventory control, keeping a tight leash on credit and streamlining operational costs. In the future, the Group will deploy additional measures to help the company adapt to difficult conditions. These will include shortening lead and production times for customer organisations that rely on LEE KEE's superior supply-chain management.

The Group's activities were also adjusted to slow down new investment, focus on existing distribution infrastructure and integrate joint ventures, namely Lee Yip Metal Products Company Limited ("Lee Yip") and Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax"), into operations to improve financial robustness in the face of economy uncertainty.

Balancing short and medium-term development prospects in the PRC, the Group rationalised the need for sales and distribution centres in Shenzhen, Wuxi and Guangzhou in terms of location and cost-effectiveness. After establishing the Shenzhen centre, the Wuxi facility commenced full trading towards the middle of 2008. This new centre is part of a strategic move to capitalise on growth potential in the Yangtze River Delta region held by the local automotive, electrical appliance and household hardware sectors. The third sales and distribution centre at Guangzhou, which began trading later in 2008, was established to support the Shenzhen centre and address customer needs in the Pearl River Delta.

The Group's Tai Po Logistics and Technical Centre became fully operational in 2008 and represents successful integration under one roof of our warehouse and stainless steel operations, along with the technical analyses department and general office. This will enable the Group to provide customers with more efficient logistics support and one-stop value-added services, as well as helping to streamline LEE KEE's own operations and achieve more efficient cost control.

Given current unstable market conditions, the Group took a cautious approach to upstream and downstream developments. Nevertheless, capacity expansion at Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50% owned joint venture zinc alloy processing facility, was completed during the year under review, raising production capacity at the facility to 68,000 tonnes per annum.

Another upstream initiative in 2008 was the launch of Almax, a 60% owned aluminium alloy processing plant with an annual production capacity of 23,000 tonnes. The facility performed satisfactorily during the year but was prevented from making any significant contribution to the Group because of difficult economic conditions.

Similarly, plummeting nickel prices in 2008, coupled with recessionary conditions, precipitated a savage drop in demand for stainless steel, which impacted negatively on sales at Lee Yip, LEE KEE's 70% owned stainless steel processing and distribution operation.

Looking ahead, 2009 will represent a formidable challenge for all industries, including our own, although I believe LEE KEE is well prepared and in good shape to face the future. This is largely thanks to benefits resulting from the market diversity and extensive customer network built by the LEE KEE team over previous years.

I believe that the challenging landscape created by the current financial situation will provide new opportunities for the players in our industry that have the imagination, stamina, experience and resources to explore them. I am confident that LEE KEE will emerge as an industry leader in this respect.

Finally, I would like to take this opportunity to thank our management team, staff, business partners and customers for their unswerving loyalty, as well as our shareholders and the financial community for their valuable support.

CHAN Pak Chung
Chairman

31st March 2009

Sound financial standing to establish a solid base for future development

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

	Year ended 31st December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Revenues	**4,127,696**	6,437,335	5,700,451	3,195,902	2,438,382
(Loss)/profit before income tax	**(2,298)**	(28,565)	491,379	246,119	137,570
Income tax expense	**(3,066)**	(6,585)	(85,986)	(42,438)	(24,597)
(Loss)/profit for the year	**(5,364)**	(35,150)	405,393	203,681	112,973
Attributable to:					
Equity holders of the Company	**60**	(37,281)	400,344	203,291	112,973
Minority interests	**(5,424)**	2,131	5,049	390	–

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Total non-current assets	**128,923**	79,240	20,501	13,963	64,915
Total current assets	**1,227,848**	1,523,637	1,812,578	732,668	463,074
Total assets	**1,356,771**	1,602,877	1,833,079	746,631	527,989
Total non-current liabilities	**2,203**	2,019	2,069	1,692	34,659
Total current liabilities	**152,810**	415,584	500,515	391,417	259,489
Total liabilities	**155,013**	417,603	502,584	393,109	294,148
Net assets	**1,201,758**	1,185,274	1,330,495	353,522	233,841

Note: The summary of the consolidated results of the Group for each of the five financial years ended 31st December 2008 and the consolidated assets and liabilities of the Group as at end for the five financial years ended 31st December 2008 was prepared as if the current group structure had been in existence throughout these financial years, or since the respective dates of incorporation of the Company and its subsidiaries, whichever is a shorter period.

We have confidence and are well-prepared to capture the new opportunities in the future

Management Discussion and Analysis

OVERALL BUSINESS PERFORMANCE

Year 2008 was a challenging time for the world of business. A rapid economic downturn occurred in the fourth quarter leaving virtually no country unscathed. Markets then began to suffer knock-on effects such as a reduction in consumer spending and a savage reduction in manufacturing orders.

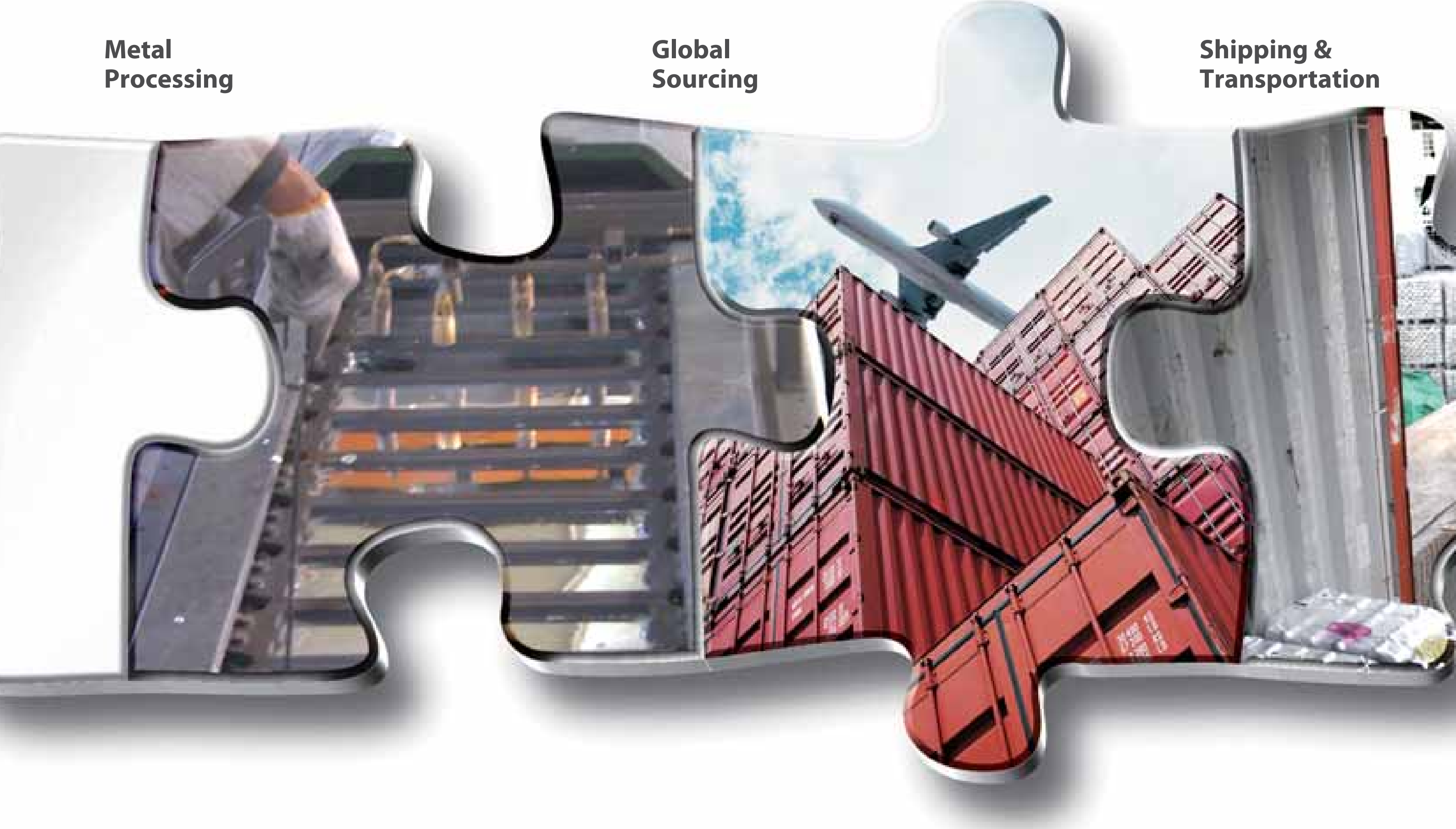
The metals industry has been one of the hardest hit following the collapse in commodity prices – but the diversity of markets and extensive customer network built by LEE KEE over decades enabled the Group to minimise any drop in sales during the year under review.

In fact, LEE KEE continued to diversify markets and differentiate the Group from competitors by offering a full range of value-added services and strengthening an already extensive distribution infrastructure. In that regard, our sharpest focus was brought to bear on serving the customer and winning in the marketplace.

During the year 2008, the Group sold 166,000 tonnes of zinc and aluminium alloy, representing a slight decrease of 6.3% compared with 2007. Due to an adverse operating environment and significant drop in metals price in 2008, revenue and gross profit for the year was approximately HK$4,128 million and HK$100 million respectively compared with approximately HK$6,437 million and HK$122 million in the previous year. The revenue of zinc alloy and SHG zinc amounted approximately HK$2,718 million, a decrease of 41.5% year-on-year and accounting for 65.8% of the Group's total revenue. The revenue of nickel and nickel-related products amounted to approximately HK$800 million, a decrease of 31.4% year-on-year and accounting for 19.4% of the Group's total revenue. The aluminium alloy and aluminium ingot amounted to approximately HK$356 million, an increase of 47.3% year-on-year and accounting for 8.6% of the Group's total revenue while the revenue of stainless steel amounted to approximately HK$181 million, a decrease of 23% year-on-year and accounting for 4.4% of the Group's total revenue.

By applying stringent cost control, coupled with the implementation of a mix of market-responsive logistical arrangements that involve maintaining a strategic level of inventory and prudent management of the supply chain, the Group recorded a profit attributable to the equity holders of the Company of approximately HK$0.06 million compared with a loss attributable to the equity holders of the Company of approximately HK$37.28 million in 2007 and managed to significantly reduce the loss for the Group to approximately HK$5.36 million from HK$35.15 million in 2007. The loss was mainly recorded in the second half of 2008 when the global economy was threatened by the financial tsunami.

Integrated Value Added Services (IVAS)



BUSINESS REVIEW

As a leading non-ferrous metal supply-chain management group, LEE KEE specialises in the processing, sourcing and distribution of metal. The Group sources and distributes diecasting zinc alloy and SHG zinc, as well as nickel and nickel-related products, diecasting aluminium alloy and ingot, plus electroplating chemicals (including precious metal chemicals such as silver, gold and rhodium) and stainless steel. At the beginning of 2008, LEE KEE was accredited with ISO 9001:2000 certification after meeting international standards relating to operations such as sales and marketing, shipping and transportation and warehouse management and logistics.

LEE KEE's important market, the People's Republic of China ("PRC"), proved to be a very tough business environment in 2008, largely as a result of manufacturing and export activities being depressed by a contracting US economy. In addition, the China mainland suffered earthquakes and snowstorms of almost unprecedented severity in the first half of 2008, only to be followed by a credit squeeze and recessionary financial tsunami in the second half.

Weathering the economic storm more robustly than its competitors last year, although LEE KEE's total revenue decreased by 35.9%, the Group maintained dominant market leadership in terms of zinc alloy imported into the PRC. In fact, LEE KEE sales of zinc alloy made up 82% of the PRC's total zinc alloy import volume for the year under review.

Inventory Management

Customer Services

Networking with a diverse group of strong and reliable suppliers, LEE KEE serves more than 1,350 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia. The majority of these customer companies are foreign-invested entities in the Pearl River Delta region, focused mainly on the manufacture of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts.

To rise above competitors, LEE KEE has been building marketing and servicing networks as a means of defending and growing market share. With this in mind, the Group's sales and distribution centres at Wuxi and Guangzhou obtained all the necessary government approvals in 2008 and commenced full trading activities.

During 2008, the Group continued to expand its upstream and downstream supply-chain activities. For example, expansion at Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned zinc alloy production joint venture, enabled the plant to reach a new capacity peak of 68,000 tonnes per annum by the end of 2008. During the year, Genesis Ningbo produced approximately 22,000 tonnes of zinc alloy and contributed revenue of approximately HK$179 million to the Group. The Group has been working with another shareholder of Genesis Ningbo in order to rationalise its operation and optimise its financial structure.

The Group's new 60%-owned subsidiary, Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax"), which owns and operates the aluminium alloy processing plant in Nanhai, has been operating smoothly and satisfactorily and the Group's capital injection has been completed. During the initial setup stage, Almax produced around 5,900 tonnes aluminium alloy with a revenue contribution of approximately HK$94 million to the Group for the eight months period commencing May 2008. Under economy uncertainty, the original plan of establishment of an aluminum alloy processing facility in Zhaoqing has been withheld and the Group has been studying alternatives.

Lee Yip Metal Products Company Limited ("Lee Yip"), a 70%-owned stainless steel processing and distribution operation, sold around 5,800 tonnes stainless steel in 2008 and contributed a revenue of approximately HK$181 million to the Group during the year. The Group still sees opportunities to further enhance the cross-selling ability between LEE KEE and Lee Yip. Following Lee Yip's move into the Group's Tai Po Logistics and Technical Centre in the second half of 2008, the Group could support Lee Yip's operation more efficiently and effectively under one roof and could further integrate the operation in order to enhance the market responsiveness of Lee Yip's logistics arrangement which proved it be crucial during the 2008 volatile business environment.

Becoming fully operational in 2008, the Group's Tai Po Logistics and Technical Centre formed a key link in the Group's supply chain and provided customers with more efficient logistics support and one-stop value-added services. The facility also helped to streamline operations and achieve more efficient cost control for the Group itself.

PROSPECTS

Although 2009 will be a very difficult time for most industries, LEE KEE is well prepared for further changes and resultant challenges. The Group faces the future with a high degree of confidence in the knowledge that operations are under the control of a well-trained team and benefit from a robust financial framework. Nevertheless, LEE KEE will continue to take a prudent and cautious approach to building on the Group's various strengths.

LEE KEE's Tai Po Logistics and Technical Centre will enhance and expand service to customers and help to contain costs during these difficult times. The sales and distribution centres in Shenzhen, Wuxi and Guangzhou will extend LEE KEE's ability to expand sales coverage in nearby areas in the Pearl and Yangtze River Delta region.

Despite unstable market situations, LEE KEE will continue to develop core strengths and maintain a commitment to quality and continuous improvement, in line with the Group's ISO 9001:2000 certification.

LEE KEE will continue the integration plan with Lee Yip to ensure its full integration into the Group to enhance cost-effectiveness. Almax, after the initial setup stage, will be able to continue along its development plan to seize the business opportunities in the coming global economy recovery.

Looking ahead, LEE KEE plans to succeed by excelling in the marketplace on the basis of unrivalled customer service. At the same time, the Group will take a prudent approach to upstream and downstream developments, in the interests of providing a satisfactory and growing return to our shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources, borrowings from banks and capital contributions from our shareholders. As at 31st December 2008, the Group had unrestricted cash and bank balances of approximately HK$864 million (2007: HK$649 million) and bank borrowings of approximately HK$74 million (2007: HK$253 million). The borrowings, which are short term in nature, were substantially made in Renminbi and United States dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 31st December 2008 was 6.2% (2007: 21.4%). The Group has a current ratio of 804% (2007: 367%).

The Company had issued guarantees to the extent of approximately HK$1,920 million to banks to secure general banking facilities of approximately HK$1,742 million to certain subsidiaries and a jointly controlled entity, of which approximately HK$74 million (2007: HK$253 million) had been utilised as of 31st December 2008.

The Group constantly evaluates and monitors its risk exposure to the metals price. The Group has introduced new stock-price mechanisms during the year, which in effect can shorten the period between fixing of purchase price (priced-in) and fixing of selling price (priced-out) of the products, in order to enhance the Group's ability to manage the exposure to the metal price fluctuation within an acceptable tolerance limit. This is in addition to placing back-to-back orders with suppliers after receiving orders from customers whenever possible and considering the use of various financial instruments.

The Group's foreign exchange exposure mainly resulted from the translation between Hong Kong dollars and United States dollars/Renminbi. The Group did not engage in any instrument to hedge against the foreign exchange risk.

DIVIDENDS

On 22nd September 2008, the Directors declared an interim dividend of HK1 cent per share (2007: HK1 cent per share), amounting to a total dividend of HK$8,287,500 (2007: HK$8,300,000) which was paid on 15th October 2008.

After consideration of the investment and operating environment as well as the Group's financial position from the view of cash on hand and funding requirements, the Directors have recommended a final dividend of HK7 cents per share (2007: Nil) for the year to shareholders whose names appeared on the register of members of the Company on 22nd May 2009. Subject to the shareholders' approval, the dividend will be paid on or around 5th June 2009. Total dividends for 2008 will be HK8 cents per share (2007: HK1 cent per share) amounting to approximately HK$66,300,000 (2007: HK$8,300,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 18th May 2009 to Friday, 22nd May 2009, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar for registration not later than 4:30 p.m. on 15th May 2009 (Note).

Note: The Company's Registrar will be changed with effect from 1st May 2009 whose details are set out in the Company's announcement dated 31st March 2009. For the registration prior to 1st May 2009, the transfers accompanied by relevant share certificates must be lodged with the Company's existing registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. For the registration from 1st May 2009 onwards, all the transfers accompanies by relevant share certificates must be lodged with the Company's new registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

EMPLOYEES

As at 31st December 2008, the Group had approximately 240 employees and the Group's 50% owned joint venture, Genesis Ningbo, had approximately 50 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes. During 2008, staff costs (including directors' emoluments) was approximately HK$50 million (2007: HK$53 million).

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 61, is the Chairman of the Board and an Executive Director of the Company and a director of certain subsidiaries of the Company. Mr. Chan has been serving the Group since 1967 and is now responsible for the overall business strategy of the Group. Mr. Chan has more than 42 years of experience in the 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, a honorary fellow (Machinery and Metal Industries) of the Professional Validation Council of Hong Kong Industries, the Supervisory Vice Chairman of Hong Kong Metal Merchants Association, a fellow member of Asian Knowledge Management Association, Honorary President of the Professional Validation Council of Hong Kong Industries, Honorable President of the Federation of Hong Kong Machinery and Metal Industries, Honorary President of Hong Kong Association for the Advancement of Science and Technology and a fellow member of the Hong Kong Institute of Directors. Mr. Chan is the spouse of Ms. MA Siu Tao and the father of Ms. CHAN Yuen Shan, Clara.

Ms. CHAN Yuen Shan, Clara, aged 37, is the Chief Executive Officer and an Executive Director of the Company, a director of certain subsidiaries of the Company and joint ventures of the Group. Ms. Chan joined the Group in November 1995 and is now responsible for the overall management and daily operations of the Group, developing and implementing company policies and procedures; negotiating with suppliers and customers on major contracts; and formulating pricing strategies to respond to market changes. Ms. Chan has over 14 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 also a Vice Chairman of Hong Kong Die-casting and Foundry Association Limited, an associate of Asian Knowledge Management Association, a member of the Hong Kong Institute of Directors, a committee member of the Hong Kong Metal Finishing Society Limited, the Deputy Director of Market Development Division of the Federation of Hong Kong Machinery and Metal Industries, a founder and Director of Lee Sang Charity Foundation Co. Ltd., a charitable organization. Ms. Chan also obtained an associateship from the Professional Validation Council of Hong Kong Industries and Young Industrialist Awards of Hong Kong 2008. Ms. Chan is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao.

Ms. MA Siu Tao, aged 59, is an Executive Director and the Sales Director of the Company and director of certain subsidiaries of the Company. Ms. Ma joined the Group in 1985 and is now responsible for monitoring the overall sales function of the Group, developing strategies, guiding and leading the sales managers in analysing market information, expanding current and exploring future new businesses. Ms. Ma has been working in the non-ferrous metals industry for more than 24 years. She obtained a Master Degree in Material Engineering from the Yanshan University. Ms. Ma is the Honorary Treasurer of Hong Kong Die-casting and Foundry Association Limited, a Vice President of Asian Knowledge Management Association, an associate of the Professional Validation Council of Hong Kong Industries and a fellow member of the Hong Kong Institute of Directors. Ms. Ma is the spouse of Mr. CHAN Pak Chung and the mother of Ms. CHAN Yuen Shan, Clara.

Mr. William Tasman WISE, aged 65, was appointed as a Non-Executive Director of the Company in September 2006 and re-designated as an Executive Director in August 2007. He is responsible for certain new projects and acts as a director of certain subsidiaries of the Company. Prior to joining the Group, Mr. Wise was the general manager responsible for global marketing and sales for Zinifex Limited. He has held a number of senior positions in the mining and smelting industry for over 40 years. Mr. Wise obtained a Bachelor Degree in Economics from the University of Tasmania.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Wai Kwok, Jimmy, aged 59, is an Independent Non-executive Director of the Company appointed in September 2006. Mr. Chung has over 20 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 companies are listed on the Main Board of the Stock Exchange.

Mr. LEUNG Kwok Keung, aged 45, 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 7 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 36, is an Independent Non-executive Director of the Company appointed in May 2007. He is currently a Vice President of JPMorgan Asset Management Real Assets (Asia) Limited, focusing on infrastructure investments. Prior to that, he was the Vice General Manager of The National Trust & Investments Ltd. ("Natrust"), a company providing financial services in China. Prior to joining Natrust, Mr. Hu was a director of Emerging Markets Partnership. He has over 11 years' experience in corporate finance and direct investments. Mr. Hu holds a Bachelor Degree in Economics from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. Mr. Hu is a Chartered Financial Analyst.

SENIOR MANAGEMENT

Mr. CHEUK Wa Pang, aged 44, 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 18 years of experience in 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. YAN Cheuk Yam, aged 62, was appointed as an Independent Non-executive Director of the Company in September 2006. He resigned from the directorship in February 2007 and started to take charge of the China operation of the Group since March 2007 as the Head of China Division of the Group. 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 21 years' experience in steel business and metal trading in the PRC, Taiwan and Hong Kong.

Mr. CHENG Yick Tong, Steven, aged 39, is the Technical Director of the Group. Mr. Cheng joined the Group in July 1998 and is now mainly responsible for technical issues of non-ferrous metals including leading, guiding and coaching to the technical team. Mr. Cheng is also involved in the Group's certain development projects and sales activities. Prior to joining the Group, Mr. Cheng had served in a technical services company for four years and his last position was senior chemist. Mr. Cheng obtained a Bachelors Degree in Applied Science in Chemistry from the University of Technology in Sydney, Australia and a Master Degree in Materials Technology and Management from the City University of Hong Kong.

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 Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during 2008.

To the knowledge of the Directors and save as disclosed herein, the Directors consider that the Company has applied the principles of the CG Code and to certain extent, of the recommended best practices thereof and are not aware of any non-compliance with the then code provisions in the CG Code for 2008.

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 2008.

BOARD OF DIRECTORS

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

The Board is responsible for overseeing and directing overall strategy and management of the Company, supervising and monitoring of the Group's major corporate matters, evaluation of the performance of the Group. The Board established on 20th December 2006 the Executive Committee which can exercise the powers delegated by the Board pursuant to the written terms of reference, except the powers to approve major issues and reserved matters, such as acquisition and disposal, connected transactions which are reserved by the Board. The management is responsible for day-to-day management of the Company under the leadership of the Chief Executive Officer.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has two different persons for the posts of the Chairman of the Board and Chief Executive Officer. The Chairman of the Board, Mr. CHAN Pak Chung, chairs 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 the overall management and daily operations of the Group, developing and implementing company policies and procedures, negotiating with suppliers and customers on major contracts and formulating pricing strategies to respond market changes.

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 2008 after the expiry of the previous term of 2 years and one of which is commencing from 14th May 2007.

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 which are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. CHAN Pak Chung. The Remuneration Committee discharged its duties by reviewing the remuneration packages of Executive Directors during 2008.

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, Ms. MA Siu Tao and Mr. LEUNG Kwok Keung, one of whom is an Independent Non-Executive Director. The Nomination Committee discharged its duties by reviewing of the structure, size and the composition of the Board during 2008.

AUDITOR'S 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 2008 was HK$1,450,000 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$623,200.

AUDIT COMMITTEE

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

During 2008, 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 2008:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. CHAN Pak Chung	6/6	–	2/2	1/1
Ms. CHAN Yuen Shan, Clara	6/6	–	–	–
Ms. MA Siu Tao	6/6	–	–	1/1
Mr. NG Tze For (Note)	4/6	–	–	–
Mr. William Tasman WISE	5/6	–	–	–
Mr. CHUNG Wai Kwok, Jimmy	6/6	3/3	2/2	–
Mr. LEUNG Kwok Keung	6/6	3/3	2/2	1/1
Mr. HU Wai Kwok	6/6	3/3	–	–

Note: Mr. NG Tze For, who resigned as Director w.e.f. 4th July 2008, attended all the Board Meetings during his office.

PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for 2008 (the "2008 Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the 2008 Financial Statements in its Independent Auditor's Report of the annual report.

INTERNAL CONTROL

The Board acknowledged its responsibility for reviewing the effectiveness of the internal control system and engaged an external independent consultancy firm to review the internal control of the Group for the financial year of 2008 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 are 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.

COMMUNICATION WITH SHAREHOLDERS

All the shareholders of the Company have the right to attend and vote at the general meetings. In addition, the Group maintains its own website at which the shareholders of the Company can access to for the Company's information and communication with the Company.

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 2008.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries is sourcing and distribution of non-ferrous metals, primarily zinc alloy and zinc, nickel and nickel-related products, aluminum alloy and aluminium, other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium), processing and distribution of stainless steel and manufacturing of aluminium alloy. The activities of the subsidiaries are set out in note 29 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 32.

On 22nd September 2008, the Directors declared an interim dividend of HK1 cent per share (2007: HK1 cent per share), amounting to a total dividend of HK$8,287,500 (2007: HK$8,300,000) which was paid on 15th October 2008.

After consideration of the investment and operating environment as well as the Group's financial position from the view of cash on hand and funding requirements, the Directors have recommended a final dividend of HK7 cents per share (2007: Nil) for the year to shareholders whose names appeared on the register of members of the Company on 22nd May 2009. Subject to the shareholders' approval, the dividend will be paid on or around 5th June 2009. Total dividends for 2008 will be HK8 cents per share (2007: HK1 cent per share) amounting to approximately HK$66,300,000 (2007: HK$8,300,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 18th May 2009 to Friday, 22nd May 2009, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar for registration not later than 4:30 p.m. on 15th May 2009 (Note).

Note: The Company's Registrar will be changed with effect from 1st May 2009 whose details are set out in the Company's announcement dated 31st March 2009. For the registration prior to 1st May 2009, the transfers accompanied by relevant share certificates must be lodged with the Company's existing registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. For the registration from 1st May 2009 onwards, all the transfers accompanies by relevant share certificates must be lodged with the Company's new registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$599,000.

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 23 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2008 amounted to approximately HK$1,224 million.

PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during 2008.

SHARE OPTIONS

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

1. Pre-IPO Scheme

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

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

Details of the share options granted and outstanding as at 31st December 2008 under the Pre-IPO Scheme are set out in note 23 to the financial statements.

As at 31st December 2008, options to subscribe for a total of 21,019,110 shares were still outstanding under the Pre-IPO Scheme which represents approximately 2.47% of the enlarged issued share capital of the Company.

The value of the options granted to the respective parties under the Pre-IPO Scheme is as follows:

	HK$
Directors	
Mr. CHAN Pak Chung	6,690,360
Ms. MA Siu Tao	5,491,689
Ms. CHAN Yuen Shan, Clara	3,902,717
Ex-Director	
Mr .NG Tze For (resigned w.e.f. 4 July 2008)	278,726
Others	
Senior management and employees	14,857,476

The fair value of options granted during 2006 determined using the binomial model was approximately HK$31 million. The significant inputs into the model were share price of HK$2.67 per share as at the grant date, exercise price of HK$2.136 per share as shown above, volatility of the share of 65%, expected life of options of three years, expected dividend pay-out rate of 4.48% and annual risk-free interest rate of 3.97%. The volatility measured at the standard deviation of expected share price returns is based on the 5-year historical volatility of price return of companies engaged in the industry of metal trading listed on the Stock Exchange.

SHARE OPTIONS *(Continued)*

2. Share Option Scheme

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

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

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

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

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

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

No options have been granted under the Share Option Scheme since the adoption date on 15th September 2006 and up to 31st December 2008.

DIRECTORS

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

Executive Directors

Mr. CHAN Pak Chung
Ms. CHAN Yuen Shan, Clara
Ms. MA Siu Tao
Mr. NG Tze For (resigned w.e.f. 4 July 2008)
Mr. William Tasman WISE

Independent Non-executive Directors

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

In accordance with Article 130 of the Articles of Association of the Company, Ms. MA Siu Tao, Mr. William Tasman WISE and Mr. HU Wai Kwok shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is 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.

CONTINUING CONNECTED TRANSACTIONS

During 2008, the Group has entered into a non-exclusive Raw Materials Supply Agreement (the "Raw Materials Supply Agreement"), which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, whose details are set out below:

Agreement date	:	20th March 2008
Parties to the transaction	:	(1) Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax"), an indirect non-wholly owned subsidiary of the Company, as purchaser (2) Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd. ("Wanxinglong"), as supplier
Description and purpose of the transaction	:	Wanxinglong will provide raw materials (being scrap aluminium) to Almax for its manufacturing.
Total consideration	:	During 2008, Almax purchased raw materials (being scrap aluminium) from Wanxinglong for a total consideration of approximately HK$83,209,000.
Major terms of the Raw Materials Supply Agreement	:	(1) Wanxinglong supplies scrap aluminium to Almax based upon purchase orders to be placed by Almax for the period from 1st May 2008 to 31st December 2010. (2) The price of raw materials was agreed to be determined in accordance with the prevailing market prices published and updated daily by an independent metal information provider that are widely referred to by the industry players in Guangdong Province, the PRC. (3) The purchase price was settled by Almax within 5 days upon receipt of the scrap aluminium from Wanxinglong by way of bank transfer or tele-transfer.
Nature and connected person's interest	:	Wanxinglong is an associate of the other substantial shareholder of Almax which held 40% of equity interest in Almax.

The Directors, including all Independent Non-executive Directors of the Company, has reviewed the continuing connected transactions, which had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, and considered that they were entered into:

1. in the ordinary course and usual course of business of the Group;

2. on normal commercial terms (or on terms no less favourable to the Group than terms available to or from independent third parties; and

3. in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors have engaged the auditor of the Company to perform certain agreed-upon procedures on the aforesaid continuing connected transactions on a sample basis and the auditor has, based on the work performed, provided a letter to the directors stating that:

1. the transactions had been approved by the Board of Directors of the Company;

2. the transactions were entered into in accordance with the relevant agreement governing such transactions, based on the samples selected; and

3. the amount of the transactions did not exceed the relevant annual cap amount as disclosed in the Company's announcement dated 20th March 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and the Senior Management are set out on pages 15 and 16 of the Annual Report.

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

At 31st December 2008, 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 were as follows:

1. Long Position in Shares of the Company

Name of Director	Capacity	Number of Shares in which interested	Approximate percentage of issues Shares
Mr. CHAN Pak Chung	Founder of a discretionary trust	600,000,000	72.40
Ms. MA Siu Tao	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.

2. Long Position in Underlying Shares of the Company

Name of Director	Capacity	Description of equity derivatives	Number of underlying Shares
Mr. CHAN Pak Chung	Beneficial owner	Share option	4,705,860
	Family interest	Share option	3,862,740
Ms. MA Siu Tao	Beneficial owner	Share option	3,862,740
	Family interest	Share option	4,705,860
Ms. CHAN Yuen Shan, Clara	Beneficial owner	Share option	2,745,090

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

2. Long Position in Underlying Shares of the Company *(Continued)*

Notes:

i. Mr. CHAN Pak Chung and Ms. MA Siu Tao were granted options under the Pre-IPO Scheme to subscribe for 4,705,860 Shares and 3,862,740 Shares respectively. Ms. MA Siu Tao is the spouse of Mr. CHAN Pak Chung. Therefore, pursuant to Part XV of the SFO, Mr. CHAN Pak Chung is deemed to be interested in the share option granted to Ms. MA Siu Tao and Ms. MA Siu Tao is deemed to be interested in the share option granted to Mr. CHAN Pak Chung.

ii. Mr. NG Tze For resigned as a Director of the Company on 4th July 2008 and his option to subscribe for 196,050 Shares lapsed accordingly.

Share options are granted to Directors under the Pre-IPO Scheme whose details are listed under the section "Share Options" above.

Saved as disclosed above, at no time during the year, the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

At no time during the year was the Company or any of its subsidiaries, fellow subsidiaries and holding companies a party to any arrangement to enable the Directors and Chief Executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the Shares or underlying Shares in, or debentures of, the Company or its associated corporation.

Saved as disclosed above, at no time during the year, 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.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31st December 2008, 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 Executives.

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

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

As at 31st December 2008, no other persons had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

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

The percentage of purchases for 2008 attributable to the Group's major suppliers is as follows:

Purchases	
– the largest supplier	31%
– five largest suppliers combined	74%

MANAGEMENT CONTRACTS

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

COMPETING BUSINESS

Mr. CHAN Pak Chung has provided a written confirmation, which has been reviewed and confirmed by the Independent Non-executive Directors of the Company, confirming that he has complied with the terms of a Deed of Non-competition entered into with the Company and him during 2008.

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, 31st March 2009

Independent Auditor's Report

羅兵咸永道會計師事務所

PricewaterhouseCoopers
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Central, Hong Kong
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INDEPENDENT AUDITOR'S REPORT
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") set out on pages 32 to 85, which comprise the consolidated and company balance sheets as at 31st December 2008, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31st March 2009

Consolidated Income Statement

For the year ended 31st December 2008

	Note	**2008 HK$'000**	2007 HK$'000
Revenues	5	**4,127,696**	6,437,335
Cost of sales	7	**(4,027,405)**	(6,315,442)
Gross profit		**100,291**	121,893
Other income	6	**16,642**	30,552
Distribution and selling expenses	7	**(21,357)**	(20,485)
Administrative expenses	7	**(86,184)**	(83,701)
Other gains/(losses), net	8	**355**	(58,103)
Operating profit/(loss)		**9,747**	(9,844)
Finance costs	9	**(12,045)**	(18,721)
Loss before income tax		**(2,298)**	(28,565)
Income tax expense	12	**(3,066)**	(6,585)
Loss for the year		**(5,364)**	(35,150)
Attributable to:			
Equity holders of the Company	14	**60**	(37,281)
Minority interests		**(5,424)**	2,131
		(5,364)	(35,150)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year	13		
– basic (Hong Kong cents)		**0.01**	(4.49)
– diluted (Hong Kong cents)		**0.01**	N/A
Dividends	15	**66,300**	8,300

The notes on pages 38 to 85 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Leasehold lands	16	**45,071**	35,205
Property, plant and equipment	17	**73,695**	39,056
Deferred income tax assets	28	**192**	127
Available-for-sale financial asset	18	**6,581**	4,852
Prepayment for leasehold land		**3,063**	–
Prepayment for property, plant and equipment		**321**	–
		128,923	79,240
Current assets			
Inventories	19	**221,615**	596,870
Trade and other receivables	20	**131,288**	260,499
Income tax recoverable		**10,798**	9,675
Financial asset at fair value through profit or loss	21	**–**	7,853
Bank balances and cash	22	**864,147**	648,740
		1,227,848	1,523,637
Total assets		**1,356,771**	1,602,877
Capital and reserves attributable to the equity holders of the Company			
Share capital	23	**82,875**	82,875
Share premium	24	**495,293**	495,293
Other reserves	24	**541,010**	600,136
Proposed dividend	24	**58,013**	–
		1,177,191	1,178,304
Minority interests		**24,567**	6,970
Total equity		**1,201,758**	1,185,274

Consolidated Balance Sheet
As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Deferred income tax liabilities	28	**2,203**	2,019
Current liabilities			
Trade and other payables	25	**72,607**	153,066
Amount due to a joint venturer of a jointly controlled entity	30	**292**	392
Bank borrowings	26	**74,206**	253,255
Income tax payable		**5**	3,171
Amount due to minority interests	27	**5,700**	5,700
		152,810	415,584
Total liabilities		**155,013**	417,603
Total equity and liabilities		**1,356,771**	1,602,877
Net current assets		**1,075,038**	1,108,053
Total assets less current liabilities		**1,203,961**	1,187,293

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 38 to 85 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2008

	Note	**2008 HK$'000**	2007 HK$'000
Non-current asset			
Investment in a subsidiary	29	**264,171**	264,171
Current assets			
Amounts due from subsidiaries	29	**647,943**	592,126
Bank balances and cash	22	**395,153**	408,606
Other receivable		**–**	1
		1,043,096	1,000,733
Total assets		**1,307,267**	1,264,904
Capital and reserves attributable to the equity holders of the Company			
Share capital	23	**82,875**	82,875
Share premium	24	**495,293**	495,293
Other reserves	24	**671,071**	686,721
Proposed dividend	24	**58,013**	–
Total equity		**1,307,252**	1,264,889
Current liabilities			
Other payables		**1**	1
Amount due to a subsidiary	29	**14**	14
Total liabilities		**15**	15
Total equity and liabilities		**1,307,267**	1,264,904
Net current assets		**1,043,081**	1,000,718
Total assets less current liabilities		**1,307,252**	1,264,889

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 38 to 85 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Net cash generated from operations	31	444,553	218,780
Interest paid		(12,045)	(18,721)
Hong Kong profits tax paid		(7,043)	(55,901)
Overseas income tax paid		(193)	(1,480)
Net cash from operating activities		425,272	142,678
Investing activities			
Interest received		15,654	29,902
Purchase and prepayment of leasehold land and property, plant and equipment		(35,335)	(57,471)
Proceeds from disposals of property, plant and equipment		464	50
Purchase of available-for-sale financial asset		(4,253)	(4,852)
Acquisition of a subsidiary		–	(18,530)
Net cash used in investing activities		(23,470)	(50,901)
Financing activities			
Decrease in amount due to a director of the Company		–	(13,300)
Net inception of short term bank loan		42,850	2,942
Net repayment of loans against trust receipts		(221,899)	(52,946)
Dividends paid		(8,287)	(107,319)
Repurchase of own shares		–	(1,406)
Net cash used in financing activities		(187,336)	(172,029)
Increase/(decrease) in cash and cash equivalents		214,466	(80,252)
Cash and cash equivalents at 1st January		648,740	728,090
Exchange gains on cash and cash equivalents		941	902
Cash and cash equivalents at 31st December		864,147	648,740
Analysis of balances of cash and cash equivalents			
Bank balances and cash		864,147	648,740

The notes on pages 38 to 85 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2008

	Note	Attributable to the equity holders of the Company				
		Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January 2008		**82,875**	**495,293**	**600,136**	**6,970**	**1,185,274**
Exchange difference		**–**	**–**	**1,802**	**276**	**2,078**
Change in fair value of available-for-sale financial asset		**–**	**–**	**(2,524)**	**–**	**(2,524)**
Net income and expense recognised directly in equity		**–**	**–**	**(722)**	**276**	**(446)**
Profit/(loss) for the year		**–**	**–**	**60**	**(5,424)**	**(5,364)**
Total recognised expense for 2008		**–**	**–**	**(662)**	**(5,148)**	**(5,810)**
Capital injection by minority shareholder		**–**	**–**	**–**	**22,745**	**22,745**
Pre-IPO Share Option Scheme – value of employee services		**–**	**–**	**7,836**	**–**	**7,836**
Dividend paid		**–**	**–**	**(8,287)**	**–**	**(8,287)**
At 31st December 2008		**82,875**	**495,293**	**599,023**	**24,567**	**1,201,758**
At 1st January 2007		83,000	496,574	746,082	4,839	1,330,495
Exchange difference		–	–	1,606	–	1,606
(Loss)/profit for the year		–	–	(37,281)	2,131	(35,150)
Total recognised income and expense for 2007		–	–	(35,675)	2,131	(33,544)
Repurchase of own shares	23(a)	(125)	(1,281)	–	–	(1,406)
Consideration paid for Lee Yip acquisition		–	–	(18,530)	–	(18,530)
Pre-IPO Share Option Scheme – value of employee services		–	–	15,578	–	15,578
Dividends paid		–	–	(107,319)	–	(107,319)
At 31st December 2007		82,875	495,293	600,136	6,970	1,185,274

The notes on pages 38 to 85 are an integral part of these consolidated financial statements.

Notes to the 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 activity of the Company and its subsidiaries (the "Group") is trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy, stainless steel and other electroplating chemical products in Hong Kong and China mainland.

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

These consolidated financial statements are presented in units of Hong Kong dollars ("HK dollars") and have been approved for issue by the Board of Directors on 31st March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of Lee Kee Holdings Limited 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 ("HKAS")). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in accordance with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Relevant amendments and interpretation to existing standards effective in 2008

- HKAS 39, 'Financial Instruments: Recognition and Measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial Instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendments are effective prospectively from 1st July 2008. The amendments do not have any impact on the Group's consolidated financial statements, as the Group has not reclassified any financial assets.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and Treasury Share Transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's consolidated financial statements.

(ii) Relevant standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1st January 2009), requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1st January 2009.

- HKAS 23 (Revised), 'Borrowing Costs' (effective from 1st January 2009), requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st January 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Relevant standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from annual period beginning on or after 1st July 2009). The amendment requires non-controlling interest (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in income statement. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1st January 2010.

- HKFRS 3 (Revised) 'Business Combinations' (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather that 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1st January 2010.

- HKFRS 2 Amendment 'Share-based Payment Vesting Conditions and Cancellations' (effective from 1st January 2009). The amendment clarifies the definition of 'vesting conditions' and specifies the accounting treatment of 'cancellations' by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All 'non-vesting conditions' and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1st January 2009, but it is not expected to have any impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Relevant standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- HKFRS 8, 'Operating Segments' (effective from 1st January 2009), replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about Segments of an Enterprise and Related Information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- HKAS 31 (Amendment), 'Interests in Joint Ventures' (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1st January 2009). Where an investment in joint venture is accounted for in accordance with HKAS 39, only certain rather than all disclosure requirements in HKAS 31 need to be made in addition to disclosures required by HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7 'Financial Instruments: Disclosures'. The Group will apply the HKAS 31 (Amendment) from 1st January 2009.

- HKAS 36 (Amendment), 'Impairment of Assets' (effective from 1st January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1st January 2009.

- HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement', (effective from 1st January 2009). This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The Group will apply the HKAS 39 (Amendment) from 1st January 2009. It is not expected to have an impact on the Group's consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

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

(i) Subsidiaries

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

In the Company's balance sheet the investment in a subsidiary is stated at cost less provision for impairment losses (note 2(e)). The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

(ii) Jointly controlled entity

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in 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 asset 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

– 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 as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

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

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

(d) Property, plant and equipment

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:

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 $33^1/_3$%

In previous years, depreciation of property, plant and equipment (except for buildings) was calculated using the reducing balance basis to allocate cost less estimated residual values over their estimated useful lives. With effect from 1st January 2008, depreciation of these assets is calculated using the straight-line basis over remaining useful lives, which constitutes a change in accounting estimate, and is considered by the directors to be suitable in the future. This change in accounting estimate has increased the depreciation charge for the year ended 31st December 2008 by approximately HK$4,367,000.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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(e)).

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

(e) Impairment of investment in subsidiaries and non-financial assets

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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) 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 balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' and 'bank balances and cash' in the consolidated balance sheet (note 2(j)).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial assets *(Continued)*

Regular 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 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 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/(losses), net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'other income' when the Group's right to receive payments is established.

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

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities 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 income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in note 2(i).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investments in financial derivatives

Investments in financial derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value are recognised immediately in the income statement within 'other gains/(losses), net'.

(h) Inventories

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

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. 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 within 'administrative expenses'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(k) 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.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

(m) 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 balance sheet date.

(n) Current and deferred income tax

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

Deferred income tax is provided in full, 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 substantially enacted by the balance sheet date 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and a jointly controlled entity, except 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) Pension obligation

The Group participates in mandatory provident fund schemes ("MPF Schemes") for all employees pursuant to the Mandatory 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. 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 China mainland are required to participate in a central pension scheme operated by the local municipal government. The relevant Group's entities are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are expensed in the income statement as they become payable in accordance with the rules of the central pension scheme.

(ii) Employee leave entitlements

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

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 over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) Revenue and income recognition

Revenue from the sale of goods is 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.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Management fee is recognised when services are rendered.

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

(r) 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) are expensed in the income statement on a straight-line basis over the period of the lease.

(s) Borrowing costs

All borrowing costs are charged to the income statement in the years in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these consolidated financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise tax balances and available-for-sale financial asset.

(v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in 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 and cash flow interest rate 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. The Group did not use derivative financial instruments to manage the risk exposures during the year.

(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").

The management conducts periodic review 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 considered minimal risk on foreign currency exposure on US dollars, as the rate of exchange between HK dollars and US dollars is controlled within a tight range under the Hong Kong's Linked Exchange Rate System.

In respect of RMB, at 31st December 2008, if RMB had strengthened/weakened by 5% (2007: 10%) against the HK dollars with all other variables held constant, post-tax loss for the year would have been approximately HK$1,175,000/HK$983,000 lower/higher (2007: post-tax loss would have been approximately HK$190,000/ HK$210,000 lower/higher).

(ii) Cash flow interest rate risk

The Group has bank borrowings at floating interest rates with maturities of less than 120 days as stated in note 26, which subject to cash flow interest rate risk.

At 31st December 2008, if interest rates on HK dollars-denominated deposits and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$215,000 lower/higher (2007: HK$96,000 lower/higher) as a result of higher/lower interest income on short-term bank deposits.

(iii) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

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

The table below shows the deposits placed with banks and financial institutions at the balance sheet date using the Moody's credit rating symbols.

	2008 HK$'000	2007 HK$'000
Rating:		
A1	57,787	1,479
A2	249,734	57,094
A3	79	230
Aa1	488,039	252
Aa2	200	440,575
Aa3	63,289	143,423
Baa1	4,328	–
Baa2	265	4,724
Baa3	115	–
	863,836	647,777

With regard to trade receivables, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group performs periodic credit evaluations of its customers 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.

Concentration of credit risk in respect of trade receivables is limited since the customer base comprises a large number of customers dispersed across different industries.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) 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 balances and cash and committed credit lines as of 31st December 2008 are as follows:

	HK$'000
Bank balances and cash	864,147
Committed credit lines available	1,741,778
Less: Utilised credit lines	(74,206)
Unutilised committed credit lines	1,667,572

The maturity analysis for the Group's financial liabilities is not presented as the Group did not have any non-current financial liabilities at the balance sheet dates.

(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.

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

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio below 30%.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratio at 31st December 2008 and 2007 were as follows:

	2008 HK$'000	2007 HK$'000
Total bank borrowings	74,206	253,255
Total equity	1,201,758	1,185,274
Gearing ratio	6.2%	21.4%

The continued drops in prices of major metal products of the Group for 2008 have lowered the requirement of working capital to fund inventories and trade receivables. The Group took part of the resultant cash released to reduce the level of bank borrowings and would also distribute another part of it as final dividend when approved by the shareholders of the Company.

(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 value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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 accounting estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

(a) 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. It could change as a result of changes in market conditions. Management reassesses the estimations at each balance sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairment of trade receivables

Management determines the provision for impairment of trade receivables. This estimate is based on the credit history of its customers and current market conditions. It could change as a result of change in the financial positions of customers. Management reassesses the provision at each balance sheet date.

(c) Impairment of available-for-sale financial asset

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is 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 business outlook for the investee.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of approximately HK$2,524,000 in its 2008 consolidated financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial asset to the consolidated income statement.

5 REVENUES AND SEGMENT REPORTING

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

	2008 HK$'000	2007 HK$'000
Revenues		
Sales of goods	**4,127,696**	6,437,335

(a) Primary reporting format – business segment:

The Group's revenues and trading results for the year are primarily derived from the trading of different types of metal products. The Directors consider that these activities constitute one business segment since these activities are related and are subject to significantly similar risks and returns. Therefore, no analysis by business segment has been prepared.

5 REVENUES AND SEGMENT REPORTING *(Continued)*

(b) Secondary reporting format – geographical segments:

An analysis of the Group's segment information by geographical segments is set out as follows:

(i) Analysis by revenues and segment results

	2008		2007	
	Revenues HK$'000	Segment results HK$'000	Revenues HK$'000	Segment results HK$'000
Hong Kong	3,725,755	9,695	6,111,473	27,781
China mainland	401,941	(16,945)	325,862	(10,074)
	4,127,696	(7,250)	6,437,335	17,707

(ii) Analysis by segment assets and capital expenditures

	2008		2007	
	Segment assets HK$'000	Capital expenditures HK$'000	Segment assets HK$'000	Capital expenditures HK$'000
Hong Kong	1,167,747	23,660	1,486,963	43,060
China mainland	171,453	31,036	101,260	14,411
	1,339,200	54,696	1,588,223	57,471

6 OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest income	15,654	29,902
Management fee, net of withholding tax	70	70
Others	918	580
	16,642	30,552

7 EXPENSES BY NATURE

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

	2008 HK$'000	2007 HK$'000
Auditor's remuneration	**1,532**	1,460
Depreciation of property, plant and equipment	**10,046**	3,703
Amortisation of leasehold lands	**938**	536
Staff costs, including directors' remuneration (note 10)	**49,958**	52,874
Operating lease rentals for land and buildings	**4,063**	4,540
Cost of inventories sold	**4,047,349**	6,253,954
(Reversal of provision)/provision for inventories	**(24,176)**	55,002
Provision for impairment of trade receivables	**2,930**	56

8 OTHER GAINS/(LOSSES), NET

	2008 HK$'000	2007 HK$'000
Gain/(loss) on disposal of property, plant and equipment	**120**	(32)
Net fair value gains/(losses) of financial asset at fair value through profit or loss	**95**	(56,056)
Net exchange gain/(loss)	**140**	(2,015)
	355	(58,103)

9 FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on		
Bank overdrafts	**46**	4
Loans against trust receipts	**8,513**	18,683
Short-term bank loan	**3,486**	34
	12,045	18,721

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages, salaries and allowances	**41,076**	36,356
Pension costs – defined contribution	**1,046**	940
Share-based compensation	**7,836**	15,578
	49,958	52,874

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	Share-based compensation HK$'000	Total HK$'000
2008						
Mr Chan Pak Chung	**–**	**4,560**	**–**	**12**	**1,679**	**6,251**
Ms Chan Yuen Shan, Clara	**–**	**1,920**	**–**	**12**	**979**	**2,911**
Ms Ma Siu Tao	**–**	**2,160**	**–**	**12**	**1,378**	**3,550**
Mr Ng Tze For ###	**–**	**664**	**–**	**7**	**70**	**741**
Mr William Tasman Wise	**976**	**–**	**–**	**–**	**–**	**976**
Mr Chung Wai Kwok, Jimmy	**180**	**–**	**–**	**–**	**–**	**180**
Mr Leung Kwok Keung	**180**	**–**	**–**	**–**	**–**	**180**
Mr Hu Wai Kwok ##	**180**	**–**	**–**	**–**	**–**	**180**
	1,516	**9,304**	**–**	**43**	**4,106**	**14,969**
2007						
Mr Chan Pak Chung	–	4,560	380	12	3,338	8,290
Ms Chan Yuen Shan, Clara	–	1,920	160	12	1,947	4,039
Ms Ma Siu Tao	–	2,160	180	12	2,740	5,092
Mr Ng Tze For ###	–	1,237	100	12	139	1,488
Mr William Tasman Wise	466	–	–	–	–	466
Mr Chung Wai Kwok, Jimmy	180	–	–	–	–	180
Mr Yan Cheuk Yam #	30	–	–	–	–	30
Mr Leung Kwok Keung	180	–	–	–	–	180
Mr Hu Wai Kwok ##	114	–	–	–	–	114
	970	9,877	820	48	8,164	19,879

Joined in 2006 and resigned as an independent non-executive director effective on 28th February 2007.

Joined as an independent non-executive director on 14th May 2007.

Resigned as an executive director on 4th July 2008.

No directors waived or agreed to waive any emoluments during the year (2007: Nil). No payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2007: Nil).

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 year include three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) of the five highest paid individuals during the year are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other allowances	1,836	1,768
Bonuses	75	145
Pension	24	24
Share-based compensation	1,329	2,643
	3,264	4,580

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

	Number of individuals 2008	2007
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	1
	2	2

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Income tax on profits arising from operations in China mainland has been calculated on the estimated assessable profit for the year at the rates of income tax prevailing in China mainland in which the Group's entities operate.

	2008 HK$'000	2007 HK$'000
Current income tax		
– Hong Kong profits tax	**2,070**	6,645
– China mainland corporate income tax	**165**	–
Deferred income tax (note 28)	**119**	(58)
Under/(over)-provision in prior years	**712**	(2)
Income tax expense	**3,066**	6,585

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

	2008 HK$'000	2007 HK$'000
Loss before income tax	**(2,298)**	(28,565)
Calculated at a tax rate of 16.5% (2007: 17.5%)	**(379)**	(4,999)
Effect of different income tax rates in other country	**(1,432)**	(186)
Income not subject to income tax	**(3,351)**	(5,306)
Expenses not deductible for income tax purpose	**2,730**	3,686
Tax losses not recognised	**8,130**	13,392
Utilisation of previously unrecognised tax loss	**(3,197)**	–
Remeasurement of deferred income tax – change in Hong Kong income tax rate	**(147)**	–
Under/(over)-provision in prior years	**712**	(2)
Income tax expense	**3,066**	6,585

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2008	2007
Profit/(loss) attributable to the equity holders of the Company (HK$'000)	60	(37,281)
Weighted average number of ordinary shares in issue ('000)	828,750	829,817
Basic earnings/(loss) per share (Hong Kong cents per share)	0.01	(4.49)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share which is the share options granted to the directors of the Company and the employees of the Group under the Pre-IPO Share Option Scheme. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
Profit/(loss) attributable to the equity holders of the Company (HK$'000)	60	(37,281)
Weighted average number of ordinary shares in issue ('000)	828,750	829,817
Adjustments for share options ('000)	–	2,029
Weighted average number of ordinary shares for diluted earnings/(loss) per share ('000)	828,750	831,846
Diluted earnings/(loss) per share (Hong Kong cents per share)	0.01	N/A

Diluted earnings per share for the year ended 31st December 2008 is the same as the basic earnings per share as there was no dilutive potential shares for the year ended 31st December 2008.

Diluted loss per share for the year ended 31st December 2007 has not been disclosed, as the share options outstanding during 2007, had an anti-dilutive effect on the basic loss per share for the year ended 31st December 2007.

14 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$42,814,000 (2007: HK$34,044,000).

15 DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend paid of HK1 cent (2007: HK1 cent) per ordinary share (note (a))	8,287	8,300
Proposed final dividend of HK7 cents (2007: Nil) per ordinary share (note (b))	58,013	–
	66,300	8,300

Notes:

(a) An interim dividend in respect of 2008 of HK1 cent (2007: HK1 cent) per ordinary share, amounting to a total dividend of HK$8,287,000 (2007: HK$8,300,000) was paid on 15th October 2008.

(b) A final dividend in respect of 2008 of HK7 cents (2007: Nil) per ordinary share, amounting to a total dividend of HK$58,012,500 (2007: Nil) was proposed for approval at the annual general meeting. The financial statements did not reflect this dividend payable.

16 LEASEHOLD LANDS

	2008 HK$'000	2007 HK$'000
At 1st January	**35,205**	5,532
Exchange difference	**784**	511
Additions	**10,020**	29,698
Amortisation	**(938)**	(536)
At 31st December	**45,071**	35,205

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

	2008 HK$'000	2007 HK$'000
Held on leases of between 10 and 50 years		
In Hong Kong	**21,728**	22,206
Outside Hong Kong	**23,343**	12,999
	45,071	35,205

Leasehold land with an aggregate net book value as at 31st December 2007 of approximately HK$524,000 had been pledged to secure short-term bank loan granted to a jointly controlled entity (note 26). The pledge was released during the year ended 31st December 2008.

17 PROPERTY, PLANT AND EQUIPMENT

	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	Construction in progress HK$'000	Total HK$'000
Cost								
At 1st January 2008	**17,874**	**7,160**	**14,197**	**3,466**	**2,769**	**5,203**	**7,633**	**58,302**
Exchange difference	**125**	**–**	**3**	**135**	**15**	**31**	**79**	**388**
Additions	**9,821**	**4,715**	**9,372**	**6,527**	**1,283**	**952**	**12,006**	**44,676**
Disposals	**(16)**	**–**	**(1,156)**	**(483)**	**(47)**	**–**	**–**	**(1,702)**
Reclassification	**3,233**	**13,410**	**–**	**–**	**–**	**–**	**(16,643)**	**–**
At 31st December 2008	**31,037**	**25,285**	**22,416**	**9,645**	**4,020**	**6,186**	**3,075**	**101,664**
Accumulated depreciation								
At 1st January 2008	**905**	**2,788**	**9,099**	**1,465**	**1,931**	**3,058**	**–**	**19,246**
Exchange difference	**9**	**1**	**(4)**	**23**	**2**	**4**	**–**	**35**
Charge for the year	**555**	**1,966**	**4,932**	**736**	**487**	**1,370**	**–**	**10,046**
Disposals	**(4)**	**–**	**(957)**	**(355)**	**(42)**	**–**	**–**	**(1,358)**
At 31st December 2008	**1,465**	**4,755**	**13,070**	**1,869**	**2,378**	**4,432**	**–**	**27,969**
Net book value at 31st December 2008	**29,572**	**20,530**	**9,346**	**7,776**	**1,642**	**1,754**	**3,075**	**73,695**
Cost								
At 1st January 2007	5,132	3,262	12,693	3,014	2,493	4,310	–	30,904
Exchange difference	121	(1)	2	114	3	–	–	239
Additions	12,621	3,899	2,003	423	301	893	7,633	27,773
Disposals	–	–	(501)	(85)	(28)	–	–	(614)
At 31st December 2007	17,874	7,160	14,197	3,466	2,769	5,203	7,633	58,302
Accumulated depreciation								
At 1st January 2007	454	2,360	7,630	1,211	1,801	2,598	–	16,054
Exchange difference	4	–	1	14	2	–	–	21
Charge for the year	447	428	1,945	278	145	460	–	3,703
Disposals	–	–	(477)	(38)	(17)	–	–	(532)
At 31st December 2007	905	2,788	9,099	1,465	1,931	3,058	–	19,246
Net book value at 31st December 2007	16,969	4,372	5,098	2,001	838	2,145	7,633	39,056

Buildings with an aggregate net book value as at 31st December 2007 of approximately HK$1,761,000 had been pledged to secure short-term bank loan granted to a jointly controlled entity (note 26). The pledge was released during the year ended 31st December 2008.

Depreciation expense amounted to approximately HK$690,000 (2007: HK$224,000) was included in 'cost of sales', and HK$9,356,000 (2007: HK$3,479,000) in 'administrative expenses'.

18 AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset at 31st December 2008 is an investment in an unlisted limited partnership incorporated in the Cayman Islands and its carrying value is denominated in United Kingdom Pounds.

There was no disposal or impairment on the available-for-sale financial asset in 2008 and 2007.

19 INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	4,702	316
Finished goods	216,913	596,554
	221,615	596,870

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HK$4,047,349,000 (2007: HK$6,253,954,000).

20 TRADE AND OTHER RECEIVABLES

	2008 HK$'000	2007 HK$'000
Trade receivables, net of provision	108,831	237,069
Prepayments to suppliers	7,191	2,069
Deposits	1,857	5,288
Other receivables	13,409	16,073
	131,288	260,499

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. Ageing analysis of trade receivables, based on invoice date, is as follows:

	2008 HK$'000	2007 HK$'000
0 to 30 days	57,503	194,201
31 to 60 days	20,504	31,857
61 to 90 days	15,648	6,806
Over 90 days	15,176	4,205
	108,831	237,069

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

	2008 HK$'000	2007 HK$'000
HK dollars	38,776	152,235
US dollars	42,175	57,710
Renminbi	27,880	27,124
	108,831	237,069

As at 31st December 2008, trade receivables of approximately HK$89,121,000 (2007: HK$190,681,000) were past due but not impaired. The ageing of these receivables, based on due date, is as follows:

	2008 HK$'000	2007 HK$'000
0 to 30 days	51,814	153,740
31 to 60 days	27,079	27,118
61 to 90 days	5,544	5,638
Over 90 days	4,684	4,185
	89,121	190,681

The Group has made provision for impairment of trade receivables of approximately HK$2,930,000 (2007: HK$56,000) during the year.

20 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2008 HK$'000	2007 HK$'000
At 1st January	–	–
Provision for impairment of trade receivables	2,930	56
Receivables written off during the year as uncollectible	–	(56)
At 31st December	2,930	–

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated 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 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 HK$'000	2007 HK$'000
Unlisted debt security	–	7,853

The carrying value of the financial asset at fair value through profit or loss was denominated in US dollars.

Financial asset at fair value through profit or loss is presented within 'operating activities' as part of changes in working capital in the consolidated cash flow statement.

22 BANK BALANCES AND CASH

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash at bank and in hand	**281,638**	170,851	**482**	1,706
Short-term bank deposits	**582,509**	477,889	**394,671**	406,900
	864,147	648,740	**395,153**	408,606

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

	Group		Company	
	2008	2007	**2008**	2007
Short-term bank deposits	**0.05% to 4.41%**	3.40% to 5.23%	**0.05% to 4.41%**	3.40% to 5.23%

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
HK dollars	**554,526**	80,392	**312,212**	4,728
US dollars	**257,234**	548,414	**82,941**	403,878
Renminbi	**52,228**	19,792	**–**	–
Others	**159**	142	**–**	–
	864,147	648,740	**395,153**	408,606

23 SHARE CAPITAL

(a) Authorised and issued capital

	Number of shares	Approximate amount HK$'000
Authorised:		
At 31st December 2007 and 31st December 2008	8,000,000,000	800,000
Issued and fully paid – ordinary shares of HK$0.1 each:		
At 1st January 2007	830,000,000	83,000
Repurchase of own shares (note)	(1,250,000)	(125)
At 31st December 2007	828,750,000	82,875
At 1st January 2008 and 31st December 2008	828,750,000	82,875

Note: During the year ended 31st December 2007, 1,250,000 shares were repurchased on the Stock Exchange at an aggregate consideration of approximately HK$1,406,000 before expenses and were cancelled during the year. The nominal value of these shares of HK$125,000 was credited to capital redemption reserve. The nominal value of these shares of HK$125,000 and the premium on purchase of approximately HK$1,281,000 were paid out of the Company's retained earnings and share premium account, respectively.

23 SHARE CAPITAL *(Continued)*

(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 manners:

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)

13,872,612 share options under the Pre-IPO Share Option Scheme are exercisable as at 31st December 2008 (2007: 7,246,859).

23 SHARE CAPITAL *(Continued)*

(b) Share option schemes *(Continued)*

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

Details of the options granted under the Pre-IPO Share Option Scheme outstanding as at 31st December 2008 are as follows:

	Date of grant	Exercise price in HK$ per share	Number of shares subject to the options
Directors	15th September 2006	2.136	11,313,690
Senior management	15th September 2006	2.136	5,274,360
Other employees	15th September 2006	2.136	4,431,060
			21,019,110

941,070 share options granted under the Pre-IPO Share Option Scheme were lapsed during the year. No share options granted under the Pre-IPO Share Option Scheme were exercised during the year.

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

(ii) Share Option Scheme

No option was granted under the Share Option Scheme.

24 SHARE PREMIUM AND OTHER RESERVES

Group

	Share premium HK$'000	Merger reserve HK$'000	Capital redemption reserve HK$'000	Reserve funds (note) HK$'000	Available-for-sale financial asset 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
		Other reserves								
At 1st January 2008	495,293	(17,830)	125	313	–	20,326	1,864	595,338	600,136	1,095,429
Exchange difference	–	–	–	–	–	–	1,802	–	1,802	1,802
Profit for the year	–	–	–	–	–	–	–	60	60	60
Pre-IPO Share Option Scheme										
- value of employee services	–	–	–	–	–	7,836	–	–	7,836	7,836
Dividend paid	–	–	–	–	–	–	–	(8,287)	(8,287)	(8,287)
Transfer to surplus reserve	–	–	–	177	–	–	–	(177)	–	–
Change in fair value of										
available-for-sale financial asset	–	–	–	–	(2,524)	–	–	–	(2,524)	(2,524)
At 31st December 2008	495,293	(17,830)	125	490	(2,524)	28,162	3,666	586,934	599,023	1,094,316
Balance after 2008 final dividend proposed	495,293	(17,830)	125	490	(2,524)	28,162	3,666	528,921	541,010	1,036,303
2008 final dividend proposed	–	–	–	–	–	–	–	58,013	58,013	58,013
	495,293	(17,830)	125	490	(2,524)	28,162	3,666	586,934	599,023	1,094,316
At 1st January 2007	496,574	700	–	313	–	4,748	258	740,063	746,082	1,242,656
Exchange difference	–	–	–	–	–	–	1,606	–	1,606	1,606
Loss for the year	–	–	–	–	–	–	–	(37,281)	(37,281)	(37,281)
Repurchase of own shares (note 23(a))	(1,281)	–	125	–	–	–	–	(125)	–	(1,281)
Consideration paid for Lee Yip										
acquisition	–	(18,530)	–	–	–	–	–	–	(18,530)	(18,530)
Pre-IPO Share Option Scheme										
- value of employee services	–	–	–	–	–	15,578	–	–	15,578	15,578
Dividends paid	–	–	–	–	–	–	–	(107,319)	(107,319)	(107,319)
At 31st December 2007	495,293	(17,830)	125	313	–	20,326	1,864	595,338	600,136	1,095,429

Note: In accordance with the regulations of China mainland, the Group's entities registered in China mainland 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.

24 SHARE PREMIUM AND OTHER RESERVES *(Continued)*

Company

	Share premium HK$'000	Other reserves: Contributed surplus (note) HK$'000	Other reserves: Capital redemption reserve HK$'000	Other reserves: Share-based compensation reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2008	**495,293**	**640,631**	**125**	**20,326**	**25,639**	**686,721**	**1,182,014**
Profit for the year	**–**	**–**	**–**	**–**	**42,814**	**42,814**	**42,814**
Pre-IPO Share Option Scheme							
– value of employee services	**–**	**–**	**–**	**7,836**	**–**	**7,836**	**7,836**
Dividend paid	**–**	**–**	**–**	**–**	**(8,287)**	**(8,287)**	**(8,287)**
At 31st December 2008	**495,293**	**640,631**	**125**	**28,162**	**60,166**	**729,084**	**1,224,377**
Balance after 2008 final dividend proposed	**495,293**	**640,631**	**125**	**28,162**	**2,153**	**671,071**	**1,166,364**
2008 final dividend proposed	**–**	**–**	**–**	**–**	**58,013**	**58,013**	**58,013**
	495,293	**640,631**	**125**	**28,162**	**60,166**	**729,084**	**1,224,377**
At 1st January 2007	496,574	640,631	–	4,748	99,039	744,418	1,240,992
Profit for the year	–	–	–	–	34,044	34,044	34,044
Repurchase of own shares (note 23(a))	(1,281)	–	125	–	(125)	–	(1,281)
Pre-IPO Share Option Scheme							
– value of employee services	–	–	–	15,578	–	15,578	15,578
Dividends paid	–	–	–	–	(107,319)	(107,319)	(107,319)
At 31st December 2007	495,293	640,631	125	20,326	25,639	686,721	1,182,014

Note: 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 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.

25 TRADE AND OTHER PAYABLES

	2008 HK$'000	2007 HK$'000
Trade payables		
– third parties	**43,173**	112,684
– a related company	**1,300**	–
	44,473	112,684
Deposits received	**19,105**	27,631
Accrued expenses	**9,029**	12,751
	72,607	153,066

Ageing analysis of trade payables is as follows:

	2008 HK$'000	2007 HK$'000
0 to 30 days	**43,634**	111,414
31 to 60 days	**622**	964
61 to 90 days	**–**	–
Over 90 days	**217**	306
	44,473	112,684

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:

	2008 HK$'000	2007 HK$'000
HK dollars	**1,126**	2,573
US dollars	**39,016**	87,110
Renminbi	**4,331**	22,673
Others	**–**	328
	44,473	112,684

26 BANK BORROWINGS

	2008 HK$'000	2007 HK$'000
Short-term bank loan – unsecured	45,792	–
Short-term bank loan – secured	–	2,942
Loans against trust receipts – unsecured	28,414	250,313
	74,206	253,255

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

	2008 HK$'000	2007 HK$'000
US dollars	27,891	250,313
Renminbi	45,792	2,942
Others	523	–
	74,206	253,255

The effective interest rates at the balance sheet dates were as follows:

	2008	2007
Short-term bank loan	7.27% to 8.31%	8.38%
Loans against trust receipts	2.80% to 5.59%	4.10% to 7.26%

The bank borrowings are all subject to contractual interest repricing dates within six months from the balance sheet date.

The short-term bank loan was secured by certain leasehold land and buildings of the Group's jointly controlled entity as at 31st December 2007 (notes 16 and 17).

27 AMOUNT DUE TO MINORITY INTERESTS

The amount payable is denominated in Hong Kong dollars, unsecured, interest fee and has no fixed terms of repayment.

28 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% (2007: 17.5%).

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

	2008 HK$'000	2007 HK$'000
At 1st January	**1,892**	1,950
Charged/(credited) to income statement (note 12)	**119**	(58)
At 31st December	**2,011**	1,892

The movement in deferred income tax assets/(liabilities) during the year is as follows:

	Deferred income tax assets		Deferred income tax liabilities	
	Accelerated accounting depreciation		Accelerated tax depreciation	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
At 1st January	**127**	119	**(2,019)**	(2,069)
Deferred income tax credited/(charged) to income statement	**65**	8	**(184)**	50
At 31st December	**192**	127	**(2,203)**	(2,019)

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 recognised deferred income tax assets of approximately HK$17,810,000 (2007: HK$13,392,000) in respect of losses amounting to approximately HK$97,004,000 (2007: HK$75,577,000) that can be carried forward against future taxable income. Tax losses arising in Hong Kong amounting to approximately HK$66,541,000 (2007: HK$68,045,000) are available with no expiry date to offset against future taxable profits of the companies in which the losses arose. Tax losses arising in China mainland amounting to approximately HK$30,463,000 (2007: HK$7,532,000) will expire within five years.

29 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**264,171**	264,171

All balances with subsidiaries are denominated in Hong Kong dollars, unsecured, interest free and have no fixed terms of repayment.

The following is a list of principal subsidiaries at 31st December 2008:

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
Lee City Asia Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding
Lee Fung Metal Company Limited	Hong Kong, limited liability company	100,000 shares of HK$1 each	100%	Trading of non-ferrous metal
Lee Kee Group Limited	Hong Kong, limited liability company	1,000 shares of HK$1 each	100%	Investment holding
## Lee Kee Group (BVI) Limited	British Virgin Islands, limited liability company	2 shares of HK$1 each	100%	Investment holding
Lee Kee Metal Company Limited	Hong Kong, limited liability company	500,000 shares of HK$10 each	100%	Trading of zinc and zinc alloy
Lee Sing Materials Company Limited	Hong Kong, limited liability company	100,000 shares of HK$1 each	100%	Trading of chemical products
Lee Tai Precious Metal Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Trading of precious metal
Lee Yip Metal Products Company Limited	Hong Kong, limited liability company	1,000,000 shares of HK$1 each	70%	Trading of stainless steel

29 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) 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
Standard Glory Management Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Provision of management services
Toba Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding
肇慶市利明金屬資源再生材料有限公司	The People's Republic of China, limited liability company	US$925,100	100%	Property holding
肇慶市利晉金屬資源再生材料有限公司	The People's Republic of China, limited liability company	US$360,099	100%	Property holding
### Foshan Nanhai Almax Non-Ferrous Metals Company Limited	The People's Republic of China, limited liability company	RMB50,000,000	60%	Manufacturing and trading of aluminum alloy
LKG Elite (Shenzhen) Co., Ltd.	The People's Republic of China, limited liability company	RMB18,400,000	100%	Distribution of non-ferrous metals
# LKG Elite (Guangzhou) Co., Ltd.	The People's Republic of China, limited liability company	RMB2,500,000	100%	Distribution of non-ferrous metals
LKG Elite (Wuxi) Co., Ltd.	The People's Republic of China, limited liability company	US$1,500,000	100%	Distribution of non-ferrous metals

Wholly foreign owned enterprise newly set up in 2008
Directly held by the Company
Newly set up in 2008

30 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

The Group has a 50% interest in a jointly controlled entity, Genesis Recyclying Technology (BVI) Limited ("GRTL"). GRTL together with its wholly owned subsidiaries, Genesis Alloys Limited and Genesis Alloys (Ningbo) Limited (collectively referred to as the "Genesis Group") are engaged in the manufacturing and trading of alloy products in China mainland. The following are the particulars of the jointly controlled entity at 31st December 2008:

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

The following amounts represent the Group's 50% share of the consolidated assets and liabilities of Genesis Group at 31st December 2008, and revenues and results of Genesis Group for the year then ended. They are included in the consolidated balance sheet and consolidated income statement of the Group:

	2008 HK$'000	2007 HK$'000
Leasehold land	**545**	524
Property, plant and equipment	**9,540**	4,942
Inventories	**13,772**	5,857
Trade and other receivables	**14,900**	30,855
Bank balances and cash	**10,146**	1,322
Income tax recoverable	**–**	1,068
Trade and other payables	**(2,354)**	(27,414)
Bank borrowings	**(45,792)**	(2,943)
Amount due to a joint venturer of a jointly controlled entity	**(292)**	(392)
	465	13,819
Amount due to the Group	**(2,387)**	(2,075)
Net (liabilities)/assets	**(1,922)**	11,744
Revenues	**178,931**	298,737
Cost of sales	**(182,212)**	(296,468)
Gross (loss)/profit	**(3,281)**	2,269
Other income	**429**	155
Distribution and selling expenses	**(2,509)**	(2,352)
Administrative expenses	**(4,008)**	(2,267)
Other gains, net	**243**	76
Operating loss	**(9,126)**	(2,119)
Finance costs	**(3,486)**	(34)
Loss before income tax	**(12,612)**	(2,153)
Income tax expense	**(1,000)**	(27)
Loss after income tax	**(13,612)**	(2,180)

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

31 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of loss before income tax to net cash generated from operations

	2008 HK$'000	2007 HK$'000
Loss before income tax	(2,298)	(28,565)
Depreciation of property, plant and equipment	10,046	3,703
Amortisation of leasehold lands	938	536
Interest income	(15,654)	(29,902)
Interest expense	12,045	18,721
(Gain)/loss on disposal of property, plant and equipment	(120)	32
Pre-IPO Share Option Scheme – value of employee services	7,836	15,578
Operating cash inflow/(outflow) before working capital changes	12,793	(19,897)
Decrease in inventories	375,255	211,749
Decrease in trade and other receivables	129,211	15,342
Decrease/(increase) in financial asset at fair value through profit or loss	7,853	(7,853)
(Decrease)/increase in trade and other payables	(80,459)	19,467
Movement in balances with related companies	–	(146)
Movement in balance with a joint venturer of a jointly controlled entity	(100)	118
Net cash generated from operations	444,553	218,780

Major non-cash transaction

During the year ended 31st December 2008, one of the Group's minority shareholders contributed on amount of approximately HKD22,745,000 as capital injection to a non-wholly owned subsidiary by transferring a leasehold land and property, plant and equipment in China mainland.

32 CONTINGENT LIABILITIES

At 31st December 2008, the Company had contingent liabilities of approximately HK$1,920 million (2007: HK$1,335 million) in respect of corporate guarantees for credit facilities for certain subsidiaries and a jointly controlled entity amounting to approximately HK$1,742 million (2007: HK$1,271 million), of which approximately HK$74 million (2007: HK$253 million) was utilised.

33 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:

	2008 HK$'000	2007 HK$'000
Within one year	1,972	3,739
In the second to fifth years inclusive	184	1,695
	2,156	5,434

(b) Capital commitments

The Group's capital expenditure at the balance sheet date but not yet incurred is as follows:

	2008 HK$'000	2007 HK$'000
Contracted but not provided for:		
Leasehold lands and property, plant and equipment	13,500	21,670
Equity investment	–	32,282
	13,500	53,952

The Group's share of capital commitment of a jointly controlled entity included above is as follows:

	2008 HK$'000	2007 HK$'000
Contracted but not provided for:		
Property, plant and equipment	372	1,869

34 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Significant related party transactions carried out during the year were as follows:

	Note	2008 HK$'000	2007 HK$'000
Income			
Management fee received from Genesis Alloys (Ningbo) Limited ("Genesis Ningbo")	(i)	**78**	78
Sales of metal to Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd.	(ii)	**142**	–
Expense			
Purchase of goods from Genesis Ningbo	(iii)	**27,167**	10,302
Purchase of raw materials from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd.	(iv)	**84,100**	–
Purchase of property, plant and equipment from Foshan Nanhai Wanxinglong Non-Ferrous Metals Company Limited	(v)	**54**	–
Rental paid to Sonic Gold Limited	(vi)	**480**	187
Rental paid to Modern Wealth Limited	(vii)	**313**	793
Management fee paid to Niox Limited	(viii)	**800**	–
Others			
Acquisition of 70% interest in Lee Yip from a director	(ix)	**–**	31,830

(i) The Group received management fee from Genesis Ningbo 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 sold goods to Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd., a company held by certain directors of a non-wholly owned subsidiary, at prices as agreed by both parties for each transaction.

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

(iv) Purchase of raw materials – scrap aluminium

The Group purchased goods of approximately HK$83,209,000 from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd. at prices as agreed by both parties for each transaction.

Purchase of other raw materials

The Group purchased goods of approximately HK$891,000 from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd. at prices as agreed by both parties for each transaction.

(v) The Group purchased property, plant and equipment from Foshan Nanhai Wanxinglong Non-Ferrous Metals Company Limited, a minority shareholder of a subsidiary, at prices agreed by both parties.

34 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

(vi) The Group paid rental expenses for staff and directors' quarters to Sonic Gold Limited, of which Ms Chan Yuen Shan, Clara is a director of Sonic Gold Limited, at fixed sums as agreed by both parties.

(vii) The Group paid rental expenses for warehouse and car parking spaces to Modern Wealth Limited of which Mr Chan Pak Chung is a director, at fixed sums as agreed by both parties.

(viii) The Group paid management fee to Niox Limited, a company held by certain directors of a non-wholly owned subsidiary, at fixed sums pursuant to the management services agreement entered into between the Group's subsidiary and Niox Limited.

(ix) Pursuant to an extraordinary general meeting of the Company held on 10th August 2007, the independent shareholders of the Company granted approval to the Company to exercise the call option deed to acquire 70% equity interests in Lee Yip, representing the entire equity interests held by Mr Chan Pak Chung at the time of exercise of the call option and all indebtedness owned by Lee Yip to Mr Chan Pak Chung. On 31st August 2007, the Group acquired 700,000 ordinary shares of HK$1.00 each of Lee Yip, together with a loan due to Mr Chan Pak Chung of HK$13,300,000, from Mr Chan Pak Chung for cash consideration of approximately HK$18,530,000 and HK$13,300,000 respectively.

(b) Personal guarantee given by Mr Poon Man Keung

Banking facilities of approximately HK$131,200,000 were granted to a subsidiary which was guaranteed by a personal guarantee given by Mr Poon Man Keung, a minority shareholder of the subsidiary.

(c) Key management compensation

	2008 **HK$'000**	2007 HK$'000
Salaries and other short term employee benefits	**20,724**	17,095
Post employment benefits – pension	**243**	177
Share-based compensation	**6,499**	12,323
	27,466	29,595

(d) Balances with related parties

Other than as disclosed in notes 25, 27 and 30, the Group had no material balances with related parties.

35 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

The directors regard Gold Alliance International and Gold Alliance, 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 Jordan Room I, 2/F., Eaton Hotel Hong Kong, 380 Nathan Road, Kowloon, Hong Kong on Friday, 22nd May 2009 at 3:00 p.m. for the following purposes:

1. To receive and adopt the audited Consolidated Financial Statements of the Company and its subsidiaries and the Reports of the Directors and the Auditors for the year ended 31st December 2008.

2. To declare a final dividend of the Company for the year ended 31 December 2008.

3. To consider the re-election of retiring Directors and 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) any specific authority granted by the shareholders of the Company in general meeting, shall not exceed the aggregate of (aa) 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the time of passing this Resolution and (bb) conditional on Resolution No. 6 and Resolution No. 7 being passed, the total nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the authorization granted to the Directors under the Resolution No. 6, and the approval granted pursuant to paragraphs (a) and (b) above of this Resolution shall be limited accordingly;

(d) for the purposes of this Resolution:–

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

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

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

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

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

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

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, 20th April 2009

Head Office and Principal Place o f Business in Hong Kong:
Room 1302–05, 13th Floor
Manulife Provident Funds Place
345 Nathan Road
Yaumatei
Kowloon
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 Head Office and Principal Place of Business in Hong Kong at Room 1302-05, 13th Floor, Manulife Provident Funds Place, 345 Nathan Road, Yaumatei, Kowloon, 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.