利記控股有限公司
LEE KEE HOLDINGS LIMITED

SINCE 1947

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock code 股份代號 : 637

ANNUAL REPORT 2009 年報

With a long-established history and unrivalled experience in the metal industry, **LEE KEE** is a leading metal supply chain management company which provides its unique Integrated Value-Added Services (IVAS) and high quality products to customers.

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

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

WEBSITE OF THE COMPANY

www.leekeegroup.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

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

STOCK CODE

637

Corporate Structure

(operating companies as at 31.12.2009)

利記控股有限公司
LEE KEE HOLDINGS LIMITED

利記集團有限公司
LEE KEE GROUP LTD.

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

70% owned
^ *60% owned*
* *50% owned*

Chan Pak Chung
Chairman

LEE KEE performed admirably during the year, demonstrating professionalism, innovation, stamina, experience and a determination to succeed.

Dear Shareholders,

I am pleased to report that LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group") performed admirably in 2009, after adopting a series of measures proactively where possible and as a reaction to circumstances as they unfolded.

"Green shoots" of economic recovery began to sprout late in the year, as the business world received a fillip from government stimulus packages, which also helped to boost metal prices. The benefit of prudent measures put into place by LEE KEE was felt across the Group, but the greatest positive impact was a significant increase in the value of our inventory holdings.

On the basis of a three-month delivery price on the London Metal Exchange in 2009, zinc rocketed by 112%, while nickel and aluminium rose more modestly at 58% and 45% respectively. Gross profit in 2009 increased to approximately HK$217 million, while net profit attributable to equity holders of the Company increased to approximately HK$107 million. In line with the Company's core corporate goal to maximize shareholders' return, the Board of Directors, after consideration of the operational and investment environment as well cash on hand, recommended dividends of HK10.5 cents (including a final dividend of HK2.5 cents and a special dividend of HK8 cents) per share to the shareholders for the year which was believed an effective and direct way to let shareholders share the Group's overall performance.

LEE KEE was successful in overcoming difficulties inflicted by the financial crisis, thanks to precautionary measures such as inventory and credit controls and reducing operational costs. Another measure was to strengthen Integrated Value-Added Services ("IVAS") such that we could provide clients with a tailor-made service, as well as the benefits of shortened lead and production times.

The Company also maintained sourcing quality, ensured a stable flow of materials from new and reliable suppliers and engineered establishment of our wholly-owned subsidiary, Promet Metals Testing Laboratory Limited ("Promet"). This move will sharpen LEE KEE's competitive edge and enable us to provide new and comprehensive services. Promet has been accredited by The Hong Kong Laboratory Accreditation Scheme ("HOKLAS") and is the first laboratory in Hong Kong to receive Metals and Metallic Alloys-category certification from HOKLAS.

Promet provides professional advice to customers on every manufacturing process, from raw materials to end products, by way of laboratory testing. Chemical composition and metallographic examination ensure quality assurance and failure analysis of defective products. An experienced technical team also offers recommendations on improving diecast product quality and resolving production problems. Launch of this industry-leading facility enables LEE KEE to leave competitors trailing and bodes well for the Group's future development and stature in the market.

The Group also plans to expand downstream development in technical support, in response to increasingly stringent regulations covering imported products. Such requirements are imposed by directives such as the Restriction of Hazardous Substances ("RoHS") adopted in 2003 by the European Union.

After obtaining necessary official documentation, we extended IVAS to our sales and distribution centers in Guangzhou, Wuxi and Shenzhen, and boosted trading efforts to penetrate the domestic market. Customers looking for a more flexible pricing mechanism to reduce inventory risk has provided a niche opportunity for LEE KEE. As a consequence, the Group is now responding to a preference for imported products that has arisen as a result of a narrowing of quality and price differences between the London Metal Exchange ("LME") and the Shanghai Metal Market ("SMM").

In 2009, the Group continued to strengthen both upstream and downstream supply-chain activities by focusing on Genesis Alloys (Ningbo) Limited, the Group's 50%-owned zinc alloy production joint venture, and the Group's 60%-owned subsidiary, Foshan Nanhai Almax Non-Ferrous Metals Company Limited, which owns and operates an aluminium alloy processing plant in Nanhai.

Now fully integrated into the Group, Lee Yip Metal Products Company Limited ("Lee Yip"), a 70%-owned stainless steel processing and distribution operation, contributed revenue of approximately HK$94 million during 2009. The advantage of being under one roof at the Tai Po Technology and Logistic Center enabled Lee Yip to reduce operational costs and increase competitiveness. This was achieved by capitalising on cross-selling opportunities and implementing more market-responsive logistical arrangements.

Although 2009 presented formidable challenges for our industry, I believe LEE KEE performed admirably during the year, demonstrating professionalism, innovation, stamina, experience and a determination to succeed. Benefiting from a solid financial foundation and prudent fiscal management, the Group fared markedly better than the majority of our competitors. By the end of 2009, LEE KEE was in better shape than at any time since 2007, and will strive to repeat and exceed our pre-recessionary levels of performance. LEE KEE is now extremely well prepared and in excellent shape to face the future. This is also the result of the diverse and extensive customer network built by the LEE KEE team over previous years. In addition, LEE KEE works only with suitably-accredited, world-class suppliers and serves the loyal and quality customers in order to uphold the Group's stature and reputation in the market.

Finally, I would like to take this opportunity to thank our management team, staff and business partners for their unwavering efforts during 2009. I would also like to express our heartfelt gratitude to customers for their continued loyalty.

CHAN Pak Chung
Chairman

22nd March 2010

A strategic approach to business conditions and its well-established distribution network enabled LEE KEE to perform admirably and achieve significant increases in both gross profit and net profit for the year.

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				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Revenues	**2,433,980**	4,127,696	6,437,335	5,700,451	3,195,902
Profit/(loss) before income tax	**123,201**	(2,298)	(28,565)	491,379	246,119
Income tax expense	**(16,178)**	(3,066)	(6,585)	(85,986)	(42,438)
Profit/(loss) for the year	**107,023**	(5,364)	(35,150)	405,393	203,681
Attributable to:					
Equity holders of the Company	**106,940**	60	(37,281)	400,344	203,291
Minority interests	**83**	(5,424)	2,131	5,049	390

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st December				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Total non-current assets	**131,264**	128,923	79,240	20,501	13,963
Total current assets	**1,544,137**	1,227,848	1,523,637	1,812,578	732,668
Total assets	**1,675,401**	1,356,771	1,602,877	1,833,079	746,631
Total non-current liabilities	**2,952**	2,203	2,019	2,069	1,692
Total current liabilities	**423,772**	152,810	415,584	500,515	391,417
Total liabilities	**426,724**	155,013	417,603	502,584	393,109
Net assets	**1,248,677**	1,201,758	1,185,274	1,330,495	353,522

Note: The summary of the consolidated results of the Group for each of the five financial years ended 31st December 2009 and the consolidated assets and liabilities of the Group as at end for the five financial years ended 31st December 2009 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, where this is a shorter period.

With professional expertise and many decades' experience, LEE KEE continues to match its large contingent of loyal and quality customers with a diversified network of world class suppliers of quality metal products, thus upholding and enhancing the Group's stature in the market and assisting customers achieve their corporate goals.

Management Discussion and Analysis

OVERALL BUSINESS PERFORMANCE

Thanks in part to stimulus measures put into place by governments the world over, the economic slide was halted in the second quarter of 2009. During the second half of 2009, the world economy appeared to bottom out and began to show "green shoots" of recovery. Robust growth in Asia soon commenced to spearhead the rest of the world out of recession. Since then the good news includes a period of 5.9% economic growth in the USA during the last quarter of 2009 and an 8.7% growth figure for the PRC for the full year. Against this economic backdrop, base metal prices sprang into an overall upward trend during the year under review, with zinc, aluminium, and nickel prices soaring 112%, 45% and 58% respectively in 2009 whose average price however, still remained below the levels of 2008.

Revenue for 2009 decreased to approximately HK$2,434 million (2008: HK$4,128 million) as a result of lower metal price and tonnage sold. Lower tonnage sold was mainly the result of an overall recessionary market and tightened credit control by the Group in the financial crisis. Yet, the Group managed to increase gross profit for the full year by HK$117 million to approximately HK$217 million (2008: HK$100 million) with the sale of 136,000 metric tonnes of zinc and aluminium alloy (2008: 162,000 tonnes). Net profit attributable to equity holders of the Company increased to approximately HK$107 million from approximately HK$60,000 for 2008. This performance was principally attributable to effective inventory management, which enabled the Group to benefit more from inventory holding on rising metal prices, and ongoing improvements to cost control. During 2009, the Group reduced the administrative expenses by 5.9% and distribution and selling expenses by 35% which far outweigh the 17% drop in total tonnage sold. In addition, relatively low interest rates during 2009 resulted in significantly lower finance costs and interest income during 2009.

Narrowing metal price differences between the London Metal Exchange and Shanghai Metal Market, plus impressive growth in the PRC's consumption during the global recession, such as in the country's automotive industry, has confirmed that the Group is excellently positioned to extend sales coverage and benefit from the PRC's huge potential in terms of future opportunities.

Further, the strengths and experience developed by the Group's management during the year as a response to the worst economic conditions in the history of the Company will be retained by LEE KEE as tried-and-tested measures for similar scenarios in future.

BUSINESS REVIEW

As a leading metal supply chain management company, LEE KEE established with its professional and experienced management team an unique IVAS (integrated value added services) model to provide a one-stop-shop facility that addresses various stages of metal processing, global sourcing, shipping and transportation, inventory management, customer services, market intelligence, testing and certification. This enables each customer to enjoy a tailor-made service and ensure product quality.

The Group sources and distributes diecasting zinc alloy and SHG zinc, which represented 67% of the Group's revenue (2008: 66%), along with diecasting aluminium alloy and ingot, which represented 12% of the Group's revenue (2008: 9%), nickel and nickel-related products and electroplating chemicals (including precious metal chemicals such as rhodium), which represented 17% of the Group's revenue (2008: 21%) and stainless steel, which represented 4% of the Group's revenue (2008: 4%). In view of an emphasis on product quality and requirement demand for a wider range of product specifications, the Group began sourcing from new suppliers in the PRC and overseas. These new business

METAL PROCESSING

GLOBAL SOURCING

LOGISTICS AND TRANSPORTATION

INVENTORY MANAGEMENT

partners were keen to co-operate because they were impressed by the Group's long established history, well-experienced in the market (particularly in terms of distribution network and quality customers) and sound financial credentials. Thanks to a combination of effective and efficient transportation arrangements and inventory facilities as well as large customer base, the Group is able to provide stock to customers on a just-in-time basis, which boosts flexibility at a lower cost in a fast-changing market. As an important move of the Group's direction, LEE KEE put more resources to focus quality and creditable customers to enhance the relationship and diversify its supplier network covering most of suitably-accredited, world-class suppliers in order to uphold the Group's stature and reputation in the market.

As an additional service to customers with a sharp focus on product quality, LEE KEE established a metal testing laboratory operated by its wholly-owned subsidiary, Promet Metals Testing Laboratory Limited ("Promet"), which has been officially accredited by The Hong Kong Laboratory Accreditation Scheme ("HOKLAS") and its accreditation criteria are in accordance with ISO/IEC 17025:2005 "General requirements for the competence of testing and calibration laboratories". Promet is the first laboratory in Hong Kong to receive Metals and Metallic Alloys-category accreditation from HOKLAS. The scheme has greatly upgraded the standard of testing and management of Promet. The endorsed reports issued by Promet have mutual recognition agreements with overseas accreditation bodies. With Promet's dedicated and

CUSTOMER SERVICES | **MARKET INTELLIGENT** | **TECHNICAL SUPPORT** | **TESTING AND CERTIFICATION**

professional team, in cope with the Hong Kong government policy on enhancing the Testing and Certification industry and the diversification of our Group, such laboratory service is expected to become another growth area. Though Promet did not contribute significant revenue to the Group in 2009, the time and cost for sub-contracting testing have been saved and it enhances the Group's market-leading position and sharpens the Group's competitive edge.

A strategic approach and well-established distribution network enabled LEE KEE to perform well and recording significant increases in both gross profit and net profit for the full year. Far from standing still, however, LEE KEE pursues a philosophy of continuously improving IVAS with new elements and services, by differentiating the Group from competitors and maintaining market leadership. In fact, LEE KEE's zinc alloy sales volume in 2009 represented approximately 73% of the PRC's total zinc alloy import volume for the year.

Boasting a strong and diverse network of suppliers and quality customers, LEE KEE serves around 1,400 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia, the majority being foreign-invested entities in the Pearl River Delta region. Growth in the domestic market has been focused on the manufacture of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts.

The wholly-owned Promet Metals Testing Laboratory is accredited by HOKLAS

Strategically-positioned sales and distribution centres in Guangzhou, Wuxi and Shenzhen enabled LEE KEE to capitalise on domestic growth, with these centres contributing revenue of approximately HK$168 million, an increase of 8% when compared with the same period last year. During the year under review, the Group started preliminary work on the establishment of an office in Chongqing.

In 2009, the Group continued to strengthen both upstream and downstream supply-chain activities. Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned zinc alloy production joint venture, produced approximately 11,520 tonnes of zinc alloy and contributed revenue of approximately HK$96 million to the Group.

The Group's 60%-owned subsidiary, Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax"), which owns and operates an aluminium alloy processing plant in Nanhai, benefited from general recognition of the recycling business and growth in the automotive and electrical appliance industry and produced about 9,480 tons of aluminium alloy with scrap aluminium sourced from both PRC and overseas suppliers. This contributed approximately HK$136 million in revenue to the Group during 2009. For better utilisation of the Group's resources, the original plan of establishment of an aluminium alloy processing facility in Zhaoqing has been withheld and the Group has been studying alternatives.

Benefiting from co-location with the Tai Po Technology and Logistic Center and with operations extended to the PRC, Lee Yip Metal Products Company Limited ("Lee Yip"), a 70%-owned stainless steel processing and distribution operation, reduced operational costs and was able to implement more market-responsive logistical arrangements during 2009. Lee Yip sold 4,660 tonnes of stainless steel and contributed revenue of approximately HK$94 million to the Group.

PROSPECTS

Facing the changing external environment, LEE KEE is confident that the Group is well positioned to benefit from growth in the domestic market and a new trend of industry development in product quality and environmental concerns. Thanks to a wealth of well experience in metal industry, professional business team, a robust financial framework and a sound operational structure, the Group will continue to build on its many strengths with a determination to succeed.

LEE KEE's Tai Po Technology and Logistic Center has enhanced and expanded its customer service offerings, while reducing costs during challenging times. Sales and distribution centres in Shenzhen, Wuxi and Guangzhou are expanding LEE KEE's sales footprint in an area of domestic market growth, especially in the Yangtze River Delta region. Along the country's development trend, the Group will expand its business to central and western area of the PRC so as to supply high quality metals and provide quality services to metal manufacturing industry there.

Regardless of market conditions, LEE KEE will continue to develop core strengths and maintain a commitment to quality and continuous improvement, in line with the Group's ISO 9001:2008 certification. In addition, the Group will continue to explore business opportunities presented by integration with Lee Yip and will optimise Almax's role in order to capitalise on opportunities in the automotive industry.

Looking ahead, LEE KEE plans to excel in the marketplace through well and professional experience, unrivalled customer service, a prudent approach to up and downstream developments and by performing with renewed vigour as the global economy recovers.

DIVIDENDS

On 26th August 2009, the Directors declared an interim dividend of HK1 cent per share (2008: HK1 cent per share), amounting to a total dividend of HK$8,287,500 (2008: HK$8,287,500) which was paid on 30th September 2009.

In order to let shareholders share the Group's overall performance in an effective and direct way, the Directors, after consideration of the investment, operating environment and the Group's financial position from the view of cash on hand and funding requirements, have recommended dividends of HK10.5 cents (including a final dividend of HK2.5 cents (2008: HK7 cents) and a special dividend of HK8 cents (2008: Nil)) per share for the year to shareholders whose names appeared on the register of members of the Company on 20th May 2010. Subject to the shareholders' approval, the dividends of HK10.5 cents per share will be paid on or around 1st June 2010. Total dividends for 2009 will be HK11.5 cents per share (2008: HK8 cents per share) amounting to approximately HK$95,306,000 (2008: HK$66,300,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 17th May 2010 to Thursday, 20th May 2010, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the final and special dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14th May 2010.

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 2009, the Group had unrestricted cash and bank balances of approximately HK$715 million (2008: HK$864 million) and bank borrowings of approximately HK$280 million (2008: HK$74 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 2009 was 22.4% (2008: 6.2%). The Group has a current ratio of 364.4% (2008: 803.5%).

The Company had issued guarantees to the extent of approximately HK$1,977 million to banks to secure general banking facilities of approximately HK$1,448 million to certain subsidiaries and a jointly controlled entity, of which approximately HK$280 million had been utilised as of 31st December 2009. The Group's 60% owned subsidiary, Almax, pledged its owned plant with land to a bank to secure general banking facilities of approximately HK$5.7 million to it.

The Group constantly evaluates and monitors its risk exposure to the metals prices with reference to the market conditions. In order to control the exposure efficiently and to capitalize on direction of price trends, the Group's management will employ appropriate operating strategies and set inventory levels accordingly.

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

EMPLOYEES

As at 31st December 2009, the Group had approximately 250 employees (2008: 240 employees) and the Group's 50% owned joint venture, Genesis Ningbo, had approximately 50 employees (2008: 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 2009, staff cost (including directors' emoluments) was approximately HK$50 million (2008: HK$50 million).

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 62, 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 43 years of experience in the non-ferrous metal industry. He obtained a Master Degree in Material Engineering from the Yanshan University. Mr. Chan is also a Permanent Honorary President of Hong Kong Die-casting and Foundry Association Limited, Honorary Fellow (Machinery and Metal Industries) of the Professional Validation Council of Hong Kong Industries, the Supervisory Vice Chairman of Hong Kong Metal Merchants Association, Honorary President of the Professional Validation Council of Hong Kong Industries, Honorable President of the Federation of Hong Kong Machinery and Metal Industries, and Honorary President of Hong Kong Association for the Advancement of Science and Technology. Mr. Chan is the spouse of Ms. MA Siu Tao and the father of Ms. CHAN Yuen Shan, Clara.

Ms. CHAN Yuen Shan, Clara, aged 38, 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 15 years of experience in the non-ferrous metal industry. She obtained a Bachelor Degree in Administrative Studies from the Open University in collaboration with the British Columbia Institution of Technology. 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 also a Vice Chairman of Hong Kong Die-casting and Foundry Association Limited, a committee member of Hong Kong Young Industrialist Council, a founder and Director of Lee Sang Charity Foundation Co. Ltd., a charitable organization and Director of Yan Oi Tong The 30th Term Board of Directors. Ms. Chan is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao.

Ms. MA Siu Tao, aged 60, 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 metal industry for more than 25 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, 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 66, 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 60, 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 46, 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 8 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 37, 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 12 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 45, 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 19 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 63, 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 22 years' experience in steel business and metal trading in the PRC, Taiwan and Hong Kong.

Mr. CHENG Yick Tong, Steven, aged 40, is the Technical Director of the Group. Mr. Cheng joined the Group in July 1998 and is now mainly responsible for technical and production issues of non-ferrous metal including leading, guiding and coaching to the technical and production teams. 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 2009.

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 2009.

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 2009.

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 and one of which is renewed from 14th May 2009 after the expiry of the previous term of 2 years.

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 2009.

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 2009.

AUDITORS' REMUNERATION

The remuneration of the audit services rendered by the auditor of the Company were mutually agreed in view of the scope of services and the audit fee during 2009 was HK$1,235,000 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$366,000.

AUDIT COMMITTEE

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

During 2009, 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 2009:

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

PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for 2009 (the "2009 Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the 2009 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 2009 covering material financial, operational, compliance and risk controls, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget. Being no material control failures were identified and certain necessary actions is being implemented to improve the internal control of the Group, both the Audit Committee and the Board are satisfied with the results.

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 2009.

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 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries is sourcing and distribution of non-ferrous metal, primarily zinc alloy and zinc, nickel and nickel-related products, aluminium alloy and aluminium, other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium), processing and distribution of stainless steel, manufacturing of aluminium alloy and metal testing laboratory. The activities of the subsidiaries are set out in note 28 to the financial statements.

RESULTS AND APPROPRIATIONS

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

On 26th August 2009, the Directors declared an interim dividend of HK1 cent per share (2008: HK1 cent per share), amounting to a total dividend of HK$8,287,500 (2008: HK$8,287,500) which was paid on 30th September 2009.

In order to let shareholders share the Group's overall performance in the most effective and direct way, the Directors, after consideration of the investment, operating environment and the Group's financial position from the view of cash on hand and funding requirements, have recommended dividends of HK10.5 cents (including a final dividend of HK2.5 cents (2008: HK7 cents) and a special dividend of HK8 cents (2008:Nil)) per share for the year to shareholders whose names appeared on the register of members of the Company on 20th May 2010. Subject to the shareholders' approval, the dividends of HK10.5 cents per share will be paid on or around 1st June 2010. Total dividends for 2009 will be HK11.5 cents per share (2008: HK8 cents per share) amounting to approximately HK$95,306,000 (2008: HK$66,300,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 17th May 2010 to Thursday, 20th May 2010, 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 Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14th May 2010.

RESERVES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$76,000.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2009 amounted to approximately HK$1,256 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 9.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during 2009.

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 2009 under the Pre-IPO Scheme are set out in note 22 to the financial statements.

As at 31st December 2009, options to subscribe for a total of 20,921,100 shares were still outstanding under the Pre-IPO Scheme which represents approximately 2.46% 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
Others	
Senior management and employees	13,560,433

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 2009.

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. 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, Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok and Mr. LEUNG Kwok Keung 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 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:

Transaction date	:	20th March 2008
Parties to the transaction	:	(1) Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax"), an indirect non-wholly 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 to Almax for its manufacturing.
Total consideration	:	During 2009, Almax purchased raw materials from Wanxinglong for a total consideration of approximately HK$83,801,000.
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 Board, 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.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

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 selected 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 17 and 18 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 2009, 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.

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

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

Note:

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.

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 2009, 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 2009, 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 2009 attributable to the Group's major suppliers is as follows:

Purchases	
– the largest supplier	29%
– five largest suppliers combined	73%

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.

DISCLOSURE OF INFORMATION PURSUANT TO RULE 13.51(B)(1) OF LISTING RULES

Monthly director's fee of three Independent Non-executive Directors changed from HK$15,000 to HK$20,000 with effect from 1 April 2010 after consideration of market conditions and their time commitment.

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 2009.

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, 22nd March 2010

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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") and its subsidiaries (together, the "Group") set out on pages 33 to 88, which comprise the consolidated and company statements of financial position as at 31st December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 2009 and of the Group's profit 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, 22nd March 2010

Consolidated Income Statement

For the year ended 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
Revenues	5	**2,433,980**	4,127,696
Cost of sales	7	**(2,216,534)**	(4,027,405)
Gross profit		**217,446**	100,291
Other income	6	**3,915**	16,642
Distribution and selling expenses	7	**(13,923)**	(21,357)
Administrative expenses	7	**(81,096)**	(86,184)
Other (losses)/gains, net	8	**(690)**	355
Operating profit		**125,652**	9,747
Finance costs	9	**(2,451)**	(12,045)
Profit/(loss) before income tax		**123,201**	(2,298)
Income tax expense	12	**(16,178)**	(3,066)
Profit/(loss) for the year		**107,023**	(5,364)
Profit/(loss) attributable to:			
Equity holders of the Company	14	**106,940**	60
Minority interests		**83**	(5,424)
		107,023	(5,364)
Earnings per share for profit attributable to the equity holders			
of the Company during the year	13		
– basic and diluted (Hong Kong cents)		**12.90**	0.01
Dividends	15	**95,306**	66,300

The notes on pages 40 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year	**107,023**	(5,364)
Other comprehensive income for the year:		
Exchange translation differences	**717**	2,078
Movement of available-for-sale financial asset revaluation reserve	**2,524**	(2,524)
Other comprehensive income for the year, net of tax	**3,241**	(446)
Total comprehensive income for the year	**110,264**	(5,810)
Total comprehensive income attributable to:		
Equity holders of the Company	**110,122**	(662)
Minority interests	**142**	(5,148)
	110,264	(5,810)

The notes on pages 40 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Leasehold land	16	**48,412**	45,071
Property, plant and equipment	17	**75,227**	73,695
Deferred income tax assets	27	**174**	192
Available-for-sale financial asset	18	**4,380**	6,581
Prepayment for leasehold land		**3,071**	3,063
Prepayment for property, plant and equipment		**–**	321
		131,264	128,923
Current assets			
Inventories	19	**626,041**	221,615
Trade and other receivables	20	**202,429**	131,288
Income tax recoverable		**280**	10,798
Bank balances and cash	21	**715,387**	864,147
		1,544,137	1,227,848
Total assets		**1,675,401**	1,356,771
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**82,875**	82,875
Share premium	23	**495,293**	495,293
Other reserves	23	**558,781**	541,010
Proposed dividend	23	**87,019**	58,013
		1,223,968	1,177,191
Minority interests		**24,709**	24,567
Total equity		**1,248,677**	1,201,758

As at 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current liability			
Deferred income tax liabilities	27	**2,952**	2,203
Current liabilities			
Trade and other payables	24	**124,945**	72,607
Amount due to a joint venturer of a jointly controlled entity	29	**561**	292
Bank borrowings	25	**279,515**	74,206
Income tax payable		**13,051**	5
Amount due to minority interests	26	**5,700**	5,700
		423,772	152,810
Total liabilities		**426,724**	155,013
Total equity and liabilities		**1,675,401**	1,356,771
Net current assets		**1,120,365**	1,075,038
Total assets less current liabilities		**1,251,629**	1,203,961

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 40 to 88 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current asset			
Investment in a subsidiary	28	**264,171**	264,171
Current assets			
Amounts due from subsidiaries	28	**653,491**	647,943
Bank balances and cash	21	**420,775**	395,153
Prepayment		**172**	–
		1,074,438	1,043,096
Total assets		**1,338,609**	1,307,267
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**82,875**	82,875
Share premium	23	**495,293**	495,293
Other reserves	23	**673,239**	671,071
Proposed dividend	23	**87,019**	58,013
Total equity		**1,338,426**	1,307,252
Current liabilities			
Other payables		**169**	1
Amount due to a subsidiary	28	**14**	14
Total liabilities		**183**	15
Total equity and liabilities		**1,338,609**	1,307,267
Net current assets		**1,074,255**	1,043,081
Total assets less current liabilities		**1,338,426**	1,307,252

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 40 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Net cash (used in)/generated from operations	30	**(279,926)**	444,553
Interest paid		**(2,451)**	(12,045)
Hong Kong profits tax refunded/(paid)		**8,697**	(7,043)
Overseas income tax paid		**(544)**	(193)
Net cash (used in)/from operating activities		**(274,224)**	425,272
Investing activities			
Interest received		**3,501**	15,654
Purchase of and prepayment for leasehold land and property, plant and equipment		**(18,017)**	(35,335)
Proceeds from disposals of property, plant and equipment		**389**	464
Purchase of available-for-sale financial asset		**–**	(4,253)
Net cash used in investing activities		**(14,127)**	(23,470)
Financing activities			
Net (repayment)/inception of short term bank loans		**(11,472)**	42,850
Net inception/(repayment) of loans against trust receipts		**216,781**	(221,899)
Dividends paid		**(66,300)**	(8,287)
Net cash from/(used in) financing activities		**139,009**	(187,336)
(Decrease)/increase in cash and cash equivalents		**(149,342)**	214,466
Cash and cash equivalents at 1st January		**864,147**	648,740
Exchange gains on cash and cash equivalents		**582**	941
Cash and cash equivalents at 31st December		**715,387**	864,147
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**715,387**	864,147

The notes on pages 40 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009

	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 2009	**82,875**	**495,293**	**599,023**	**24,567**	**1,201,758**
Profit for the year	**–**	**–**	**106,940**	**83**	**107,023**
Other comprehensive income:					
Exchange translation differences	**–**	**–**	**658**	**59**	**717**
Movement of available-for-sale financial asset revaluation reserve	**–**	**–**	**2,524**	**–**	**2,524**
Total comprehensive income for the year	**–**	**–**	**110,122**	**142**	**110,264**
Pre-IPO Share Option Scheme					
– value of employee services	**–**	**–**	**2,955**	**–**	**2,955**
Dividends paid	**–**	**–**	**(66,300)**	**–**	**(66,300)**
At 31st December 2009	**82,875**	**495,293**	**645,800**	**24,709**	**1,248,677**
At 1st January 2008	82,875	495,293	600,136	6,970	1,185,274
Profit/(loss) for the year	–	–	60	(5,424)	(5,364)
Other comprehensive income:					
Exchange translation differences	–	–	1,802	276	2,078
Change in fair value of available-for-sale financial asset	–	–	(2,524)	–	(2,524)
Total comprehensive income for the year	–	–	(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

The notes on pages 40 to 88 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in units of Hong Kong dollars ("HK dollars") and have been approved for issue by the Board of Directors on 22nd March 2010.

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 asset 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.

(i) Relevant new or revised standards and amendment to existing standards effective in 2009 and adopted by the Group

- HKFRS 7 (Amendment), "Financial Instruments: Disclosures": The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in the amendment. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Relevant new or revised standards and amendment to existing standards effective in 2009 and adopted by the Group *(Continued)*

- HKAS 1 (Revised), "Presentation of Financial Statements": The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 8, "Operating Segments": HKFRS 8 replaces HKAS 14, "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group's most senior executive management that makes strategic decisions. The directors consider that the operating segments identified in accordance with HKFRS 8 do not differ materially from those previously disclosed under HKAS 14.

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

The following standards, amendments and interpretation to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2010 or later periods, but the Group has not early adopted them:

- HK(IFRIC) 17, "Distribution of Non-Cash Assets to Owners" (effective from 1st July 2009): The interpretation is part of the HKICPA's annual improvements project published in May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply HK(IFRIC) 17 from 1st January 2010. It is not expected to have a material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Relevant standards, amendments and interpretation 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 1st July 2009): The revised standard requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interest from 1st January 2010.

- HKFRS 3 (Revised), "Business Combinations" (effective from 1st July 2009): The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1st January 2010.

- HKAS 1 (Amendment), "Presentation of Financial Statements" (effective from 1st January 2010): The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply HKAS 1 (Amendment) from 1st January 2010. It is not expected to have a material impact on the Group's consolidated financial statements.

- HKFRS 2 (Amendment), "Group Cash-settled Share-based Payment Transactions" (effective from 1st January 2010): In addition to incorporating HK(IFRIC) 8, "Scope of HKFRS 2", and HK(IFRIC) 11, "HKFRS 2 – Group and Treasury Share Transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's consolidated financial statements.

- HKAS 17 (Amendment), "Leases" (effective from 1st January 2010): The amendment is part of the HKICPA's annual improvements project published in May 2009. The standard is amended to delete guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The Group will apply HKAS 17 (Amendment) from 1st January 2010. It is not expected to have a material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

- HKAS 7 (Amendment), "Statement of Cash Flows" (effective from 1st January 2010): The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The Group will apply HKAS 7 (Amendment) from 1st January 2010. It is not expected to have a material impact on the Group's consolidated financial statements.

- HKFRS 9, "Financial Instruments" (effective from 1st January 2013): The new standard addresses classification and measurement of financial assets. It introduces a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules under existing HKAS 39. Classification under HKFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. It removes the cost exemption for unquoted equities and derivatives on unquoted equities but provides guidance on when cost may be an appropriate estimate of fair value. The Group will apply HKFRS 9 from 1st January 2013. It is not expected to have a material impact on the Group's consolidated financial statements.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

In the Company's statement of financial position 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.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Group companies

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

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

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

– all resulting exchange differences are recognised as a separate component of equity.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Buildings	2.5% to 5%
Leasehold improvements	20% to 33 1/3%
Motor vehicles and yacht	10% to 30%
Machinery	10% to 30%
Furniture, fixtures and office equipment	20%
Computer system	20% to 33 1/3%

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

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

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

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

(e) Impairment of investments 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 end of the reporting period. 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 statement of financial position (notes 2(h) and 2(i)).

(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 the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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. Available-for-sale financial asset is 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 (losses)/gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 the income statement; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial assets *(Continued)*

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 reporting period 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(h).

(g) 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.

(h) 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.

(i) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

(k) 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.

(l) Borrowings

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

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

(m) 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 end of the reporting period in the countries where the Company, its subsidiaries and a jointly controlled entity operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

(n) Employee benefits

(i) Pension obligation

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

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

The employees of the Group's operations in 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 end of the reporting period.

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

(iii) Bonus plan

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

(iv) Share-based compensation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

(iv) Share-based compensation *(Continued)*

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.

(o) 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.

(p) Revenues and income recognition

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

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

(q) 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.

(r) Borrowing costs

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's business and geographical locations.

Geographically, management considers separate segments as Hong Kong and China mainland.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders in 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 reviews of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

In respect of US dollars, the Group 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 2009, if RMB had strengthened/weakened by 5% (2008: 5%) against the HK dollars with all other variables held constant, post-tax profit for the year would have been approximately HK$1,400,000/HK$1,265,000 higher/lower (2008: post-tax loss for the year would have been approximately HK$1,175,000/HK$983,000 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 25, which subjects to cash flow interest rate risk.

At 31st December 2009, if interest rates on deposits and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$38,000 higher/lower (2008: HK$215,000 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 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.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Rating:		
A1	156,987	57,787
A2	124,128	249,734
A3	83	79
Aa1	267,318	488,039
Aa2	86	200
Aa3	165,885	63,289
Baa1	561	4,328
Baa2	31	265
Baa3	–	115
	715,079	863,836

With regard to trade receivables, the Group assesses the credit quality of the customers, taking into account their 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.

(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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Liquidity risk *(Continued)*

Management monitors the Group's liquidity on the basis of availability of bank balances and cash and unutilised committed credit lines. Available bank and cash balances and committed credit lines as of 31st December 2009 are as follows:

	HK$'000
Bank balances and cash	715,387
Committed credit lines available	1,976,945
Less: Utilised credit lines	(279,515)
Unutilised committed credit lines	1,697,430

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

	On demand or within one year HK$'000	**Total HK$'000**	**Carrying amount HK$'000**
At 31st December 2009			
Trade payables and accrued expenses	**104,650**	**104,650**	**104,650**
Amount due to a joint venturer of a jointly controlled entity	**561**	**561**	**561**
Bank borrowings	**280,448**	**280,448**	**279,515**
Amount due to minority interests	**5,700**	**5,700**	**5,700**
	391,359	**391,359**	**390,426**

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Liquidity risk *(Continued)*

	On demand or within one year HK$'000	Total HK$'000	Carrying amount HK$'000
At 31st December 2008			
Trade payables and accrued expenses	53,502	53,502	53,502
Amount due to a joint venturer of a jointly controlled entity	292	292	292
Bank borrowings	74,404	74,404	74,206
Amount due to minority interests	5,700	5,700	5,700
	133,898	133,898	133,700

(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.

The management of the Group monitors the utilization of borrowings and ensures full compliance with loan covenants during the year and at the end of each reporting period.

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

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a gearing ratio below 30%.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratios at 31st December 2009 and 2008 were as follows:

	2009 HK$'000	2008 HK$'000
Total bank borrowings (note 25)	**279,515**	74,206
Total equity	**1,248,677**	1,201,758
Gearing ratio	**22.4%**	6.2%

(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 carrying value of financial instruments measured at fair value at the end of the reporting period are categorised among the three levels of the fair value hierarchy defined in HKFRS 7, "Financial Instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Group's available-for-sale financial asset is categorised under Level 3 (note 18). There were no financial instruments grouped into Levels 1 and 2 as at 31st December 2008 and 2009.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

The movement during the year ended 31st December 2009 in the balance of Level 3 fair value measurements is as follows:

	2009 HK$'000
At 1st January	**6,581**
Change in fair value of available-for-sale financial asset during the year	**(2,201)**
At 31st December	**4,380**

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 the end of each reporting period.

(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 the end of each reporting period.

(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.

5 REVENUES AND SEGMENT REPORTING

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

	2009 **HK$'000**	2008 HK$'000
Revenues		
Sales of goods	**2,433,980**	4,127,696

(a) Segment information

The chief operating decision-maker has been identified as the Group's most senior executive management, who reviews the Group's internal reporting in order to assess performance, allocate resources and make strategic decisions.

The chief operating decision-maker reviews the performance of the Group mainly from a geographical areas perspective. The Group is organised into two operating segments, namely (i) Hong Kong and (ii) China mainland. Both operating segments represent trading of different types of metal products.

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

The segment information for the reporting segments for the year ended 31st December 2009 is as follows:

	Hong Kong **HK$'000**	**China mainland** **HK$'000**	**Total** **HK$'000**
Segment revenues	**2,062,529**	**371,451**	**2,433,980**
Segment results	**116,747**	**5,680**	**122,427**
Other segment expenditure items included in the segment results as follows:			
Cost of inventories sold	**1,881,883**	**348,723**	**2,230,606**
Depreciation of property, plant and equipment	**9,471**	**2,465**	**11,936**
Amortisation of leasehold land	**645**	**737**	**1,382**
Reversal of provision for inventories	**(18,936)**	**(921)**	**(19,857)**
Provision for impairment of trade receivables	**373**	**1,796**	**2,169**
Segment assets	**1,436,179**	**107,958**	**1,544,137**
Segment liabilities	**369,070**	**54,702**	**423,772**

5 REVENUES AND SEGMENT REPORTING *(Continued)*

(a) Segment information *(Continued)*

The segment information for the reporting segments for the year ended 31st December 2008 is as follows:

	Hong Kong HK$'000	China mainland HK$'000	Total HK$'000
Segment revenues	3,725,755	401,941	4,127,696
Segment results	9,695	(16,945)	(7,250)
Other segment expenditure items included in the segment results as follows:			
Cost of inventories sold	3,645,621	401,728	4,047,349
Depreciation of property, plant and equipment	8,852	1,194	10,046
Amortisation of leasehold land	478	460	938
(Reversal of provision)/provision for inventories	(25,048)	872	(24,176)
Provision for impairment of trade receivables	1,440	1,490	2,930
Segment assets	1,110,601	117,247	1,227,848
Segment liabilities	101,002	51,808	152,810

Segment assets and segment liabilities comprise current assets and current liabilities respectively.

The total of non-current assets other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is approximately HK$71,739,000 (2008: HK$70,235,000), and the total of these non-current assets located in China mainland is approximately HK$54,971,000 (2008: HK$51,915,000).

5 REVENUES AND SEGMENT REPORTING *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Segment results		
Total segment results	**122,427**	(7,250)
Other income	**3,915**	16,642
Other (losses)/gains, net	**(690)**	355
Finance costs	**(2,451)**	(12,045)
Profit/(loss) before income tax per consolidated income statement	**123,201**	(2,298)

	2009 HK$'000	2008 HK$'000
Segment assets		
Total segment assets	**1,544,137**	1,227,848
Leasehold land	**48,412**	45,071
Property, plant and equipment	**75,227**	73,695
Deferred income tax assets	**174**	192
Available-for-sale financial asset	**4,380**	6,581
Prepayment for leasehold land	**3,071**	3,063
Prepayment for property, plant and equipment	**–**	321
Total assets per consolidated statement of financial position	**1,675,401**	1,356,771

	2009 HK$'000	2008 HK$'000
Segment liabilities		
Total segment liabilities	**423,772**	152,810
Deferred income tax liabilities	**2,952**	2,203
Total liabilities per consolidated statement of financial position	**426,724**	155,013

6 OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income	**3,501**	15,654
Management fee, net of withholding tax	**70**	70
Others	**344**	918
	3,915	16,642

7 EXPENSES BY NATURE

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

	2009 HK$'000	2008 HK$'000
Auditor's remuneration	**1,299**	1,532
Depreciation of property, plant and equipment	**11,936**	10,046
Amortisation of leasehold land	**1,382**	938
Staff costs, including directors' remuneration (note 10)	**49,567**	49,958
Operating lease rentals for land and buildings	**2,563**	4,063
Cost of inventories sold	**2,230,606**	4,047,349
Reversal of provision for inventories	**(19,857)**	(24,176)
Provision for impairment of trade receivables	**2,169**	2,930
Write back of trade receivables	**(40)**	–

8 OTHER (LOSSES)/GAINS, NET

	2009 HK$'000	2008 HK$'000
Gain on disposal and write off of property, plant and equipment	**115**	120
Net fair value gains of financial asset at fair value through profit or loss	**–**	95
Impairment loss of available-for-sale financial asset	**(4,725)**	–
Net exchange gain	**3,920**	140
	(690)	355

9 FINANCE COSTS

	2009 **HK$'000**	2008 HK$'000
Interest on		
Bank overdrafts	**–**	46
Loans against trust receipts	**1,915**	8,513
Short-term bank loans	**536**	3,486
	2,451	12,045

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 **HK$'000**	2008 HK$'000
Wages, salaries and allowances	**45,696**	41,076
Pension costs – defined contribution	**916**	1,046
Share-based compensation	**2,955**	7,836
	49,567	49,958

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
2009						
Mr Chan Pak Chung	**–**	**4,180**	**1,180**	**12**	**633**	**6,005**
Ms Chan Yuen Shan, Clara	**–**	**1,720**	**1,770**	**12**	**369**	**3,871**
Ms Ma Siu Tao	**–**	**1,980**	**1,180**	**12**	**520**	**3,692**
Mr William Tasman Wise	**974**	**–**	**590**	**–**	**–**	**1,564**
Mr Chung Wai Kwok, Jimmy	**180**	**–**	**–**	**–**	**–**	**180**
Mr Leung Kwok Keung	**180**	**–**	**–**	**–**	**–**	**180**
Mr Hu Wai Kwok	**180**	**–**	**–**	**–**	**–**	**180**
	1,514	**7,880**	**4,720**	**36**	**1,522**	**15,672**
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

Resigned as an executive director on 4th July 2008.

During the year ended 31st December 2009, the Group received written consent from certain directors of the Company to waive emoluments of approximately HK$760,000 (2008: Nil) payable to them. Save as the aforesaid, there was no arrangement under which the directors waived or agreed to waive any of their emoluments during the current and prior years.

No payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2008: 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 four (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2008: two) of the five highest paid individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other allowances	**1,248**	1,836
Bonuses	**298**	75
Pension	**12**	24
Share-based compensation	**237**	1,329
	1,795	3,264

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

	Number of individuals 2009	2008
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	1	2

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	2009 **HK$'000**	2008 HK$'000
Current income tax		
– Hong Kong profits tax	**14,373**	2,070
– China mainland corporate income tax	**1,088**	165
Deferred income tax (note 27)	**767**	119
(Over)/under-provision in prior years	**(50)**	712
Income tax expense	**16,178**	3,066

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

	2009 **HK$'000**	2008 HK$'000
Profit/(loss) before income tax	**123,201**	(2,298)
Calculated at a tax rate of 16.5% (2008: 16.5%)	**20,328**	(379)
Effect of different income tax rates in other country	**316**	(1,432)
Income not subject to income tax	**(545)**	(3,351)
Expenses not deductible for income tax purpose	**2,402**	2,730
Tax losses not recognised	**2,097**	8,130
Utilisation of previously unrecognised tax losses	**(8,370)**	(3,197)
Remeasurement of deferred income tax – change in Hong Kong income tax rate	**–**	(147)
(Over)/under-provision in prior years	**(50)**	712
Income tax expense	**16,178**	3,066

13 EARNINGS PER SHARE

(a) Basic

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

	2009	2008
Profit attributable to the equity holders of the Company (HK$'000)	**106,940**	60
Number of ordinary shares in issue ('000)	**828,750**	828,750
Basic earnings per share (Hong Kong cents per share)	**12.90**	0.01

(b) Diluted

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of 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.

Diluted earnings per share for the years ended 31st December 2009 and 2008 are the same as the basic earnings per share as the outstanding options for the years ended 31st December 2009 and 2008 are anti-dilutive.

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$94,519,000 (2008: HK$42,814,000).

15 DIVIDENDS

	2009 HK$'000	2008 HK$'000
Interim dividend paid of HK1 cent (2008: HK1 cent) per ordinary share (note (a))	**8,287**	8,287
Proposed special dividend of HK8 cents (2008: Nil) per ordinary share (note (b))	**66,300**	–
Proposed final dividend of HK2.5 cents (2008: HK7 cents) per ordinary share (note (c))	**20,719**	58,013
	95,306	66,300

Notes:

(a) An interim dividend in respect of 2009 of HK1 cent (2008: HK1 cent) per ordinary share, amounting to a total dividend of HK$8,287,000 (2008: HK$8,287,000) was paid on 30 September 2009.

(b) A special dividend in respect of 2009 of HK8 cents (2008: Nil) per ordinary share, amounting to a total dividend of HK$66,300,000 (2008: Nil) was proposed for approval at the annual general meeting. The financial statements do not reflect this dividend payable.

(c) A final dividend in respect of 2009 of HK2.5 cents (2008: HK7 cents) per ordinary share, amounting to a total dividend of HK$20,718,750 (2008: HK$58,012,500) was proposed for approval at the annual general meeting. The financial statements do not reflect this dividend payable.

16 LEASEHOLD LAND

	2009 HK$'000	2008 HK$'000
At 1st January	**45,071**	35,205
Exchange difference	**61**	784
Additions	**4,662**	10,020
Amortisation	**(1,382)**	(938)
At 31st December	**48,412**	45,071

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

	2009 HK$'000	2008 HK$'000
Held on leases of between 10 and 50 years		
In Hong Kong	**21,083**	21,728
Outside Hong Kong	**27,329**	23,343
	48,412	45,071

Leasehold land with an aggregate net book value as at 31st December 2009 of approximately HK$9,766,000 had been pledged to secure short-term bank loan granted to a non-wholly owned subsidiary (note 25).

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 2009	**31,037**	**25,285**	**22,416**	**9,645**	**4,020**	**6,186**	**3,075**	**101,664**
Exchange difference	**40**	**4**	**1**	**17**	**1**	**3**	**5**	**71**
Additions	**3**	**1,646**	**3,203**	**1,854**	**905**	**296**	**5,769**	**13,676**
Disposals	**–**	**–**	**(685)**	**(110)**	**–**	**–**	**–**	**(795)**
Written off	**–**	**(791)**	**–**	**–**	**–**	**–**	**–**	**(791)**
Reclassification	**–**	**5,788**	**–**	**2,016**	**–**	**–**	**(7,804)**	**–**
At 31st December 2009	**31,080**	**31,932**	**24,935**	**13,422**	**4,926**	**6,485**	**1,045**	**113,825**
Accumulated depreciation								
At 1st January 2009	**1,465**	**4,755**	**13,070**	**1,869**	**2,378**	**4,432**	**–**	**27,969**
Exchange difference	**1**	**1**	**–**	**1**	**1**	**1**	**–**	**5**
Charge for the year	**1,124**	**5,643**	**2,245**	**1,590**	**516**	**818**	**–**	**11,936**
Disposals	**–**	**–**	**(596)**	**(55)**	**–**	**–**	**–**	**(651)**
Written off	**–**	**(661)**	**–**	**–**	**–**	**–**	**–**	**(661)**
At 31st December 2009	**2,590**	**9,738**	**14,719**	**3,405**	**2,895**	**5,251**	**–**	**38,598**
Net book value at 31st December 2009	**28,490**	**22,194**	**10,216**	**10,017**	**2,031**	**1,234**	**1,045**	**75,227**
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

Depreciation expense amounted to approximately HK$2,012,000 (2008: HK$690,000) was included in "cost of sales", and HK$9,924,000 (2008: HK$9,356,000) in "administrative expenses".

Buildings with an aggregate net book value as at 31st December 2009 of approximately HK$9,178,000 had been pledged to secure short-term bank loan granted to a non-wholly owned subsidiary (note 25).

18 AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset at 31st December 2009 and 2008 is an investment in an unlisted limited partnership incorporated in the Cayman Islands and its carrying value is denominated in United Kingdom Pounds (note 3(c)).

There was no disposal on the available-for-sale financial asset in 2009 and 2008.

During the year ended 31st December 2009, the change in fair value of available-for-sale financial asset recognised directly in equity amounted to approximately HK$2,201,000 (2008: HK$2,524,000).

The amount of the impairment loss that was removed from equity and recognised in the consolidated income statement for the year ended 31st December 2009 amounted to approximately HK$4,725,000 (2008: Nil).

19 INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	**7,306**	4,702
Finished goods	**618,735**	216,913
	626,041	221,615

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$2,230,606,000 (2008: HK$4,047,349,000).

20 TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables, net of provision	**173,724**	108,831
Prepayments to suppliers	**16,121**	7,191
Deposits	**1,165**	1,857
Other receivables	**11,419**	13,409
	202,429	131,288

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:

	2009 **HK$'000**	2008 HK$'000
0 to 30 days	**136,308**	57,503
31 to 60 days	**31,331**	20,504
61 to 90 days	**4,410**	15,648
Over 90 days	**1,675**	15,176
	173,724	108,831

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

	2009 **HK$'000**	2008 HK$'000
HK dollars	**42,066**	38,776
US dollars	**79,839**	42,175
Renminbi	**51,819**	27,880
	173,724	108,831

As at 31st December 2009, trade receivables of approximately HK$110,205,000 (2008: HK$89,121,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables, based on due date, is as follows:

	2009 **HK$'000**	2008 HK$'000
1 to 30 days	**98,085**	51,814
31 to 60 days	**10,337**	27,079
61 to 90 days	**900**	5,544
Over 90 days	**883**	4,684
	110,205	89,121

The Group has made full provision for impairment of trade receivables of approximately HK$3,769,000 (2008: HK$2,930,000) as at 31st December 2009.

20 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2009 HK$'000	2008 HK$'000
At 1st January	**2,930**	–
Provision for impairment of trade receivables	**2,169**	2,930
Receivables written off during the year as uncollectible	**(1,290)**	–
Recoverable of impairment provision of trade receivable	**(40)**	–
At 31st December	**3,769**	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 BANK BALANCES AND CASH

	Group		Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Cash at bank and on hand	**240,118**	281,638	**50,425**	482
Short-term bank deposits	**475,269**	582,509	**370,350**	394,671
	715,387	864,147	**420,775**	395,153

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

	Group		Company	
	2009	2008	**2009**	2008
Short-term bank deposits	**0.005% to 1.85%**	0.05% to 4.41%	**0.01% to 1.80%**	0.05% to 4.41%

21 BANK BALANCES AND CASH *(Continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**504,389**	554,526	**337,222**	312,212
US dollars	**190,455**	257,234	**83,553**	82,941
Renminbi	**20,419**	52,228	**–**	–
Others	**124**	159	**–**	–
	715,387	864,147	**420,775**	395,153

22 SHARE CAPITAL

(a) Authorised and issued capital

	Number of shares	Approximate amount HK$'000
Authorised:		
At 31st December 2008 and 31st December 2009	8,000,000,000	800,000
Issued and fully paid – ordinary shares of HK$0.1 each:		
At 31st December 2008 and 31st December 2009	828,750,000	82,875

(b) Share option schemes

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

22 SHARE CAPITAL *(Continued)*

(b) Share option schemes *(Continued)*

(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)

20,921,100 share options under the Pre-IPO Share Option Scheme are exercisable as at 31st December 2009 (2008: 13,872,612).

Details of the options granted under the Pre-IPO Share Option Scheme outstanding as at 31st December 2009 are as follows (2008: 21,019,110 options):

	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	4,333,050
			20,921,100

98,010 share options granted under the Pre-IPO Share Option Scheme lapsed during the year (2008: 941,070 options). 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.

23 SHARE PREMIUM AND OTHER RESERVES

Group

		Other reserves								
	Share premium HK$'000	Merger reserve (note (b)) HK$'000	Capital redemption reserve HK$'000	Reserve funds (note (a)) HK$'000	Available-for-sale financial 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
At 1st January 2009	495,293	(17,830)	125	490	(2,524)	28,162	3,666	586,934	599,023	1,094,316
Exchange difference	–	–	–	–	–	–	658	–	658	658
Profit for the year	–	–	–	–	–	–	–	106,940	106,940	106,940
Pre-IPO Share Option Scheme – value of employee services	–	–	–	–	–	2,955	–	–	2,955	2,955
Dividends paid	–	–	–	–	–	–	–	(66,300)	(66,300)	(66,300)
Change in fair value of available-for-sale financial asset	–	–	–	–	(2,201)	–	–	–	(2,201)	(2,201)
Impairment loss of available-for-sale financial asset	–	–	–	–	4,725	–	–	–	4,725	4,725
At 31st December 2009	495,293	(17,830)	125	490	–	31,117	4,324	627,574	645,800	1,141,093
Balance after 2009 final dividend proposed	495,293	(17,830)	125	490	–	31,117	4,324	540,555	558,781	1,054,074
2009 final dividend proposed	–	–	–	–	–	–	–	87,019	87,019	87,019
	495,293	(17,830)	125	490	–	31,117	4,324	627,574	645,800	1,141,093

23 SHARE PREMIUM AND OTHER RESERVES *(Continued)*

Group *(Continued)*

		Other reserves								
	Share premium HK$'000	Merger reserve (note (b)) HK$'000	Capital redemption reserve HK$'000	Reserve funds (note (a)) HK$'000	Available-for-sale financial 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
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

Notes:

(a) 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.

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

23 SHARE PREMIUM AND OTHER RESERVES *(Continued)*

Company

	Share premium HK$'000	Other reserves: Contributed surplus (note) HK$'000	Other reserves: Capital redemption reserve HK$'000	Other reserves: Share-based compensation reserve HK$'000	Other reserves: Retained earnings HK$'000	Other reserves: Sub-total HK$'000	Total HK$'000
At 1st January 2009	**495,293**	**640,631**	**125**	**28,162**	**60,166**	**729,084**	**1,224,377**
Profit for the year	**–**	**–**	**–**	**–**	**94,519**	**94,519**	**94,519**
Pre-IPO Share Option Scheme							
– value of employee services	**–**	**–**	**–**	**2,955**	**–**	**2,955**	**2,955**
Dividends paid	**–**	**–**	**–**	**–**	**(66,300)**	**(66,300)**	**(66,300)**
At 31st December 2009	**495,293**	**640,631**	**125**	**31,117**	**88,385**	**760,258**	**1,255,551**
Balance after 2009 final dividend proposed	**495,293**	**640,631**	**125**	**31,117**	**1,366**	**673,239**	**1,168,532**
2009 final dividend proposed	**–**	**–**	**–**	**–**	**87,019**	**87,019**	**87,019**
	495,293	**640,631**	**125**	**31,117**	**88,385**	**760,258**	**1,255,551**
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

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.

24 TRADE AND OTHER PAYABLES

	2009 HK$'000	2008 HK$'000
Trade payables		
– third parties	**82,527**	43,173
– a related company	**3,535**	1,300
	86,062	44,473
Prepayments from customers	**20,295**	19,105
Accrued expenses	**18,588**	9,029
	124,945	72,607

Ageing analysis of trade payables is as follows:

	2009 HK$'000	2008 HK$'000
0 to 30 days	**84,342**	43,634
31 to 60 days	**1,579**	622
61 to 90 days	**5**	–
Over 90 days	**136**	217
	86,062	44,473

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:

	2009 HK$'000	2008 HK$'000
HK dollars	**4,468**	1,126
US dollars	**72,445**	39,016
Renminbi	**9,149**	4,331
	86,062	44,473

25 BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Short-term bank loan – unsecured	**28,600**	45,792
Short-term bank loan – secured	**5,720**	–
Loans against trust receipts – unsecured	**245,195**	28,414
	279,515	74,206

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

	2009 HK$'000	2008 HK$'000
US dollars	**245,195**	27,891
Renminbi	**34,320**	45,792
Others	**–**	523
	279,515	74,206

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

	2009	2008
Short-term bank loans	**5.04% to 5.82%**	7.27% to 8.31%
Loans against trust receipts	**1.05% to 1.83%**	2.80% to 5.59%

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

The short-term bank loan of approximately HK$5,720,000 was secured by certain leasehold land and buildings of the Group's non-wholly owned subsidiary as at 31st December 2009 (notes 16 and 17).

26 AMOUNT DUE TO MINORITY INTERESTS

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

27 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% (2008: 16.5%).

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

	2009 HK$'000	2008 HK$'000
At 1st January	**2,011**	1,892
Charged to income statement (note 12)	**767**	119
At 31st December	**2,778**	2,011

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**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
At 1st January	**192**	127	**(2,203)**	(2,019)
Deferred income tax credited/(charged) to income statement	**(18)**	65	**(749)**	(184)
At 31st December	**174**	192	**(2,952)**	(2,203)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$14,046,000 (2008: HK$17,810,000) in respect of losses amounting to approximately HK$66,940,000 (2008: HK$97,004,000) that can be carried forward against future taxable income. Tax losses arising in Hong Kong amounting to approximately HK$25,254,000 (2008: HK$66,541,000) 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$41,686,000 (2008: HK$30,463,000) will expire within five years.

28 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company 2009 HK$'000	2008 HK$'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 2009:

Company name	Place of incorporation and kind of legal entity	Issued capital/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities and place of operation
Lee City Asia Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding in Hong Kong
Lee Fung Metal Company Limited	Hong Kong, limited liability company	100,000 shares of HK$1 each	100%	Trading of non-ferrous metal in Hong Kong
Lee Kee Group Limited	Hong Kong, limited liability company	1,000 shares of HK$1 each	100%	Investment holding in Hong Kong
# Lee Kee Group (BVI) Limited	British Virgin Islands, limited liability company	2 shares of HK$1 each	100%	Investment holding in British Virgin Islands
Lee Kee Metal Company Limited	Hong Kong, limited liability company	500,000 shares of HK$10 each	100%	Trading of zinc and zinc alloy in Hong Kong
Lee Sing Materials Company Limited	Hong Kong, limited liability company	100,000 shares of HK$1 each	100%	Trading of chemical products in Hong Kong
Lee Yip Metal Products Company Limited	Hong Kong, limited liability company	1,000,000 shares of HK$ 1 each	70%	Trading of stainless steel in Hong Kong
Standard Glory Management Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Provision of management services in Hong Kong
Toba Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding in Hong Kong

28 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 and place of operation
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 in China mainland
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 in China mainland
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 aluminium alloy in China mainland
LKG Elite (Shenzhen) Co., Ltd.	The People's Republic of China, limited liability company	RMB18,400,000	100%	Distribution of non-ferrous metal in China mainland
LKG Elite (Guangzhou) Co., Ltd.	The People's Republic of China, limited liability company	RMB2,500,000	100%	Distribution of non-ferrous metal in China mainland
LKG Elite (Wuxi) Co., Ltd.	The People's Republic of China, limited liability company	USD1,500,000	100%	Distribution of non-ferrous metal in China mainland

Directly held by the Company

29 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 2009:

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 2009, and revenues and results of Genesis Group for the year then ended. They are included in the consolidated statement of financial position and consolidated income statement of the Group:

	2009 HK$'000	2008 HK$'000
Leasehold land	**534**	545
Property, plant and equipment	**9,269**	9,540
Inventories	**4,481**	13,772
Trade and other receivables	**8,795**	14,900
Bank balances and cash	**5,589**	10,146
Income tax recoverable		–
Trade and other payables	**(1,794)**	(2,354)
Bank borrowings	**(28,601)**	(45,792)
Amount due to a joint venturer of a jointly controlled entity	**(561)**	(292)
	(2,288)	465
Amount due to the Group	**(2,528)**	(2,387)
Net liabilities	**(4,816)**	(1,922)
Revenues	**95,562**	178,931
Cost of sales	**(90,088)**	(182,212)
Gross profit/(loss)	**5,474**	(3,281)
Other income	**16**	429
Distribution and selling expenses	**(2,247)**	(2,509)
Administrative expenses	**(4,756)**	(4,008)
Other (losses)/gains, net	**(3)**	243
Operating loss	**(1,516)**	(9,126)
Finance costs	**(1,870)**	(3,486)
Loss before income tax	**(3,386)**	(12,612)
Income tax expense	**–**	(1,000)
Loss after income tax	**(3,386)**	(13,612)

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.

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2009 HK$'000	2008 HK$'000
Profit/(loss) before income tax	**123,201**	(2,298)
Depreciation of property, plant and equipment	**11,936**	10,046
Amortisation of leasehold land	**1,382**	938
Interest income	**(3,501)**	(15,654)
Interest expense	**2,451**	12,045
Gain on disposal and write off of property, plant and equipment	**(115)**	(120)
Impairment loss of available-for-sale financial asset	**4,725**	–
Pre-IPO Share Option Scheme – value of employee services	**2,955**	7,836
Operating cash inflow before working capital changes	**143,034**	12,793
(Increase)/decrease in inventories	**(404,426)**	375,255
(Increase)/decrease in trade and other receivables	**(71,141)**	129,211
Decrease in financial asset at fair value through profit or loss	**–**	7,853
Increase /(decrease) in trade and other payables	**52,338**	(80,459)
Movement in balance with a joint venturer of a jointly controlled entity	**269**	(100)
Net cash (used in)/generated from operations	**(279,926)**	444,553

(ii) Major non-cash transaction

During the year ended 31st December 2008, one of the Group's minority shareholders contributed an 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.

31 CONTINGENT LIABILITIES

At 31st December 2009, the Company had contingent liabilities of approximately HK$1,977 million (2008: HK$1,920 million) in respect of corporate guarantees for credit facilities for certain subsidiaries and a jointly controlled entity amounting to approximately HK$1,448 million (2008: HK$1,742 million), of which approximately HK$280 million (2008: HK$74 million) was utilised.

32 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:

	2009 HK$'000	2008 HK$'000
Within one year	**666**	1,972
In the second to fifth years inclusive	**292**	184
	958	2,156

(b) Capital commitments

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

	2009 HK$'000	2008 HK$'000
Contracted but not provided for:		
Leasehold land and property, plant and equipment	**8,064**	13,500

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

	2009 HK$'000	2008 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**–**	372

33 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	**2009 HK$'000**	2008 HK$'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)	**53,795**	27,167
Purchase of raw materials from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd.	(iv)	**83,801**	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**	480
Rental paid to Modern Wealth Limited	(vii)	**–**	313
Management fee paid to Niox Limited	(viii)	**956**	800

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

(ii) The Group 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 Alloys (Ningbo) Limited at prices as agreed by both parties for each transaction.

(iv) Purchase of raw materials – scrap aluminium

The Group purchased goods of approximately HK$83,801,000 (2008: HK$83,209,000) from 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.

Purchase of other raw materials

During the year ended 31st December 2008, the Group purchased goods of approximately HK$891,000 from 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.

33 RELATED PARTY TRANSACTIONS *(Continued)*

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

(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.

(vi) The Group paid rental expenses for directors' quarters to Sonic Gold Limited, of which the Company's director, 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 the Company's director, 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.

(b) Personal guarantee given by Mr Poon Man Keung

Banking facilities of approximately HK$129,000,000 (2008: 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

	2009 HK$'000	2008 HK$'000
Salaries and other short term employee benefits	**24,050**	20,724
Post employment benefits – pension	**227**	243
Share-based compensation	**2,346**	6,499
	26,623	27,466

(d) Balances with related parties

Other than as disclosed in notes 24, 26 and 29, the Group had no material balances with related parties.

34 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lee Kee Holdings Limited (the "Company") will be held at Diamond Room 8, B1/F, Eaton Hotel Hong Kong, 380 Nathan Road, Kowloon, Hong Kong on Thursday, 20th May 2010 at 2:00 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 2009.

2. To declare dividends of the Company for the year ended 31st December 2009.

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. 5 and Resolution No. 6 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. 5, 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, 14 April 2010

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

Notes:

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

2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

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

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