利記控股有限公司
LEE KEE HOLDINGS LIMITED

SINCE 1947

(incorporated in the Cayman Islands with limited liability)

Stock Code：0637

GLOBAL OFFERING

Global Co-ordinator, Sole Bookrunner, Sponsor and Lead Manager

CAZENOVE

Cazenove Asia Limited

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IMPORTANT

If you are in any doubt *about any contents of this prospectus, you should seek independent professional advice.*

利記控股有限公司
LEE KEE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**200,000,000 Shares (subject to the Over-allotment Option)**
Number of Placing Shares		**180,000,000 Shares (subject to the Over-allotment Option and re-allocation)**
Number of Public Offer Shares	**:**	**20,000,000 Shares (subject to re-allocation)**
Offer Price	**:**	**Not more than HK$2.70 per Offer Share (payable in full upon application and subject to refund) and expected to be not less than HK$1.94 per Offer Share**
Nominal value	**:**	**HK$0.10 per Share**
Stock code	**:**	**637**

Global Co-ordinator, Sole Bookrunner, Sponsor and Lead Manager

CAZENOVE

Cazenove Asia Limited

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between Cazenove (on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Thursday, 28 September 2006 (Hong Kong time) or such later date as may be agreed between the parties, but in any event, no later than Monday, 2 October 2006 (Hong Kong time). The Offer Price will be announced in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable after it is fixed. The Offer Price will be not more than HK$2.70 per Offer Share and is expected to be not less than HK$1.94 per Offer Share. Investors applying for the Public Offer Shares must pay the maximum Offer Price of HK$2.70 per Public Offer Share, together with brokerage of 1%, SFC transaction levy of 0.005% and Stock Exchange trading fee of 0.005%, subject to refund, if the Offer Price, as finally determined, is lower than the maximum Offer Price. Cazenove (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction of the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. If applications for the Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. If, for whatever reason, Cazenove and our Company are unable to agree on the Offer Price by Monday, 2 October 2006, the Global Offering will not proceed and will lapse.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to us given by Cazenove (on behalf of the Underwriters), upon occurrence of any of the events set forth in the section headed "Underwriting — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident, economic sanctions, public disorder, riot and epidemic.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set forth in the section headed "Risk factors" in this prospectus.

21 September 2006

	2006 *(Note 1)*
Application Lists open *(Note 2)*	11:45 a.m. on Tuesday, 26 September
Latest time for lodging **WHITE** and **YELLOW** Application Forms *(Note 2)*	12:00 noon on Tuesday, 26 September
Latest time to give **electronic application instructions** to HKSCC *(Note 3)*	12:00 noon on Tuesday, 26 September
Application Lists close *(Note 2)*	12:00 noon on Tuesday, 26 September
Expected Price Determination Date *(Note 4)*	Thursday, 28 September
Announcement of the Offer Price, the level of indication of interest in the Placing, results of the applications and basis of allocation of the Public Offer Shares (with successful applicants' identification document numbers, where appropriate) to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, 3 October
Despatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications on or before *(Note 5)*	Tuesday, 3 October
Despatch of refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications on or before *(Note 5)*	Tuesday, 3 October
Dealings in the Shares on the Main Board to commence on	Wednesday, 4 October

Notes:

1. All times and dates refer to Hong Kong local time and dates. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure and conditions of the Global Offering" in this prospectus.

2. If there is a "**black**" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 26 September 2006, the Application Lists will not open or close on that day. Further information is set forth in the section headed "How to apply for the Public Offer Shares — Effect of bad weather on the opening and closing of the Application Lists" in this prospectus.

3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Public Offer Shares — Applying by giving electronic application instructions to HKSCC" in this prospectus.

4. The Price Determination Date is expected to be on or before Thursday, 28 September 2006 (Hong Kong time) and, in any event, not later than Monday, 2 October 2006 (Hong Kong time). If, for any reason, the Offer Price is not agreed between Cazenove (on behalf of the Underwriters) and our Company by Monday, 2 October 2006, the Global Offering will not proceed and will lapse.

5. Refund cheques will be issued in respect of wholly successful applications if the final Offer Price is less than the Offer Price payable on application and wholly or partially unsuccessful applications. Applicants who apply on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more may collect their Share certificates and/or refund cheques (where applicable) in person from the Hong Kong Branch Share Registrar between 9:00 a.m. and 1:00 p.m. on Tuesday, 3 October 2006 or on the date notified by our Company as the date of despatch of Share certificates and refund cheques. In order to do so, the applicant must complete the appropriate box on the **WHITE** Application Form. Applicants being individuals who opt for collection in person must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for collection in person must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Both individuals and authorised representatives, as the case may be, must produce at the time of collection evidence of identity acceptable to the Hong Kong Branch Share Registrar. If an applicant has opted for collection in person but does not collect the Share certificate and/or refund cheque (where applicable) by 1:00 p.m. on Tuesday, 3 October 2006, the Share certificate and/or refund cheque (where applicable) will be sent to the address as appeared on the relevant Application Form in the afternoon on the date of despatch by ordinary post at the applicant's own risk.

   Applicants who apply on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more may collect their refund cheques (where applicable) in person from the Hong Kong Branch Share Registrar between 9:00 a.m. and 1:00 p.m. on Tuesday, 3 October 2006 or on the date notified by the Company as the date of despatch of Share certificates and refund cheques. In order to do so, the applicant must complete the appropriate box on the **YELLOW** Application Form. The procedure for collection of the refund cheque (where applicable) is the same as that for **WHITE** Application Form applicant. Share certificate for successful applicant using **YELLOW** Application Form will be deposited into CCASS for credit to the applicant's investor participant stock account or the stock account of the applicant's designated CCASS participant. Detailed arrangements are set forth in the section headed "How to apply for the Public Offer Shares — Despatch and collection of Share certificates and/or refund cheques and deposit of Share certificates into CCASS" in this prospectus.

   Applicants who have not indicated on their Application Forms that they will collect their Share certificate and/or refund cheques (where applicable) in person, their Share certificate and/or refund cheque (where applicable) will be sent to the address as appeared on the relevant Application Form in the afternoon on the date of despatch by ordinary post at the applicant's own risk.

Our Company will not issue any temporary documents of title in respect of the Offer Shares. Share certificates will only become valid certificates of title if the Global Offering has become unconditional and the Underwriting Agreements have not been terminated in accordance with their respective terms, which is expected to be not later than 8:00 a.m. (Hong Kong time) on the Listing Date.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company given by Cazenove (on behalf of the Underwriters), upon the occurrence of any of the events set forth in the section headed "Underwriting — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident, economic sanctions, public disorder, riot and epidemic.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Lee Kee Holdings Limited solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus.

Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

OVERVIEW

We are a leading sourcing and distribution company of die-casting zinc alloy in Hong Kong with a history of close to 60 years since our establishment in 1947. With Hong Kong being a gateway for the import of non-ferrous metals into the PRC, out of the total amount of zinc alloy imported into Hong Kong of approximately 213,700 metric tonnes in 2005[1], we imported approximately 154,000 metric tonnes, representing approximately 72.5% of the imported zinc alloy market. Our total sale of zinc alloy, including direct shipment to our customers in the PRC, amounted to approximately 176,000 metric tonnes for the financial year ended 31 December 2005. It represents approximately 77.0% of the total volume of imported zinc alloy in the PRC for the same year which amounts to approximately 228,595 metric tonnes.[2]

Our principal business is sourcing and distribution of non-ferrous metals, primarily SHG zinc and zinc alloy, nickel and nickel-related products, aluminium and aluminium alloy, and other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium).

In addition to our current principal business of sourcing and distribution, we also provide related value-added and ancillary services along our business line from procurement of raw metal materials to after-sales services to our customers. Our operations comprise the sourcing, marketing, transportation and delivery of a wide range of different non-ferrous metals and the provision of certain related value-added and ancillary services such as arrangement for transportation and insurance, inventory management, quality control services, laboratorial chemical analysis, general information services and technical support in order to deliver more effectively and efficiently the products we source for our customers.

The Enlarged Group's goal is to become a leading international integrated supply chain company in the non-ferrous metals industry that provides "one-stop" solution service to our customers.

Non-ferrous metals and their alloy products are used in a wide variety of industries such as machinery, construction, automobile, electronics and packaging. During the period from 2001-2005, the world supply of zinc and nickel grew at a CAGR of 2.70% and 3.09% respectively, while the

Notes:

1 *Source:* Census and Statistics Department, Hong Kong, 2006

2 *Source:* The Yearbook of Nonferrous Metals Industry of China, 2002-2006 for data in years 2001-2005

consumption of such metals grew at a CAGR of 4.52% and 4.41% respectively. The PRC is one of the primary reasons that fuelled the strong demand growth. For instance, the PRC's supply of zinc merely grew at a CAGR of 6.6% while its consumption grew at a CAGR of 18.4% from 2001 to 2005. Non-ferrous metals end-users are spread over many industries, particularly among the die-casting foundries in the PRC. In order to better serve such fragmented and diversified customer base, the supply chain of non-ferrous metals usually involves international and regional sourcing and distributing companies with in-depth knowledge and expertise to act as intermediaries between suppliers and the end-users.

For the three years ended 31 December 2005, we accomplished a turnover CAGR of approximately 50.4%. The turnover for SHG zinc and zinc alloy experienced a CAGR of approximately 61.5% whereas our turnover from nickel-related products experienced a CAGR of approximately 36.3%. During the same period, the Group's net profits grew at a CAGR of approximately 137.9%. For the five months ended 31 May 2006, the turnover and net profit of the Group were equivalent to approximately 58.9% and 111.0% respectively of the corresponding figures for the whole of year 2005.

We have an established and extensive network of customers and suppliers. Our customer base spans the Greater China Region and to a lesser extent Vietnam, Indonesia, Thailand, Singapore and Malaysia. Our customer base, with more than 1,100 customers with manufacturing facilities in the Pearl River Delta region, has been the bedrock of our business. Our customers are primarily manufacturers of commercial products in various industries, including bathroom fittings, household hardware, toys, home appliances, silver-plated tableware, fashion accessories, automobile accessories, stationeries and jewellery.

Our principal suppliers are the world's main non-ferrous metals producers including Zinifex, Inco, Korea Zinc, OMG, Teck Cominco, Alcan and Johnson Matthey. We have maintained long-term supply arrangements with certain of these suppliers. For example, the Zinc Agreement was entered into whereby we agreed to purchase certain zinc alloy products from Zinifex for a term of 5 years. Furthermore we agreed with Korea Zinc to be its exclusive distributor of zinc alloy in Hong Kong and Guangdong areas.

As part of the Enlarged Group's strategy to become a leading international integrated supply chain company, the Enlarged Group has further diversified into upstream sector of the metals supply chain through a joint venture in the PRC, Genesis Ningbo, which is an upstream manufacturer of zinc alloy.

COMPETITIVE STRENGTHS

We believe our principal competitive strengths include the following:

Strong brand name in the non-ferrous metals industry

We believe that the "Lee Kee" brand is one of the most recognised brands for sourcing and distribution of non-ferrous metals in Hong Kong and the Greater China Region. With close to 60 years of experience in the non-ferrous metals industry with the established brand name, we believe that we are also one of the preferred choices when companies require the sourcing of non-ferrous metals supply. We also offer value-added and ancillary services that we believe most of our competitors do not provide.

Established and diversified customer base

Our customer base spans the Greater China Region and to a lesser extent Vietnam, Indonesia, Thailand, Singapore and Malaysia, with over 1,100 customers with manufacturing facilities in the Pearl River Delta region alone. As of the Latest Practicable Date, we had approximately 1,200 customers located in six different countries around the world. Further, our customers are engaged in a variety of industries including bathroom fittings, household hardware, toys, home appliances, silver-plated tableware, fashion accessories, automobile accessories, stationeries and jewellery. As a result, we are not dependent on any particular customer, group of customers nor would any change in any one industry of our customers significantly affect our business. Our largest customer accounted for approximately 1.9%, 2.0% and 2.2%, and 3.0% of our turnover for each of the three years ended 31 December 2005 and the five months ended 31 May 2006, respectively. This diversified customer base helps minimising risks associated with financial conditions of any single customer and the consequential adverse effect on our results of operations. The diversity in our customer base helps insulating us from any downturn of any specific industry.

Provision of value-added services and ancillary services to customers

Our Directors believe that we provide value-added services and ancillary services that most of our competitors do not provide to customers in connection with the distribution of non-ferrous metals. These services include, but are not limited to, the arrangement for transportation and insurance, the provision of general information services such as general price trend information, newsletters on market and industrial information and seminars for customers, as well as the provision of technical research and support services such as mould design and technical advice, on-site visits and consultation.

Established relationships with key suppliers

We maintain relationships with international suppliers of non-ferrous metals throughout the world, such as Zinifex, Inco, Korea Zinc, OMG, Teck Cominco, Alcan and Johnson Matthey.

The Zinc Agreement was entered into whereby we agreed to purchase certain zinc alloy products from Zinifex for a term of 5 years. We also have entered into an exclusive distributorship agreement with Korea Zinc in relation to the exclusive distribution of zinc alloy in Hong Kong and Guangdong areas.

The structure of our purchase price is agreed, and revised annually, with references to the metal prices quoted on the LME. Therefore, our Directors believe that the Zinc Agreement and the exclusive arrangements with Korea Zinc provide us a degree of certainty in terms of our purchase cost for zinc alloy. We have also entered into other various non-exclusive distributorship agreements with other suppliers of non-ferrous metals, which are usually renewed on an annual basis. Our Directors believe that our stable supplier base allows us to satisfy our customers' diversified needs promptly and, accordingly, maintain a leading position in our key markets in the Greater China Region.

Experienced management and staff

Our senior management possesses extensive experience, technical know-how, management skills and industry knowledge. Our Chairman, Mr. CHAN Pak Chung, has over 40 years of relevant experience in the non-ferrous metals industry. Ms. CHAN Yuen Shan, Clara is our chief executive officer and Ms. MA Siu Tao is our sales director. They have approximately more than 10 years and 20 years of relevant experience in the non-ferrous metals industry, respectively. We therefore have an in-depth knowledge of the industry in which we operate. We believe our experienced management team enables us to capture market opportunities and to formulate and execute sound business strategies.

We believe that skilled and experienced technical personnel are particularly valued in the provision of the value-added and ancillary services, such as technical support. We believe that our staff, especially technical personnel and market research analysts, many having advanced degrees and professional technical qualifications, contribute to the business of the Group significantly. Mr. CHAN Pak Chung handpicks and trains our senior management. We aim to attract and retain experienced professionals within the industry by relying on our market leading position. We provide our staff with training courses to ensure that their skills are constantly upgraded and commensurate with rapid technological advances.

Prudent financial management practices and management system

We maintain a strict risk management system and believe it has contributed to our overall financial position. We are subject to risk of unmatching purchase orders and sales volume due to the nature of our business and distribution agreements. We have established an internal control system, however, to monitor and report on our business activities in order to mitigate such operating and financial risk. Our risk management committee regularly evaluates and monitors our exposure to such risk. The risk management committee consists of two executive Directors (including the chief executive officer), the chief financial officer and a market analyst. The committee has formulated a set of internal guidelines in relation to price hedging and holds weekly meetings to evaluate our risk exposure to price fluctuations and makes decisions regarding price hedging. The majority of our commodity transactions can be hedged through future contracts and over-the-counter transactions. During our Track Record Period, our hedging activities involve short selling and long buying of futures contracts. In the three years ended 31 December 2005 and the five months ended 31 May 2006, our short sold futures contract amounted to HK$94,339,851, HK$13,910,130, HK$2,817,360 and HK$nil, respectively, and long bought futures contract amounted to HK$19,020,378, HK$nil, HK$5,261,100 and HK$nil, respectively. Furthermore, we adopt strict credit approval procedures to manage our exposure to credit risk and our exposure to non-payment risk. In the three years ended 31 December 2005 and the five months ended 31 May 2006, approximately 33.9%, 44.5% and 53.8%, and 62.4%, respectively, of our trade settlements were made by letters of credit and telegraphic transfers, which allowed us to reduce our exposure to non-payment risk.

Our net short term interest bearing debt to equity ratio was 11.5% as of 31 May 2006. We also maintain adequate borrowing capacity to meet the growing needs of our business and take a disciplined approach to working capital management, which is reflected in our computerised inventory management system and accounts receivable management through collaboration among credit manager, sales team and accounting department. As a result, we have an average inventory turnover days of approximately 45 days and an average trade receivable turnover days of 18.1 days for the three years ended 31 December 2005. We believe our strong financial position affords us greater flexibility in responding to the funding requirements of our business and changes in market conditions.

GROWTH STRATEGIES

The Enlarged Group's objectives are to expand its customer base, further diversify into upstream and downstream sectors of non-ferrous metals supply chain and become a leading international integrated supply chain company in this industry. In order to achieve those objectives, the Enlarged Group intends to adopt the following growth strategies:

Further penetrate into the PRC market with a focus on high growth areas

We will continue to focus on the Greater China Region with a focus on areas with high economic growth rates, and in particular, the Pearl River Delta region.

We will also focus on the Yangtze River Delta region and the northeastern and western provinces of the PRC through a combination of our own sales team's efforts and engagement of established independent sales agents. We plan to establish trading companies and representative offices in major cities such as Guangzhou, Shanghai, Chengdu, Dalian and Beijing within two years, which will focus primarily on customers who are originally based in Taiwan, the PRC and other countries, in addition to Hong Kong. We plan to reach our target channel capacities for zinc alloy at 30,000 tonnes per annum and 45,000 tonnes per annum in Pearl River Delta and Yangtze River Delta, respectively, within 2 years. Within 3 to 5 years, both target channel capacities in the regions will each reach 90,000 tonnes per annum.

Strengthen supplies and diversify into upstream and downstream sectors of the supply chain

The Enlarged Group will continue to explore alternative sources of supplies of quality ferrous and non-ferrous metals, including establishing its own production facilities through joint ventures with reputable foreign smelting operators; through mergers and acquisitions of existing facilities; or through seeking alliances with non-ferrous concentrates providers or miners.

The acquisition of the 50% interest in the Genesis Group serves the purpose of diversifying ourselves into the upstream sector of the zinc alloy supply chain.

We have also planned to further diversify ourselves into the downstream sector of the metals supply chain. We entered into the Call Option Deed to acquire certain interest in Lee Yip from Mr. CHAN Pak Chung. Lee Yip processes stainless steel to various configurations according to customers' specifications.

The Enlarged Group also intends to establish and expand its own production facilities, such as a production plant for zinc and aluminium alloys with a total installed production capacity of up to 17,500 metric tonnes per month. The total capital expenditures planned for zinc alloy plant and aluminium alloy plant development are approximately HK$110.0 million and HK$78.5 million, respectively, and they are expected to be deployed in approximately equal sums in both 2007 and 2008.

Achieve one-stop solution capability

We intend to diversify our operations in order to become a one-stop solution provider to end-users of various non-ferrous metals. In order to do so, we plan to strengthen our following services:

- logistics capabilities to shorten the order lead time of our customers including, but not limited to, establishing warehouses in strategic locations in order to speed up our delivery in the PRC market, building up alliances with reliable transportation companies and further enhancing our capabilities to improve our material handling time;

- bridging services for overseas buyers who wish to source products in the PRC;

- technical services to assist customers in enhancing their production efficiency;

- customer liaison services to facilitate our communications with our customers, such as the strengthening of our ERP systems to include CRM modules;

- laboratory services and research and development services to assure the quality of the products, assisting customers to locate the source of problems if anything happens during their production, and providing technical advice to customers in order to comply with industrial and environmental requirements; and

- market intelligence analysis to enable our customers to make informed purchase decisions and formulate risk management strategies.

Broaden product offerings and increase cross-selling of our products to existing customers

Since many of our customers need to procure more than one category of non-ferrous metals for their production needs, we aim to utilise our distribution network to strengthen our growth. We intend to increase cross-selling of our products to existing customers and source and offer additional metals such as brass, copper, magnesium alloys and other high potential alloys to cater for their needs. In addition, the Enlarged Group intends to leverage our strong PRC market expertise and the integrated upstream metal supplier and downstream die-casting foundry network to provide a one-stop product sourcing agency service for overseas manufacturers who demand competitively priced products. In order to address the growing environmental concerns, we also plan to establish recycling facilities as part of our zinc alloy production plants to provide recycling services to the Group’s customers by converting their zinc scraps into specific zinc alloys. The recycling facilities with installed processing capacity of 500 metric tonnes per month is expected to commence operation in 2008.

TRADING RECORD

The following table presents our summary audited combined results during the Track Record Period, prepared on the basis that the current Group structure had been in place throughout the Track Record Period. This summary (except for the notes) is extracted from, and should be read in conjunction with, the accountants' report, the text of which is set out in Appendix I to this prospectus.

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Turnover *(Note 1)*	1,390,325	2,438,382	3,143,009	1,184,875	1,849,920
Cost of sales	(1,313,509)	(2,272,897)	(2,857,850)	(1,055,183)	(1,559,312)
Gross profit	76,816	165,485	285,159	129,692	290,608
Other income	3,571	4,023	3,571	1,423	1,562
Distribution and selling expenses	(5,994)	(10,651)	(16,778)	(6,003)	(5,444)
Administrative expenses	(22,684)	(27,180)	(31,979)	(11,824)	(17,155)
Other gains/(losses) — net	(6,118)	8,156	12,473	6,576	6,733
Operating profit	45,591	139,833	252,446	119,864	276,304
Finance costs	(1,661)	(2,263)	(7,906)	(2,645)	(3,052)
Profit before taxation	43,930	137,570	244,540	117,219	273,252
Taxation *(Note 2)*	(8,134)	(24,597)	(42,160)	(20,323)	(48,533)
Profit for the year/period	35,796	112,973	202,380	96,896	224,719
Dividend	—	—	85,000	—	—

Notes:

1. Our turnover is mainly derived from the sourcing and distribution of non-ferrous metals in Hong Kong.

2. Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 17.5% for the three years ended 31 December 2005 and for the five months ended 31 May 2005 and 31 May 2006.

FUTURE PLANS AND PROSPECTS

Our Directors believe that the demand for non-ferrous metals in the Greater China Region will continue to grow. In particular, the PRC has grown to become one of the largest metals consumers in the world with expanding demand from die-casting foundries outgrowing supply. Our Directors also anticipate that, due to our established position in the market, our turnover generated from the supply and distribution of non-ferrous metals will continue to increase. The Enlarged Group's objective is to maintain our leading position in the distribution of zinc alloy in the Greater China Region and becomes a leading international integrated supply chain company in the non-ferrous metal industry that provides 'one-stop' solution services to customers. The Enlarged Group's future plans and prospects are summarised as follows:

- to continue to develop our distribution abilities in the PRC through setting up trading companies and representative offices in major cities such as Guangzhou, Shanghai, Chengdu, Dalian and Beijing by 2008;
- to expand our logistics facilities and seek alliances opportunities in various parts of the Greater China Region;
- to form a strategic partnership in order to further expand the Enlarged Group's production capacity of zinc alloy by up to 10,000 metric tonnes per month by establishing the Enlarged Group's alloy production plants by 2009;
- to explore the expansion of our existing product lines by moving upstream the supply chain to establish our own production facilities for manufacturing and processing aluminium alloys with production capacity up to 7,500 metric tonnes per month by 2009;
- to acquire certain interests in Lee Yip pursuant to the Call Option Deed in order to expand into the downstream of the metal supply chain; and
- to expand our service offering by providing laboratory testing services on metal-related products and recycling service to our customers.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$1.94	**Based on an Offer Price of HK$2.70**
Market capitalisation *(Note 1)*	HK$1,552 million	HK$2,160 million
Unaudited pro forma adjusted net tangible asset value per Share *(Note 2)*	HK$1.16	HK$1.35

Notes:

1. The calculation of market capitalisation is based on 800,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Written resolutions of our sole Shareholder passed on 15 September 2006" in Appendix V to this prospectus.

2. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after making the adjustments set forth in the section headed "Financial information — Unaudited pro forma adjusted net tangible assets" in this prospectus and on the basis of a total of 800,000,000 Shares expected to be in issue following completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$2.32 (being the mid-point of the Offer Price range stated in this prospectus), the pro forma adjusted net tangible asset value per Share will be HK$1.29 per Share.

Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of the growth of our Group and the listing of our Shares on the Stock Exchange made by certain Directors and full-time employees of the Group. As at the Latest Practicable Date, options to subscribe for an aggregate of 22,744,470 Shares have been granted by the Company under the Pre-IPO Share Option Scheme, none of which has been exercised by the grantees. Details of the principal terms of the Pre-IPO Share Option Scheme are summarised in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

REASONS FOR THE GLOBAL OFFERING AND PROPOSED USE OF NET PROCEEDS

Our Directors intend to utilise the net proceeds from the Global Offering to finance the Enlarged Group's future development, strengthen its capital base and improve its financial position. The net proceeds from the Global Offering (after deduction of related expenses and assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.32, being the mid-point of the Offer Price range stated in this prospectus) are estimated to be HK$426.9 million. Our Directors currently intend to use such net proceeds as follows:

- approximately HK$125.7 million (accounting for approximately 29.4% of the net proceeds) will be used to develop our distribution abilities in the PRC through setting up trading companies and representative offices in major cities such as Guangzhou, Shanghai, Chengdu, Dalian and Beijing in the following order:

  - approximately HK$74.8 million will be used to establish a foreign invested commercial enterprise to serve as our trading company (including expenses for lease of office) in Shanghai in December 2006 and we expect such enterprise to commence operation in 2007 with an initial capacity to handle 45,000 tonnes of non-ferrous metals per annum and target to increase to 90,000 tonnes per annum by 2009;

  - approximately HK$49.4 million will be used to establish a foreign invested commercial enterprise to serve as our trading company (including expenses for lease of office) in Guangzhou in December 2006 and we expect such enterprise to commence operation in 2007 with an initial capacity to handle 30,000 tonnes of non-ferrous metals per annum and target to increase to 90,000 tonnes per annum by 2009; and

  - approximately HK$1.5 million will be used to establish other representative offices (including expenses for leases of offices) in Chengdu, Dalian and Beijing in the second half of 2007 and we expect such representative offices to commence operations in 2008;

- approximately HK$110.0 million (accounting for approximately 25.8% of the net proceeds), being 50% of the investment, will be used to form a strategic partnership in order to further expand the Enlarged Group's production capacity of zinc alloy by up to 10,000 metric tonnes per month by establishing the Enlarged Group's zinc alloy production plants in two phases, namely 2008 and 2009 respectively. In the event that no such strategic partnership is formed, the remaining 50% investment will be financed by bank loans and we will then establish our own zinc alloy production plants;

- approximately HK$78.5 million (accounting for approximately 18.4% of the net proceeds) will be used to expand our product lines by establishing our own production facilities for manufacturing and processing aluminium alloys up to 7,500 metric tonnes per month in two phases, namely 2008 and 2009 respectively, by using aluminium scraps as major raw materials;

- approximately HK$30.0 million (accounting for approximately 7.0% of the net proceeds) will be used to expand our logistics facilities in Hong Kong;

- approximately HK$25.0 million (accounting for approximately 5.9% of the net proceeds) will be used to expand our service offering by providing laboratory testing services on metal-related products and recycling service to our customers;

- approximately HK$15.0 million (accounting for approximately 3.5% of the net proceeds) will be used to acquire Lee Yip; and

- approximately HK$42.7 million (accounting for approximately 10.0% of the net proceeds) will be used as our general working capital.

If the call option to acquire Lee Yip is not exercised, we intend to use the net proceeds of approximately HK$15.0 million to develop our trading company in Guangzhou as described above.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$2.32, being the mid-point of the Offer Price range stated in this prospectus, we intend to use the additional net proceeds of HK$67.5 million in (i) setting up trading companies and representative offices; (ii) expansion of production capacity of zinc alloy; and (iii) expansion of production facilities of aluminium alloys in the amount of 40%, 35% and 25% of the additional net proceeds, respectively. To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, it is our present intention that such net proceeds be placed on short term deposits with authorised financial institutions and/or licensed banks in Hong Kong for so long as it is in our best interests.

Should the Offer Price be set higher or lower than the mid-point of the Offer Price range of HK$2.32 per Share, the Directors presently intend to increase or decrease its investment in (i) setting up trading companies and representative offices; (ii) expansion of production capacity of zinc alloy; and (iii) expansion of production facilities of aluminium alloys in the amount of 40%, 35% and 25% of the net proceeds increase or decrease, respectively.

RISK FACTORS

Our Directors consider that our operations are subject to a number of risk factors, a summary of which is set forth in the section headed "Risk factors" in this prospectus. These risks can be broadly classified into (i) risks relating to our business; (ii) risks relating to the non-ferrous metals industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and operating results.

Risks relating to the Enlarged Group's business

- Decline in market demand for our products due to economic downturns in the US and Europe or in our customers' respective industries
- High customer concentration on companies with production facilities in the PRC
- Our exposure to movements in prices of non-ferrous metals
- Hedging risk and mitigation techniques relating to our exposure to timing mismatches between our customer orders and our supplier orders
- Dependence on certain major suppliers
- Operations being largely dependent on our key management
- Dividend payment to our existing Shareholders prior to the Global Offering should not be treated as an indication of our future dividend policy
- Possible exposure to uninsured liability
- Failure to implement the Enlarged Group's future business plans could adversely affect its business, financial condition and results of operations

- Our future plan to acquire Lee Yip pursuant to the terms of the Call Option Deed may not be realised

- The Enlarged Group's beneficial joint venture relationship with Zinifex may not continue

- Fire, severe weather, flood or earthquake could cause significant damage to the production and processing facilities of Genesis Ningbo and disrupt its business operations

- If the metals the Enlarged Group sells are defective and are used in end products by consumers, it may be subject to product liability risks

- Continued control by our Controlling Shareholders, whose interests may differ from those of other Shareholders

Risks relating to the non-ferrous metals industry

- Price fluctuations

- Competition and substitution

Risks relating to the PRC

- Political, economic and legal considerations in the PRC

- Changes in policy regarding the business of supply and distribution of non-ferrous metals or the respective industries of the Enlarged Group's customers may affect its operations

- Possible occurrence of outbreak of SARS, Avian Flu or other epidemics may materially and adversely affect the Enlarged Group's businesses and operating results

- Relations between Taiwan and the PRC could negatively affect our business and financial status

Risks relating to the Global Offering

- Future issue of securities by our Company or future sales of securities by our Controlling Shareholders may decrease the value of an investment

- No prior market for our Shares and the Global Offering may not result in an active or liquid market for these securities, which may adversely affect the market price of our Shares

- The final Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile

- Possible volatility of the price of our Shares

- Dilution effect associated with the Pre-IPO Share Option Scheme and the Share Option Scheme
- Risks associated with forward-looking statements
- The industry statistics contained in this prospectus are derived from various publicly available official sources that may not be reliable

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Alcan"	Alcan Incorporation, the world's second largest producer of primary aluminium, a company listed on the stock exchanges in Toronto, New York, London, Paris and Switzerland, and one of our key suppliers
"Application Form(s)"	**WHITE** application form(s) and **YELLOW** application form(s), or, where the context requires, any of them
"Application Lists"	the application lists for the Public Offer
"Articles"	our articles of association, conditionally adopted pursuant to the written resolutions by our sole Shareholder passed on Friday, 15 September 2006 and as amended from time to time
"associates"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Avian Flu"	H5N1 strain of bird flu
"Board"	our board of Directors
"BVI"	the British Virgin Islands
"Call Option Deed"	see particulars set forth in the section headed "Relationship with the Controlling Shareholders — Call Option Deed" in this prospectus
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "Written resolutions of our sole Shareholder passed on 15 September 2006" in Appendix V to this prospectus
"Cazenove" or "Sponsor" or "Global Coordinator"	Cazenove Asia Limited, a deemed licensed corporation under the SFO for Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on securities), Type 6 (advising on corporate finance) and Type 9 regulated activity (asset management), acting as the global co-ordinator, bookrunner, lead manager of the Global Offering and sponsor to the Listing
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Companies Law"	the Companies Law (2004 Revision) of the Cayman Islands, as amended from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Lee Kee Holdings Limited (利記控股有限公司), an exempted company incorporated in the Cayman Islands on 11 November 2005 with limited liability
"connected person"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of our Company for the purposes of this prospectus and the Listing, means Gold Alliance, Gold Alliance International and Mr. CHAN Pak Chung, which in aggregate hold 75% of the issued share capital of our Company immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised)
"Director(s)"	our director(s) as at the date of this prospectus
"Enlarged Group"	the Group, including the Genesis Group
"GEM Board"	the Growth Enterprise Market of the Stock Exchange
"Genesis Alloys"	Genesis Alloys Limited, a company incorporated under the laws of Hong Kong with limited liability on 30 June 2000, and a wholly-owned subsidiary of GRTL
"Genesis Group"	GRTL, Genesis Alloys and Genesis Ningbo
"Genesis Ningbo"	Genesis Alloys (Ningbo) Limited, a wholly foreign-owned enterprise incorporated in the PRC with limited liability on 15 September 2000, and a wholly-owned subsidiary of Genesis Alloys
"Global Offering"	the Public Offer and the Placing

"Gold Alliance"	Gold Alliance Global Services Limited, one of our Controlling Shareholders, a company incorporated in BVI on 8 November 2005 and is wholly-owned by Gold Alliance International
"Gold Alliance International"	Gold Alliance International Management Limited, a company incorporated in BVI on 8 November 2005, the entire issued share capital of which is held by HSBC Trustee acting as the trustee of the P.C. CHAN Family Trust
"Greater China Region"	for the purpose of this prospectus, the region including the PRC, Hong Kong, Macau and Taiwan
"Group" or "we" or "our" or "us"	the Company, its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its current subsidiaries, include the current subsidiaries of our Company or their predecessors (as the case may be)
"GRTL"	Genesis Recycling Technology (BVI) Limited, a company incorporated in BVI on 12 February 2001, with its shareholding owned as to 50% by Lee Kee Group and as to 50% by Zinifex International
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"HSBC Trustee"	HSBC International Trustee Limited, which is acting as the trustee of the P.C. CHAN Family Trust
"Inco"	Inco Limited, the world's second largest producer of nickel, a company listed on both the New York Stock Exchange and the Toronto Stock Exchange and one of our key suppliers
"Independent Third Party(ies)"	a person or company who/which is or are independent of our Directors, Controlling Shareholders, Substantial Shareholders and the chief executive (as defined under the Listing Rules) of our Company and its subsidiaries or their respective associates
"International Underwriting Agreement"	the international underwriting agreement expected to be entered into between the Company, Cazenove, the Placing Underwriters and the covenantors set out therein on or about the Price Determination Date

"Johnson Matthey"	Johnson Matthey plc, a company listed on the London Stock Exchange and one of our key suppliers
"Korea Zinc"	Korea Zinc Co., Ltd., a non-ferrous metals producer listed on the Korea Stock Exchange and one of our key suppliers
"Latest Practicable Date"	Friday, 15 September 2006, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
"Lee City Asia"	Lee City Asia Company Limited, a company incorporated in Hong Kong with limited liability on 14 July 2006 and a wholly-owned subsidiary of our Company
"Lee Kee Group"	Lee Kee Group Limited, a company incorporated in Hong Kong with limited liability on 6 January 1997 and a wholly-owned subsidiary of our Company
"Lee Kee Group (BVI)"	Lee Kee Group (BVI) Limited, a company incorporated in BVI with limited liability on 31 October 2005 and a wholly-owned subsidiary of our Company
"Lee Fung Metal"	Lee Fung Metal Company Limited, a company incorporated in Hong Kong with limited liability on 25 April 1995 and a wholly-owned subsidiary of our Company
"Lee Fung Metal (BVI)"	Lee Fung Metal Company (BVI) Limited, a company incorporated in BVI with limited liability on 31 October 2005 and a wholly-owned subsidiary of our Company
"Lee Kee Metal"	Lee Kee Metal Company Limited, a company incorporated in Hong Kong with limited liability on 8 April 1987 and a wholly-owned subsidiary of our Company
"Lee Kee Metal (BVI)"	Lee Kee Metal Company (BVI) Limited, a company incorporated in BVI with limited liability on 31 October 2005 and a wholly-owned subsidiary of our Company
"Lee Sing Materials"	Lee Sing Materials Company Limited, a company incorporated in Hong Kong with limited liability on 4 May 1993 and a wholly-owned subsidiary of our Company
"Lee Sing Materials (BVI)"	Lee Sing Materials Company (BVI) Limited, a company incorporated in BVI with limited liability on 31 October 2005 and a wholly-owned subsidiary of our Company
"Lee Tai Precious Metal"	Lee Tai Precious Metal Company Limited, a company incorporated in Hong Kong with limited liability on 31 January 2000 and a wholly-owned subsidiary of our Company

"Lee Tai Precious Metal (BVI)"	Lee Tai Precious Metal Company (BVI) Limited, a company incorporated in BVI with limited liability on 31 October 2005 and a wholly-owned subsidiary of our Company
"Lee Yip"	Lee Yip Metal Products Company Limited, a company incorporated in Hong Kong with limited liability on 21 May 2005, with its shareholding owned as to 70% by Mr. CHAN Pak Chung and as to 30% by Mr. Poon Man Keung
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	Wednesday, 4 October 2006, being the date on which dealings in our Shares are expected to commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"LME"	London Metal Exchange, a global non-ferrous metals trading market
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum"	the memorandum of association of our Company, conditionally adopted pursuant to the written resolutions by our sole Shareholder passed on Friday, 15 September 2006 and as amended from time to time
"metric tonne"	a unit of weight, one metric tonne is equal to 1,000 kilograms
"Nomination Committee"	the nomination committee of our Board
"Non-competition Undertaking"	see particulars set forth in the section headed "Relationship with the Controlling Shareholders — Non-competition Undertaking" in this prospectus
"Offer Price"	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.005% and Stock Exchange trading fee of 0.005% payable thereon), which will be not more than HK$2.70 and is expected to be not less than HK$1.94, such price to be agreed and determined on the Price Determination Date
"Offer Shares"	the Placing Shares and the Public Offer Shares

"OMG"	OM Group Incorporated, a major worldwide producer of high grade primary nickel products, a company listed on the New York Stock Exchange
"Over-allotment Option"	the option to be granted by our Company to the Placing Underwriters, exercisable by Cazenove at any time within 30 days from the date of this prospectus, subject to the terms of the International Underwriting Agreement, to require our Company to allot and issue the Over-allotment Shares at the Offer Price to cover over-allocations in connection with the Placing and/or the obligations of Cazenove to return securities borrowed under the Stock Borrowing Agreement as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Over-allotment Shares"	up to an aggregate of 30,000,000 new Shares, representing up to 15% of the initial number of Offer Shares, which may be allotted and issued by our Company at the Offer Price pursuant to the exercise of the Over-allotment Option
"P.C. CHAN Family Trust"	an irrevocable discretionary trust set up by Mr. CHAN Pak Chung on 6 March 2006, the discretionary objects of which include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung
"Pearl River Delta"	a low-lying area which covers nine prefectures of the Guangdong Province, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou (only includes Huizhou City, Huiyang, Huidong, Boluo), Jiangmen and Zhaoqing (only includes Zhaoqing City, Gaoyao and Sihui) and the special administrative regions of Hong Kong and Macau. The area is considered to be one of the leading economic regions and a massive manufacturing center in the PRC
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company, for cash at the Offer Price with professional, institutional, corporate and other investors, particulars of which are set forth in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Placing Shares"	the 180,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Placing, representing 90% of the initial number of the Offer Shares, subject to the Over-allotment Option and re-allocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus

"Placing Underwriters"	the Underwriters of the Placing whose names are set forth in the section headed "Underwriting — Placing Underwriters" in this prospectus
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Pre-IPO Share Option Scheme"	our pre-IPO share option scheme conditionally adopted on Friday, 15 September 2006, a summary of the principal terms of which is set forth in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix V to this prospectus, under which options have been offered and no further options will be offered
"Price Determination Date"	the date on which the Offer Price is to be fixed by Cazenove (on behalf of the Underwriters) and our Company, which is expected to be on or before Thursday, 28 September 2006 (Hong Kong time), and in any event not later than Monday, 2 October 2006 (Hong Kong time)
"Public Offer"	the offer to members of the public in Hong Kong for subscription of the Public Offer Shares for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, particulars of which are set forth in the section headed "Structure and conditions of the Global Offering" in this prospectus and in the Application Forms relating thereto
"Public Offer Shares"	the 20,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer, representing 10% of the initial number of the Offer Shares, subject to re-allocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Public Offer Underwriters"	the Underwriters of the Public Offer whose names are set forth in the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the public offer underwriting agreement expected to be entered into on or about the date of this prospectus between, amongst others, our Company, Cazenove, the Public Offer Underwriters and covenantors stated therein
"QIBs"	qualified institutional buyers within the meaning of Rule 144A

"Regulation S"	Regulation S under the US Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the Enlarged Group's corporate reorganisation carried out in preparation for the Listing, particulars of which are set forth in the paragraph headed "Corporate reorganisation" in Appendix V to this prospectus
"Restricted Activity"	any business which is or is about to be engaged in the sourcing and distribution of non-ferrous metals and such other businesses of the Enlarged Group
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SARS"	Severe Acute Respiratory Syndrome
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the share capital of our Company
"Share Option Scheme"	our share option scheme conditionally adopted on Friday, 15 September 2006, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Shareholder"	a holder of our Shares
"sq.ft."	square foot/feet
"sq.m."	square metre/metres
"Standard Glory"	Standard Glory Management Limited, a company incorporated in Hong Kong with limited liability on 7 August 2000 and a wholly-owned subsidiary of our Company
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between Gold Alliance and Cazenove on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Companies Ordinance

"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Success City Asia"	Success City Asia Company Limited, a company incorporated in Hong Kong with limited liability on 3 August 2006 and a wholly-owned subsidiary of our Company
"Success In Asia"	Success In Asia Company Limited, a company incorporated in Hong Kong with limited liability on 3 August 2006 and a wholly-owned subsidiary of our Company
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Teck Cominco"	Teck Cominco Limited and its affiliates including Teck Cominco Metals Ltd (previously known as Cominco Limited), a world leader in the production of metallurgical coal and zinc, a company listed on the Toronto Stock Exchange and the New York Stock Exchange and one of our suppliers
"Toba"	Toba Company Limited, a company incorporated in Hong Kong with limited liability on 12 June 1987 and a wholly-owned subsidiary of our Company
"Toba (BVI)"	Toba Company (BVI) Limited, a company incorporated in BVI with limited liability on 31 October 2005 and a wholly-owned subsidiary of our Company
"Track Record Period"	the three years ended 31 December 2005 and the five months ended 31 May 2006
"UK"	the United Kingdom
"Underwriters"	the Placing Underwriters and the Public Offer Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the International Underwriting Agreement, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"US"	the United States of America
"US Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"WTO"	World Trade Organization
"HK$" and "cents"	Hong Kong dollars and Hong Kong cents respectively, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States

"Yangtze River Delta"	an area comprises the triangular-shaped territory of Shanghai, southern Jiangsu province and northern Zhejiang province
"Zinc Agreement"	an agreement dated 1 June 2004 entered into between Zinifex Metals Pty Ltd, an entity controlled by Zinifex, and our Group (as amended and supplemented from time to time) under which Zinifex Metals Pty Ltd agreed to sell and we agreed to purchase certain SHG zinc and die-casting zinc alloys
"Zinifex"	includes Zinifex Limited, one of the world's largest integrated zinc and lead companies[1], a company listed on the Australian Stock Exchange Limited and one of our key suppliers and certain assets which Zinifex Limited acquired from Pasminco Limited (previously known as Electrolytic Zinc Company of Australasia Limited)
"Zinifex International"	Zinifex International (Holdings) Pty Limited (previously known as Pasminco International (Holdings) Pty Limited), an entity controlled by Zinifex

In this prospectus, unless otherwise stated, certain amounts denominated in RMB and US$ have been converted (for information only) into HK$ at the exchange rate of HK$1.00 to RMB1.04; and US$1.00 to HK$7.79. Such conversions shall not be construed as a representation that amounts in RMB and US$ were or may have been converted into HK$ at such exchange rates or any other exchange rates.

Note:

1. *Source:* Brook Hunt, 2006

This section contains explanation of certain terms used in this prospectus. The terms and their meanings may not correspond to the standard industry meanings or usage of those terms.

"aluminium"	an abundant, light metal with a silvery appearance used in the manufacture of products requiring a light weight, resistance to corrosion and electrical conductivity
"aluminium ingot"	a cast form of aluminium
"CAGR"	compound annual growth rate
"concentrate"	a metal ore containing a high concentration of a certain metal, which should be refined by special processes
"copper"	a chemical element which is a reddish-colored metal with high electrical and thermal conductivity (among pure metals at room temperature, only silver has a higher electrical conductivity)
"CRM"	Customer Relationship Management, a corporate level strategy which focuses on creating and maintaining lasting relationships with customers of a company. The general purpose of CRM is to enable organisations to better manage their customers through the introduction of reliable systems, processes and procedures
"die-casting"	a process by which a molten metal is introduced into a mould (or die) allowed to solidify in the shape inside the mould, and then removed producing a fabricated object
"die-casting aluminium alloy"	aluminium-based alloy used for die-casting
"die-casting magnesium alloy"	magnesium-based alloy used for die-casting
"die-casting zinc alloy"	zinc-based alloy used for die-casting
"electroplating"	a process to plate or cover with a coating of metal, usually silver, nickel, or gold, by means of electrolysis
"electroplating chemicals"	chemicals solution or salts used for electroplating process
"ERP"	Enterprise Resources Planning, a system that integrates all data and processes of an organisation into a single unified system. ERP systems typically handle the manufacturing, logistics, distribution, inventory, shipping, invoicing and accounting for a company
"GDP"	Gross Domestic Product

"lead"	a chemical element which is soft, heavy, toxic and malleable pour; is bluish white when freshly cut but tarnishes to dull gray when exposed to air; is a dense, ductile, very soft, highly malleable, bluish-white metal that has poor electrical conductivity; and is highly resistant to corrosion
"magnesium"	a chemical element which is fairly strong, silvery-white and light-weight (one third lighter than aluminium) that slightly tarnishes when exposed to air
"metal alloy(s)"	a mixture of two or more metals of metallic and non-metallic elements usually fused together or dissolving into each other when molten
"nickel"	a chemical element which is silvery white that takes on a high polish, belongs to the iron group, and is hard, malleable, and ductile
"nickel salt mixture"	a nickel plating solution combines nickel sulphate, nickel chloride and boric acid
"non-ferrous metal(s)"	metal(s) for which iron is not the prime constituent
"OEM"	original equipment manufacturer
"pewter alloy"	pewter alloy is a tin-based white metal containing antimony and copper
"chemicals of precious metals"	include chemicals (such as cyanide, sulphate, dichlorodiamine, nitrate) of gold, silver, palladium and rhodium
"primary aluminium"	pure aluminium obtained from aluminium concentrate
"SHG zinc"	special high-grade zinc ingot, which is mainly consumed for galvanising process. Purity zinc content is at least 99.995 wt%
"smelter"	a metal plant refines the concentrate and constitutes other metals to casting alloys
"stainless steel"	a steel alloy that is highly resistant to corrosion in a variety of environments; the predominant alloying element is chromium, which must be present in a concentration of at least 11 wt%; other alloy additions, such as nickel and molybdenum, are also possible
"tin"	a chemical element which is silvery and malleable poor; is not easily oxidised in air and resists corrosion; is found in many alloys and is used to coat other metals to prevent corrosion

"zinc"	one of the most consumption metals; it has a good corrosion resistance and frequently used as a coating on steel in order to protect that steel against corrosion
"zinc alloy"	zinc-based alloy doped with other elements; zinc-aluminium alloys are for die-casting; they are excellent for die-casting process because of their low melting points and the lack of corrosion of dies used with them
"wt %"	percentage by weight

Prospective investors of the Offer Shares should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in our Company before making any investment decision in relation to our Company. The business, financial conditions or results of operations of our Group could be materially affected by any of these risks.

RISKS RELATING TO THE ENLARGED GROUP'S BUSINESS

Decline in market demand for our products due to economic downturns in the US and Europe or in our customers' respective industries

Our customers are engaged in a wide range of industries, including bathroom fittings, household hardware, toys, home appliances, silver-plated tableware, fashion accessories, automobile accessories, stationery and jewellery. Our customers' ability and willingness to purchase our products often depend on the operating results of their businesses. The industries in which our customers operate are sensitive to economic conditions in the US and Europe. As a result, our customers' operating results may be affected by any adverse changes in the economic conditions (such as economic downturns or trade disputes), political conditions (such as government elections or wars) and social conditions (such as trade union disputes) in the US and Europe. Any downturn in these economies in general or any downturn in the industries in which our customers operate could reduce their demand for the products we source and distribute and have a material adverse effect on our results of operations and financial position.

High customer concentration on companies with production facilities in the PRC

During the Track Record Period, approximately 98% of our customers have production facilities based in the PRC. Accordingly, to a significant extent, demand for our products is sensitive to the general economic conditions in the PRC and the Greater China Region as a whole. It is not possible to predict whether demand for metals in the PRC will continue to grow in the future. In addition, the PRC government from time to time adjusts its monetary and economic policies to adjust the rate of growth of the PRC economy and economies of local areas within the PRC, and such economic adjustments and changes in PRC government policies applicable to the industries in which our customers operate may affect the operating results of their businesses and their corresponding demand for our products, which in turn may adversely affect our financial position.

Our exposure to movements in prices of non-ferrous metals

Our costs for sourcing the products from our suppliers and our prices for selling the products may be adversely affected by various conditions including, but not limited to, the global economy, fluctuation of non-ferrous metal prices and the global supply of and demand for non-ferrous metals. These factors may therefore in turn have a negative impact on our profitability and cash flow position.

For each of the three years ended 31 December 2005 and the five months ended 31 May 2006, we recorded gross profit margins of approximately 5.5%, 6.8% and 9.1%, and 15.7% respectively, while our net profit margins during the same periods were approximately 2.7%, 4.7% and 6.5%, and

12.2% respectively. Due to the volatile nature of the commodity prices and the unstable supply and demand of non-ferrous metals, there is no assurance that we will be able to maintain the historical levels of gross profit margins or net profit margins, or that the gross profit margins or net profit margins will continue to be maintained at a steady level.

During the Track Record Period, we had net cash outflow from operating activities of approximately HK$27 million and approximately HK$88 million for the years ended 31 December 2003 and 2004 respectively. Net cash outflow from operating activities indicates our working capital requirement may exceed cash generated from our operating activities. There is no assurance that we will not experience net cash outflow from operating activities in the future, which could adversely affect our financial position.

Hedging risk and mitigation techniques relating to our exposure to timing mismatches between our customer orders and our supplier orders

We usually try to match the daily purchase orders to daily sales orders with the intention of minimising our exposure to the metal price fluctuation. Due to some timing mismatch between the quantity of the purchase orders and sales orders on hand, and our requirement to keep certain levels of inventory which is based on our historical trends and future forecasts in sales, we will inevitably be subject to a certain level of net exposure to non-ferrous metal price fluctuations. In this case, we would sell or buy future contracts in the LME market to hedge against the net exposure to maintain such levels within our predetermined limits. Our profitability will be affected if we fail to take the right view in adequately hedging our position or at all against any price fluctuations in the non-ferrous metals industry.

Dependence on certain major suppliers

For each of the three years ended 31 December 2005 and the five months ended 31 May 2006, our five largest suppliers in aggregate accounted for approximately 77.9%, 80.4% and 88.0%, and 89.3% respectively, of our total purchases. For the same periods, our largest supplier, Zinifex, accounted for approximately 42.4%, 45.3% and 57.5%, and 52.5% respectively, of our total purchases. We have entered into the Zinc Agreement to purchase certain zinc alloy products from Zinifex for a term of five years commencing from 1 February 2004 and expiring on 31 January 2009. Pursuant to the terms of the Zinc Agreement, Zinifex provided an undertaking not to sell the relevant die-casting zinc alloy sold to us under such agreement to any other account within the PRC, Hong Kong and Taiwan. We have also entered into various non-exclusive distributorship agreements with our other suppliers which are usually renewed on an annual basis.

There is no guarantee that we will not suffer from any shortage of supplies in the future. Should Zinifex and/or any of our other major suppliers cease to supply to us or reduce the volume supplied to us and we are unable to find alternative sources at comparable prices and quality, our business would be adversely affected.

Operations being largely dependent on our key management

Our continued success depends, to a significant extent, on the continued services and performance of members of our key management, including our executive Directors, namely Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan, Clara and Ms. MA Siu Tao, who have substantial experience in the non-ferrous metals industry, and other members of key management, details of whom are set forth in the section headed "Directors, senior management and staff" of this prospectus. Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date. We have also adopted share option schemes which are designed to retain key employees. However, there is no assurance that we will be able to retain member(s) of the management team or further recruit competent personnel for our future development. There may be an adverse impact on our operations should any member(s) of the management team cease to be involved in our business operations for any reason, and we be unable to recruit replacement personnel.

Dividend payment to our existing Shareholders prior to the Global Offering should not be treated as an indication of our future dividend policy

We declared and paid dividends of HK$85.0 million for the year ended 31 December 2005, which were financed partly by consideration for sale of entire interest in Modern Wealth Limited and partly by our internal resources. Save as disclosed herein, no other dividend has been declared by any member of our Group since the commencement of the Track Record Period. Potential investors should note that the level of dividends declared and paid by us in the past cannot be used as a reference for the dividend policy to be adopted by us following the Listing. There is no assurance that the amount of dividend to be declared by us in the future will be of a level comparable to that declared and paid by us in the past.

Possible exposure to uninsured liability

Certain types of liabilities (such as liabilities from war and earthquakes) which are beyond our control are generally not insured because they are either uninsurable or the cost involved to insure against such risks are not commercially justifiable. Should an uninsured liability or a liability in excess of its insured limit occur, we may suffer losses of capital investment which could adversely affect our future revenue streams.

Failure to implement the Enlarged Group's future business plans could adversely affect its business, financial condition and results of operations

The Enlarged Group's plans to establish trading companies and/or representative offices in Guangzhou, Shanghai, Chengdu, Dalian and Beijing by 2008 and to set up alloy production plants in the PRC may not be completed at all or may not be completed in the time frame or at the cost level originally anticipated. The Enlarged Group's ability to obtain the relevant business licences for such businesses in the PRC could be delayed or adversely affected if any of the relevant governmental authorities deny the Enlarged Group's applications for such licences. Moreover, the implementation of these plans may require expenditure in excess of the Enlarged Group's budgeted cost. As a consequence of cost overruns, changes in market circumstances or failure to obtain the relevant business licences, the further penetration into the PRC market and the business growth intended by implementation of these plans may not be materialised. The Enlarged Group's failure to gain economic benefits from the implementation of these arrangements could adversely affect the Enlarged Group's business, financial condition and results of operations in the future.

Our future plan to acquire Lee Yip pursuant to the terms of the Call Option Deed may not be realised

We have entered into a Call Option Deed with one of our Controlling Shareholders, Mr. CHAN Pak Chung, who agrees to grant to us an exclusive call option to acquire up to all his equity interest in Lee Yip within one year from the date of Listing. The exercise of such call option, however, is subject to a number of conditions. For details of such conditions, please see the section headed "Relationship with the Controlling Shareholders — Call Option Deed" in this prospectus.

In the event that any of the conditions cannot be satisfied, our future plan to acquire Lee Yip may not be realised. As a result, we may not be able to become an integrated supply chain company in the metal industry and diversify ourselves into the downstream activities of the metals supply chain by leveraging on the resources of Lee Yip. We may, however, explore other acquisition opportunities and use our proceeds of HK$15.0 million for such new acquisition opportunities. In the event that we cannot identify any new acquisition opportunities, such HK$15.0 million will be used to develop our trading companies in Guangzhou.

The Enlarged Group's beneficial joint venture relationship with Zinifex may not continue

Zinifex, one of the largest zinc producers in the world, acquired a 50% equity interest in the Genesis Group in 2001, a joint venture established with the Group as the holder of the remaining 50% equity interest. Since its inception, Genesis Ningbo has developed into a zinc alloy manufacturer primarily using SHG zinc produced in the PRC. We plan to capitalise on the experience and market knowledge we have gained from the operation of Genesis Ningbo and establish additional manufacturing and processing facilities in the upstream sector of the non-ferrous metal supply chain. We therefore believe that the Enlarged Group's joint venture relationship with Zinifex is beneficial to the Enlarged Group's operations. However, the operation of the joint venture may not continue to be as beneficial to the Group as it has been during the Track Record Period. Genesis Ningbo's plant was closed down in 2005 due to reconstruction and foundation reinforcement to accommodate a larger operational capacity. Even though the plant was reopened in February 2006, there is no assurance that there will not be further material disruption in Genesis Ningbo's operation in the future. If, the Genesis Group, the Group's first joint venture, does not continue to be beneficial to the Group, the Enlarged Group's business growth may be adversely affected. Furthermore, our investments in the Genesis Group may not be fully recovered by the Enlarged Group if there is any dispute with Zinifex.

Fire, severe weather, flood or earthquake could cause significant damage to production and processing facilities of Genesis Ningbo and disrupt its business operations

Some of the Enlarged Group's products are manufactured at the production facilities of Genesis Ningbo. Material damage to, or the loss of, the production and processing factories of Genesis Ningbo due to fire, severe weather, food, earthquake or other acts of God or cause may not be adequately covered by proceeds of insurance coverage and could materially and adversely affect the businesses and operating results of Genesis Ningbo.

If the metals the Enlarged Group sells are defective and are used in end products by consumers, it may be subject to product liability risks

The Enlarged Group sells non-ferrous metals to customers for their further use in their end products. If, due to any defects in metals which result in defective end products, the Enlarged Group could be sued for damages, especially if the defect in the end product causes physical harm to people or damage to property. The occurrence of a problem could result in product liability claims as well as a recall of, or safety alert or advisory notice relating to, the end product.

The Enlarged Group has obtained product liability insurance. However, the Enlarged Group cannot assure you that it will be able to obtain product liability insurance in the future at satisfactory rates or in adequate amounts, or at all.

If product liability claims or product recalls occur in the future, they could, regardless of their ultimate outcome, have a material adverse effect on the Enlarged Group's business, financial condition, reputation and ability to retain and attract customers.

Continued control by our Controlling Shareholders, whose interests may differ from those of other Shareholders

Prior to the Global Offering, our Company was wholly-owned by our Controlling Shareholders. Immediately following the Global Offering, our Controlling Shareholders will own 75% of the total issued share capital of our Company (assuming that the Over-allotment Option is not exercised but the Capitalisation Issue shall have taken place). Subject to the Articles and applicable laws and regulations, our Controlling Shareholders will be able to influence major policy decisions, including our overall strategic and investment decisions, by:

— controlling the election of Directors and, in turn, indirectly controlling the selection of senior management;

— determining the timing and amount of dividend payments;

— deciding on increases or decreases in share capital;

— determining the issuance of new securities; and

— approving mergers, acquisitions and disposals of our assets or businesses.

The interests of our Controlling Shareholders could conflict with those of the other Shareholders. Accordingly, our executive Directors, some of whom may be the ultimate beneficiaries of the Shares held by the Controlling Shareholders, may take actions that favour their own interests and which may not be in the best interests of other Shareholders although the Company will comply with the requirements of the Listing Rules at all times as necessary and relevant after the Listing. Any such actions could adversely affect our business, the interests of minority Shareholders or the price of our Shares.

RISKS RELATING TO THE NON-FERROUS METALS INDUSTRY

Price fluctuations

We are principally engaged in the sourcing and distribution of non-ferrous metals and our products are essentially divided into four main categories, namely (i) SHG zinc and zinc alloy; (ii) nickel and nickel-related products; (iii) aluminium and aluminium alloy; and (iv) other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium). The prices of these products are determined principally by their supply and demand on the international commodities market.

Zinc, nickel and aluminium are commodities traded on the LME. The market prices for such commodities have historically fluctuated widely and are affected by factors beyond our control, including but not limited to the demand for and supply of these commodities, the availability and prices of competing commodities, the international economic trends, world-wide fluctuations in foreign exchange and the expectations of participants in the market. Any substantial fluctuations of the metal price during the period of holding or shorting of our products may adversely affect our profitability if we fail to take the right view in adequately hedging our position or at all against any price fluctuations in the non-ferrous metals industry.

Competition and substitution

Although the Directors do not consider that the barriers to the business of sourcing and distribution of non-ferrous metals are high because there is no licencing or other specific requirement for entering into the sourcing and distribution of non-ferrous metals industry in Hong Kong. Nevertheless, it is difficult for a new entrant into the market to have an established and sizeable business in the industry since (i) it is not easy to accumulate an established customer base as well as market reputation; (ii) it is not easy to have the required in-depth technical expertise to provide quality after-sale support to serve customers in a wide array of industries; and (iii) it is a funding intensive business as a substantial amount of working capital is required for purchasing inventory as well as other supplemental facilities such as warehouses and technical support. Although our Directors consider that we are capable of competing with other market participants and new entrants in the Greater China Region in terms of quality, range of products, pricing, after-sale services and reputation, we may nonetheless face strong pressure (in respect of price or otherwise) from such other market participants and new entrants and, accordingly, there can be no assurance that we will be able to compete effectively in the future.

In the event other materials are invented to substitute non-ferrous metals which are of similar (or more favourable) quality and price, our business of sourcing and distribution of non-ferrous metals may be adversely affected.

RISKS RELATING TO THE PRC

Political, economic and legal considerations in the PRC

The PRC government has embarked on a change in policy since 1978 to transform the Chinese economy from a government planned economy to a market economy. Like other business activities carried on in the PRC market, the Enlarged Group's business could be adversely affected by changes in the state plans or political, economic and social conditions of the PRC or changes in policies by the PRC government, or by the introduction of any law or administrative order that prohibits or restricts the sale, import, export or use of any non-ferrous metals.

Since 1979, numerous laws and regulations, including but not limited to taxation, which govern economic matters in general have been promulgated in the PRC. As the PRC government is still in the process of developing a legal system to better accommodate the needs of investors and to facilitate foreign investments, the interpretation and enforcement of such laws and regulations are still at a developmental stage. The PRC legal system is based on written statutes and therefore, decisions made by the courts are not binding precedents, although judges may use them as guidance. In addition, the interpretation of the PRC laws may be subject to changes in policies and political environment.

As the PRC legal system develops, foreign investors may be adversely affected by new laws and regulations, changes to existing laws and regulations, new interpretations of current laws and regulations and the pre-emption of local regulations by national laws. Considerable progress has been made in the enactment of laws and regulations concerning economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, which have significantly enhanced the legal protection afforded to foreign investors. As some of these laws and regulations are still in the course of development, they may be subject to changes and modifications. Since the PRC economy is developing at a much faster pace than the PRC legal system, some degree of uncertainty may result and, until the development of the legal system is able to keep up with economic reforms in the PRC, such uncertainty is likely to remain. However, there can be no assurance that changes in the PRC laws and regulations or interpretation thereof will not have any adverse effect upon the Enlarged Group's customer and suppliers, thereby affecting the Enlarged Group's business and prospects.

Changes in policy regarding the business of supply and distribution of non-ferrous metals or the respective industries of the Enlarged Group's customers may affect its operations

Most of the Enlarged Group's customers have production facilities based in the PRC and are engaging in various industries. There is no assurance that any policy will not be changed or restrictions will not be imposed on the Enlarged Group's supply and distribution of non-ferrous metals to customers based in the PRC, or on customers' various industries. New laws or regulations (or any new interpretation thereof) in this respect may also be introduced. Any unfavourable changes in policies or laws or regulations affecting the Enlarged Group's business or the businesses of the Enlarged Group's respective customers could have an adverse effect on the Enlarged Group's financial position.

Possible occurrence of outbreak of SARS, Avian Flu or other epidemics may materially and adversely affect the Enlarged Group's businesses and operating results

In the first half of 2003, Hong Kong encountered an outbreak of SARS, a highly contagious form of atypical pneumonia. Recently, certain places in the world have encountered incidents of Avian Flu. If an outbreak of SARS, Avian Flu or any other epidemic occurs in the future and any of the Enlarged Group's employees are suspected or having contracted SARS, Avian Flu or any other epidemic, the Enlarged Group may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees. Any quarantine or suspension of work will affect the Enlarged Group's operational results. The Enlarged Group may also be required to disinfect affected premises. Furthermore, such an outbreak would likely restrict the level of economic activity and affect the economy as a whole in the affected areas, which would also affect the Enlarged Group's business operations.

Relations between Taiwan and the PRC could negatively affect our business and financial status

Taiwan has a unique international political status. The PRC does not recognise the sovereignty of Taiwan. Although the two sides have co-existed for the past few decades and significant economic and cultural relations have been established during recent years between Taiwan and the PRC, relations have often been strained. Past developments in relations between Taiwan and the PRC have on occasion depressed the market prices of many Taiwanese companies.

Taiwan government currently restricts transfer by Taiwanese companies of certain technologies to and certain types of investments by Taiwanese companies in the PRC. Deterioration of the relations between Taiwan and PRC may affect the operation of the Taiwan-based companies in PRC and since these Taiwan-based companies constitute part of our customer base, our revenues and results of operations may be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

Future issue of securities by our Company or future sales of securities by our Controlling Shareholders may decrease the value of an investment

Future issue of securities by our Company or future sales of our Shares by our Controlling Shareholders after the Global Offering could adversely affect market prices prevailing from time to time. Only a limited number of our Shares currently issued will be available for sale immediately after the Global Offering due to contractual and legal restrictions on resale. Nevertheless, after these restrictions lapse or if these restrictions are waived or breached, future sales of substantial amounts of Shares, including Shares issued upon exercise of outstanding options, or the possibility of such sales, may negatively impact the market prices of our Shares and our ability to raise equity capital in the future.

No prior market for our Shares and the Global Offering may not result in an active or liquid market for these securities, which may adversely affect the market price of our Shares

Prior to the Global Offering, there has not been a public and open market for our Shares. After the Global Offering, an active public market may not develop or be sustained. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected.

The final Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile

The final Offer Price will be determined by negotiations between ourselves and Cazenove (on behalf of the Underwriters) and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the final Offer Price. The financial markets in Hong Kong have experienced significant price and volume fluctuations, and market prices of technology companies have been and continue to be extremely volatile. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Possible volatility of the price of our Shares

Following the Global Offering, the trading price of our Shares may fluctuate substantially in response to, among other factors:

— fluctuations in our interim or annual results of operations;

— changes in financial estimates by securities analysts;

— investor perceptions of us and the investment environment in Hong Kong;

— changes in policies and developments related to the industry in which we operate;

— changes in pricing policies adopted by us or our competitors;

— the depth and liquidity of the market for our Shares;

— the demand for and supply of our Shares;

— the recruitment or departures of key personnel; and

— general economic and other factors.

Moreover, in recent years, stock markets in general have experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Dilution effect associated with the Pre-IPO Share Option Scheme and the Share Option Scheme

The Group has adopted the Pre-IPO Share Option Scheme under which options to subscribe in aggregate for 22,744,470 Shares at 80% of the Offer Price per Share were outstanding as at the Latest Practicable Date, representing approximately 2.843% of the issued share capital of the Company immediately after completion of the Global Offering and the Capitalisation Issue as enlarged by issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or the general mandate granted to Directors to issue new, or repurchase existing, Shares. Details of the Pre-IPO Share Option Scheme and the options granted thereunder are set out in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix V to this prospectus. The Group has also adopted the Share Option Scheme under which options may be granted after the Listing.

Issuance of Shares pursuant to the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme will result in the increase in the number of Shares in issue after such issuance, and thereby may result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and net asset value per Share.

Risks associated with forward-looking statements

This prospectus contains certain statements that are forward-looking, often indicated by the use of words such as "anticipate", "believe", "could", "expect", "estimate", "may", "ought to", "should", "will" or similar terms. These forward-looking statements address, among other topics, our growth strategy and our expectations concerning our future operations, liquidity and capital resources. Prospective investors are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of the assumptions or judgments on which such statements are based could prove to be incorrect and as a result, the forward-looking statements could also be incorrect. In light of these and other uncertainties, the forward-looking statements in this prospectus should not be regarded as representations by us that our plans, expectations or objectives will be achieved, and investors should not place undue reliance on such statements.

The industry statistics contained in this prospectus are derived from various publicly available official sources that may not be reliable

Statistical and other information relating to the non-ferrous metals industry and the PRC non-ferrous metal market or other information contained in this prospectus have been compiled from research prepared by various publicly available official sources generally believed to be reliable. However, we cannot guarantee the quality of such source of materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither we nor the Underwriters have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of this information, which may not be consistent with other information compiled. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

— the information contained in this prospectus is accurate and complete in all material respects and not misleading;

— there are no other matters the omission of which would make any statement in this prospectus misleading; and

— all opinions expressed in this prospectus have been arrived at after due and careful considerations and are founded on bases and assumptions that are fair and reasonable.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Global Offering is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sponsor, the Underwriters, any of their respective directors, or any other parties involved in the Global Offering.

FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Public Offer, which forms part of the Global Offering. The Global Offering comprises the Public Offer of initially 20,000,000 Offer Shares and the Placing of initially 180,000,000 Offer Shares subject, in each case, to re-allocation on the basis described in the section headed "Structure and conditions of the Global Offering" in this prospectus.

The Listing is sponsored and the Global Offering is managed by Cazenove. Subject to the terms of the Underwriting Agreements, the Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is fully underwritten by the Placing Underwriters. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement among Cazenove (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or before Thursday, 28 September 2006 (Hong Kong time) and, in any event, not later than Monday, 2 October 2006 (Hong Kong time). If, for whatever reason, our Company and Cazenove are not able to agree on the Offer Price, the Global Offering (including the Public Offer) will not proceed and will lapse.

OFFER SHARES TO BE OFFERED IN CERTAIN JURISDICTIONS ONLY

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus and the relevant Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

United States

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered to QIBs in reliance on Rule 144A or another exemption from registration under the US Securities Act or outside the United States in accordance with Regulation S. The Offer Shares are being sold outside the United States in reliance on Regulation S and within the United States to QIBs in reliance on Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") an offer to the public of any Offer Shares may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) any other individual or entity authorised in that Relevant Member State as a qualified investor within the meaning of the Prospectus Directive; or

(d) by the Underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Cazenove as global coordinator for any such offer; or

(e) in any other circumstances not requiring the publication by the Company of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each person to whom an Offer is made under sub-paragraph (a), (b) or (c) above shall be deemed to have represented on acceptance thereof that it is a qualified investor within the meaning of the Prospectus Directive.

For the purposes of the above, the expression an "offer of Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

This prospectus has not been approved under Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") by a person authorised under the FSMA in the United Kingdom. This prospectus is being distributed in the United Kingdom only to, and is directed only at, (i) investment professionals, as defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FSMA Order**"), and (ii) persons falling within Article 49 of the FSMA Order (all such persons together being referred to as "**relevant persons**"). This prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. Persons of any description, including those who do not have professional experience in matters relating to investments, should return this document to Cazenove and take no other action.

The Offer Shares may not be offered or sold in the United Kingdom except to persons whose ordinary activities involve acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom for the purposes of the FSMA or the Prospectus Regulations 2005.

In addition, no person may issue or pass on to any person in the United Kingdom any documents received by him in connection with the Global Offering or communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in relation to the Offer Shares unless the recipient is a relevant person.

France

The Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in France and this prospectus or any other offering material relating to the Offer Shares have not been distributed or are caused to be distributed and will not be distributed or be caused to be distributed to the public in France and that such offers, sales and distributions have been and will only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors *(investisseurs qualifiés)* other than individuals, all as defined in accordance with Articles D411.1 to D411.3 of the French Code monétaire et financier.

Ireland

All applicable provisions of the Investment Intermediaries Act 1995 to 2000 of Ireland, with respect to anything done in relation to the offer, sale or delivery of the Offer Shares in or involving Ireland, have been complied and will be complied with.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly this prospectus may not be issued, circulated or distributed in Singapore nor may any persons make an offer of the Offer Shares to any persons in Singapore or invite any person in Singapore to make an offer for the Offer Shares, both which upon acceptance would give rise to a contract for the issue or sale of the Offer Shares by the Company, other than pursuant to, and in accordance with the conditions of, an exemption invoked under Division 1, Sub-division (4) of Part XIII of the Securities and Futures Act and to persons to whom the Offer Shares may be offered or sold under such exemption. Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares in Singapore, nor any statements be published that directly or indirectly refers to the offer or intended offer, or is reasonably likely to induce persons to subscribe for or purchase the Offer Shares.

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan. Accordingly, the Offer Shares may not directly or indirectly, be offered or sold, in Japan or to, or for the benefit of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Securities and Exchange Law of Japan and (ii) otherwise in compliance with the applicable provisions of Japanese law. As used in this paragraph "resident of Japan" means any person residing in Japan, any corporation or other legal entity organised under the laws of Japan except for its branches or other offices located outside Japan and, with respect to any corporation or other legal entity organised under a law other than Japanese law, its branches and offices located in Japan.

The PRC

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Taiwan

The Offer Shares have not been and will not be registered with the Securities and Futures Bureau of Taiwan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Taiwan otherwise to, or for the benefit of, any resident of Taiwan, except (a) pursuant to the requirements of the securities related laws and regulations in Taiwan and (b) in compliance with any other applicable requirements of Taiwanese laws.

Cayman Islands

No offer of the Offer Shares will be made to the public in the Cayman Islands.

APPLICATION FOR LISTING ON THE MAIN BOARD

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein including the Offer Shares and any Shares that may fall to be issued pursuant to the exercise of the Over-allotment Option and any options that have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. No part of our Shares or loan capital is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, our Shares on any other stock exchange. All the Offer Shares will be registered on the Hong Kong branch register of members of our Company in order to enable them to be traded on the Stock Exchange.

HONG KONG STAMP DUTY

Dealings in our Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult a professional adviser.

Our Company, the Sponsor and the Underwriters, all of their respective directors, agents or advisers or any other persons involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, or purchasing, holding or disposing of or dealing in the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 4 October 2006. Shares will be traded in board lots of 2,000 each.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is affected is not permitted to exceed the offer price.

In connection with the Global Offering, the Global Coordinator, as stabilising manager, or any person acting for it, may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the day on which trading of our Shares commences on the Stock Exchange. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Global Coordinator or any person acting for them to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Global Coordinator and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the thirtieth day after the last day of the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 30,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price, (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Shares for the sole purpose of preventing or minimising any reduction in the market price, (v) selling Shares to liquidate a long position held as a result of those purchases and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Stabilising actions by the Global Coordinator, or any person acting for it, will be entered into in accordance with the law, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Global Coordinator, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Global Coordinator, or any person acting for it, will maintain the long position is at the discretion of the Global Coordinator and is uncertain. In the event that the Global Coordinator liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising action by the Global Coordinator, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Public Offer. The stabilising period is expected to end on Thursday, 26 October 2006. Within seven days after the end of the stabilisation period, the Company will make a public announcement disclosing information in compliance with section 9 and Schedule 3 of the Securities and Futures (Price Stabilising) Rules. As a result, demand for our Shares, and their market price, may fall after the end of the stabilising period.

Any stabilising action taken by the Global Coordinator, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by the Global Coordinator, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for Shares by purchasers.

In connection with the Global Offering, the Global Coordinator may over-allocate up to and not more than an aggregate of 30,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Global Coordinator may borrow up to 30,000,000 Shares from Gold Alliance, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. We (on behalf of Gold Alliance) have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules on the following conditions:

(i) such Stock Borrowing Agreement will only be effected by the Global Coordinator or its affiliates for settlement of over-allocations of Shares in connection with the Placing;

(ii) the maximum number of Shares which may be borrowed from Gold Alliance by the Global Coordinator or its affiliates under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Gold Alliance or its nominees, as the case may be, on or before the third business day following the earlier of:-

  (a) the last day on which the Over-allotment Option may be exercised; or

  (b) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued;

(iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and

(v) no payments or other benefits will be made to Gold Alliance by the Global Coordinator or any of the Placing Underwriters in relation to such stock borrowing arrangement.

Full particulars of the restrictions on disposal of the Shares and the waiver granted by the Stock Exchange are set forth in the section headed “Waiver from strict compliance with the Listing Rules”.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Offer Shares, you should consult an expert.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set forth in the section headed "How to apply for the Public Offer Shares" of this prospectus and on the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure and conditions of the Global Offering" of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. CHAN Pak Chung	Flat B, Duplex on 1st and 2nd Floors No. 3 Selkirk Road Kowloon Tong Kowloon Hong Kong	Chinese
Ms. CHAN Yuen Shan, Clara	Flat E, 12th Floor, Tower 5 One Beacon Hill No. 1 Beacon Hill Road Kowloon Hong Kong	Chinese
Ms. MA Siu Tao	Flat B, Duplex on 1st and 2nd Floors No. 3 Selkirk Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. NG Tze For	Flat G, 31st Floor, Block 2 The Pacifica 9 Sham Shing Road Kowloon Hong Kong	Chinese
Non-executive Director		
Mr. William Tasman WISE	20 Ellsa Street Balwyn North Victoria 3104 Australia	Australian
Independent non-executive Directors		
Mr. CHUNG Wai Kwok, Jimmy	4G, Ventris Court 15 Ventris Road Happy Valley Hong Kong	Chinese
Mr. YAN Cheuk Yam	Room 1204, Ka Lei Lau Ka Wai Chuen Hung Hom Hong Kong	Chinese
Mr. LEUNG Kwok Keung	Flat H, 8th Floor Ample Building Woh Chai Street Shek Kip Mei Kowloon Hong Kong	Chinese

Global Co-ordinator, Bookrunner, Lead Manager and Sponsor	Cazenove Asia Limited 50th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Co-Lead Managers	BCOM Securities Company Limited 3rd Floor Far East Consortium Building 121 Des Voeux Road Central Hong Kong
	Nomura International (Hong Kong) Limited 30th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Co-Managers	CCB International Capital Limited Suites 2815-21, 28th Floor Two Pacific Place 88 Queensway Hong Kong
	First Shanghai Securities Limited 19th Floor Wing On House 71 Des Voeux Road Central Central Hong Kong
	Taiwan Securities (Hong Kong) Company Limited Room 1302-5, 13th Floor Tower II Admiralty Centre 18 Harcourt Road 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 PRC law: Global Law Office 37th Floor Jing Guang Center Hu Jia Fou Chaoyang District Beijing China
	as to Cayman Islands law: Maples and Calder 1504 One International Finance Centre 1 Harbour View Street Central Hong Kong
Legal advisers to the Sponsor and the Underwriters	*as to Hong Kong and U.S. law:* Simmons & Simmons 35th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Auditors and reporting accountants	*Certified Public Accountants* PricewaterhouseCoopers 22nd Floor, Prince's Building Central Hong Kong
Property valuer	Sallmanns (Far East) Limited 22nd Floor, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Receiving banker	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

Registered Office	M&C Corporate Services Limited P.O. Box 309 GT Ugland House South Church Street George Town Grand Cayman Cayman Islands
Principal place of business in Hong Kong	Rooms 1302-05, 13th Floor Manulife Provident Funds Place 345 Nathan Road Yau Ma Tei Kowloon Hong Kong
Company website *(Note)*	www.leekeegroup.com
Company secretary	Mr. CHEUK Wa Pang *CPA (HKICPA), FCCA*
Qualified accountant	Mr. CHEUK Wa Pang *CPA (HKICPA), FCCA*
Authorised representatives	Ms. CHAN Yuen Shan, Clara Flat E, 12th Floor, Tower 5 One Beacon Hill No. 1 Beacon Hill Road Kowloon Hong Kong
	Mr. CHEUK Wa Pang Flat C, 7th Floor Tower 6 Park Avenue 18 Hoi Ting Road Kowloon Hong Kong
Audit committee	Mr. CHUNG Wai Kwok, Jimmy *(Chairman)* Mr. YAN Cheuk Yam Mr. LEUNG Kwok Keung
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong

Note: Information contained in our website does not form part of this prospectus.

	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	BNP Paribas Hong Kong Branch BNP Paribas, 63rd Floor Two International Finance Centre 8 Finance Street Central Hong Kong
	Bank of China (Hong Kong) Limited 11th Floor, Bank of China Centre Olympian City, 11 Hoi Fai Road West Kowloon Hong Kong
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
Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Remuneration committee	Mr. CHAN Pak Chung *(Chairman)* Mr. CHUNG Wai Kwok, Jimmy Mr. LEUNG Kwok Keung
Nomination committee	Mr. CHAN Pak Chung *(Chairman)* Mr. YAN Cheuk Yam Ms. MA Siu Tao
Compliance adviser	Cazenove Asia Limited 50th Floor, One Exchange Square 8 Connaught Place Central Hong Kong

The information and statistics set forth in this section have been extracted from various published official sources. No independent verification has been carried out on such information and statistics. While we have compiled and reproduced the information, it has not been independently verified by us, our Directors, the Underwriters or any of our or their respective affiliates or advisors. The information may not be consistent with each other or with other information compiled for our industry.

INTRODUCTION

All metals can be categorised as ferrous and non-ferrous metals. A ferrous metal has iron as its main element, which includes cast iron, steel, the various steel alloys. A non-ferrous metal refers to any kinds of metals that the composition of which does not contain iron, which includes, among others, zinc, aluminium, nickel and certain precious metals. Non-ferrous metals and their alloy products are used in a wide variety of industries such as machinery, construction, mining, petroleum, automobile and aircraft production, ship-building, electronics and packaging.

Since there is a wide variety of applications of non-ferrous metals, end-users are spread over many industries, particularly in the PRC. In order to better serve such a fragmented and diversified customer base, the supply chain of non-ferrous metals usually involves international and regional sourcing and distributing companies with in-depth knowledge and expertise of a particular kind of industry to act as intermediaries between suppliers and the end-users.

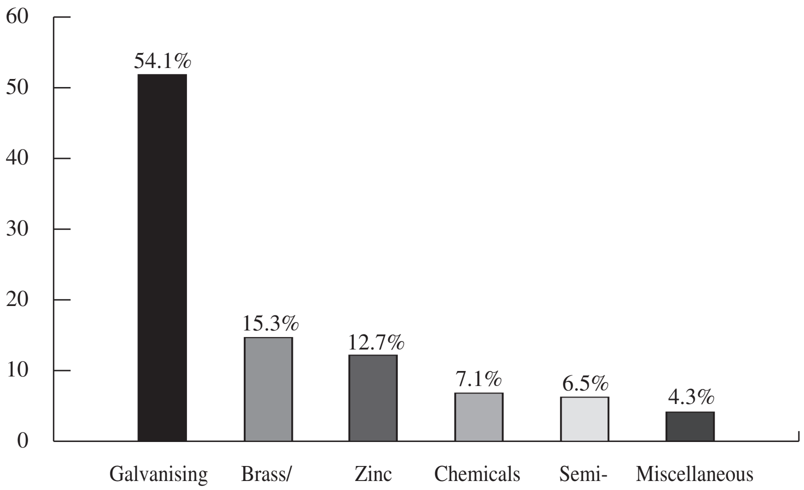
GLOBAL DEMAND AND SUPPLY OF ZINC, NICKEL AND ALUMINIUM

Zinc

Zinc is a highly corrosion-resistant metal primarily used for galvanising iron and steel to protect against corrosion and rusting. Zinc is also a major element in the preparation of certain alloys. Zinc alloy is produced by combining zinc with other non-ferrous metals such as magnesium, aluminium, copper, and other basic elements. According to Brook Hunt, approximately 54% of zinc was used for galvanising and approximately 19% was used for semi-manufactures and zinc alloying globally. Different proportions of zinc in the alloy composition yield different products. For instance, zinc alloy is a common metal for die-casting because it is easy to cast and provides high ductility.

The bar chart below sets out the percentage of different uses of zinc.

Zinc Consumption



Source: Brook Hunt 2005

Zinc market

There are two major steps in the production of zinc. First, raw zinc ores and concentrates are extracted from zinc mines. Then, the raw zinc ores and concentrates are processed in smelters or refineries to transform the zinc ores and concentrates to marketable form or be directly used as zinc alloys. Therefore, zinc smelter production is the production of refined zinc products by smelters or refineries. Historical world zinc production volumes from mines and smelters and world consumption are shown below.

World Zinc Production and Consumption Volumes Annual Totals

	2001	**2002**	**2003**	**2004**	**2005**	**CAGR 2001-2005**
			(Thousand metric tonnes)			*(%)*
Zinc Mine Production	8,933	8,904	9,578	9,792	9,979	2.81
Zinc Smelter Production	9,228	9,710	9,871	10,357	10,267	2.70
Zinc Consumption	8,919	9,377	9,848	10,656	10,644	4.52

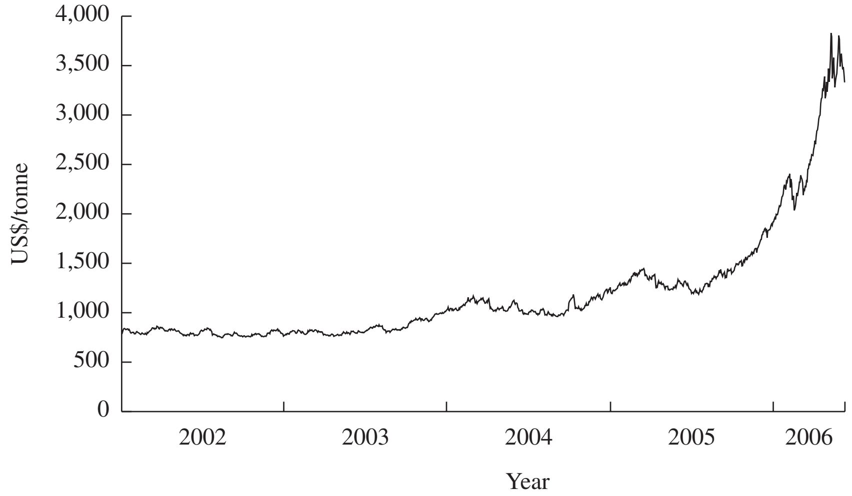
Source: ILZSG

Although the global supply of zinc had been increasing, the increase had nevertheless failed to cope with the growth rate of the global demand for zinc. As shown in the tables above, the CAGR of total world zinc mine production only increased by approximately 2.8% from 2001 to 2005 reaching approximately 10.0 million tonnes, while the smelter production of zinc metal dropped by approximately 1.0% from 2004 to 2005. However, as also shown in the table above the world zinc consumption reached approximately 10.6 million tonnes in 2005 at a CAGR of approximately 4.5% during the five years from 2001 to 2005. Such growth in consumption corresponded with the global economic growth.

The prevalent global supply shortage has been one of the main reasons driving zinc prices up in the past few years. The global supply for zinc had been falling short of demand and the gap between supply and demand had been widening with falling inventory level. The LME warehouse inventories dropped substantially by approximately 56.2% from 393,550 metric tonnes on 3 January 2006 to 172,500 metric tonnes on 1 September 2006.

Zinc prices

Zinc prices as quoted on the LME from January 2002 to June 2006 are as follows:



Source: Bloomberg

The increased demand and shortage of zinc turned the PRC into a net importer of zinc in 2004, despite the macroeconomic control carried out by the PRC in 2004. Between May 2005 and May 2006, the average price of zinc increased by approximately 2.5 times, as shown in the chart above. The global demand for zinc started to increase from the end of 2002, especially driven by burgeoning demand in the PRC which has grown to be one of the largest metal consumers in the world. Demand for zinc has outgrown supply primarily due to expanding demand from the PRC. Preliminary forecasted figures in the table below shows that the zinc market will be in deficit by under 449,000 tonnes in 2006, and hence has driven up the price. Such price uplift caused by the deficit in the zinc market may continue to prevail as the global supply is expected to remain tight in 2006 and 2007 as set out in the table below.

Forecast of World Zinc Production and Consumption

	2006E	**2007E**	**2008E**
	(Thousand metric tonnes)		
Mine production	10,706	11,703	12,677
Smelter production	10,842	11,788	12,596
Zinc Consumption	11,291	11,876	12,524

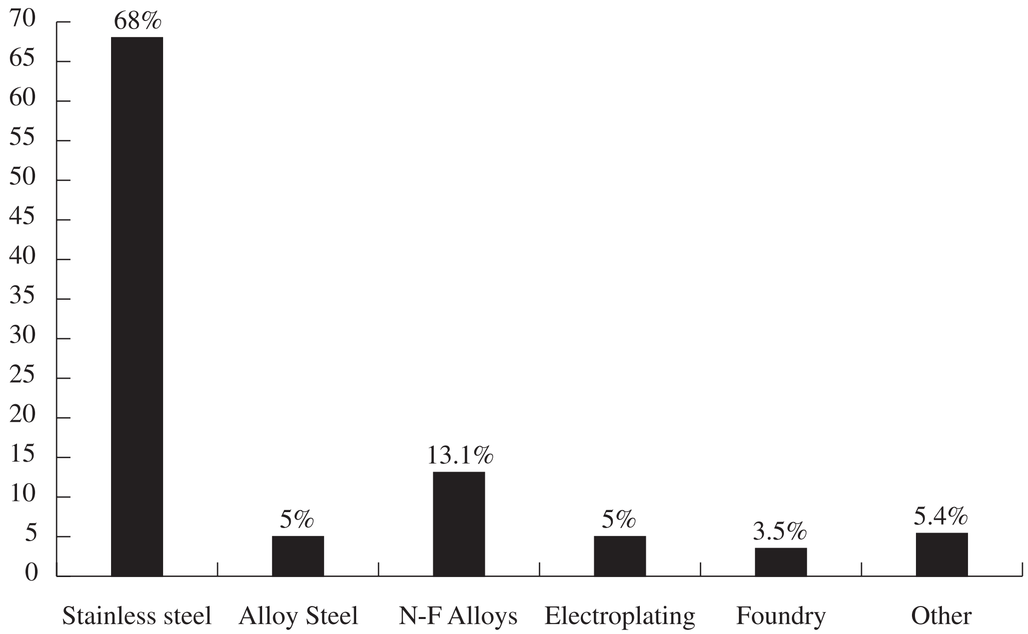
Source: Brook Hunt May 2006

Nickel

Nickel has low thermal and electrical conductivity and high resistance to corrosion, and remains hard even at high temperatures. About 68% of nickel produced worldwide is used to manufacture stainless steel for industry and construction, while approximately 22% is used to produce other steel and non-ferrous alloys for specialised applications. Another 5% is used in electroplating. The remaining 5% is used in other chemicals.

The bar chart below sets out the percentage of different industrial users of nickel in 2005.

Nickel consumption



Source: Brook Hunt, 2006

Nickel market

The world's production of nickel can be categorised as primary and secondary (also known as recycled) nickel. Primary nickel is produced from minerals and soils while secondary nickel is recycled from scrap. According to Reuters, the volume of production of nickel is on an upward trend. From year 2001 to year 2005, the CAGR of the production volumes of nickel recorded an increase of approximately 3.09% from approximately 1.16 million tonnes to 1.31 million tonnes.

The table below shows the world production and consumption levels of primary nickel.

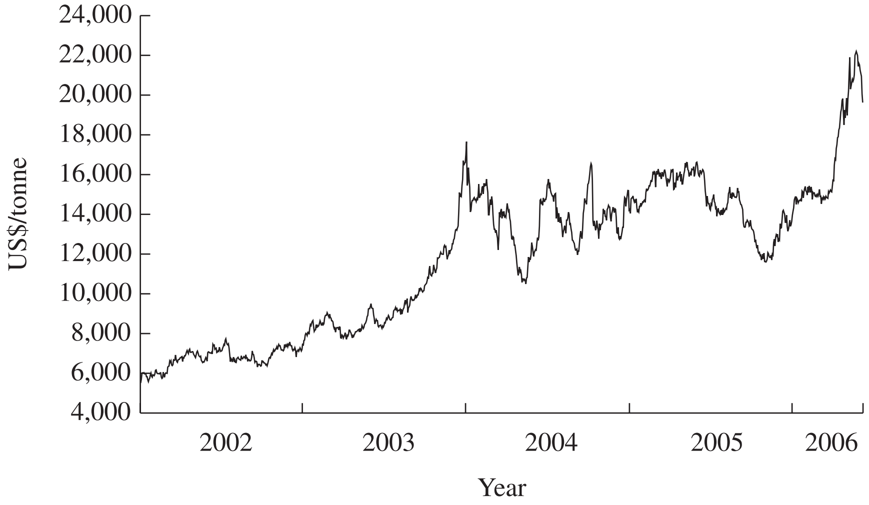
World Production and Consumption of Primary Nickel

	2001	2002	2003	2004	2005	CAGR 2001-2005
		(Thousand metric tonnes)				*(%)*
Production	1,160	1,184	1,207	1,253	1,310	3.09
Consumption	1,104	1,168	1,233	1,282	1,312	4.41

Source: ISO, Brook Hunt

Nickel prices

Nickel prices quoted on the LME from May 2002 to May 2006 were as follows:



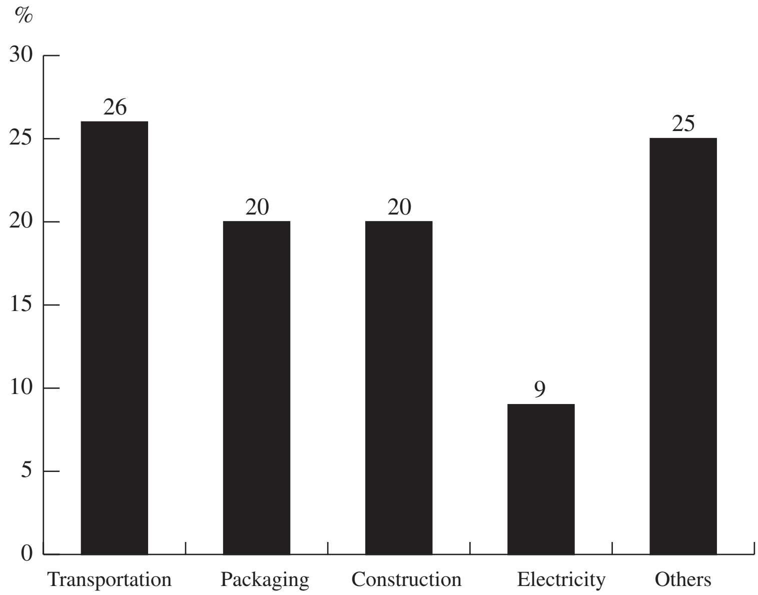
Source: Bloomberg

Due to a slowdown in industrial activities as a result of the macroeconomic control carried out by the PRC, nickel prices have experienced a sharp decline in 2004. However, nickel prices have seen an increase from the end of the last cycle where the average price was about US$7,000 per tonne in 2002, up to approximately US$15,000 per tonne in 2005, or by 114.3%. The sluggishness in the provision of additional supply referred to above and the continued industrial development in the PRC is generally expected to continue to support increased prices.

Aluminium

Aluminium is a lightweight, corrosion-resistant metal, and excellent heat and electricity conductor suitable for a wide range of applications. The transportation sector is the largest consumer of aluminium, accounting for approximately 26% of the world's aluminium consumption. The use of aluminium for the manufacturing of automobiles reduces vehicles' noise and vibration and also improves vehicle handling. The packaging sector (foil, cans, containers, etc.) is the second largest consumer of aluminium, accounting for approximately 20% of the world's aluminium consumption. Aluminium is also applied in the manufacturing of electrical components (such as cable and wire), machines, equipment and consumer durables (such as cookware and furniture). The following bar chart sets out the different uses of aluminium:

End-uses of aluminium



Source: Canadian Minerals Yearbook, Aluminium, Natural Resources Canada

Demand

World aluminium consumption increased by an estimated 6 per cent in 2005 to 31.4 million tonnes, with China estimated to have accounted for around 60 per cent of this growth.

China's aluminium consumption is estimated to have increased by 19 per cent in 2005 to 7.1 million tonnes (23 per cent of global aluminium consumption), underpinned by strong growth in the construction and motor vehicle industries.

Supply

Developments in China and Europe will have a significant bearing on world aluminium prices over the next five years. China is expected to continue to account for the majority of the growth in world aluminium demand. However, with growth in China's aluminium smelting capacity expected to ease over the outlook period, China is anticipated to become a net importer of aluminium.

In Europe, increased energy costs and the likely further closure of aluminium production capacity are expected to restrict growth in production in that region, placing upward pressure on prices.

Aluminium Alloy

Aluminium can be principally categorised into primary aluminium and aluminium alloy. Aluminium alloy refers to a complex set of specialty aluminium alloys, where various proportions of other metals are combined with aluminium to enhance strength and certain requisite specific characteristics for a particular use.

Demand

Aluminium alloy is a growing market as more aluminium is being incorporated in vehicles especially as general environmental consciousness and increasing environmental legislation calls for more environment-friendly vehicles. The use of aluminium alloy instead of steels provides a significant weight advantage. There are over 100 grades of aluminium alloy, some of which are produced specifically for a particular semi-manufacturer. Especially in Asia, demand for aluminium alloys has grown rapidly as more vehicles are being produced, and as more aluminium alloys are used in each vehicle produced.

Supply

Aluminium alloy market is currently less than half the size of the primary aluminium market. There are some 7.80 million tonnes of aluminium alloy produced against 20 million tonnes of primary aluminium production annually. Therefore, the volume of the production of aluminium alloy represents approximately 39% of the annual production volume of primary aluminium.

According to the International Aluminium Institute ("IAI"), the world production of primary aluminium has increased from approximately 21.2 million metric tonnes in 2002 to approximately 23.5 million metric tonnes in 2005.

World Primary Aluminium Production

	2001	**2002**	**2003**	**2004**	**2005**	**CAGR 2001-2005**
			(Thousand metric tonnes)			*(%)*
Production	20,550	21,190	21,930	22,590	23,460	3.37

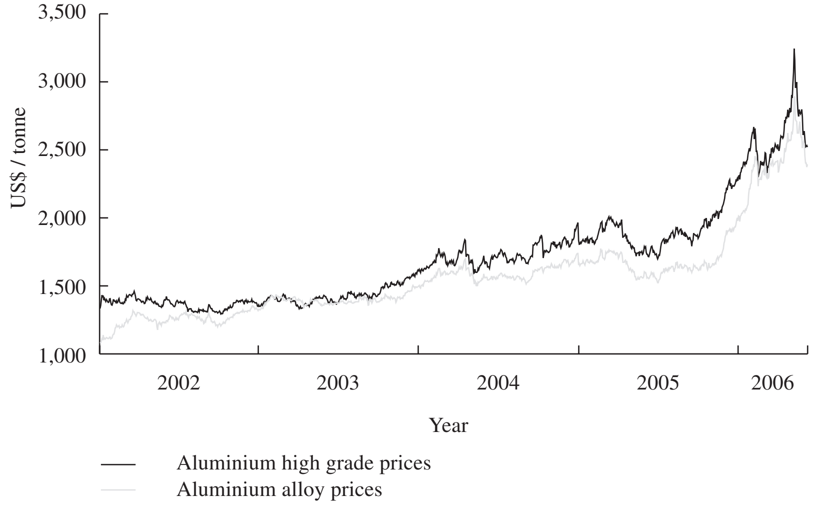
Scraps of primary aluminium can also be recycled and recovered to become one of the source materials to produce aluminium alloys, the corresponding figures reported by IAI for the years 2000 through 2004 are as follows:

Year	**Aluminium recovered from scrap** *(Thousand metric tonnes)*
2000	2,569
2001	2,567
2002	2,670
2003	2,575
2004	2,562

Aluminium alloy production is located in areas where there are mature industrial bases, good recycling policies as well as nearby demand for aluminium alloy, such as car production plants.

Aluminium prices

There are two aluminium prices quoted on the LME, namely the aluminium high grade price and aluminium alloy price. Aluminium high grade prices and aluminium alloy prices as quoted on the LME from January 2002 to June 2006 are as follows:



Source: Bloomberg

Aluminium high grade prices have been following a steady upward trend since 2002 and has grown from approximately US$1,364.6 per tonne on average to approximately US$1,901.7 per tonne on average in 2005 (representing an approximate 39.4% increase).

During the same period, the prices of aluminium alloy had also risen by approximately 108%. The upward trend of aluminium prices may persist, as the global consumption for aluminium is estimated to exceed the global supply in 2006 and 2007.

Although aluminium alloy prices broadly trading around primary aluminium prices, the differential changes enough to warrant its own LME contract. Aluminium alloy generally trades with reference to primary aluminium, especially when aluminium prices are high as this attracts more scrap recycling. However when aluminium prices are low, the incentive to collect and recycle scrap aluminium diminishes and as such the secondary aluminium prices tends to fall less sharply than primary aluminium prices.

DEMAND AND SUPPLY OF NON-FERROUS METALS IN THE PRC

Zinc

In the past, the PRC produced more zinc concentrates than the domestic smelters required, and as a result, the PRC was a exporter of zinc concentrates. However, as shown in the table below, the PRC has become a net importer of zinc concentrates, zinc scrap and zinc alloy from the year 2001 to the year 2005, with import volumes far exceeding export volumes. The import volume of refined zinc also surpasses the export volume in the years of 2004 and 2005. It is expected that the import volumes of the various kinds of zinc will continue to surpass the export volumes.

Import and Export Volumes of Zinc Metals in the PRC Market

		2001	**2002**	**2003**	**2004**	**2005**	**CAGR 2001-2005**
			(Thousand metric tonnes)				*(%)*
Zinc concentrates	Import	653	785	746	616	568	(3.43)
	Export	13	4	—	—	—	N/A
Zinc scrap	Import	35	51	68	74	76	21.24
	Export	2	3	2	0.4	0.4	(32.38)
Refined Zinc	Import	19	68	115	239	392	114.54
	Export	542	472	432	224	123	(30.94)
Zinc alloy	Import	123	143	175	220	229	16.84
	Export	20	23	33	39	24	4.08

Source: The Yearbook of Nonferrous Metals Industry of China, 2002-2006 for data in years 2001-2005

The production volume of zinc from zinc smelters in the PRC increased from approximately 2.1 million tonnes in year 2001 to approximately 2.7 million tonnes in year 2005, representing a CAGR of 6.6%. During the same period, the consumption volume of zinc also increased from approximately 1.5 million tonnes to approximately 2.9 million tonnes, representing a CAGR of 18.4%. It is therefore evident that the demand of zinc in the PRC significantly outstripped the available supply as the consumption volume of zinc exceeded the production volume by 10% in year 2005.

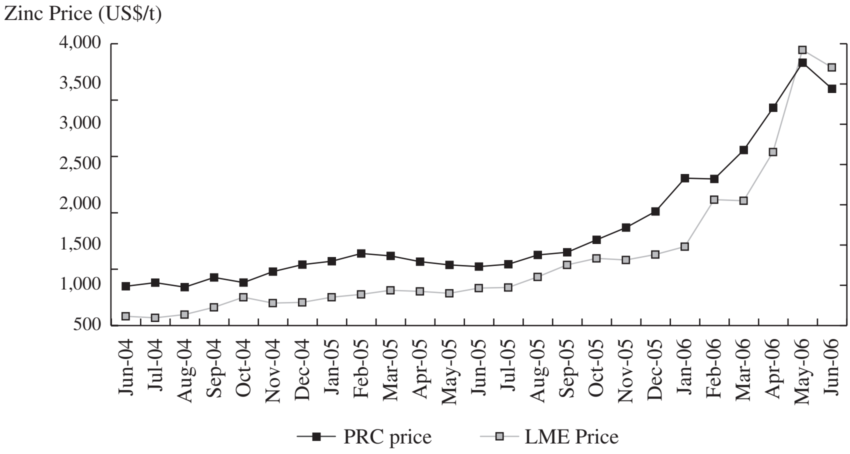
Demand and Supply in PRC Zinc Market

	2001	2002	2003	2004	2005	CAGR 2001-2005
			(Thousand metric tonnes)			*(%)*
Smelter Production	2,078	2,155	2,319	2,519	2,683	6.6
Consumption	1,500	1,750	2,155	2,490	2,948	18.4

Source: Antaike (China Metals Information Network)

Although PRC zinc production increased every year, it failed to match the increasing demand as a result of the burgeoning manufacturing activities in the PRC. Accordingly, PRC zinc price had been rising and had become even higher than international price as shown below.

Zinc Price Comparison: PRC vs. LME



Source: Bloomberg; Starfutures; HME (China Metal Market Network)

In 2004, the average domestic zinc price was approximately US$1,342 per tonne, which was approximately 26.1% higher as compared to the LME price of approximately US$1,064 per tonne. From the table, it shows that although zinc prices have been increasing both internationally and in the PRC, average international zinc prices are still cheaper than average PRC domestic zinc prices, and the price differences are believed to continue in the coming years, which suggests the continuous demand for imported zinc by the local die-casting foundries or manufacturers, and in turn indicates a favourable market condition for the distribution of the imported zinc.

As zinc alloy is widely applied in die-casting industries in the PRC, the development of die-casting industries is one of the key drivers for growth in the regional demand. The primary die-casting industries are currently concentrated around the Pearl River Delta and Yangtze River Delta. In year 2005, the amount of die-casting products increased at a rate of 10.9% and zinc alloy is the second most commonly applied non-ferrous metal in the PRC die-casting industry.

Nickel

According to the statistics from China Customs, imports of all nickel products was 720,000 tonnes in 2005, increased by 243% from 2004, and the importing amount reached US$2.77 billion, up 72.1% from 2004. The growth of demand for nickel in the PRC is primarily driven by the development of the PRC's stainless steel industry. According to the statistics from China Specialty Steel Industry Association, State-owned specialty steel enterprises produced 342,000 tonnes of crude stainless steel in 2005, increased by 7.5% from 2004. According to Antaike's forecasts, PRC output of crude stainless steel in 2006 is estimated to be 4.7 million tonnes, representing an increase of 40.3% from 2005. In addition, the apparent consumption of stainless steel is believed to reach 6 million tons, an increase of 20% when compared to 2005.

Apart from the stainless steel industry, electroplating industry is also an important nickel consuming sector. In year 2004, out of the total nickel consumption volume of 162,000 tones, electroplating constituted approximately 36% of such volume in the PRC. There are more than 14,000 electroplating enterprises in the Guangdong province. More than 1,600 of such enterprises are foreign-owned and more than 90% of which are Hong Kong-owned.

The following table shows Chinese nickel supply and consumption from 2002-2005.

	2002	**2003**	**2004**	**2005**	**CAGR 2002-2005**
		(Thousand metric tonnes)			*(%)*
Supply	57	70	81	101	21.01
Consumption	104	136	162	198	23.94

Source: Brook Hunt

Aluminium

The PRC has played a critical role in the global aluminium market. It is the largest primary aluminium producer in the world with certain brands recognised by the LME.

The following table shows Chinese aluminium and aluminium alloy supply and consumption from 2001-2005.

	2001	2002	2003	2004	2005	CAGR 2001-2005
		(Thousand metric tonnes)				*(%)*
Supply	3,491	4,115	5,179	6,020	7,124	19.52
Consumption	3,646	4,167	5,134	5,968	7,105	18.15

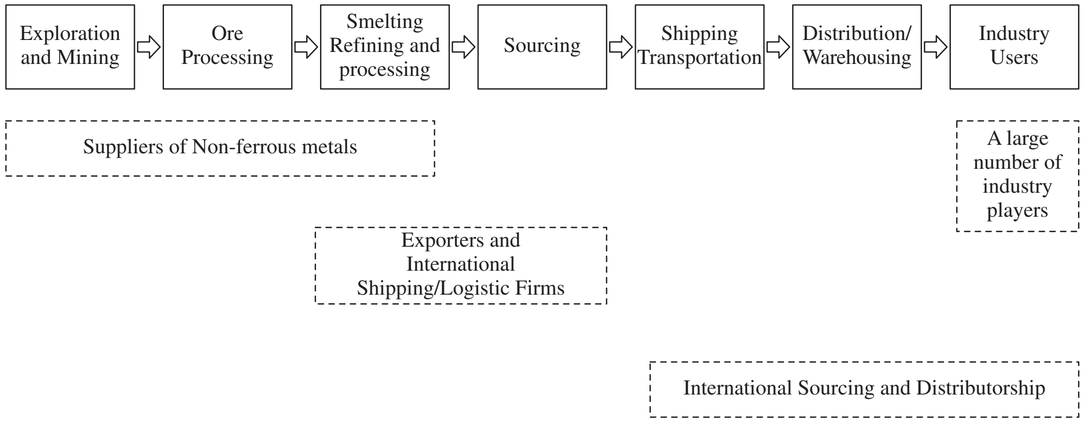
Source: CNI-A, the Customs and Antaike

According to Antaike research, an information provider for the mining and metals industries in the PRC, consumption of primary aluminium and aluminium alloy for the year of 2005 increased by approximately 19.1% to approximately 7.1 million tonnes when compared to the year of 2004. The CAGR of consumption of primary aluminium and aluminium alloy from 2001 to 2005 is approximately 18.2%. It is expected that the PRC's output of primary aluminium and aluminium alloy is very likely to exceed 9.0 million tonnes in 2006. The high aluminium price has not weakened the worldwide demand so far. On the other hand, the soaring copper price has forced some industry sectors to use aluminium as a substitute for copper.

Aluminium alloy is the most commonly used non-ferrous metal in die-casting industry, primarily due to the fast-growing automobile industry. The CAGR of the automobile production volume in year 2001 to 2005 is approximately 25% whilst the CAGR of the die-casting production volume is approximately 11.6%. Therefore this provides a support for the demand of aluminium die-casting alloy in the PRC.

VALUE CHAIN OF NON-FERROUS METALS

The non-ferrous metal industry is comprised of exploration, mining, ore processing, smelting, refining and processing of non-ferrous metal, and distribution to end-users. The diagram below sets out the steps of such value chain and the various parties involved in each step.



Suppliers manufacture and sell large volumes of metals in standard/marketable sizes and configurations. They extract non-ferrous metals from mines and process them in smelters or refineries into standard/marketable sizes and configurations. The suppliers of non-ferrous metals mainly focus on the upstream operations of the value chain, such as mine extraction and smelter operations. These suppliers are usually located in remote areas where the mines are situated and are far away from their downstream customers. Accordingly, this facilitates the development of the non-ferrous metals sourcing and distribution where distributors will source non-ferrous metals from miners or smelters for the sale to the die-casting foundries and manufacturers. Export and shipping are generally handled by exporters and international shipping firms. International sourcing and distributing companies function as intermediaries between suppliers and end-users by sourcing non-ferrous metals from the suppliers and distributing the metals to the end-users for their production use.

PRC Die-casting Industry

Die-casting is a versatile process for producing engineered metal parts by forcing molten metal under high pressure into reusable steel moulds. These moulds, called dies, can be designed to produce complex shapes with a high degree of accuracy and repeatability. Parts can be sharply defined, with smooth or textured surfaces, and are suitable for a wide variety of attractive and serviceable finishes. They can be as simple as a sink faucet or as complex as a connector housing. Die-castings are among the highest volume, mass-produced items manufactured by the metal industry.

In the PRC, there are approximately 20,000 die-casting foundries scattered across more than 26 provinces nationwide. The end-users of the die-casting products spread over many industries, including, among others, household hardware, toys, home and electronic appliances, automobile. As a result, the die-casting industry in the PRC is largely fragmented which facilitates the need to have an international or regional sourcing and distributing company with in-depth market knowledge and industry expertise to act as an intermediary between the suppliers and the end-users.

A typical die-casting foundry requires various types of non-ferrous metals in the manufacturing process. A central melt furnace is used to melt the non-ferrous metals (e.g. zinc alloy, aluminium alloy and magnesium alloy) before the molten metal is injected into the die and then casted into non-ferrous metal parts in different shapes according to the product specifications. The parts can then be trimmed, polished and treated with smooth or textured surfaces through electroplating and painting processes using nickel, and are suitable for a wide variety of attractive and serviceable finishes.

The growth in die casting industry in the PRC has been primarily driven by the recent global economic growth and the sustained economic development as reflected by the increase in consumer spending, industrial output and export sales from the PRC to foreign countries. From 2001 to 2005, the PRC's GDP and export sales increased at a CAGR of 13.6% and 29.0%, respectively. Export sales have been reinforced by the PRC's role as a global manufacturing and export center which generated a significant amount of demand for die castings products in various industries such as automobile, household hardware and electrical appliances, which are mostly concentrated in the Pearl River Delta region and the Yangtze River Delta region.

Pearl River Delta

The Pearl River Delta covers nine prefectures of the Guangdong Province, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou (only includes Huizhou City, Huiyang, Huidong, Boluo), Jiangmen and Zhaoqing (only includes Zhaoqing City, Gaoyao and Sihui), and the special administrative regions of Hong Kong and Macau. The region has been the most economically dynamic region of the PRC since the launch of the PRC's reform programme in 1979. It has also become a major manufacturing base for products such as electronic products (such as watches and clocks), toys, garments and textiles, plastic products, and a range of other goods. Much of this output is invested by foreign entities and is geared for the export market. The Pearl River Delta Economic Zone accounts for approximately one third of the PRC's trade value, and the region's GDP reached approximately RMB1,811.7 billion in 2005, approximately 10% of national GDP.

Yangtze River Delta

The Yangtze River Delta generally comprises the triangular-shaped territory of Shanghai, southern Jiangsu province and northern Zhejiang province. The delta is one of the most densely populated regions on earth and it has been a main cultural and economic center of the PRC. The Yangtze River Delta region is flanked with metallurgical, power, chemical, automobile, building materials and machinery industrial belts, and high-tech development zones. It is playing an increasingly crucial role in the river valley's economic growth and has become a vital link for international shipping to the inland provinces. Led by Shanghai, the region surpasses all other regions in the PRC in terms of economic growth, productivity and per capita income in recent years. The Yangtze River Delta region's GDP reached approximately RMB4,078.1 billion in 2005, approximately 22.4% of national GDP.

LONDON METAL EXCHANGE MECHANISMS

The London Metal Exchange ("LME") is a global non-ferrous metals exchange located in London, England. It is one of the main metal trading platforms in the world that trades metal futures. Trading on the LME can be done in three main ways: through open outcry, a telephone system between member companies and the LME Select, an electronic trading platform.

Price discovery is one of the most important functions of the LME. Each day the LME announces a set of official prices, which are determined from the open-outcry trading. Those prices are accepted globally and widely used in the non-ferrous metals industry for benchmarking.

The LME provides a hedging platform where participants, primarily from non-ferrous base metals and plastics-related industries, have the opportunity to protect against risks arising from movements in non-ferrous metals price. The LME has developed standardised contracts which assume that on falling due they will result in material either being delivered or received. Brands of material that meet rigorous quality standards are stored in approved warehouses around the world so that material can change hands but in reality most contracts are settled out without real change of hands taking place.

COMPETITION IN NON-FERROUS METAL SOURCING AND DISTRIBUTION SECTOR IN THE GREATER CHINA REGION

For recent years, the PRC has become a net importer of zinc concentrates, zinc scrap and zinc alloy, with import volumes far exceeding export volumes. For the years from 2001 to 2005, the CAGR of the imported refined zinc amounts to 114.54% when compared to the CAGR of the exported refined zinc of only 30.94%. During the same period, the CAGR of the imported zinc alloy amounts to 16.84% when compared to the CAGR of the exported zinc alloy of only 4.08% It is expected that the trend of having the import volumes of the various kinds of zinc surpasses the export volumes will continue in future.

Such trend is supported with an increasing volumes of consumption of zinc. From the year of 2001 to 2005, the consumption volume of zinc increased from approximately 1.5 million tonnes to approximately 2.9 million tonnes, representing a CAGR of 18.4% whereas during the same period, the production volume of zinc from zinc smelters in the PRC increased from approximately 2.1 million tonnes to approximately 2.7 million tonnes, representing a CAGR of only 6.6%. It is therefore obvious that the demand of zinc in PRC will continue to outstrip the available supply and the continued demand of zinc within the PRC market will have to rely heavily on the import of zinc.

The non-ferrous metal trading business in the Greater China Region is competitive, with many players in the Pearl River Delta region and the Yangtze River Delta region. Yet there are certain barriers to establish a sizeable business of sourcing and distribution of non-ferrous metals, which include (i) the required lengthy time to accumulate an established customer base as well as market reputation; (ii) the required in-depth technical expertise to provide quality after-sale support to serve customers in a wide array of industries; and (iii) the funding intensive nature of the business as a substantial amount of working capital is required for purchasing inventory as well as other supplemental facilities such as warehouses and technical services.

Based on the Hong Kong import and export statistics published by the government of Hong Kong for the year ended 31 December 2005, we were the market leader in the sourcing and distribution of zinc alloy in Hong Kong in terms of a market share in Hong Kong of approximately 72% of the total import of zinc alloy in Hong Kong. For the same period, our market share in the sourcing and distribution of nickel and nickel-related products and aluminium and aluminium alloy amounted to approximately 14% and 8% of the total import of nickel and aluminium in Hong Kong, respectively.

The Directors believe our current competitors are located in Hong Kong. There are four competitors engaged in the business of sourcing and distribution of zinc alloys, two in the business of sourcing and distribution of nickel for electroplating and three local companies engaged in the sourcing and distribution of aluminum. When we start to penetrate into the PRC market, our future competitors will also be located in the PRC.

HISTORY AND DEVELOPMENT

We were established in 1947 as a metal scraps trading company by Mr. CHAN Chak Hong, the grandfather of Mr. CHAN Pak Chung. In the 1950s, we established our first retail store with an on-site smelting facility for the production of zinc alloy in Mongkok, Hong Kong. Our founder carried out business under the "Lee Kee" brand as a sole proprietor.

In the 1960s, we established a production plant in Lam Tei, New Territories, Hong Kong to expand our metals production from zinc alloy to tin lead alloy and related products. We also began importing zinc ingot to produce zinc alloy at our Lam Tei plant for the Hong Kong market and established a second retail store in Mongkok, Hong Kong to source and distribute non-ferrous metals including lead bar, zinc and copper.

In the 1970s, we recognised a demand for overseas metals from the die-casting industry. Therefore we started to source and distribute imported non-ferrous metals. Since 1975, we began to import the EZDA* series zinc alloy from Electrolytic Zinc Company of Australasia Limited, which has changed its name to Pasminco Limited, from which Zinifex, an Australian manufacturer of zinc and zinc alloy, acquired certain assets. Since 1976, we have purchased Zinifex's zinc and zinc alloy, and in particular die-casting zinc alloy, and have distributed them in the PRC, Hong Kong and Taiwan. In June 2004, we entered into the Zinc Agreement whereby we agreed to purchase certain zinc products from Zinifex, the term of which agreement was effective from February 2004. In consideration of our entering into the Zinc Agreement, Zinifex gave an undertaking not to sell the relevant die-casting zinc alloy sold to us under such agreement to any other accounts within the PRC, Hong Kong and Taiwan. Zinifex is presently one of our largest suppliers of zinc alloy.

In 1987, Lee Kee Metal was incorporated and is engaged in the distribution of zinc alloy products.

In the 1990s, we developed a computerised network that provided real-time price quotations and facilitated our customers' access to market information for non-ferrous metals prices. We believe that the implementation of such computer system enabled us to become one of the first non-ferrous metal sourcing and distribution companies in Hong Kong to provide up-to-date market information to customers. We were also among the first to introduce technical support services to customers, providing various technical and chemical analysis of metals, technical advice, mould designs and consultation services.

In 1993, we established a retail store in Tsuen Wan, Hong Kong. The Tsuen Wan store obtained a category IV licence for the storage of dangerous goods from the Fire Services Department of Hong Kong to store sodium cyanide, potassium cyanide and copper cyanide.

In 1998, we started to import zinc alloy from Korea Zinc and broadened our product line and in 2005, Lee Kee agreed to become the exclusive distributor of Korea Zinc for distribution of its zinc alloy in Hong Kong and Guangdong areas.

Throughout 1980 to 2000, we expanded our operations by establishing a number of subsidiaries including Lee Kee Metal, Lee Sing Materials, Lee Fung Metal and Lee Tai Precious Metal. Please refer

* *EZDA is a brand name registered by Zinifex*

to the section headed "Our History and Reorganisation — Shareholding and Corporate Structure" in this prospectus for more detailed descriptions of each of our subsidiaries. In 1997, in order to further rationalise our Group structure, a holding company, Lee Kee Group was established to hold, among others, Lee Kee Metal, Lee Sing Materials, Lee Fung Metal and Lee Tai Precious Metal.

In 2000, we purchased a warehouse from an Independent Third Party with a site area of over 53,895 sq.ft. in Sha Tau Kok, Hong Kong for a consideration of HK$9,300,000. The warehouse facilitated our distribution of products to our customers in the Greater China Region.

Genesis Ningbo was established in 2000 by Mr. CHAN Pak Chung for the primary purpose of manufacturing zinc alloy. In 2001, Pasminco Limited acquired a 42.5% of equity interest in GRTL as a strategic partner and in year 2003, its stake was increased to 50%. In 2004, Zinifex acquired Pasminco Limited's interest in GRTL. GRTL holds the entire issued share capital of Genesis Alloys, which in turn holds the entire interest in Genesis Ningbo. Genesis Ningbo produces zinc alloy and targets customers in the Yangtze River Delta region. In the year ended 31 December 2005, Genesis Group's net loss attributable to the 50% interest now owned by the Enlarged Group was HK$405,000. The net loss was primarily due to the suspension of the operation as a result of the reconstruction and reinforcement of the foundation to increase the plant's operating capacity. The profit generated by the Genesis Group has already broken even with the original investment in year 2003.

In 2005, we registered the trade name, "Lee Kee" in Hong Kong and the PRC.

On 11 November 2005, we were incorporated as a limited liability company in the Cayman Islands and, upon completion of the Reorganisation, our Company became the holding company of the Lee Kee Group.

REORGANISATION, SHAREHOLDING AND CORPORATE STRUCTURE

Reorganisation

In April 2006, as part of the Reorganisation, we disposed of our entire interest in Modern Wealth Limited to Mr. CHAN Pak Chung for an aggregate consideration of HK$59,487,679.19, being the unaudited net asset value of Modern Wealth Limited as at 31 March 2006 and the amount of the shareholder's loan owed to Mr. CHAN Pak Chung. Modern Wealth Limited is an investment holding company used for holding various property interests in Hong Kong, which is not a core business of our Group. At the time of disposal of our entire interest in Modern Wealth Limited to Mr. CHAN Pak Chung in April 2006, Modern Wealth Limited held 12 investment properties with an aggregate fair market value of HK$63,320,000.

We also disposed of our entire interest in Wah San Diecasting Company Limited to Mr. CHAN Pak Chung in April 2006. Since its date of incorporation, Wah San Diecasting Company Limited has not carried and was not carrying on any business up to the date of our disposal to Mr. CHAN Pak Chung. Wah San Diecasting Company Limited is applying for a voluntary winding-up.

As part of our strategy to become an integrated metal supply chain company, we further expanded into the upstream sector of the supply chain by acquiring 50% interest in GRTL from Mr. CHAN Pak Chung in September 2006 as part of the Reorganisation.

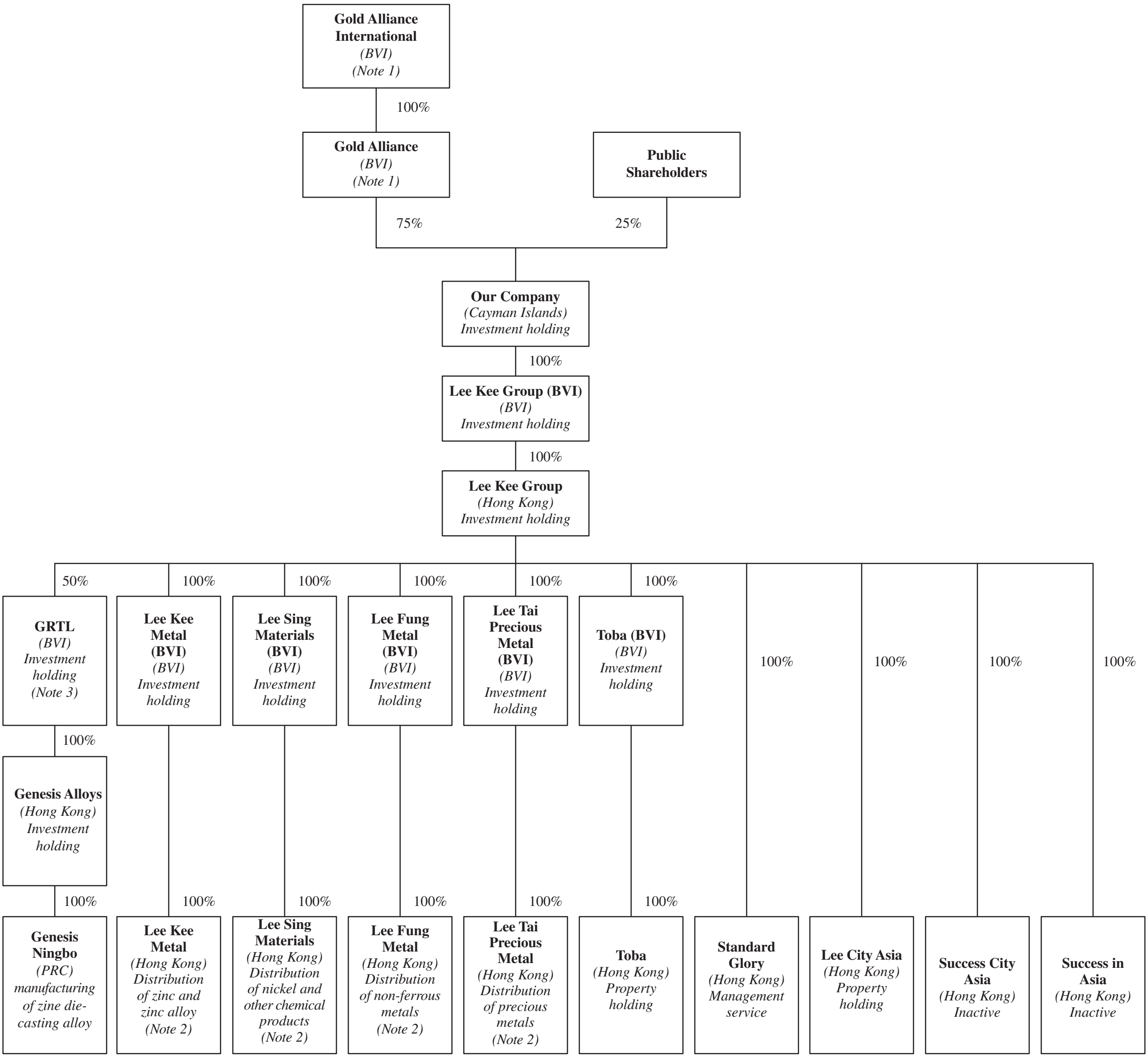
GRTL is a company incorporated in BVI on 12 February 2001. GRTL holds the entire issued share capital of Genesis Alloys, which in turn holds the entire interest in Genesis Ningbo. Before the

Group's acquisition, GRTL was owned as to 50% by Metallic Scope Holding Company Limited and as to 50% by Zinifex International. Metallic Scope Holding Company Limited is an investment holding company wholly owned by Mr. CHAN Pak Chung. In September 2006, the Group acquired from Metallic Scope Holding Company Limited 50% of the issued share capital of GRTL and the shareholders' loan owed to Metallic Scope Holding Company Limited, representing all of its interest in the Genesis Group for an aggregate consideration of HK$9,347,752, being 50% of the net asset value of GRTL as at 30 June 2006 and the amount of the shareholder's loan owed to Metallic Scope Holding Company Limited.

Our Company was incorporated in the Cayman Islands on 11 November 2005 as an exempted company with limited liability. The companies in our Enlarged Group underwent the Reorganisation in preparation for the listing of the Shares on the Stock Exchange. Details of the Reorganisation are set forth in the paragraph headed "Corporate reorganisation" in Appendix V to this prospectus.

Shareholding and Corporate structure

The following diagram shows the principal operating members of the Enlarged Group and their respective principal business activities immediately after Listing:



Note 1: The entire share capital of Gold Alliance is held by Gold Alliance International, which is in turn wholly-owned by HSBC Trustee 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 6 March 2006. The beneficiaries objects of the P.C. CHAN Family Trust include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung. Each of Mr. CHAN Pak Chung and Ms. MA Siu Tao is taken to be interested in the 600,000,000 Shares held by Gold Alliance immediately upon completion of the Global Offering and the Capitalisation Issue pursuant to Part XV of the SFO.

Note 2: Lee Kee Metal was established in April 1987 and is engaged in the distribution of zinc alloy products. Lee Sing Materials was established in May 1993 which focuses on the distribution of nickel and nickel chemicals for use in electroplating. We established Lee Fung Metal in April 1995 to distribute aluminum products and other non-ferrous metals, including aluminum ingots, aluminum alloys, magnesium alloys, white metals and pewter alloys, in pursuing to become a "one-stop" metal provider and to strengthen our product offerings especially on the die-casting process. In January 2000, we further established Lee Tai Precious Metal and expanded our product range to include sales of precious metals and other chemicals for the electroplating industry.

Note3: The other shareholder of GRTL is Zinifex International.

OVERVIEW

We are a leading sourcing and distribution company of die-casting zinc alloy in Hong Kong with a history of close to 60 years since our establishment in 1947. With Hong Kong being a gateway for the import of non-ferrous metals into the PRC, out of the total amount of zinc alloy imported into Hong Kong of approximately 213,700 metric tonnes in 2005[1], we imported approximately 154,000 metric tonnes, representing approximately 72.5% of the imported zinc alloy market. Our total sale of zinc alloy, including direct shipment to our customers in the PRC, amounted to approximately 176,000 metric tonnes for the financial year ended 31 December 2005. It represents approximately 77.0% of the total volume of imported zinc alloy in the PRC for the same year which amounts to approximately 228,595 metric tonnes[2].

We source and distribute non-ferrous metals, primarily SHG zinc and zinc alloy, nickel and nickel-related products, aluminium and aluminium alloy, and other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium). Our suppliers are major non-ferrous metals mining and production companies. Our customers are primarily manufacturers of consumer products. We provide customers in the Greater China Region and South-East Asia with non-ferrous metals, serving as an intermediary between these customers and international manufacturers of non-ferrous metals. In addition to our current principal business of sourcing and distribution, we also provide related value-added and ancillary services along our business line from procurement of raw metal materials to after-sales services to our customers.

Raw metal materials include a wide range of non-ferrous metals, such as zinc, aluminium, nickel and chemicals of precious metals. Our operations comprise the sourcing, marketing, transportation and delivery of a wide range of different non-ferrous metals and the provision of certain related value-added and ancillary services such as arrangement for transportation and insurance, inventory management, quality control services, laboratorial chemical analysis, general information services and technical support in order to deliver more effectively and efficiently the products we source for our customers. The Enlarged Group's goal is to become a leading international integrated supply chain company in the non-ferrous metals industry that provides "one-stop" solution service to our customers.

We have an established and extensive network of customers and suppliers. Our customer base spans the Greater China Region and to a lesser extent Vietnam, Indonesia, Thailand, Singapore and Malaysia. We have more than 1,100 customers with manufacturing facilities in the Pearl River Delta region, which has been the bedrock of our business. Our customers are primarily manufacturers of commercial products in various industries, including bathroom fittings, household hardware, toys, home appliances, silver-plated tableware, fashion accessories, automobile accessories, stationeries and jewellery.

Our principal suppliers are the world's main non-ferrous metals producers including Zinifex, Inco, Korea Zinc, OMG, Teck Cominco, Alcan and Johnson Matthey. We maintained long-term supply

Notes:

1 *Source:* Census and Statistics Department, Hong Kong, 2006

2 *Source:* The Yearbook of Nonferrous Metals Industry of China, 2002-2006 for data in years 2001-2005

arrangements with certain of these suppliers. For example, the Zinc Agreement was entered into whereby we agreed to purchase certain zinc alloy products from Zinifex for a term of 5 years. Furthermore we agreed with Korea Zinc to be its exclusive distributor of zinc alloy in Hong Kong and Guangdong areas.

As part of the Enlarged Group's strategy to become a leading international integrated supply chain company, the Enlarged Group has further diversified into upstream sector of the metals supply chain through the acquisition of 50% equity interest in Genesis Group, which is an upstream manufacturer of zinc alloy. Genesis Ningbo was established in 2000, its holding company namely GRTL is currently the Enlarged Group's 50/50 joint venture with Zinifex, one of our largest suppliers. Genesis Ningbo focuses primarily on sourcing of SHG zinc and manufacturing of zinc die-casting alloy for domestic sale in the PRC market. To further complement our cross selling efforts to our customers, it is also our current intention to acquire Lee Yip, a downstream processor of stainless steel, within a one-year period after Listing. Lee Yip, which was established in May 2005, is currently owned as to 70% by Mr. CHAN Pak Chung, and is engaged in distributing and processing of stainless steel to various configurations according to customers' specifications. The remaining 30% interest of Lee Yip is owned by an Independent Third Party. For such future acquisition of Lee Yip, we have entered in the Call Option Deed, details of which are set out in the sections headed "The Enlarged Group's Business — customised and processing services on stainless steel — Lee Yip" below and "Relationship with the Controlling Shareholders — Call Option Deed" in this prospectus.

We engage in hedging in the course of our operations to reduce the impact of non-ferrous metal price volatility. We believe efficient risk management is fundamental to the success of our business and we will continue to regularly monitor our hedging positions.

We accomplished a turnover of approximately HK$1,390,325,000, HK$2,438,382,000 and HK$3,143,009,000 for the three years ended 31 December 2005, representing a CAGR of approximately 50.4%. Our principal sourced and distributed products are SHG zinc and zinc alloy and nickel and nickel-related products. The turnover for SHG zinc and zinc alloy for the three years ended 31 December 2005 were HK$878,743,000, HK$1,581,583,000 and HK$2,293,154,000, representing a CAGR of approximately 61.5%. Our turnover from nickel-related products for the three years ended 31 December 2005 were HK$301,371,000, HK$589,718,000 and HK$559,482,000, representing a CAGR of approximately 36.3%. During the same period, the Group's net profits were approximately HK$35,796,000, HK$112,973,000 and HK$202,380,000, representing a CAGR of approximately 137.8%. For the five months ended 31 May 2006, the turnover and net profit of the Group were approximately HK$1,849,920,000 and HK$224,719,000 respectively, equivalent to approximately 58.9% and 111.0% respectively of the corresponding figures for the whole of year 2005.

COMPETITIVE STRENGTHS

We believe our principal competitive strengths include the following:

Strong brand name in the non-ferrous metals industry

We believe that the "Lee Kee" brand is one of the most recognised brands for sourcing and distribution of non-ferrous metals in Hong Kong and the Greater China Region. With close to 60 years of experience in the non-ferrous metals industry with the established brand name, we believe that we are also one of the preferred choices when companies require the sourcing of non-ferrous metals supply. We also offer value-added and ancillary services that we believe most of our competitors do not provide.

Established and diversified customer base

Our customer base spans the Greater China Region and to a lesser extent Vietnam, Indonesia, Thailand, Singapore and Malaysia, with over 1,100 customers with manufacturing facilities based in the Pearl River Delta region alone. As of the Latest Practicable Date, we had approximately 1,200 customers located in six different countries around the world. Further, our customers are engaged in a variety of industries including bathroom fittings, household hardware, toys, home appliances, silver-plated tableware, fashion accessories, automobile accessories, stationeries and jewellery. As a result, we are not dependent on any particular customer, group of customers nor would any change in any one industry of our customers significantly affect our business. Our largest customer accounted for approximately 1.9%, 2.0% and 2.2%, and 3.0% of our turnover for each of the three years ended 31 December 2005 and the five months ended 31 May 2006, respectively. This diversified customer base helps minimising risks associated with financial conditions of any single customer and the consequential adverse effect on our results of operations. The diversity in our customer base helps insulating us from any downturn of any specific industry.

Provision of value-added services and ancillary services to customers

Our Directors believe that we provide value-added services and ancillary services that most of our competitors do not provide to customers in connection with the distribution of non-ferrous metals. These services include, but are not limited to, the arrangement for transportation and insurance, the provision of general information services such as general price trend information, newsletters on market and industrial information and seminars for customers, as well as the provision of technical research and support services such as mould design and technical advice, on-site visits and consultation.

Established relationships with key suppliers

We maintain relationships with international suppliers of non-ferrous metals throughout the world, such as Zinifex, Inco, Korea Zinc, OMG, Teck Cominco, Alcan and Johnson Matthey.

The Zinc Agreement was entered into whereby we agreed to purchase certain zinc alloy products from Zinifex for a term of 5 years. We have also entered into an exclusive distributorship agreement with Korea Zinc in relation to the exclusive distribution of zinc alloy in Hong Kong and Guangdong areas.

The structure of our purchase price is agreed, and revised annually, with reference to the metal prices quoted on the LME. Therefore, our Directors believe that the Zinc Agreement and the exclusive arrangements with Korea Zinc provide us a degree of certainty in terms of our purchase cost for zinc alloy. We have also entered into other various non-exclusive distributorship agreements with other suppliers of non-ferrous metals, which are usually renewed on an annual basis. Our Directors believe that our stable supplier base allows us to satisfy our customers' diversified needs promptly and, accordingly, maintain a leading position in our key markets in the Greater China Region.

Experienced management and staff

Our senior management possesses extensive experience, technical know-how, management skills and industry knowledge. Our Chairman, Mr. CHAN Pak Chung, has over 40 years of relevant experience in the non-ferrous metals industry. Ms. CHAN Yuen Shan, Clara is our chief executive officer and Ms. MA Siu Tao is our sales director. They have approximately more than 10 years and 20 years of relevant experience in the non-ferrous metals industry, respectively. We therefore have an in-depth knowledge of the industry in which we operate. We believe our experienced management team enables us to capture market opportunities and to formulate and execute sound business strategies.

We believe that skilled and experienced technical personnel are particularly valued in the provision of the value-added and ancillary services, such as technical support. We believe that our staff, especially technical personnel and market research analysts, many having advanced degrees and professional technical qualifications, contribute to the business of the Group significantly. Mr. CHAN Pak Chung handpicks and trains our senior management. We aim to attract and retain experienced professionals within the industry by relying on our market leading position. We provide our staff with training courses to ensure that their skills are constantly upgraded and commensurate with rapid technological advances.

Prudent financial management practices and management system

We maintain a strict risk management system and believe it has contributed to our overall financial position. We are subject to risk of unmatching purchase orders and sales volume due to the nature of our business and distribution agreements. We have established an internal control system, however, to monitor and report on our business activities in order to mitigate such operating and financial risk. Our risk management committee regularly evaluates and monitors our exposure to such risk. The risk management committee consists of two executive Directors (including the chief executive officer), the chief financial officer and a market analyst. The committee has formulated a set of internal guidelines in relation to price hedging and holds weekly meetings to evaluate our risk exposure to price fluctuations and makes decisions regarding price hedging. The majority of our commodity transactions can be hedged through future contracts and over-the-counter transactions. During our Track Record Period, our hedging activities involve short selling and long buying of futures contracts. In the three years ended 31 December 2005 and the five months ended 31 May 2006 our short sold futures contract amounted to HK$94,339,851, HK$13,910,130 and HK$2,817,360, and HK$nil, respectively, and long bought futures contract amounted to HK$19,020,378, HK$nil, HK$5,261,100 and HK$nil, respectively. Furthermore, we adopt strict credit approval procedures to manage our exposure to credit risk. In the three years ended 31 December 2005 and the five months ended 31 May 2006, approximately 33.9%, 44.5% and 53.8%, and 62.4%, respectively, of our trade settlements were made by letters of credit and telegraphic transfers, which allowed us to reduce our exposure to non-payment risk.

Our net short term interest bearing debt to equity ratio was 11.5% as of 31 May 2006. We also maintain adequate borrowing capacity to meet the growing needs of our business and take a disciplined approach to working capital management, which is reflected in our computerised inventory management system and accounts receivable management through collaboration among credit manager, sales team and accounting department. As a result, we have an average inventory turnover days of approximately 45 days and an average trade receivable days of 18.1 days for the three years ended 31 December 2005. We believe our strong financial position affords us greater flexibility in responding to the funding requirements of our business and changes in market conditions.

GROWTH STRATEGIES

The Enlarged Group plans to expand our customer base, further diversify into upstream and downstream sectors of non-ferrous metals supply chain and becomes a leading international integrated supply chain company in this industry. In order to achieve those objectives, the Enlarged Group intends to adopt the following growth strategies:

Further penetrate into the PRC market with a focus on high growth areas

We will continue to focus on the Greater China Region with a focus on areas with high economic growth rates, and in particular, the Pearl River Delta region. The Pearl River Delta region accounted for 11.9% of PRC's GDP in 2005.

We will also focus on the Yangtze River Delta region and the northeastern and western provinces of the PRC through a combination of our own sales team's efforts and engagement of established independent sales agents. Due to the growth of industries in the Pearl River Delta region and the Yangtze River Delta region, such as the automotive parts industry and the household hardware industry, we expect our business in these regions to grow at a faster rate than in other regions in the PRC. We expect to establish trading companies and representative offices in major cities such as Guangzhou, Shanghai, Chengdu, Dalian and Beijing within two years. These offices will focus primarily on customers who are originally based in Taiwan, the PRC and other countries, in addition to Hong Kong. The trading companies will be our main sales channels for further market expansion in the Pearl River Delta and Yangtze River Delta regions and we plan to reach our target channel capacities for zinc alloy at 30,000 tonnes per annum and 45,000 tonnes per annum, respectively, within 2 years. Within 3 to 5 years, both target channel capacities in the regions will each reach 90,000 tonnes per annum.

Strengthen supplies and diversify into upstream and downstream sectors of the supply chain

The Enlarged Group will continue to explore alternative sources of supplies of quality ferrous and non-ferrous metals, including establishing its own production facilities through joint ventures with reputable foreign smelting operators; through mergers and acquisitions of existing facilities; or through seeking alliances with non-ferrous concentrates providers or miners.

The acquisition of the 50% interest in the Genesis Group serves the purpose of diversifying ourselves into the upstream sector of the zinc alloy supply chain. Genesis Ningbo was established in 2000 and engaged in manufacturing zinc alloy. The Genesis Group currently operates as a joint venture with Zinifex, one of our major suppliers, and the Enlarged Group each holding a 50% interest. Genesis Ningbo primarily focuses on customers located in the Yangtze River Delta region. The Company plans to use the experience and market knowledge it has gained from the operation of Genesis Ningbo to establish additional manufacturing and processing facilities in the upstream sectors of the non-ferrous metals supply chain.

We have also planned to diversify ourselves into the downstream sector of the metals supply chain, we currently intend to acquire Lee Yip and have entered into the Call Option Deed with Mr. CHAN Pak Chung in this regard. Lee Yip processes stainless steel to various configurations according to customers' specifications, including tailor-made designs requested by customers. Mr. CHAN Pak Chung holds 70% interest in Lee Yip and the remaining 30% interest is owned by an Independent Third Party. Further terms of the Call Option Deed are set out in the section headed "Relationship with the Controlling Shareholders — Call Option Deed" in this prospectus.

We also intend to establish and expand our own production facilities, such as a production plant for zinc and aluminium alloys with a total installed production capacity of up to 17,500 metric tonnes per month. The total capital expenditures planned for zinc alloy plant and aluminium alloy plant development are approximately HK$110.0 million and HK$78.5 million, respectively, and they are expected to be deployed in approximately equal sums in both 2007 and 2008.

Achieve one-stop solution capability

We intend to diversify our operations in order to become a one-stop solution provider to end-users of various non-ferrous metals. In order to do so, we plan to strengthen our following services:

- logistics capabilities to shorten the order lead time of our customers including, but not limited to, establishing warehouses in strategic locations in order to speed up our delivery in the PRC market, building up alliances with reliable transportation companies and further enhancing our capabilities to improve our material handling time;

- bridging services for overseas buyers who wish to source products in the PRC;

- technical services to assist customers in enhancing their production efficiency;

- customer liaison services to facilitate our communications with our customers, such as the strengthening of our ERP systems to include CRM modules;

- laboratory services and research and development services to assure the quality of the products, assisting customers to locate the source of problems if anything happens during their production, and providing technical advice to customers in order to comply with industrial and environmental requirements; and

- market intelligence analysis to enable our customers to make informed purchase decisions and formulate risk management strategies.

Broaden product offerings and increase cross-selling of our products to existing customers

Since many of our customers need to procure more than one category of non-ferrous metals for their production needs, we aim to utilise our distribution network to strengthen our growth. We intend to increase cross-selling of our products to existing customers and source and offer additional metals such as brass, copper, magnesium alloys and other high potential alloys to cater for their needs. In addition, the Enlarged Group intends to leverage our strong PRC market expertise and the integrated upstream metal supplier and downstream die-casting foundry network to provide a one-stop product sourcing agency service for overseas manufacturers who demand competitively priced products. In order to address the growing environmental concerns, we also plan to establish recycling facilities as part of our zinc alloy production plants to provide recycling services to the Group's customers by converting their zinc scraps into specific zinc alloys. The recycling facilities with installed processing capacity of 500 metric tonnes per month is expected to commence operation in 2008.

PRODUCTS AND SERVICES

Our principal business is the sourcing and distribution of non-ferrous metals, primarily SHG zinc and zinc alloy, nickel and nickel-related products. Nickel-related products include nickel square and nickel chemicals. To a lesser extent, we also source and distribute aluminium and aluminium alloy, and other electroplating chemicals (including chemicals of precious metals such as silver, gold and rhodium).

Apart from the aforementioned products we source and distribute, we also manufacture pewter alloys under the "Lee Kee" brand for local sales in Hong Kong.

Our customers are manufacturers of commercial products such as bathroom fittings, household hardware, toys, home appliances, silver-plated tableware, fashion accessories, automobile accessories, stationeries and jewellery. Our customers further process our non-ferrous metals for the manufacture of such products.

The table below summaries the principal applications and sources of our principal products:

Business lines	Principal products	Principal applications	Primary suppliers	Countries of origin
SHG zinc and zinc alloy	SHG zinc and die-casting zinc alloy	Industrial hardware, automotive parts, sporting equipment, ceiling fans, zippers, electronics, toys, bathroom hardware, domestic hardware, gas regulators and gifts	Zinifex, Korea Zinc, Teck Cominco	Australia, Korea, Canada
Nickel and nickel-related products	Nickel, nickel salt mixture and electroplating chemicals	Electroplating materials for decorative consumer goods	Inco, OMG	Canada, Finland
Aluminium and aluminium alloy	Aluminium	Cover plates, instrument cases, outboard motor parts, hinges, marine applications, cooking utensils, car fittings, door furniture, aircraft applications, food equipment and chemical equipment	Alcan	Canada
	Aluminium alloy	Electrical appliances, automotive industries, furniture components and illumination parts	various	various
Electroplating chemicals (including precious metals chemicals)	Potassium gold cyanide salt, potassium silver cyanide salt, palladium dichlorodiamine, rhodium sulphate solution	Watches and clocks, optical frames, gift accessories, dining utensils, hardware and fashion accessories, printed circuit boards, leadframe switches, electroforming and electroplating on real and imitation jewellery	Johnson Matthey	UK

The tables below set out contributions by our products in terms of turnover and sales volume and the average metal settlement prices quoted on the LME during the three years ended 31 December 2005 and the five months ended 31 May 2006:

Turnover

	For the year ended 31 December						For the five months ended 31 May	
	2003		**2004**		**2005**		**2006**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
SHG zinc and zinc alloy[1]	878,743	63.2	1,581,583	64.9	2,293,154	73.0	1,508,725	81.6
Nickel and nickel-related products[1]	301,371	21.7	589,718	24.2	559,482	17.8	207,021	11.2
Aluminium and aluminium alloy[1]	125,140	9.0	148,053	6.1	139,352	4.4	71,696	3.9
Electroplating chemicals (including precious metals chemicals) and other metals	85,071	6.1	119,028	4.8	151,021	4.8	62,478	3.3
Total	1,390,325	100.0	2,438,382	100.0	3,143,009	100.0	1,849,920	100.0

Sales volume

	For the year ended 31 December						For the five months ended 31 May	
	2003		**2004**		**2005**		**2006**	
	tonnes	*%*	*tonnes*	*%*	*tonnes*	*%*	*tonnes*	*%*
SHG zinc and zinc alloy	111,160	88.1	162,533	90.6	191,186	92.9	76,037	93.0
Nickel and nickel-related products	5,071	4.0	6,842	3.8	5,874	2.8	2,088	2.6
Aluminium and aluminium alloy	9,888	7.9	10,098	5.6	8,836	4.3	3,644	4.4
Electroplating chemicals (including precious metals chemicals) and other metals	8	—	6	—	5	—	1	—
Total	126,127	100.0	179,479	100.0	205,901	100.0	81,770	100.0

Note:

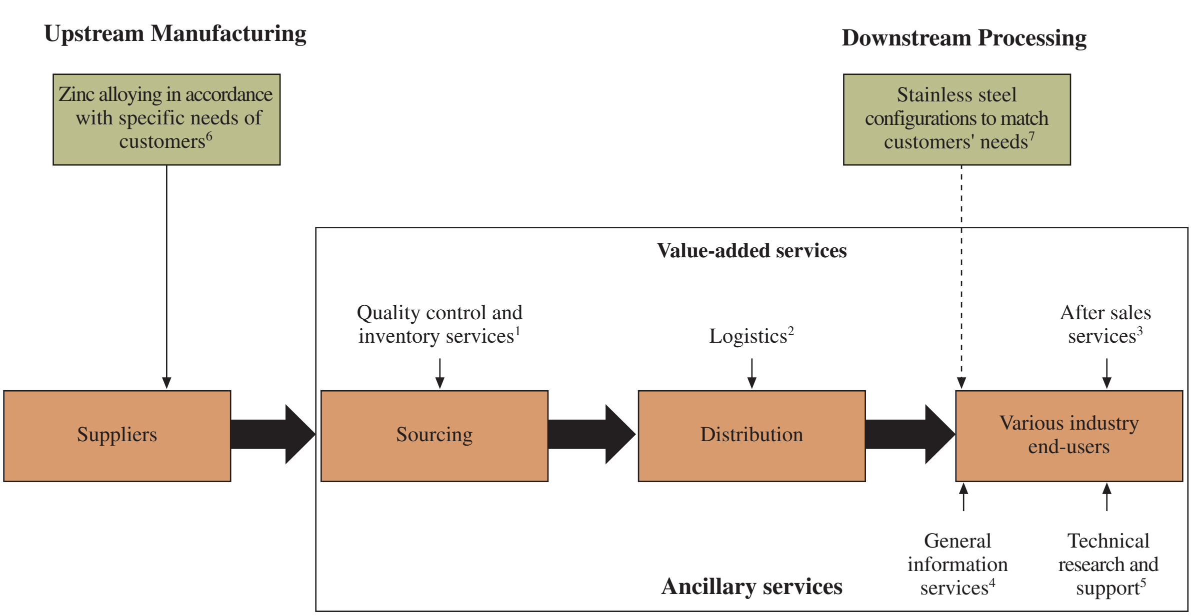
1. The growth in zinc business throughout our Track Record Period is primarily due to new additional resources employed by the Group rather than any withdrawal of any resources from the business of nickel and aluminium.

Average settlement prices quoted on the LME

	For the year ended 31 December			For the five months ended 31 May
	2003	**2004**	**2005**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
SHG zinc	6,449	8,168	10,763	20,728
Nickel	74,934	107,890	115,031	129,456
Aluminium	11,160	13,320	14,297	19,855

In setting the prices of our major products, we usually impose a mark-up for zinc, nickel and aluminium in addition to the market price quoted on the LME. The selling prices of nickel related products are usually lower than pure nickel.

From sourcing to distribution of non-ferrous metals and other metal products, the Enlarged Group's supply chain service model includes different departments, ranging from procurement of materials to customer service. The supply chain includes activities associated with inventory management, logistics support and delivery to customers. In addition, we also provide some ancillary services which include real-time market information and technical support to our customers. We have devised a cost effective flow of inventory management from the point of sourcing to the point of distribution in order to satisfy customer requirements. The Enlarged Group has also developed manufacturing plants to manufacture the products which customers specifically required. The following diagram illustrates a typical workflow along the Enlarged Group's core business and its involvement in managing key activities of this supply chain:



Notes:

Value-Added Services	Ancillary Services	Upstream and downstream supply chain expansion
Note 1. Quality control and inventory services ● chemical analysis; ● arrange shipment; and ● laboratory testing. Note 2. Logistics ● arrange transportation; and ● arrange insurance. Note 3. After sales services ● on-site visit and problem solving; and ● customer liaison staff to visit customer regularly.	Note 4. General information services ● provide price trend information; ● provide newsletters on market and industrial information; and ● hold seminars for customers. Note 5. Technical research and support ● various technical analysis; ● mould design and technical advice; ● introduction of technical experts; ● on-site visit and consultation; and ● melting cost evaluation and solution.	Note 6. Manufacturing of processed materials ● alloying to meet specific needs of customers Note 7. We also intend to acquire controlling interest in Lee Yip which provides customised processing services on stainless steel to customer specified configurations

Value-added services

We provide the following three kinds of value-added services to our customers:

Quality control and inventory

Our procurement department oversees the Group's quality control measures. When a customer makes an order with us, we require the suppliers of all of the products that we source and distribute to be certified by the corresponding suppliers with chemical analysis certificates to ensure that the chemical composition of each product complies with the specifications required by the customer.

We arrange for shipment of products to customer by either (1) deliver directly from the supplier to the customer's locations or, more frequently, (2) deliver to Hong Kong for onward-shipment. In the case of shipment to Hong Kong, (a) the customer may collect the shipment from the terminal or from our warehouses directly, or (b) the customer may request us to arrange for delivery to the customer's location.

Before ultimate delivery of goods from our warehouses, we will perform "on-the-spot" inspections of the products to ensure they are in compliance with the customer's order. We maintain staff for quality control at our warehouses to perform these inspections.

For the products that we source and distribute, the original manufacturers will provide exchange or replacement services for any products that deviate materially from the specified product parameters or are otherwise defective. In the event that we receive any complaints or enquiries from our customers regarding the quality or specifications of the products, we instruct independent chemical laboratories to conduct chemical analysis on the products concerned. During the Track Record Period, there was almost no exchange of goods was required by customers due to material defects or deviations.

We have a technical team of four in charge of quality control measures, all members of which are university graduates with two obtained master degrees and one obtained doctoral degree.

Logistics

We provide land and sea transportation arrangements for a fee at our customers' request. We would design the most efficient route to deliver such non-ferrous metals to end-users by using a computerised system. In relation to land transportation, we arrange for trucking services to upload the non-ferrous metals either from the terminals or our own warehouses and deliver them to our customers in the PRC. In each year, we would engage several trucking service companies as our designated transportation companies to satisfy all our land transportation needs including the transportation services we arrange for our customers. Our Directors believe such economies of scale have enabled us to offer third party transportation services at competitive prices to our customers. This serves as a cost saving measure which offers convenience to our customers by saving their need to deal with third party transportation companies directly. In relation to sea transportation, we work closely with various shipping companies to arrange for the most efficient route to deliver the non-ferrous metals at the requested destination. The transportation service is provided at a charge to our customers.

We agree with cargo insurers on a fixed premium annually, based on which we take out cargo insurance to cater for delivery of our products to our customers in order to save our customers' time in dealing with insurance companies. The cost of such insurance is factored into our price quotation to our customers as part of the transportation charges.

After sales services

Our customer liaison department provides customer services externally and sales opportunities internally for the Group. We aim at providing prompt and reliable services to our customers.

The customer liaison department has two managers and seven supporting staff. This team works very closely with other departments in the Group. We help customers for order completion, shipping documentation and logistics. In addition, we help customers to understand and explore customers' actual needs of products and services, collecting customers' suggestions and ideas and introducing the Group's one-stop solution. We also focus on understanding and analysing the latest industry development in order to maintain our market share and target new opportunities.

The customer liaison department acts as a communication platform between customers and other supporting departments to provide quality before-and-after sales services. Customer liaison managers will regularly pay visits to customers' offices in Hong Kong and factories in the PRC. This is an important mission for the customer liaison department, which not only provides a means to drive sales but also shows our commitment to customer satisfaction.

Ancillary services

We provide ancillary services to our customers, including provision of metal commodity market information services, technical support and laboratorial chemical analysis.

General information services

We provide daily metal price quotation, such as LME prices and trend, at customers' request in a variety of forms including email, fax and information published on our website. We also despatch weekly newsletters to our customers on industry news, market development, forecast on market trends and other relevant information. To enhance interactive communication with our customers, we also hold seminars three to four times a year on technical services and market information.

Technical research and support

We provide technical research and support services to our customers primarily through a dedicated technical department which presently consists of four members, including three experienced engineers, who hold doctoral or master degrees in material science. The technical department's responsibilities include advising on quality control, handling customers' enquiries and complaints in relation to our products, providing training and latest technical and production management information to customers as well as conducting research for new product development.

In order to enhance our technical know-how and keep our customers abreast of the latest technical development, our engineers attend various training courses from time to time, including training courses provided by our key suppliers.

The technical research and support services we provide to our customers include the following:

(a) arranging for chemical analysis of ingot, castings and remelts for our customers at their request of engaging third party chemical laboratories to issue certification on chemical specifications of our customers' products;

(b) performing failure analysis of casting defects for our customers' end products made from the metals we provide by identifying the cause of defects in their production process;

(c) giving advice on optional feed system which is the process of injection of metals into the mould during the production process to design for castings;

(d) paying on-site visits to our customers' manufacturing sites and consultation on their production process;

(e) giving technical advice on recycling and construction of recycling furnace which helps our customers to save costs;

(f) despatching of technical experts to customer site; and

(g) providing our customers with melting cost evaluation and solutions to minimise melting waste and enhance production efficiency.

Our engineers as well as the technical consultants and experts from our suppliers pay on-site visit to customers from time to time to address any technical issues in connection with the application of our products. In particular, we advise on different aspects of alloy control from ways to charge, melt and recycle materials to design and construction of melting furnace and make suggestions to our customers regarding implementation of central melting. We also channel our customers' feedback to our suppliers from time to time such that the products produced by them may be modified or improved to meet our customers' needs.

Upstream and downstream supply chain expansion

The Enlarged Group intends to expand along the upstream and downstream segments of the metal industry value chain to pursue future business growth. Activities in the upstream segment primarily involve the production of metal alloys in standardised forms to provide customer groups with high quality products to better meet their diversified needs. Activities in the downstream segment mainly involve the processing and configuration of metals and alloys to provide finished products in customised forms to better match the needs of individual customers.

Mr. NG Tze For, one of our executive Directors, is responsible for overall strategic development of the Enlarged Group, including the expansion of upstream and downstream supply chain. Details of his qualifications and experience are set out in the section headed "Directors, Senior Management and Staff" in this prospectus. We believe that Mr. NG Tze For has sufficient skills and expertise to manage the Enlarged Group's business expansion. We also engage external consultants to assist and provide advice and services to such expansion.

Supply Chain Management

A supply chain company is a management company which focuses itself on the provision of a cost effective mechanism for the flow of goods and services from the point of origin to the point of consumption to satisfy customer requirements. It consists of different stages, ranging from procurement of materials to customer service. The whole supply chain includes business activities associated with inventory or materials acquisition, storage, use in production, transit, and delivery to customers. The activities are planned, executed, and monitored under the guidelines set by the company's chosen customer service levels and in line with the company's other operating goals.

Manufacturing of processed materials — Genesis Ningbo

Genesis Ningbo was established in 2000 by Mr. CHAN Pak Chung, its holding company namely GRTL is currently the Enlarged Group's 50/50 joint venture with Zinifex, one of our largest suppliers. The board of directors of Genesis Ningbo consists of three members, all of them are appointed by the board of directors of Genesis Alloys. The board of directors of GRTL and Genesis Alloys consist of the same four members, with two appointed by Lee Kee Group and the other two appointed by Zinifex International. The voting power of each director in the board meetings of GRTL and Genesis Alloys is equal and there is no casting vote. The daily operation of Genesis Ningbo is managed by a management team consisting of personnel from Zinifex and the Enlarged Group.

For the three years ended 31 December 2005 and the five months ended 31 May 2006, the zinc alloy purchased by Genesis Group from Zinifex amounted to HK$34,406,000, HK$80,968,000, HK$nil and HK$nil respectively.

Genesis Ningbo is principally engaged in manufacturing zinc alloy primarily using SHG zinc procured in the PRC whilst our operation in Hong Kong is principally engaged in sourcing and distribution of non-ferrous metals imported from overseas suppliers. The targeted customers are therefore different and there is no competition or conflict of interests exists at present.

The Enlarged Group and Zinifex undertake to each other that neither it nor its associates will directly or indirectly be engaged, concerned, interested in or carry on any business in the PRC, Hong Kong or Macau which is the same or substantially similar to the business carried out by the Genesis Group.

The Enlarged Group further agreed with Zinifex that if either one is made aware of a new business opportunity similar to the business carried out by the Genesis Group, it shall provide all relevant details of such opportunity to the other parties to enable the Genesis Group to take up such opportunity. Should the Genesis Group decide not to take up such opportunity, the party who was made aware of such opportunity may then proceed on its own. Accordingly, if the Genesis Group decides to pursue a new business opportunity, the Enlarged Group would have a 50% attributable interest in such new business venture. On the other hand, if the Genesis Group decides not to pursue, then we are entitled to proceed on our own and we are not subject to the non-competition restriction as described in the preceding paragraph.

Genesis Ningbo's production facilities reached full utilisation within two years of its inception and its annual production capacity were approximately 37,800 metric tonnes for the year ended 31 December 2004 and the utilisation rate was about 68%. Genesis Ningbo halted operations voluntarily in February 2005 in order to reconstruct and reinforce the foundation to increase the plant's operational capacity. The plant was reopened in February 2006 and the reinforcement has enabled the site of the plant and building infrastructure to support an installed annual production capability of approximately 57,600 metric tonnes. Genesis Ningbo's operation is in compliance with the relevant laws and regulations of the PRC.

Genesis Ningbo caters for customers' varying needs by manufacturing zinc alloy with different mix of metals as specified by customers. Genesis Ningbo is located in Ningbo, a city in eastern China with one of the largest ports in the PRC and where the Enlarged Group believes the consumption of zinc die-casting alloying is growing. Since its inception, Genesis Ningbo has developed into a zinc alloy manufacturer using SHG zinc primarily sourced in the PRC. Genesis Ningbo has an annual installed manufacturing capacity of 28,800 metric tonnes of zinc alloy and the utilisation rate is approximately 75% by September 2006.

Summary of the joint venture agreement with Zinifex on the Genesis Group

The board of directors of GRTL is responsible for the overall direction and control of the management of GRTL and the formulation of the policies to be applied in the conduct of the business of the Genesis Group.

Lee Kee Group or Zinifex may transfer all or any of its shares in GRTL with the prior written consent of the other party. If Lee Kee Group or Zinifex wishes to transfer any of its shares otherwise than aforesaid, it shall first give notice to the other party offering to sell its shares to that other party. Should the other party decide not to take up the shares, the offering party may then sell its shares to a third party on the same terms as those offered to the other shareholder.

If there is a deadlock between Lee Kee Group and Zinifex, then either party may serve on the other a notice offering to sell all of its shares or, failing that, to purchase all of the shares held by the offeree.

Lee Kee Group and Zinifex International agreed that certain matters in relation to Genesis Ningbo shall be approved by all the directors of GRTL. These matters include the lending of money or provision of financial accommodation to any person or the giving of any guarantee or indemnity in respect of the obligations of any other person other than in the ordinary course of business; the payment or declaration of a dividend; the acquisition of any share capital or other securities or of an interest in a corporation or trust or the entering into of any partnership or joint venture; the cessation of any business operation or a material change in the nature or geographical area of the business; and the appointment of a managing director or general manager. They further agreed that the making of any amendment to the memorandum or articles of association, and the making of an application or the commencement of any proceedings or the taking of any other steps for the winding up, dissolution, or appointment of an administrator of Genesis Ningbo shall be approved by holders of 75% of shares in GRTL.

Customised and processing services on stainless steel — Lee Yip

Lee Yip is a limited company incorporated in Hong Kong in May 2005 to engage in stainless steel processing and distribution. Mr. CHAN Pak Chung, chairman and one of the Controlling Shareholders of our Company, currently owns 70% of its shares, with the balance of 30% shares held by Mr. Poon Man Keung. Mr. CHAN Pak Chung and Mr. Poon have known each other for over 10 years. Given that Mr. Poon has years of experience and market knowledge in the stainless steel industry, Mr. CHAN Pak Chung therefore established Lee Yip with Mr. Poon to pursue this new business opportunity.

Mr. CHAN Pak Chung is the sole director of Lee Yip. Pursuant to the shareholders' agreement entered into between Mr. CHAN Pak Chung and Mr. Poon, the business of Lee Yip shall be managed by Mr. CHAN Pak Chung who shall be responsible for determining the overall policies and objectives of Lee Yip. Mr. Poon is the general manager of Lee Yip responsible for its daily operation, which includes performing sales planning and purchase projections, monitoring transfer of funds, overseeing the salesmen and clerks and recruiting personnel and such daily operations are discharged independently of the Enlarged Group. Mr. Poon is also responsible for presenting the management accounts of Lee Yip to Mr. CHAN Pak Chung on a monthly basis. Mr. CHAN Pak Chung has no involvement in the day to day management of Lee Yip. Other than Mr. CHAN Pak Chung's shareholding interest and directorship in Lee Yip, our Directors are not aware of any past or present relationship (business or otherwise) between Mr. Poon or any of his associates and any of the shareholders, directors, senior management of our Group or their respective associates.

The businesses of Lee Yip and our Group are sufficiently delineated in terms of (a) Lee Yip is principally engaged in the processing and distribution of stainless steel, the composition and usage of which are different as compared to the non-ferrous metals that we source and distribute; (b) Lee Yip supplies stainless steel to customers for further processing by stamping and deep drawing whilst we sell non-ferrous metals to customers as raw materials for die-casting and electroplating; (c) Lee Yip's production process involves physical cutting whilst the Enlarged Group's processing of zinc and aluminium alloy involves thermal treatment and changes in chemical composition; (d) Lee Yip requires cutting and packaging machines for processing its stainless steel whilst the Enlarged Group requires oven and casting line for the thermal treatment and subsequent cool-down; and (e) the shareholders of Lee Yip agreed that the business of Lee Yip shall be separated from and independent of the business carried out by Lee Kee Metal and Lee Kee Group and they shall procure Lee Yip not to compete with Lee Kee Metal and Lee Kee Group by expanding its business scope. Accordingly, our Directors do not consider that there is or will be any direct or indirect competition between us and Lee Yip.

For the year ended 31 December 2005, the total turnover, total assets and net asset value of Lee Yip as reflected in its audited financial statements for the relevant period were HK$52,893,475, HK$50,461,629 and HK$2,301,510 respectively.

Lee Yip is engaged in the business of processing and distribution of stainless steel. Raw stainless steel is processed at Lee Yip to various configurations sizes and shapes according to customers' specifications. Lee Yip can also provide coating services to customers at their request. Lee Yip's processing plant is situated at Tsuen Wan with a total gross floor areas of approximately 7,000 sq.ft. Lee Yip's plant has an annual processing capacity of 9,600 metric tonnes of stainless steel, out of which 30% has been utilised, with a production of 2,900 metric tonnes of stainless steel for the year ended 31 December 2005. In the year ended 31 December 2005, Lee Yip's net profit was HK$1,301,510.

We aim to become a leading international integrated supply chain company in the metal industry. The processing business of Lee Yip forms part of the downstream activities of metals supply chain. Lee Yip is still at an early stage of development and we consider it would be appropriate to allow more time for us to evaluate the performance of Lee Yip's business and its strategic and financial fit to the overall strategic planning of our Group. Therefore, subject to the satisfaction of a number of conditions, we plan to acquire Mr. CHAN Pak Chung's interest in Lee Yip within one year after Listing with a view to enhancing our strategy. The exercise of the call option granted pursuant to the Call Option Deed is however conditional upon: (i) the Shares having first commenced dealings on the Stock Exchange; (ii) compliance with all relevant provisions of the Listing Rules and Articles in respect of such exercise of the call option; (iii) all necessary consents for the exercise of the call option having been granted by third parties (including but not limited to any other shareholder(s) of Lee Yip); and (iv) Mr. CHAN Pak Chung having complied in all material respects with the shareholders' agreement dated 16 November 2005, entered into among Mr. CHAN Pak Chung, Lee Yip and Mr. Poon Man Keung who is an Independent Third Party and that Mr. CHAN Pak Chung having performed in all material respects all of the covenants and agreements required to be performed by him under such shareholders' agreement. Details of such future acquisition have been further set out in the section headed "Relationship with the Controlling Shareholders — Call Option Deed" in this prospectus.

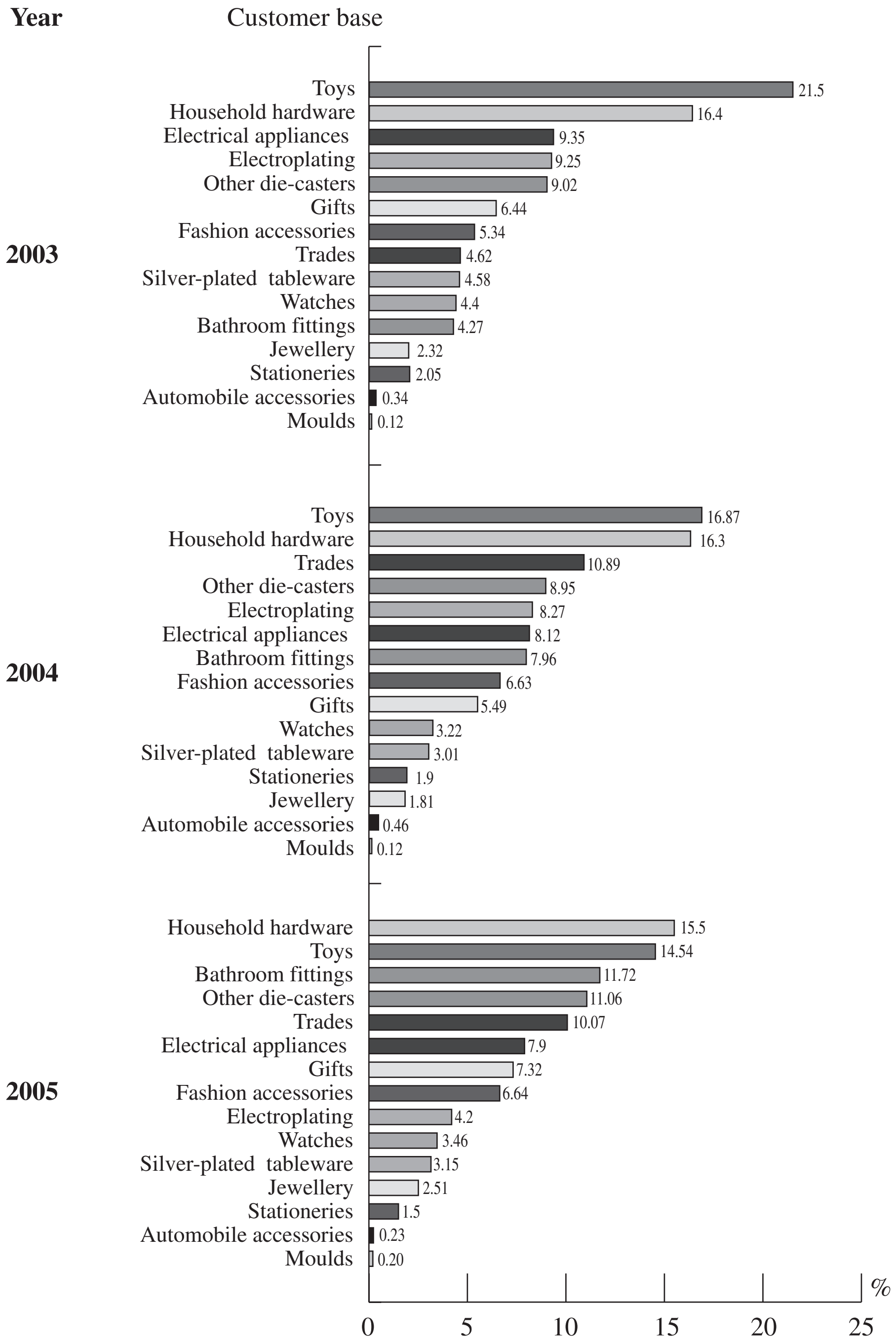
CUSTOMERS

Our customers are primarily manufacturers of commercial products in various industries, including bathroom fittings, household hardware, toys, home appliances, silver-plated tableware, fashion accessories, automobile accessories, stationeries and jewellery. We conclude all our sales contracts with customers in Hong Kong, many of which have established manufacturing facilities in the Greater China Region and to a lesser extent Vietnam, Indonesia, Thailand, Singapore and Malaysia. We have more than 1,100 customers of various industries with manufacturing facilities based in the Pearl River Delta region alone.

Genesis Ningbo can also cater for customers' specific needs by manufacturing zinc alloy with different mixtures of metals as specified by customers. This is the Enlarged Group's competitive advantage over most of the Group's competitors and our Directors believe that the tailor-made zinc alloy market requires producer with good quality control and good production techniques.

For the year ended 31 December 2005, our sales to customers with manufacturing facilities based in the PRC and Taiwan were 96.87%, 2.32% of our total sales, respectively, and the remaining 0.81% was sales to customers with manufacturing facilities based in Hong Kong, Vietnam, Indonesia, Thailand, Singapore and Malaysia.

Our customers are engaged in a wide variety of industries such as toys, household hardware, electrical appliances, electroplating, other die-casting foundries, gifts, fashion accessories, trades, silver-plated tableware, watches, bathroom fittings, jewellery, stationeries, automobile accessories and moulds. The bar chart below sets out the distribution of our products by our customers' applications:



We are not dependent upon any single customer or group of customers. For the three years ended 31 December 2005 and the five months ended 31 May 2006, turnover from our five largest customers accounted for approximately 7.4%, 7.4% and 9.8%, and 10.8% of our turnover, respectively. During the same periods, turnover from our single largest customer accounted for approximately 1.9%, 2.0% and 2.2%, and 3.0% of our turnover, respectively. None of our customers accounted for more than 5% of our turnover in any of the three years ended 31 December 2005 and the five months ended 31 May 2006. None of our Directors, their respective associates or Shareholders own more than 5% of the issued share capital of our Company holds any interest in any of our five largest customers, all of whom are Independent Third Parties. Please also see the section headed "The Enlarged Group's Business — Competitive Strengths — Established and diversified Customer base" in this prospectus.

Customer Logistics

Most of our customers make orders with us monthly. We circulate price quotations at approximately 10.00 a.m. (Hong Kong time) daily. Imported non-ferrous metals prices are determined with reference to LME prices. We will receive orders throughout the day, with cut-off time for orders being 3.00 p.m. (Hong Kong time). Any customer wishing to make an order would confirm a price and volume with us by telephone or by fax. We follow up the order with a sales contract that is signed on the same day or the next day and we have the capability to provide just-in-time delivery service.

SUPPLIERS

Our principal suppliers are among the world's main non-ferrous metals producers including Zinifex, Inco, Korea Zinc, OMG, Teck Cominco, Alcan and Johnson Matthey. Our suppliers are located in countries all over the world, including, but not limited to, suppliers in Australia, South Korea, Canada, Thailand, the PRC, South Africa, the US, Peru, Finland and the UK. The table below sets out the background of our key suppliers and the length of our relationships with each of them:

	Country of sourcing origin	**Company background**	**Products**	**Length of relationship**
Zinifex	Australia	an integrated zinc and lead production company listed on the Australian Stock Exchange	Zinc ingot and zinc alloy	Over 25 years
Korea Zinc	Korea	a zinc and zinc alloy manufacturer listed on the Korea Stock Exchange	Zinc ingot and zinc alloy	8 years
Teck Cominco	Canada	a diversified mining and refining company engaged in the production of metallurgical coal and zinc listed on the Toronto Stock Exchange and the New York Stock Exchange	Zinc alloy	11 years
Inco	Canada	a mining and metals company that primarily produces nickel and value-added specialty nickel products and listed on both the New York Stock Exchange and the Toronto Stock Exchange	Nickel square and electroplating chemicals	11 years

	Country of sourcing origin	Company background	Products	Length of relationship
OMG	Finland	a producer of nickel and nickel-related products and listed on the New York Stock Exchange	Nickel square and electroplating chemicals	5 years
Alcan	Canada	an aluminium production company and listed on stock exchanges in Toronto, New York, London, Paris and Switzerland	Aluminium ingot	2 years
Johnson Matthey	UK	a catalysts, precious metals and fine chemicals production company listed on the London Stock Exchange	Precious metals and chemicals	6 years

For the three years ended 31 December 2005 and the five months ended 31 May 2006, our five largest suppliers accounted for approximately 77.9%, 80.4% and 88.0%, and 89.3%, respectively, of our total purchases. For the same periods, our largest supplier, Zinifex, accounted for approximately 42.4%, 45.3% and 57.5%, and 52.5% respectively, of our total purchases. For the year ended 31 December 2005 and the five months ended 31 May 2006, turnover from Zinifex's zinc alloy constituted approximately 50% of our total turnover. Save and except Mr. William Tasman WISE holds 32,955 shares in Zinifex, representing less than 0.01% of the total issued shares in Zinifex, none of our Directors, their respective associates or Shareholders owning more than 5% of the issued share capital of our Company holds any interest in any of our five largest suppliers, all of whom are Independent Third Parties.

Distributorship and purchase provisions

Our distributorship agreements require us to purchase minimum amounts of zinc die-casting alloy. This however does not preclude increases in volume during the contract period. We are required to make an estimate of our customers' potential requirements. Under the Zinc Agreement, we are required to purchase a minimum quantity of die-casting zinc alloy per annum for five years from 1 February 2004 to 31 January 2009. There is no provision governing the arrangement with the sales agents or customers. This agreement is terminable with or without notice by the supplier in certain circumstances, such as if we commit a material breach of the Zinc Agreement or if we become insolvent. During the Track Record Period, neither Zinifex nor us has been in breach of the Zinc Agreement for the supply of zinc die-casting alloy. As to the minimum purchase commitment under the Zinc Agreement, we have always met or even exceeded our minimum purchase commitment of zinc die-casting alloy from Zinifex during the Track Record Period except during a period from 1 February 2005 to 31 January 2006, where we have only fulfilled approximately 90% of our commitment.

There is no explicit provision governing the non-compliance with the minimum purchase commitment under the Zinc Agreement. In the event that we fail to meet the minimum purchase commitment, it may constitute a breach of the Zinc Agreement and we may be required to indemnify Zinifex against any loss suffered or incurred by them regarding any breach of the Zinc Agreement by us. On the other hand, if Zinifex failed to supply the minimum committed amount to us, this may also constitute a breach of the Zinc Agreement by Zinifex. However, given the long term business relationship between us and Zinifex, no disputes have ever arisen nor has either party to the Zinc

Agreement seek to recover any penalty or damages against the other. It is also contemplated in the Zinc Agreement and a supplementary agreement entered in December 2005 that in the event of any disputes or differences arising out of or in connection with the Zinc Agreement, we and Zinifex shall promptly discuss in good faith and with endeavours to agree upon such actions as may be necessary to resolve the matter.

The distributorship agreement with Korea Zinc is terminable by notice by either party in circumstances such as winding-up, change in substantial ownership or management control and the failure to cure any breach of the agreement. Under the various agreements with our suppliers, prices are not fixed but are determined with reference to the international market price at the time when purchase orders are confirmed. In addition, we are required to purchase a pre-determined quantity of products as specified in each of the agreements although the actual quantity to be purchased may be adjusted from time to time during the terms of the respective agreements. It is the expectation of the suppliers and us that the volume of the product delivered in any one month shall take into account both the seasonal variability of the markets and the effective production limitations at the smelters of the suppliers. The Directors believe that the suppliers will accept any reasonable request from us in terms of any likely fluctuation in quantity due to market conditions. Zinifex and Korea Zinc, who are among our top suppliers are among the top zinc producers globally.

PRICING

We are not aware of any existing legal or regulatory controls in Hong Kong and other places in which we conduct business that regulate the price of our products. We adopt the price for a particular metal as quoted on the LME as reference price in our daily quotation to customers. Our sales representatives offer the price to our customers based on the reference price taking into account various factors such as the market trends, the market price in the specific region, the availability of the relevant product and our cost on that corresponding batch of stock.

HEDGING AND RISK MANAGEMENT POLICY

The prices of non-ferrous metals fluctuate constantly in the commodities markets. Therefore, when we receive an order from a customer and quote a price at the then prevailing market price, the price may change when we then source the product from our supplier. As a result, we may be exposed to risk of price changes between the time we commit our purchase orders with suppliers and the time we confirm our sales orders with customers. Whenever possible, we minimise our exposure to such risk by placing back-to-back orders with suppliers after we receive orders from customers.

We are however exposed to price risk in association with unmatching purchase and sales orders. We are required to make a minimum volume of purchase on a monthly basis with our suppliers of non-ferrous metals. Therefore, even if there is a decline in demand and/or an increase in market prices for non-ferrous metals, we are required to make purchases from our suppliers.

Since our financial performance is primarily dependent on price fluctuation in the non-ferrous market, the objective of our risk management policy is to avoid negative impact to our income arising from such price fluctuation in order to minimise the downside volatility of our profitability. In an attempt to minimise the above price risk, we engage in hedging and have adopted internal control systems, including our internal hedging policies, to regularly evaluate and monitor the aforementioned risk exposure. The internal hedging policies have been developed taking into account of the recent recommendations made by PricewaterhouseCoopers. During the Track Record Period, the number of the future contracts entered into by the Group were 54, 7, 3 and nil, respectively, and our short sold futures contract amounted to HK$94,339,851, HK$13,910,130 and HK$2,817,360, and HK$nil, respectively, and long bought futures contract amounted HK$19,020,378 and HK$nil and HK$5,261,100 and HK$nil, respectively. The unhedged position of the Group were HK$182,460,000, HK$563,301,000, HK$336,132,000 and HK$412,172,000, respectively, as at 31 December 2003, 2004 and 2005 and as at 31 May 2006.

We have formed a risk management committee to evaluate and monitor our hedging activities. The risk management committee consists of two Executive Directors (including the chief executive officer), the chief financial officer and a market analyst. The risk management committee has formulated a set of internal guidelines in relation to the timing, volume and methods of hedging as well as the measurements to monitor our hedging positions. The risk management committee convenes meetings weekly to discuss our risk exposure level and corresponding hedging strategy, and evaluate the latest hedging performance. The following are the principal internal guidelines set out by the risk management committee:

1. our risk profile is mainly equivalent to the metal price fluctuation associated with the net inventory exposure of Zinc, Aluminium and Nickel. Such net inventory exposure is defined as inventory plus buy-in volume minus sell-out volume.

2. key statistical parameters of the price changes (measured in US$) of the aforementioned three major metals are calculated on a weekly basis for comparison to a preset limit which is determined with reference to our expected annual profit with the assumption that prices are flat throughout the year.

3. if the key statistical parameters exceed the limit, the committee would need to assess if any re-adjustment to the inventory level is required. The extent of re-adjustment is determined by stress testing or worst case scenario (based on the largest daily price drop occurred in the past three years) and the opinion on the general market direction from the business unit (for Nickel, the general manager of the Nickel division, for Zinc and Aluminium, our chief executive officer) based on the data provided by our market analyst.

4. normally, it will take a grace period of approximately three days for such adjustment whilst in extreme situation an immediate re-adjustment is required.

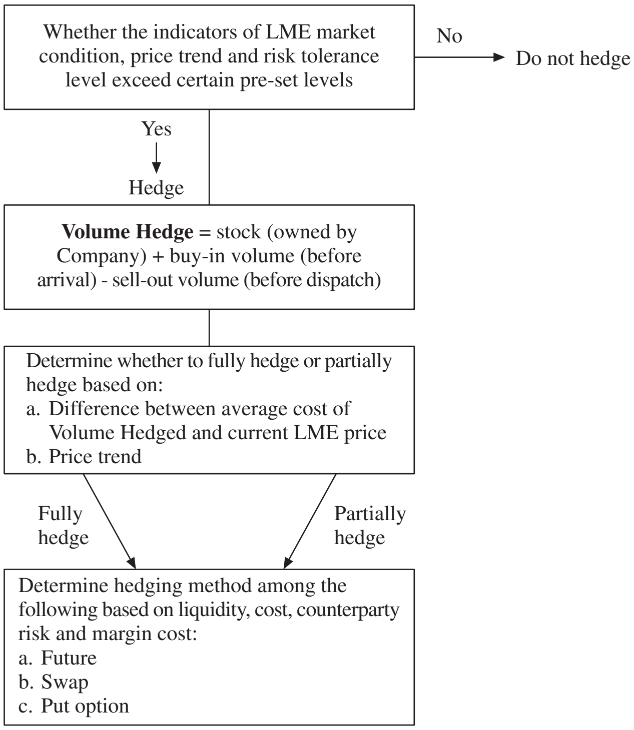
5. there are several mechanisms at our disposal to re-adjust the net inventory exposure:

   - use of exchange traded or over-the-counter financial instruments — taking long or short positions in three-months LME futures, engaging in a swap transaction, or buying a put option on the net inventory exposure the Group needs to hedge;

   - adopting measures to boost up sales temporarily; and

   - negotiating with suppliers to delay price fixing.

The flow chart below sets forth how our risk management committee makes decisions regarding commodity price hedging.



As shown above, we conduct hedging activities by entering into future contracts. A future contract is a standardised contract, traded on a futures exchange, to buy or sell a certain volume of metal at a certain date in the future, at a pre-set price. Future contract is our preferred hedging method due to its high liquidity and lack of counterparty risk. The effect of entering into future contracts is essentially to reduce our gain or loss attributable to market price fluctuation of the metal during the period between the date of entering into the contract and physical delivery of the products and hence our profit and loss is "locked-in" at the time of entering into relevant contract. We usually carry out our future transactions on the LME. We do not hold or issue derivative instruments for speculative purposes.

As future contracts cannot match our sale and purchase contracts specifically, they are marked to the market according to Hong Kong accounting standards, and the gains or losses on revaluation are credited or charged to our profit and loss account. We incurred net hedging losses of HK$7.4 million and HK$595,000 on metal future trading contracts in 2003 and 2005, respectively, and a net hedging gain of HK$1.1 million on the same in 2004.

As part of our risk management policy, we usually maintain an inventory turnover period of approximately 30 to 45 days. Our senior management reviews daily reports regarding inventory level and our unfilled purchase commitment, which can potentially increase our inventory level if not matched with corresponding customer orders. Our senior management may take certain measures to reduce the unmatched purchase commitment, including a reduction in selling price to increase sales.

SALES AND MARKETING

We conduct our sales through senior management, two customer liaison managers, seven sales representatives, seven supporting staff and an independent sales agent. Ms. MA Siu Tao, our sales director and an executive Director, is responsible for monitoring the overall sales function. Our two customer liaison managers visit customers from time to time to ensure their satisfaction with our products and services. They are also responsible for evaluating potential markets. We currently have seven full-time sales representatives who are organised along product lines and they are responsible for visiting existing and potential customers. They develop new customers, identify the latest market information trends for existing and potential customers, seek feedback from them and channel such feedback to our procurement department and technical support department to ensure that our products and services meet our customers' expectations.

With close to 60 years of experience, we have formulated sales strategies to promote regional sales. We have our own sales team to serve mainly Hong Kong and foreign owned companies with manufacturing facilities in the PRC apart from our own sales team, we also engage a third party sales agent, which is a Taiwan-based company to develop new customers and to promote and sell our product to Taiwan-based customers that have manufacturing facilities in Taiwan or the PRC. The Directors consider that the Group's sales and turnover do not rely on the Taiwan-based sales agent. Taiwan was a relatively new market to the Group in 2003 and it needed to have the assistance of a Taiwan-based sales agent in exploring the Taiwan market. The growth of the sales amounts from the Taiwanese customers has become stable in 2006 as compared to 2004 and 2005. Besides, it is the Group's practice that its staff contact directly with the Taiwanese customers to negotiate their orders and arrange for delivery of products once the sales agent introduces those customers to the Group. The Group also maintains direct relationship with those customers. Thus those Taiwanese customers become the Group's customers rather than the sales agent's customers. During the two years ended 31 December 2005 and the five months ended 31 May 2006, the sale amount undertaken by the third party sales agent were US$29,277,561, US$66,262,959 and US$43,979,469 respectively. We arrange for shipment of products to customers by deliver directly from us to the customers' locations. The commission we pay to the third party sales agent is based on the quantity of sales. The agency arrangement is reviewed annually and we have no sales commitment with the third party sales agent. Although the third party sales agent solicits business for the Group, the third party sales agent itself is also our customer. Therefore, we also arrange for shipment of products to the third party sales agent directly.

In order to further penetrate into the PRC market, we intend to establish trading companies and representative offices in Guangzhou, Shanghai, Chengdu, Dalian and Beijing within two years of the Listing Date to focus on the customers who are based in the PRC. Sales of our products in the PRC are not subject to import restriction.

Each of our sales is rewarded with a performance-based half-yearly bonus. We measure the performance of our sales team in terms of the capability to meet the set quota and the ability to develop new customers. We hold weekly meetings to review the results of weekly sales volume made by each of our individual sales.

All of our sales are settled in Hong Kong dollars or US dollars and are normally settled on cash on delivery basis. For certain customers with whom we have established relationships we may offer a credit period of not more than 30 days subject to our credit assessment procedures. Export sales are made and settled in US dollars and are normally settled on letter of credit or delivery against payment. The tables below set forth the breakdowns of our revenue by settlement method and currency during the indicated periods.

	For the year ended 31 December		
	2003	**2004**	**2005**
	(%)	*(%)*	*(%)*
Cash on delivery	66.1	55.5	46.2
Letter of credit	9.4	10.4	9.3
Telegraphic transfer	24.5	34.1	44.5
Total	100.0	100.0	100.0

	For the year ended 31 December		
	2003	**2004**	**2005**
	(%)	*(%)*	*(%)*
US dollars	28.8	36.1	46.2
HK dollars	71.2	63.9	53.8
Total	100.0	100.0	100.0

We exercise a tight control over the collection of trade receivables through the collaboration of our credit manager, sales team and finance department. Our credit manager constantly monitors outstanding trade receivables and assesses the creditworthiness of our customers and will check with our sales team on any overdue amount on a weekly basis or earlier if immediate actions are required. Our finance department closely follows and monitors receivables. Specific provision for doubtful debts is made when collection of the full amount is considered no longer probable which is usually concluded after necessary recovery steps have been taken. Bad debts are written off as incurred. For the three years ended 31 December 2005, our provision for doubtful debts amounted to HK$nil, HK$152,000 and HK$nil, respectively. During the same periods, written off bad debt amounted to HK$nil, HK$nil and HK$33,000, respectively.

Marketing

We have a dedicated marketing team to conduct our marketing activities. As of the Latest Practicable Date, the Company has two marketing staff. We conduct marketing activities in our sector and promote our corporate image through various channels, including participating in exhibitions and trade shows, joining industry-related or professional organisations and selective advertising. We participate in various business-related exhibitions and trade fairs, and organise seminars and visits from time to time. We participate in a number of trade shows and exhibitions in 2005. We also advertise in industry-related magazines such as Metal Bulletin and Metal Parts and Components. We are also a member of various industry-related or professional organisations such as Hong Kong Foundry Association, Hong Kong Metal Merchants Association, Hong Kong Die-casting Association, Hong Kong Auto Parts Industry Association, The Toys Manufacturers' Association of Hong Kong Limited, Hong Kong Electro-plating Merchants Association Limited, The Hong Kong Management Association, Kowloon Chamber of Commerce, Hong Kong Watch Manufacturers Association Limited and Federation of Hong Kong Industries.

INVENTORY

To facilitate the prompt distribution of products to our customers in the Greater China Region, we operate three warehouses in Hong Kong, one of which also serves as a retail outlet. These warehouses are strategically located near the border of the PRC and in other districts of Hong Kong with a total gross floor area of 73,452 sq.ft.

We usually maintain an inventory turnover period of approximately 30 to 45 days to avoid any abrupt suspension of supplies. During the three years ended 31 December 2005, our inventory turnover amounted to approximately 46.2 days, 44.2 days and 44.9 days, respectively.

The table below sets out the quantity and average unit cost of inventory as at 31 December 2003, 2004 and 2005 and at 31 May 2006:

	As at 31 December 2003		**As at 31 December 2004**		**As at 31 December 2005**		**As at 31 May 2006**	
	Quantity *(tonnes)*	**Average unit cost** *(HK$)*	**Quantity** *(tonnes)*	**Average unit cost** *(HK$)*	**Quantity** *(tonnes)*	**Average unit cost** *(HK$)*	**Quantity** *(tonnes)*	**Average unit cost** *(HK$)*
SHG zinc and zinc alloy	13,090	7,786	20,537	9,055	21,519	12,530	17,094	16,622
Nickel and nickel related products[1]	519	50,467	583	79,187	504	65,165	562	91,861
Aluminium and aluminium alloy	2,283	12,636	2,187	15,640	2,410	16,205	3,447	18,762
Electroplating chemicals and other metals	0.10	94,552,638	0.23	38,659,913	0.20	48,744,055	0.16	50,693,750

Note:

1. The main Nickel-related product traded by the Group is Nickel Square (usually accounted for around 70% of the total quantity of Nickel-related products traded during the years/period) and therefore the cost of Nickel Square represents most of the cost of materials in Nickel-related product traded. Since the Track Record Period was a price increasing environment, the average prices per metric tonne in the ending inventory for Nickel Square are higher than that in the cost of materials during each fiscal year, except for 2005 when the average price dropped at the year end. Nickel Square is the most expensive item among all Nickel-related products. The Group held a relatively lower level of Nickel Square as at the end of each fiscal year during the Track Record Period which then changed its year-end product-mix as compared to the year as a whole, hence the weighted average costs of the ending inventory were lower than the weighted average cost of materials in each respective year.

We have established an internal system to ensure that inventory records are properly and accurately kept to reflect the level of our inventories. We have installed a computerised system to maintain an up-to-date, continuous stock record and we assess stock levels on a monthly basis to ensure the accuracy of the records. Our management determines purchase levels on a regular basis, having considered various factors such as information regarding latest demands from customers, the monthly sales quotas as agreed with our sales team and the perpetual stock level records in the computerised system. Our stocks are normally not subject to imminent expiry date so long as we place our inventory under suitable conditions. No provision for inventory obsolescence was considered necessary during the three years ended 31 December 2005 and the five months ended 31 May 2006.

COMPETITION

Our Directors believe that we are one of the market leaders in the sourcing and distribution of non-ferrous metals industry in Hong Kong. In particular, based on the Hong Kong import and export statistics published by the government of Hong Kong for the year ended 31 December 2005, we were the market leader in the sourcing and distribution of zinc alloy in Hong Kong in terms of a market share in Hong Kong of approximately 72.5% of the total import of zinc alloy in Hong Kong. For the same period, our market share in the sourcing and distribution of nickel and nickel-related products and aluminium and aluminium alloy amounted to approximately 14% and 8% of the total import of nickel and aluminium in Hong Kong, respectively. There are certain barriers to establish a sizeable business of sourcing and distribution of non-ferrous metals which include (i) the required lengthy time to accumulate an established customer base as well as market reputation; (ii) the required in-depth technical expertise to provide quality after-sale support to serve customers in a wide array of industries; and (iii) the funding intensive nature of the business as a substantial amount of working capital is required for purchasing inventory as well as other supplemental facilities such as warehouses and technical services. Our Directors believe that we compete with several trading companies and representative offices of our suppliers in Hong Kong.

We believe that we have advantages over our competitors due to our exclusive arrangements with Korea Zinc and Zinifex through the Zinc Agreement, established customer base, customised value-added services, competitive cost structure, logistical strength, experienced and organised management structure and technical know-how.

The competition we face in the Pearl River Delta region is primarily from non-ferrous metal suppliers and producers rather than traders as most non-ferrous metal end-users in the region are OEMs that are required to use imported zinc as raw material.

INSURANCE COVERAGE

We maintain insurance coverage for damages to our vehicles, third party liabilities and risks attached to freight. We also maintain insurance coverage for damages to fixed assets, equipment, stocks, warehouses, retail outlets and offices and product liability insurance. We also maintain cargo insurance for our shipments to our customers. We believe our insurance coverage is in line with industry norm. As at the Latest Practicable Date, we had not received any material claims in relation to the products we sourced and distributed.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Enlarged Group had trademarks registered in Hong Kong and the PRC and we intend to register the same in jurisdictions such as Thailand, Malaysia, Singapore and Indonesia.

ENVIRONMENTAL MATTERS

We are principally engaged in the sourcing and distribution of non-ferrous metals in Hong Kong. At present, we operate three warehouses in Hong Kong to store our inventory. For the Tsuen Wan warehouse we obtained a category IV licence for the storage of dangerous goods from the Fire Services Department of Hong Kong to store sodium cyanide, potassium cyanide and copper cyanide. The dangerous goods licence is required to be renewed every 12 months and is granted subject to our compliance with the requirements for storage of category IV dangerous goods imposed by the Fire Services Department. The Fire Services Department also conducts an annual inspection of our dangerous goods store. Save as disclosed above, to the best of our knowledge and belief, our present operation is not required to obtain any other licences or permits with regard to environmental laws and regulations in Hong Kong and we have received no notice of such requirement to do so from any governmental authorities.

Genesis Ningbo is subject to PRC environmental laws and regulations on such matters as air pollution and discharge of waste water and pollutants. Genesis Ningbo has never been found to be in breach of any applicable environmental laws and regulations in the PRC during the Track Record Period. The environmental protection measures adopted by Genesis Ningbo, including the installation of a scrubber to control air outflow from the oven, the adoption of operation steps and guidelines to monitor the performance of the scrubber, air to diesel level of the fume and the establishment of reporting channels to notify the management of any environmental problem, comply with applicable PRC environmental laws and regulations in all material respects.

EXEMPT CONTINUING CONNECTED TRANSACTION

The following continuing connected transaction of our Group are exempted from all reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3)(b) of the Listing Rules.

Lease of warehouses to us

We have leased two warehouses and two car parking spaces from Modern Wealth Limited ("**Modern Wealth**") since 1993 (the "**MW Lease**"). Modern Wealth is a company incorporated under the laws of Hong Kong, a wholly-owned investment holding company of Mr. CHAN Pak Chung, and hence constitutes a connected person of Mr. CHAN Pak Chung by virtue of being his associate.

For the three years ended 31 December 2005, the aggregate annual rental paid by us to Modern Wealth in respect of the MW Lease amounted to approximately HK$780,000, HK$660,000 and HK$538,000 respectively. The annual rental was determined by reference to the then prevailing market rate. Modern Wealth was a wholly-owned subsidiary of the Group as at 31 December 2005 and was disposed of subsequently to Mr. CHAN Pak Chung as part of the Reorganisation pursuant to an agreement entered into between ourselves and Mr. CHAN Pak Chung in April 2006. As such, the aforesaid leasing arrangement constituted intra-group transactions for the three years ended 31 December 2005 and the four months ended 30 April 2006.

Our Directors anticipate that we will continue to lease the two warehouses and two car parking spaces from Modern Wealth after the Listing. A tenancy agreement (the "**MW Tenancy Agreement**") was entered into between ourselves and Modern Wealth on 24 November 2005 for a fixed term of two years commencing from 1 December 2005 and expiring on 30 November 2007 at a fixed monthly rental of HK$67,000 exclusive of rates, management fees and utilities, with an option to renew for a further term of two years ending on 30 November 2009 at a monthly rent payable for such renewal term of the lower of HK$80,400 or the prevailing market rent. The monthly rental at HK$67,000 payable by us under the MW Tenancy Agreement have been confirmed by Sallmanns (Far East) Limited, an independent property valuer, as fair and reasonable and reflect the prevailing market rates as at the commencement of such lease arrangements. The entering into of the MW Tenancy Agreement would enable us to continue to conduct our business at the relevant premises at which such businesses are currently carried out and to avoid any disruption to our business after the Listing. Given that subsequent to the Reorganisation, Modern Wealth is wholly-owned by a connected person, the leasing arrangement thus constitutes to a continuing connected transaction under the Listing Rules.

The terms of the MW Tenancy Agreement were negotiated between ourselves and Modern Wealth on arms length basis and on normal commercial terms which our Directors (including our independent non-executive Directors) and the Sponsor consider to be in the interests of our Shareholders as a whole.

The estimated aggregate annual rental payable by us to Modern Wealth in accordance with the MW Tenancy Agreement for the three years ending on 31 December 2008, assuming the term of the MW Lease shall have been renewed for a further two years, and the total monthly rental payable upon such exercise is the lower of HK$80,400 or the prevailing market rate, will not exceed the maximum caps of approximately HK$804,000, HK$817,400 and HK$964,800, respectively. Each of these maximum caps is more than 0.1% but less than 2.5% of the Company's total market capitalisation as at the Listing Date and the aggregate annual rental payable by us is less than HK$1,000,000. To the extent that annual rentals payable do not exceed the maximum caps and such maximum caps do not exceed 2.5% of our Company's market capitalisation from time to time and remains less than HK$1,000,000, the MW Lease will be exempted after the Listing from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

The details of the significant related party transactions which we carried out during the Track Record Period are set out in note 29 to the accountants' report in appendix 1 to this prospectus. Our Directors consider that these transactions were carried out in the ordinary and usual course of business and on normal commercial terms.

We sold 75 kilogram of gold bars to Mr. CHAN Pak Chung for a consideration of HK$10,290,000 on 25 March 2006. We sold such gold bars to Mr. CHAN Pak Chung based on the then prevailing market price. For the three years ended 31 December 2005 and the five months ended 31 May 2006, turnover from the trading of gold bars accounted for approximately 0.6%, 0.6%, 0.5% and 0.6% of our total turnover, generated approximately 1.3%, 0.4%, 0.1% and 0.9%, respectively, of our gross profit margin for the same periods. The trading of gold bars had been terminated since March 2006 as we plan to deploy all of our resources in the development of non-ferrous metals business.

CONTROLLING SHAREHOLDERS

Gold Alliance International, through Gold Alliance, will be interested in 75% of the issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming no exercise of the Over-allotment Option), and is one of our Controlling Shareholders. Gold Alliance International is wholly-owned by HSBC Trustee, which is acting as the trustee of the P.C. CHAN Family Trust. Mr. CHAN Pak Chung is the settlor of the P.C. CHAN Family Trust, the beneficiaries objects of which include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung. Details of the shareholding structure of the Enlarged Group are set out in the section headed "The Enlarged Group's history and reorganisation — Shareholding and Corporate Structure" in this prospectus.

CALL OPTION DEED

Lee Yip was incorporated in May 2005 and commenced production in the second half year of 2005. It engages in the distribution and processing of stainless steel. For further details of its business, please refer to the section headed "The Enlarged Group's Business — Upstream and Downstream supply chain expansion — customised and processing services on stainless steel — Lee Yip" in this prospectus.

Such processing business of Lee Yip forms part of the downstream sectors of a metal supply chain and thus could create synergy with our business and enhance our strategy of becoming an integrated supply chain company.

Lee Yip was established recently, having been in operation for about a year. In view of the lack of track record, the Directors have decided not to include it in the Group at the present stage. Instead, the Group will keep evaluating and assessing the performance of Lee Yip's stainless steel processing business after the Listing, and it is our current intention, as and when the Directors consider appropriate, to acquire equity interest in Lee Yip within one-year after Listing. For such purpose, our Company has entered into the Call Option Deed with Mr. CHAN Pak Chung, holder of 70% equity interest of Lee Yip currently.

Pursuant to the Call Option Deed, Mr. CHAN Pak Chung has granted us an exclusive option for us to acquire up to all equity interest in Lee Yip held by Mr. CHAN Pak Chung at the time of the exercise of the call option. Under the terms of the Call Option Deed, Mr. CHAN Pak Chung shall, upon an exercise of the call option, transfer to us such percentage shareholding as may be designated by our Company he holds in Lee Yip.

We may exercise the call option at any time within one year from the date of Listing. There is no express provision for an extension of the one-year exercise period. However, such exercise period may be extended upon the mutual agreement between the parties at any time. The exercise of the call option is however conditional upon: (i) the Shares having first commenced dealings on the Stock Exchange; (ii) compliance with all relevant provisions of the Listing Rules and Articles in respect of such exercise of the call option; (iii) all necessary consents for the exercise of the call option having been granted by third parties (including but not limited to any other shareholder(s) of Lee Yip); and (iv) Mr. CHAN Pak Chung having complied in all material respects with the shareholders' agreement dated 16 November 2005, entered into among Mr. CHAN Pak Chung, Lee Yip and another shareholder who is an independent third party and that Mr. CHAN Pak Chung having performed in all material respects all of the covenants and agreements required to be performed by him under such shareholders' agreement.

Pursuant to the shareholders' agreement concerning Lee Yip as referred to in the preceding paragraph (the "Agreement"), among other things, (a) shareholders of Lee Yip agreed that the business of Lee Yip shall be separated from and independent of the business carried out by Lee Kee Metal and Lee Kee Group and shall procure Lee Yip not to compete with Lee Kee Metal and Lee Kee Group by expanding its business scope; (b) shareholders of Lee Yip agreed that several matters of Lee Yip would require unanimous consent of all the shareholders, such as any setting up of any new business or the discontinuance of any existing business or the establishment of a place of business outside of Hong Kong; and (c) if Mr. CHAN Pak Chung wishes to transfer his shareholding in Lee Yip, he shall procure that prior to and as a pre-condition of such transfer, the transferee shall enter into a binding agreement with all the continuing shareholder(s) in substantially the same terms as those set out in the Agreement so far as appropriate.

Pursuant to the Call Option Deed, the exercise price per share of the call option will, at our election, be the higher of the original investment costs of Mr. CHAN Pak Chung, being HK$14,000,000 plus interest at 1.25% above HIBOR accruing from the period commencing on the respective dates of payment of such investment or the sum equal to the net asset value of shares in Lee Yip and all indebtedness owed by Lee Yip to Mr. CHAN Pak Chung comprising all amounts whether principal, interest or otherwise owing and outstanding as at the relevant time (if any). Such investment costs mainly comprised of inventory and fixed assets of Lee Yip in the amounts of approximately HK$18,000,000 and HK$408,000 respectively as at the date of the Agreement.

During the exercise period under the Call Option Deed, we will assess the performance of Lee Yip's business. Subject to the terms of the Agreement, Mr. CHAN Pak Chung has agreed to provide the management accounts of Lee Yip on a quarterly basis to our Board as soon as practicable after the end of each quarter of the exercise period and after such management accounts have been prepared and approved by the board of directors of Lee Yip. As soon as practicable upon receipt of such managements accounts of Lee Yip from Mr. CHAN Pak Chung and at any time prior to the expiry of the exercise period under the Call Option Deed if our Board or independent board of Directors deems it appropriate to do so, a meeting of our Board will be held to consider the relevant management accounts, the performance of Lee Yip's business and the exercise of the call option in accordance with the terms of the Call Option Deed. Mr. CHAN Pak Chung will present a proposal of the financial performance of Lee Yip for the preceding financial period to our Board (including our independent non-executive Directors and other Directors). Mr. CHAN Pak Chung and any other relevant Directors (who are the connected persons of Mr. CHAN Pak Chung, including Ms. CHAN Yuen Shan, Clara and Ms. MA Siu Tao, or who have interests in Lee Yip), in accordance with the applicable provisions of the Articles and the Listing Rules, would abstain from voting at the relevant meeting of our Board on any resolution proposed at such meeting to exercise such call option. In the event that the call option is exercised in accordance with the Call Option Deed, we will comply with any applicable and relevant provisions of the Listing Rules at the relevant time.

The Call Option Deed also contains an undertaking by Mr. CHAN Pak Chung not to dispose of his equity interest in Lee Yip during the term of the Call Option Deed. Upon the expiry of the period for exercising the call option under the Call Option Deed, if we decide not to exercise such call option, Mr. CHAN Pak Chung undertakes to us to dispose his interest in Lee Yip to an independent third party.

The grant of the call option by Mr. CHAN Pak Chung to us pursuant to the Call Option Deed would constitute a connected transaction under Rule 14A.68 of the Listing Rules. As only a nominal sum was paid to Mr. CHAN Pak Chung as consideration for such grant, none of the percentage ratios under Chapter 14 of the Listing Rules (where applicable) will have exceeded the deminis threshold of 0.1%. Accordingly, such grant of the option under the Call Option Deed is exempt from all reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The terms and conditions of the Call Option Deed are negotiated on an arm's length basis based on normal commercial terms. The exercise of the call option after the listing of our Shares on the Stock Exchange would constitute a connected transaction under the Listing Rules. In addition, pursuant to Rule 14A.70(3), the non-exercise of the call option will be treated as if the option was exercised and would constitute a connected transaction. As required by Chapter 14A of the Listing Rules, we will comply with the relevant reporting, announcement and/or independent Shareholders' approval requirements concerning the connected transaction constituted by the exercise of the call option. We will also make an appropriate announcement if a decision not to exercise the call option is made, or if the call option lapses without being exercised, and will comply with other relevant reporting and/or independent shareholders' approval requirements concerning the connected transaction constituted by the non-exercise of the call option.

THE GROUP'S ABILITY TO OPERATE INDEPENDENTLY FROM THE CONTROLLING SHAREHOLDERS' OTHER BUSINESS INTERESTS

Notwithstanding the long standing involvement of Mr. CHAN Pak Chung and his associates in the Group, the Group operates as an independent business unit from the interests of Mr. CHAN Pak Chung and his associates for the following reasons:

- *Financial independence* — The Group has an independent financial system and makes financial decisions according to its own business needs. The financial position of Mr. CHAN Pak Chung and his associates is totally separated from the Group;

- *Operational independence* — The Group has an independent work force to carry out sourcing and distribution of non-ferrous metals. The Group has been operating independently during the Track Record Period and thereafter and has not shared its sales team, customer liaison team, management, marketing and general administration resources with Mr. CHAN Pak Chung and his associates; and

- *Independence of suppliers and customers* — The Group operates its own sourcing and distribution network with an independent team and source and distribute directly to customers. The Group has its own suppliers and a large, diversified base of customers that are unrelated to Mr. CHAN Pak Chung and/or his associates.

NON-COMPETITION UNDERTAKING

In connection with the Global Offering, we have entered into a deed of non-competition with our Controlling Shareholders, Mr. CHAN Pak Chung as the covenantor, who has undertaken to the Company (for itself and as trustee for the benefit of its subsidiaries and the Genesis Group) that he would not, and would procure that his associates would not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in sourcing and distribution of non-ferrous metals and such other businesses of the Enlarged Group as more particularly described or contemplated in this prospectus ("Restricted Activity"), subject to the following exceptions:

(a) the covenantor and/or his associates would be entitled to invest, participate and be engaged in any Restricted Activity, regardless of value, which has been first offered or made available to the Enlarged Group, provided always that (i) information about the principal terms thereof has been disclosed to the Company and the Company has, after reviewing the terms and based on the opinion of its independent non-executive Directors, confirmed that the Enlarged Group does not wish to be involved or engaged, or to participate, in the relevant Restricted Activity and that such decision is publicly announced by the Company setting out the reasons for not taking up the business opportunity; and (ii) the principal terms on which the covenantor (or his associate(s)) invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to the Company; and

(b) the non-competition undertaking does not apply in respect of the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a stock exchange and the total number of the shares held by the covenantor and his associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that the covenantor and his associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its associates) a larger percentage of the shares in question than the covenantor and his associates together hold.

Mr. CHAN Pak Chung has confirmed that he does not have any interest in a business apart from the business of the Enlarged Group which competes or is likely to compete with those of the Enlarged Group. The Company has confirmed that, to the best of its knowledge, none of the Directors or their respective associates is engaged in any business that is in competition or would compete with those of the Enlarged Group.

Enforcement of the Non-competition Undertaking

Compliance with the Non-competition Undertaking by Mr. CHAN Pak Chung will be monitored by our independent non-executive Directors. Our independent non-executive Directors shall review and confirm, in our annual report for the relevant year, that Mr. CHAN Pak Chung has complied with the terms of the Non-competition Undertaking. We will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement (if any) of the Non-competition Undertaking in our annual report.

In addition, Mr. CHAN Pak Chung has undertaken to provide an annual written confirmation on whether he has complied with the terms of the Non-competition Undertaking during the relevant year. Mr. CHAN Pak Chung has also undertaken to procure that this confirmation will be disclosed in the annual report of our Company.

Executive Directors

Mr. CHAN Pak Chung, aged 58, is the chairman of our Board and an executive Director. Mr. CHAN Pak Chung has been serving our Group since 1967. Mr. CHAN Pak Chung is responsible for the overall business strategy of our Group and has more than 40 years of experience in the non-ferrous metals industry. Mr. CHAN Pak Chung obtained a master degree in material engineering from the Yanshan University. Mr. CHAN Pak Chung is the honorary president of the Professional Validation Centre of Hong Kong Plastics and Metal Industries, the treasurer of Hong Kong Metal Merchants Association, a fellow member of Asian Knowledge Management Association, an associate of the Professional Validation Council of Hong Kong Industries, the Vice President of Asia Intellectual Property Council Co. Ltd., honorable chairman of the Federation of Hong Kong Machinery and Metal Industries and a fellow member of the Hong Kong Institute of Directors.

Ms. CHAN Yuen Shan, Clara, aged 34, is the chief executive officer and an executive Director. Ms. CHAN joined us in November 1995. Ms. CHAN is responsible for the overall management and daily operations of our 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 10 years of experience in the non-ferrous metals industry. Ms. CHAN obtained a bachelor degree in administrative studies from the Open University in collaboration with the British Columbia Institution of Technology in 1996. Ms. CHAN is the Vice Chairman of Hong Kong Die-casting Association Limited, an associate of Asian Knowledge Management Association and a member of the Hong Kong Institute of Directors, a committee member of the Hong Kong Metal Finishing Society Limited. Ms. CHAN also obtained an associateship from the Professional Validation Council of Hong Kong Industries in March 2004. Ms. CHAN is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao.

Ms. MA Siu Tao, aged 56, is an executive Director and sales director. Ms. MA Siu Tao joined us in 1985 and is responsible for monitoring the overall sales function of our Group, developing strategies, guiding and leading the sales managers in analysing market information, expanding current and exploring future new businesses. Ms. MA Siu Tao has been working in the non-ferrous metals industry for more than 20 years. Ms. MA Siu Tao obtained a master degree in material engineering from the Yanshan University in 2004. Ms. MA Siu Tao is the honorary treasurer of Hong Kong Die-casting Association Limited, a vice president of Asian Knowledge Management Association, an associate of the Professional Validation Council of Hong Kong Industries, the treasurer of Asia Intellectual Property Council Co. Ltd. and a fellow member of the Hong Kong Institute of Directors. Ms. MA Siu Tao is the spouse of Mr. CHAN Pak Chung.

Mr. NG Tze For, aged 45, is an executive Director. Mr. Ng joined us in July 2006 with responsibilities for the overall strategic development of the Group and investor relationships. Mr. Ng has over 16 years of experience in the banking sector and more than 4 years of experience in the aluminium industry, as well as exposure in Hong Kong and the PRC. Prior to joining our company, Mr. Ng was the director of Strategic Planning of Asia Aluminum Holdings Limited, which has withdrawn listing on the Main Board on 24 May 2006, for 4 years, Chief Representative and vice president of ING Bank, Beijing Representative Office from 1999 to 2001 and Risk Manager and Assistant General Manager of ING Bank, Shenzhen Branch from 1997 to 1998. Mr. Ng obtained a master degree in business administration (executive programme) from The City University of Hong Kong in 1999, a bachelor of business administration (honours) degree from The Chinese University of Hong Kong in 1985.

Non-executive Director

Mr. William Tasman WISE, aged 63, is a non-executive Director. Mr. WISE joined us in September 2006. Mr. WISE has held a number of senior positions in the mining and smelting industry for over 40 years. Most recently, he was the general manager responsible for global marketing and sales for Zinifex. Mr. WISE obtained a bachelor degree of Economics from the University of Tasmania in 1967.

Independent non-executive Directors

Mr. CHUNG Wai Kwok, Jimmy, aged 56, is an independent non-executive Director 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, a company listed on the Main Board. Given his experience and qualification as described above, our Directors consider that Mr. Chung has appropriate professional qualifications or accounting expertise pursuant to Rule 3.10 of the Listing Rules.

Mr. YAN Cheuk Yam, aged 58, is an independent non-executive Director. Mr. YAN joined us in September 2006. Mr. YAN is currently a director of Burwill Steel Pipes Limited, a member company of Burwill Holdings Limited whose shares are listed on the Main Board. Mr. YAN is in charge of the sales department as well as consultant of Dongguan Hingwah Metals Factory Ltd. Mr. YAN has more than 17 years experience in steel business and metal trading.

Mr. LEUNG Kwok Keung, aged 43, is an independent non-executive Director. Mr. LEUNG joined us in September 2006. Mr. LEUNG is currently an independent non-executive director of Global Link Communications Holdings Limited, a company listed on the GEM Board. Prior to that, Mr. Leung worked in PricewaterhouseCoopers for 12 years and then as financial controller of Nam Hing Industrial Laminate Limited, a company listed on the Main Board. Mr. LEUNG obtained a bachelor degree in accountancy from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) in 1994. Mr. LEUNG is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

CONSULTANT

Mr. Phillip Charles Francis CROWSON, aged 67, is the risk advisor to the Company. Mr. CROWSON joined us in September 2006 and is responsible for providing advice on Company's risk management system. Mr. CROWSON is currently an Honorary Professor and a part-time Professorial Research Fellow at the Centre for Energy, Petroleum, and Mineral Law and Policy at the University of Dundee, Scotland. Prior to joining us, he worked as an economist for various companies in the chemicals industry in the Untied Kingdom from 1961 to 1971. He joined a mining company in the Untied Kingdom in 1971 and was a director of several subsidiaries of the mining company until his retirement in 1997. Mr. CROWSON has over 26 years of experience in the mining industry. Mr. CROWSON holds a bachelor degree of arts in economics from the University of Cambridge in the

United Kingdom. He was the Chairman of European Copper Institute from April 1995 to April 1997 and the President of Mining Association of the United Kingdom from April 1993 to April 1997. He served as an Invited Director of the LME from May 1988 to May 2000 and still sits on some LME Committees.

SENIOR MANAGEMENT

Mr. CHEUK Wa Pang, aged 41, is the chief financial officer, the qualified accountant and the company secretary of the Company. Mr. CHEUK joined us in December 2002 and is responsible for controlling the financial matters of our Group including financial, management and cost accounting, taxation and treasury functions, developing financial policies, compiling annual budget, advising on the financial position of our Group and conducting financial analysis. Prior to joining us, Mr. CHEUK worked as a financial controller and company secretary of Intcera High Tech Group Limited, a telecom equipment manufacturer listed on the GEM Board, as a business consultant to a company which uses internet technology to provide facilities management, and as a financial controller of a sino-Italian joint venture. Mr. CHEUK has over 15 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 fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. HO Wai Man, aged 47, is our credit manager. Mr. HO joined us in July 2004 and is responsible for credit control, debt collections, credit search and analysis and monitoring debtors' position. Prior to joining us, Mr. HO was a deputy manager of Bank of China (Hong Kong) Limited at various branches from 1991 to 2004. Mr. HO has 28 years of banking experience.

Mr. TSE Chi Yan, aged 29, is our accounting manager. Mr. TSE joined us in April 2005 and is responsible for the accounting function of our Group, supervising the accounting department, preparing management accounts and financial reports. Mr. TSE has over six years of experience in the fields of financial, auditing and accounting. Prior to joining us, Mr. TSE worked in an international accounting firm for more than three years. Mr. TSE obtained a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University in 1999. Mr. TSE is a member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. NG Siu Kee, aged 62, is our business consultant. Mr. NG joined us in March 1990 and is responsible for maintaining customer accounts, providing advice and comments to colleagues and management in respect of market trend and industry characteristics. Mr. NG has more than 20 years experience in the sale of non-ferrous metals.

Ms. LAI Lai Kwan, aged 55, is the general manager of nickel division. Ms. Lai joined us in February 1998 and is responsible for the overall management of the chemicals division, including, pricing, purchasing and sales. Ms. LAI has years of experiences in sales and marketing activities, and has received proper secretarial training.

Mr. CHENG Yick Tong, Steven, aged 36, is the sales and technical manager of our non-ferrous metal division. Mr. CHENG joined us in July 1998 and is responsible for the sales activities and technical issues of non-ferrous metals, leading both the sales and technical teams, developing sales plans, setting targets, providing leadership, guidance and coaching to the team members. Prior to joining us, 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 in 1994 and a masters degree in materials technology and management from the City University of Hong Kong in 2000.

Ms. CHAN Pui Shan, Lillian, aged 31, is our procurement manager. Ms. CHAN joined us in March 2001 and is responsible for the procurement and marketing functions of the group; reviewing daily inventory position and monitoring daily procurement operation, deciding and monitoring procurement procedures; developing and implementing marketing strategies including market research, promotion, publicity, exhibitions, etc. Ms. CHAN obtained a double bachelor degree in Marketing and Psychology from the University of Central Florida in 2000. Ms. Chan has five years experience in marketing and procurement of non-ferrous metals. Ms. CHAN is a committee member of the Toys Manufacturers' Association of Hong Kong and an associate of Asian Knowledge Management Association. Ms. CHAN is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao.

Ms. TSOI Hau Chu, aged 28, is a manager of our customer liaison department. Ms. TSOI joined us in July 2001 and is responsible for handling customer complaints and enquiries, following up sales orders, providing quotations to customers and monitoring sales administrative procedure. Ms. TSOI obtained an advanced diploma in secretarial and administration from The Hong Kong Management Association in 2001. Ms. TSOI has been working in the secretarial and administration field for nine years.

Ms. LAI Pui Man, Jessica, aged 38, is a manager of our customer liaison department. Ms. LAI joined us in February 2005 and is responsible for building and maintaining a close relationship with customers, visiting customers regularly to understand their operations and requirements, obtaining external feedback, coordinating with internal sales and administrative departments and responding to customers needs to ensure customer satisfaction. Ms. LAI worked in a multinational zinc processing company as an administrative assistant for nearly three years. Ms. LAI obtained a masters degree in business administration from the University of South Australia in 2002. Ms. LAI has accumulated work experience in administrative work for 10 years.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. CHEUK Wa Pang is employed as our qualified accountant and company secretary on a full-time basis as required under Rule 3.24 of the Listing Rules, particulars of which are set forth above.

STAFF

As at the Latest Practicable Date, the Enlarged Group had a total of 84 full-time staff based in Hong Kong. The following is a breakdown of the Enlarged Group's workforce by function:

	Total
Management and accounting	20
Sales, marketing, procurement and customer liaison	19
Research and development	3
Logistics and shipping	27
Sales administration, office administration and information technology	15
Total	84

Our Directors believe that our relationship with the Enlarged Group's employees is good. During the Track Record Period, we have not experienced any difficulty in recruiting suitable staff for the Enlarged Group's operations or experienced any disruption of the Enlarged Group's operations arising from labour disputes since the establishment of the Enlarged Group's business.

SHARE OPTION SCHEMES

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and has conditionally granted options thereunder to subscribe for a total of 22,744,470 Shares to a total of 33 option holders. A summary of the principal terms of the Pre-IPO Share Option Scheme is set out in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

Our Company has conditionally adopted the Share Option Scheme whereby certain selected classes of participants (including, without limitation, Directors and employees of our Company and its subsidiaries) may be granted options to subscribe for our Shares. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to this prospectus.

PROVIDENT FUND

In addition to the Share Option Scheme, our Group also provides a mandatory provident fund scheme ("**MPF Scheme**") for our staff pursuant to the Mandatory Fund Schemes Ordinance.

Under the MPF Scheme, both our Group and the staff have to contribute to an amount equivalent to 5% of the relevant income of such staff to the MPF Scheme, subject to a minimum and maximum level of the monthly relevant income of HK$5,000 and HK$20,000 respectively. "Relevant income" includes wages, salaries, leave pay, fee, commission, bonus, gratuity perquisite and allowance (excluding housing allowance or housing benefits).

COMPLIANCE ADVISER

Pursuant to the Listing Rules, our Company will appoint Cazenove as our compliance adviser to assist and advise us in connection with the Listing Rules, applicable laws, rules, codes and guidelines. The compliance adviser will be appointed for the period commencing on the date on which dealings in our Shares commence on the Main Board and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the year ending 31 December 2007.

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

In accordance with the requirements of the Listing Rules, our Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules and appointed a qualified accountant to oversee the financial reporting procedures and internal controls of our Group so as to ensure compliance with the Listing Rules.

To further enhance our corporate governance and transparency, our Company has also established a nomination committee and a remuneration committee. Our Group has also implemented a compliance manual which covers areas such as ongoing compliance obligations of our Company and our Directors, business operations of our Group, financial management systems, human resources management systems, internal control systems, quality assurance and property management systems.

Audit Committee

Our Company established the Audit Committee pursuant to a resolution of the Board passed on 15 September 2006 with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting processes and internal control systems of our Group. Currently Mr. CHUNG Wai Kwok, Jimmy, Mr. LEUNG Kwok Keung and Mr. YAN Cheuk Yam, all being independent non-executive Directors, are members of the Audit Committee with Mr. CHUNG Wai Kwok, Jimmy being the chairman.

Nomination Committee

Our Company established the Nomination Committee pursuant to a resolution of the Board passed on 15 September 2006 with written terms of reference. The Nomination Committee is mainly responsible for making recommendations to our Board on the appointment of Directors and the management of our Board succession. The Nomination Committee has three members comprising Mr. CHAN Pak Chung, Mr. YAN Cheuk Yam and Ms. MA Siu Tao, one of whom is an independent non-executive Director. The chairman of the Nomination Committee is Mr. CHAN Pak Chung.

Remuneration Committee

Our Company established the Remuneration Committee pursuant to a resolution of the Board passed on 15 September 2006 with written terms of reference. The primary duties of the Remuneration Committee include 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.

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, without taking into account our Shares which may be issued upon the exercise of the Over-allotment Option or pursuant to exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme or Share Option Scheme (as the case may be) or Shares which may be taken by any person under the Global Offering which would affect disclosure in this section, the following persons will have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding**
Gold Alliance *(Note 1)*	Registered owner	600,000,000	75%
Gold Alliance International *(Note 2)*	Interest of controlled corporation	600,000,000	75%
P.C. CHAN Family Trust *(Note 2)*	Interest of controlled corporation	600,000,000	75%
HSBC Trustee *(Note 2)*	Trustee	600,000,000	75%
Mr. CHAN Pak Chung *(Note 3)*	Founder of a discretionary trust	600,000,000	75%
Ms. MA Siu Tao *(Note 4)*	Beneficiary of a trust	600,000,000	75%

Notes:

1. The entire share capital of Gold Alliance is held by Gold Alliance International, 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 6 March 2006. The beneficiaries objects of which include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung. Ms. CHAN Yuen Shan, Clara is not one of the beneficiaries of the P.C. CHAN Family Trust.

2. Such Shares are held by Gold Alliance, the entire share capital of which is held by Gold Alliance International. The entire share capital of Gold Alliance International is held by HSBC Trustee acting as the trustee of the P.C. CHAN Family Trust.

3. Mr. CHAN Pak Chung as founder of the P.C. CHAN Family Trust is deemed interested in the Shares held by Gold Alliance under the SFO.

4. Ms. MA Siu Tao, the spouse of Mr. CHAN Pak Chung, a Director and beneficiary of the P.C. CHAN Family Trust, is deemed to be interested in the Shares held by Mr. CHAN Pak Chung under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering, will have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group and are therefore regarded as substantial shareholders of our Company under the Listing Rules.

UNDERTAKINGS

We have undertaken to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option, the Share Option Scheme or the Pre-IPO Share Option Scheme, at any time during the period commencing on the Latest Practicable Date and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange (the "**Restricted Period**"), we will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities of the Company (including warrants or other convertible securities) or grant or agree to grant any options or rights over any Shares or other securities of the Company (whether or not such issue of Shares or securities will be completed within the Restricted Period).

Each of the Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, each of them shall not,:

(A) in the Restricted Period, dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, and will procure that the registered holder will not dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the Company in respect of which they are the beneficial owner(s) or shown by this Prospectus that they are the relevant beneficial owner(s); or

(B) at any time during the period of six months from the date on which the Restricted Period expires, dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of or permit the registered holder to dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (A) above if, immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be our Controlling Shareholder(s).

Each of the Controlling Shareholders has further undertaken with us and the Stock Exchange that, commencing on the Latest Practicable Date and ending on the date which is the period of twelve months from the date on which dealings in our securities commence on the Stock Exchange, they shall:

(A) when they pledge or charge any of our securities beneficially owned by them in favor of any authorised institution as permitted under the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

(B) when they receive indications, either verbal or written, from the pledgee or chargee that any of such pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement which is published in the newspapers as soon as possible after being so informed by the Controlling Shareholders.

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Global Offering:

Authorised share capital:		*HK$*
8,000,000,000	Shares	800,000,000.00
Shares issued and to be issued, fully paid or credited as fully paid:		
1	Share in issue as at the date of this prospectus	0.10
599,999,999	Shares to be issued pursuant to the Capitalisation Issue	59,999,999.90
200,000,000	Shares to be issued pursuant to the Global Offering	20,000,000.00
Total:		
800,000,000	Shares	80,000,000.00

Assumptions

The above table assumes that the Global Offering will become unconditional. It also assumes that the Over-allotment Option has not been exercised.

It takes no account of any Shares which may be issued upon the exercise of any options which have been or, may be granted under the Pre-IPO Share Option Scheme or Share Option Scheme (as the case may be) or of any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates granted to the Directors for the allotment and issue of Shares as referred to below.

Ranking

The Offer Shares will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus.

Share Option Schemes

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and has conditionally granted options thereunder to subscribe for a total of 22,744,470 Shares to a total of 33 option holders. A summary of the principal terms of the Pre-IPO Share Option Scheme is set out in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

Our Company has conditionally adopted the Share Option Scheme whereby certain selected classes of participants (including, without limitation, directors and employees of our Company and its subsidiaries) may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

General mandate to issue Shares

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(ii) the aggregate nominal value of share capital of the Company repurchased by the Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

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

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

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see the sub-paragraph headed "Written resolutions of our sole Shareholder passed on 15 September 2006" in Appendix V to this prospectus.

General mandate to repurchase Shares

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC in Hong Kong and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in the paragraph headed "Repurchase of our Shares" in Appendix V to this prospectus.

This mandate will expire at the earliest of:

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

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

(iii) when varied, revoked or renewed by an ordinary resolution of its shareholders in general meeting.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF TRADING RECORD

You should read the following discussion in conjunction with our combined financial statements, and selected historical combined financial data, in each case, together with the accompanying notes thereto included in the Accountants' Report in Appendix I.

Our Directors confirm that they have performed sufficient due diligence on the Group to ensure that, up to the date of this prospectus, there has been no material adverse change in the financial position or prospects of the Group since 31 May 2006 and there is no event since 31 May 2006 which would materially affect the information shown in the Accountants' Report set out in Appendix I.

INDEBTEDNESS

Borrowings

As at 31 July 2006, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this prospectus, we had outstanding borrowings of HK$245 million comprising secured bank loans of HK$185 million and HK$60 million non-secured bank loans. The total outstanding borrowings of HK$245 million was classified under current liabilities.

Securities and guarantees

As at 31 July 2006, all outstanding borrowings were guaranteed by Mr. CHAN Pak Chung, an executive Director and/or a director of certain subsidiaries, of which, HK$22 million was also guaranteed by Modern Wealth Limited.

The relevant banks provided in principle written consents that all the personal guarantees and legal charges provided by the connected persons (as such term is defined under the Listing Rules) of our Company in relation to the borrowings mentioned above will be released and replaced by corporate guarantee to be issued by our Company upon the listing of the Shares on the Main Board.

Contingent liabilities

As at 31 July 2006, we had no significant contingent liabilities.

Commitments

As at 31 July 2006, we had commitments of HK$32.5 million, comprising of capital commitments of HK$29 million and operating lease commitments of HK$3.5 million.

Disclaimers

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 July 2006.

Our Directors confirm that there has been no material change in our indebtedness and contingent liabilities since 31 July 2006.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The following table summaries our cash flows during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net cash from/(used in) operating activities	(26,576)	(88,199)	81,663	(31,135)	71,857
Net cash from/(used in) investing activities	(1,551)	(281)	(1,143)	33	(1,694)
Net cash from/(used in) financing activities	38,264	107,417	(36,105)	32,590	(21,471)
Increase in cash and cash equivalents	10,137	18,937	44,415	1,488	48,692
Cash and cash equivalents at beginning of the year/period	(2,154)	7,983	26,920	26,920	71,335
Cash and cash equivalents at end of the year/period	7,983	26,920	71,335	28,408	120,027

Cash flows

We generally finance our operations through, to a substantial extent, operating profit and a combination of borrowings from banks and capital contributions from our Shareholder. During the Track Record Period, we arranged a number of bank loans to satisfy our financing needs. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank loans, and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank loans when they fall due.

Operating activities

Net cash from operating activities for the five months ended 31 May 2006 was HK$71.9 million, comprised primarily of our profit before taxation of HK$273.3 million, reduced by, among other things, an increase in inventories of HK$57.3 million and an increase in trade and other receivables of HK$160.0 million, partially offset by an increase in trade and other payables of HK$20.4 million. The increase in inventories was due primarily to the increase in the period end average unit costs, while the increase in trade and other receivables was due primarily to an increase in period end sales and the higher selling prices for our products in 2006. The increase in trade and other payables was primarily due to an increase in selling prices for our products, which increased the deposits we received from the customers. Hong Kong profits tax paid during the same period was HK$0.9 million.

Net cash from operating activities for the year ended 31 December 2005 was HK$81.7 million, comprised primarily of our profit before taxation of HK$244.5 million, reduced by, among other things, an increase in inventories of HK$76.0 million and an increase in trade and other receivables of HK$36.9 million. The increase in inventories was due primarily to the increase in the year end average unit costs, while the increase in trade and other receivables was due primarily to an increase in year end sales and the higher selling prices for our products in 2005. Hong Kong profits tax paid during the same period was HK$37.8 million.

Net cash used in operating activities for the year ended 31 December 2004 was HK$88.2 million, comprised primarily of our profit before taxation of HK$137.6 million, reduced by, among other things, an increase in inventories by HK$108.8 million, which was mainly due to the increase in average unit costs of our products; an increase in trade and other receivables of HK$52.0 million, which was due primarily to the increase in prepayment to suppliers of HK$55.3 million with the major change in the settlement method with Zinifex, our main supplier, from 30 days after bill of lading date to upon receipt of shipment advice immediately after bill of lading date, and a decrease in trade and other payables of HK$55.3 million, which was also the result of the change of settlement method with Zinifex from a payable term to a prepayment alike term. Hong Kong profits tax paid during the same period was HK$9.8 million.

Net cash used in operating activities for the year ended 31 December 2003 was HK$26.6 million, comprised primarily of our profit before taxation of HK$43.9 million, reduced principally by an increase in inventories of HK$44.8 million and an increase in trade and other receivables of HK$34.0 million. Hong Kong profits tax paid during the same period was HK$8.0 million.

Investing activities

Net cash used in investing activities for the five months ended 31 May 2006 was HK$1.7 million, due primarily to the purchase of property, plant and equipment of HK$2.1 million and partially offset by interest received of HK$0.3 million and the disposal of property, plant and equipment of HK$0.4 million.

Net cash used in investing activities for the year ended 31 December 2005 was HK$1.1 million, due primarily to the purchase of property, plant and equipment of HK$2.1 million and partially offset by interest received of HK$0.6 million and the disposal of property, plant and equipment of HK$0.4 million.

Net cash used in investing activities for the year ended 31 December 2004 was HK$0.3 million, due primarily to the purchase of property, plant and equipment of HK$2.3 million and partially offset by the disposal of property, plant and equipment of HK$1.4 million and interest received of HK$0.6 million.

Net cash used in investing activities for the year ended 31 December 2003 was HK$1.6 million, due primarily to the purchase of property, plant and equipment of HK$2.5 million and partially offset by the disposal of leasehold land and property, plant and equipment of HK$0.6 million and interest received of HK$0.4 million.

During the Track Record Period, our investing activities primarily involved the purchase or disposal of leasehold land and property, plant and equipment. In general, our net cash used in investing activities remained stable except for 2004 in which we had received proceeds of HK$1.4 million from the disposals of motor vehicles, thus resulting in a significant drop in the net cash used in investing activities in 2004.

Financing activities

Net cash used in financing activities for the five months ended 31 May 2006 was HK$21.5 million, comprised primarily of dividend paid of HK$19.3 million, which was the cash payment component of the distribution of the dividend of HK$85 million declared by the Group in 2005, a decrease in amount due to a director of subsidiaries of HK$1.5 million, and a net repayment of loans against trust receipts of HK$0.5 million.

Net cash used in financing activities for the year ended 31 December 2005 was HK$36.1 million, comprised primarily of a net repayment of loans against trust receipts of HK$14.7 million and a decrease in amount due to a director of HK$21.6 million. With sufficient cash on hand, we repaid an amount due to a director during 2005.

Net cash from financing activities for the year ended 31 December 2004 was HK$107.4 million, comprised primarily of a net inception of loans against trust receipts of HK$130.8 million and offset by a decrease in amount due to a director of HK$15.6 million. Due to our increased business in 2004, we purchased additional stock to meet increased sales volume, thus resulting in an increase in the trust receipts loans for payments to our suppliers. We also repaid the amount due to a director in 2004 due to additional cash on hand generated from our operations.

Net cash from financing activities for the year ended 31 December 2003 was HK$38.3 million, comprised primarily of a net inception of loans against trust receipts of approximately HK$48.3 million, an increase in an amount due to a director of HK$27.5 million, and partially offset by a decrease in amount due to a director of subsidiaries of HK$33.9 million.

Net current assets

As at 31 May 2006, being the latest practicable date for the purpose of this statement, we had net current assets of HK$563.0 million comprising the following:

	HK$'000
Current assets	
Inventories	408,553
Trade and other receivables	348,152
Amounts due from related companies	219
Tax recoverable	263
Restricted bank balances	9,171
Bank balances and cash — unrestricted	120,027
	886,385
Current liabilities	
Trade and other payables	57,230
Amounts due to a related company	8
Amount due to a director of subsidiaries	7,702
Bank borrowings	186,428
Taxation payable	65,840
Dividend payable	6,165
	323,373
Net current assets	563,012

Financial resources and capital structure

We generally finance our operations through internal resources and bank loans. Throughout the Track Record Period, the Group generated a positive cash flow from our operations.

Working capital

Our Directors are of the opinion that, taking into consideration the financial resources available to us including internally generated funds, available banking facilities and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present capital and operating requirements in the next 12 months commencing from the date of this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure under Rules 13.13 to 13.19 of the Listing Rules.

SELECTED COMBINED FINANCIAL DATA

Selected profit and loss data

The following table summarises our combined results during the Track Record Period, prepared on the basis that the current Group structure had been in place throughout the Track Record Period. This summary (except for the note) is extracted from, and should be read in conjunction with the Accountants' Report, the text of which is set forth in Appendix I to this prospectus:

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Turnover	1,390,325	2,438,382	3,143,009	1,184,875	1,849,920
Costs of sales	(1,313,509)	(2,272,897)	(2,857,850)	(1,055,183)	(1,559,312)
Gross profit	76,816	165,485	285,159	129,692	290,608
Other income	3,571	4,023	3,571	1,423	1,562
Distribution and selling expenses	(5,994)	(10,651)	(16,778)	(6,003)	(5,444)
Administrative expenses	(22,684)	(27,180)	(31,979)	(11,824)	(17,155)
Other gains/(losses) — net	(6,118)	8,156	12,473	6,576	6,733
Operating profit	45,591	139,833	252,446	119,864	276,304
Finance costs	(1,661)	(2,263)	(7,906)	(2,645)	(3,052)
Profit before taxation	43,930	137,570	244,540	117,219	273,252
Taxation *(Note)*	(8,134)	(24,597)	(42,160)	(20,323)	(48,533)
Profit for the year/period	35,796	112,973	202,380	96,896	224,719
Dividend	—	—	85,000	—	—

Note: Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 17.5% for the three years ended 31 December 2005 and for the five months ended 31 May 2005 and 31 May 2006.

Selected balance sheet data

	As at 31 December			As at 31 May
	2003	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Inventories	166,420	275,230	351,270	408,553
Trade and other receivables	99,433	151,442	188,045	348,152
Restricted bank balances	5,148	8,784	9,007	9,171
Bank balances and cash — unrestricted	14,811	27,293	70,995	120,027
Trade and other payables	90,556	35,302	36,928	57,230
Current portion of bank borrowings	78,065	202,006	186,907	186,428
Non-current portion of bank borrowings	3,264	—	—	—
Shareholders' funds	120,868	233,841	351,221	575,940

Profit and loss items expressed as percentage of turnover

	Year ended 31 December			Five months ended 31 May	
	2003	2004	2005	2005	2006
	%	%	%	%	%
Turnover	100.0	100.0	100.0	100.0	100.0
Costs of sales	(94.5)	(93.2)	(90.9)	(89.1)	(84.3)
Gross profit	5.5	6.8	9.1	10.9	15.7
Other income	0.3	0.2	0.1	0.1	0.1
Distribution and selling expenses	(0.4)	(0.4)	(0.5)	(0.5)	(0.3)
Administrative expenses	(1.6)	(1.1)	(1.0)	(1.0)	(0.9)
Other gains/(losses) — net	(0.4)	0.3	0.4	0.6	0.4
Operating profit	3.4	5.8	8.1	10.1	15.0
Finance costs	(0.1)	(0.1)	(0.3)	(0.2)	(0.2)
Profit before taxation	3.3	5.7	7.8	9.9	14.8
Taxation	(0.6)	(1.0)	(1.3)	(1.7)	(2.6)
Profit for the year/period	2.7	4.7	6.5	8.2	12.2

Selected financial ratios

	Year ended 31 December			Five months ended 31 May
	2003	2004	2005	2006
Gross profit margin	5.5%	6.8%	9.1%	15.7%
Trade receivables turnover days[1]	25.7	13.8	14.8	18.4
Trade payables turnover days[2]	22.1	3.8	2.4	2.4
Inventory turnover days[3]	46.2	44.2	44.9	39.6
Effective tax rate[4]	18.5%	17.9%	17.2%	17.8%
Current ratio[5]	165.6%	178.5%	198.8%	274.1%
Quick ratio[6]	69.2%	72.4%	96.5%	147.8%
Gearing ratio[7]	8.7%	0.2%	—	—

Notes:

1. The calculation of trade receivables turnover days is based on the closing balance for trade receivables divided by turnover multiplied by the number of days for that period.

2. The calculation of trade payables turnover days is based on the closing balance for trade payables divided by the cost of sales and multiplied by the number of days for that period.

3. The calculation of inventory turnover days is based on the closing balance for inventories divided by the cost of sales and multiplied by the number of days for that period.

4. The calculation of effective tax rate is based on the taxation divided by the profit before taxation multiplied by 100%.

5. The calculation of the current ratio is based on current assets divided by current liabilities.

6. The calculation of the quick ratio is based on current assets (excluding inventories) divided by current liabilities.

7. The calculation of the gearing ratio is based on the amount of total bank borrowings (excluding loans against trust receipts, which are of trade nature and mostly with a term within 90 days) divided by shareholders' funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

The following sets forth our management's discussion and analysis of our results of operations during the Track Record Period. The following discussion should be read in conjunction with our combined financial information during the Track Record Period set forth in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

Overview

We are engaged primarily in the sourcing and distribution of non-ferrous metals in Hong Kong. In particular, based on the Hong Kong import and export statistics published by the government of Hong Kong for the year ended 31 December 2005, we were the market leader in the sourcing and distribution of die-casting zinc alloy products in Hong Kong, accounting for a market share in Hong Kong of approximately 72%. During the same period, our market share in the sourcing and distribution of nickel-related products and aluminium-related products was approximately 14% and 8%, respectively.

During the Track Record Period, we recorded increases in turnover, gross profit and net profit. Our turnover increased from HK$1,390.3 million for the year ended 31 December 2003 to HK$3,143.0 million for the year ended 31 December 2005. Our gross profit increased from HK$76.8 million for the year ended 31 December 2003 to HK$285.2 million for the year ended 31 December 2005. Our net profit increased from HK$35.8 million for the year ended 31 December 2003 to HK$202.4 million for the year ended 31 December 2005. Such growth in our turnover, gross profit and net profit was mainly attributable to increases in the sales volume of our products and the average selling prices of our products.

Acquisition after the Track Record Period

On 15 September 2006, we acquired 50% of the issued share capital of GRTL, incorporated in BVI on 12 February 2001 and the shareholders' loan from Metallic Scope Holding Company Limited, an investment holding company wholly owned by Mr. CHAN Pak Chung, for a consideration of approximately HK$9.3 million, being 50% of the net asset value of GRTL as at 30 June 2006 and the shareholders' loan. It holds the entire issued share capital of Genesis Alloys, which in turn holds the entire interest in Genesis Ningbo.

The table below sets out certain key financial information of the Genesis Group for the two years ended 31 December 2004 and 2005:

	As at 31 December 2004	**As at 31 December 2005**
	HK$'000	*HK$'000*
Total assets	50,633	22,340
Total liabilities	35,821	8,339
Net assets	14,812	14,001

	Year ended 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Turnover	233,653	27,702
Loss before taxation	1,616	547
Taxation	185	264
Loss after taxation	1,801	811

Turnover

Our turnover is derived primarily from the sourcing and distribution of non-ferrous metals in Hong Kong. Our principal products are divided into four main categories, namely (i) SHG zinc and zinc alloy; (ii) nickel and nickel-related products; (iii) aluminium and aluminium alloy; and (iv) other electroplating chemicals (including precious metals chemicals). We sell our products to customers in various industries who further process our products for the manufacture of bathroom fittings, household hardware, toys, home appliances, silver-plated tableware, fashion accessories, automotive accessories, stationery, and jewellery.

	Year ended 31 December						Five months ended 31 May			
	2003		2004		2005		2005		2006	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (Unaudited)	%	*HK$'000*	%
SHG zinc and zinc alloy	878,743	63.2	1,581,583	64.9	2,293,154	73.0	815,919	68.9	1,508,725	81.6
Nickel and nickel-related products	301,371	21.7	589,718	24.2	559,482	17.8	257,361	21.7	207,021	11.2
Aluminium and aluminium alloy	125,140	9.0	148,053	6.1	139,352	4.4	56,001	4.7	71,696	3.9
Other electroplating chemicals (including precious metals chemicals)	85,071	6.1	119,028	4.8	151,021	4.8	55,594	4.7	62,478	3.3
Total	1,390,325	100.0	2,438,382	100.0	3,143,009	100.0	1,184,875	100.0	1,849,920	100.0

Expenses by nature

Our costs of sales is comprised primarily of the cost of inventories sold.

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

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cost of inventories sold	1,311,383	2,269,084	2,854,108	1,053,799	1,557,498
Operating lease rental for land and buildings	2,051	2,806	3,045	1,216	1,716
Staff costs	12,680	14,095	20,081	6,350	6,470
Depreciation	2,134	1,910	1,939	612	752
Amortisation of leasehold land	381	381	381	159	53
Auditors' remuneration	355	411	500	131	300
Outgoings in respect of investment properties	54	72	81	34	17
Other receivable written off	—	—	33	—	—
Impairment provision for doubtful debts	—	152	—	—	—

Gross profit and gross profit margin

Our gross profit increased from HK$129.7 million for the five months ended 31 May 2005 to HK$290.6 million for the five months ended 31 May 2006.

Our gross profit increased from HK$76.8 million for the year ended 31 December 2003 to HK$285.2 million for the year ended 31 December 2005. The table below summarises our gross profit margin during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Turnover	1,390,325	2,438,382	3,143,009	1,184,875	1,849,920
Less: Costs of sales	(1,313,509)	(2,272,897)	(2,857,850)	(1,055,183)	(1,559,312)
Gross profit	76,816	165,485	285,159	129,692	290,608
Gross profit margin (%)	5.5%	6.8%	9.1%	10.9%	15.7%

During the Track Record Period, we had long-term sourcing contracts with major international suppliers, including, but not limited to, suppliers located in Australia, South Korea, Canada, Thailand, the PRC, South Africa, the US, Peru, Finland and the UK. In particular, we have entered into the Zinc Agreement for a term of five years commencing from 1 February 2004 and expiring on 31 January 2009. Our other key suppliers include Inco, Korea Zinc, OMG, Teck Cominco, Alcan and Johnson Matthey, all of which are renowned brands in the industry.

Distribution and selling expenses

Our distribution and selling expenses are comprised primarily of carriage outward costs, declaration fee and storage charges, commission, salesman direct expenses and marketing expenses.

Administrative expenses

Our administrative expenses are comprised primarily of costs incurred on a regular basis to support our normal course of business including audit fees, legal and professional fees, staff costs, directors' remuneration, rents and rates, and depreciation expenses.

Taxation

In accordance with Hong Kong tax law, Hong Kong profits tax has been provided on our estimated assessable profits in Hong Kong at the rate of 17.5% per annum for the three years ended 31 December 2005 and the five months ended 31 May 2005 and 31 May 2006.

Factors affecting our results of operations and financial condition

The following factors have, and will continue to have, a material impact on our results of operations and financial condition:

(a) *Economic growth in the Greater China Region*

Our business operations primarily involve the sourcing of non-ferrous metals from the international markets and distribution of such to customers in the Greater China Region. The majority of our customers have production facilities located in the PRC. The rapid economic growth in the PRC in recent years has been accompanied by the growth in non-ferrous metals consumption. As the PRC's domestic production of non-ferrous metals is insufficient for its consumption, our Directors believe that, with continued growth of the PRC economy, a substantial amount of non-ferrous metals is expected to continue to be sourced from the international markets to meet domestic demand which in turn will have a positive impact on our business prospects.

(b) *Purchase costs and sales prices*

In general, market prices referenced to the LME determine the purchase cost and sales prices of non-ferrous metals. Our gross margin in the sourcing and distribution business is dependent on our ability to obtain lower purchase costs in a market of rising LME prices and the ability to obtain higher sales price in a market of declining LME prices.

Our ability to maintain our current profit margin and market share is dependent on our ability to source the stable supply of non-ferrous metals during shortage of supply while maintaining the quality of our products to attract new and retain existing customers in a more competitive environment.

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.

Our 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 selling expenses. These estimates are based on the current market conditions and the historical experience and selling goods of similar nature. It could change as a result of change in market conditions. Our management will reassess the estimations by the balance sheet date.

(b) **Provision for impairment of trade receivables**

Our management determines the provision for impairment of trade receivables. This estimate is based on the credit history of its customers and the current market conditions. It could change as a result of change in financial positions of customers. Our management will reassess the provision by the balance sheet date.

Comparison of our results for the five months ended 31 May 2006 and the five months ended 31 May 2005

Turnover

Our turnover increased approximately 56.1% from HK$1,184.9 million for the five months ended 31 May 2005 to HK$1,849.9 million for the five months ended 31 May 2006. The increase was mainly attributable to the increase in the sales of SHG zinc and zinc alloy and aluminum and aluminum alloy, partially offset by the decrease in the sales of nickel and nickel-related products. The increase in the turnover of SHG zinc and zinc alloy by approximately 84.9% was mainly due to the significant increase in zinc price during the period. The average settlement price for zinc quoted on LME for the five months ended 31 May 2006 increased by 104.5% as compared to that for the five months ended 31 May 2005. The increase in turnover from our sales of SHG zinc and zinc alloy for the five months ended 31 May 2006 was also attributable to the increase in the sales volume by approximately 7.0% as compared to the same period in 2005, which was mainly due to the continued strengthening of the Group's sales and marketing team. The sales of aluminium and aluminium alloy increased by 28.0% because we secured a stable supplier of aluminium and thus was able to provide more aluminium and aluminium alloy to our customers. The decrease in sales of nickel and nickel-related products by 19.6% was mainly due to a decrease in demand caused by an increase in price for nickel during the five months ended 31 May 2006.

Costs of sales

Our cost of sales increased approximately 47.8% from HK$1,055.2 million for the five months ended 31 May 2005 to HK$1,559.3 million for the five months ended 31 May 2006.

Gross profit

Our gross profit for the five months ended 31 May 2006 was HK$290.6 million, an increase of approximately 124.1% when compared to our gross profit of HK$129.7 million for the five months ended 31 May 2005. Our gross profit margin increased from approximately 10.9% for the five months ended 31 May 2005 to 15.7% for the five months ended 31 May 2006. Such increase was mainly due to the increase in the gross profit margin for SHG zinc and zinc alloy. As we normally maintain a strategic level of inventory with turnover days of around 35 to 45 days, we are generally able to recognise a higher margin on our products under first-in, first-out accounting system when worldwide non-ferrous metal prices increase. When worldwide non-ferrous metal prices increase, the prices we charge to our customers for our products increase correspondingly. Thus, we increase the margin between our inventory cost and the higher market price for the non-ferrous metals. When LME prices go up, it increases our profit margins. The average settlement prices for zinc quoted on the LME for the five months ended 31 May 2006 increased by 104.5% as compared to that for the five months ended 31 May 2005.

Other income

Our other income increased approximately 9.8% from HK$1.4 million for the five months ended 31 May 2005 to HK$1.6 million for the five months ended 31 May 2006. Other income for the five months ended 31 May 2006 was comprised mainly of HK$0.3 million interest income, HK$0.7 million rental income from investment properties and HK$0.5 million from others. Other income for the five months ended 31 May 2005 was comprised mainly of HK$0.2 million interest income, HK$0.8 million rental income from investment properties and HK$0.3 million from others.

Distribution and selling expenses

Our distribution and selling expenses was HK$6.0 million and HK$5.4 million for the five months ended 31 May 2005 and 2006, respectively. Our distribution and selling expenses remained stable because we lowered our storage expenses for the five months ended 31 May 2006 by securing a warehouse with lower rent in January 2006, which offset the increases in other distribution and selling expenses.

Administrative expenses

Our administrative expenses increased approximately 45.1% from HK$11.8 million for the five months ended 31 May 2005 to HK$17.2 million for the five months ended 31 May 2006. Administrative expenses for the five months ended 31 May 2006 mainly comprised staff costs of HK$5.3 million, rental expenses of HK$1.6 million, depreciation expenses of HK$0.8 million, entertainment expenses of HK$0.7 million and insurance expenses of HK$0.9 million. Administrative expenses for the five months ended 31 May 2005 mainly comprised staff costs of HK$4.9 million, rental expenses of HK$1.2 million, depreciation expenses of HK$0.6 million, entertainment expenses of HK$1.1 million and insurance expenses of HK$0.7 million.

Other gains — net

Other gains increased approximately 2.4% from HK$6.6 million for the five months ended 31 May 2005 to HK$6.7 million for the five months ended 31 May 2006. The other gains for the five months ended 31 May 2006 comprised mainly HK$3.8 million fair value gain on investment properties and net exchange gain of HK$2.7 million. The other gains for the five months ended 31 May 2005 comprised mainly HK$6.8 million fair value gain on investment properties and net exchange gain of HK$0.1 million. The increase in the net exchange gain was mainly due to the difference between our actual US dollar payments to our suppliers and the recognised amount based on our US dollar booking rates.

Finance costs

Our finance costs increased from HK$2.6 million for the five months ended 31 May 2005 to HK$3.1 million for the five months ended 31 May 2006. The increase was due primarily to an increase in the average borrowing rate by approximately 51% from the five months ended 31 May 2005 to the same period in 2006, partially offset by our early settlement of certain loans and the continual improvement in our borrowing terms.

Taxation

Taxation increased approximately 138.8% from HK$20.3 million for the five months ended 31 May 2005 to HK$48.5 million for the five months ended 31 May 2006. The effective tax rate was approximately 17.3% and 17.8% for the five months ended 31 May 2005 and 2006 respectively.

Comparison of our results for the year ended 31 December 2005 and the year ended 31 December 2004

Turnover

Our turnover increased approximately 28.9% from HK$2,438.4 million for the year ended 31 December 2004 to HK$3,143.0 million for the year ended 31 December 2005. The increase was mainly attributable to the increase in the sales volume of zinc alloy products by approximately 18.0%, which was mainly due to our additional resources employed in further developing our market through increasing our distribution channels including our overseas sales agents, and the significant increase in non-ferrous metals prices in this year. However, such increase was partially offset by the slight decrease in the sales of nickel and nickel-related products by approximately 5.1%. The global supply of nickel square for electroplating decreased in 2005 which led to our sales of nickel square decreased accordingly.

Costs of sales

Our cost of sales increased approximately 25.7% from HK$2,272.9 million for the year ended 31 December 2004 to HK$2,857.9 million for the year ended 31 December 2005.

Gross profit

Our gross profit for the year ended 31 December 2005 was HK$285.2 million, an increase of approximately 72.3% when compared to our gross profit of HK$165.5 million for the year ended 31 December 2004. Our gross profit margin increased from approximately 6.8% in 2004 to 9.1% in 2005. Such increase was mainly due to the increase in the gross profit margin for SHG zinc and zinc alloy. As we normally maintain a strategic level of inventory with turnover days of around 35 to 45 days, we are generally able to recognise a higher margin on our products under first-in, first-out accounting system when worldwide non-ferrous metal prices increase. When worldwide non-ferrous metal prices increase, the prices we charge to our customers for our products increase correspondingly. Thus, we increase the margin between our inventory cost and the higher market price for the non-ferrous metals. When LME prices go up, it increases our profit margins. Prices for zinc quoted on the LME recorded an increase of approximately 50.8% in the year ended 31 December 2005. In view of the sharp increase in LME prices for zinc during the aforesaid period, our profit margin has grown significantly.

Other income

Our other income decreased approximately 11.2% from HK$4.0 million for the year ended 31 December 2004 to HK$3.6 million for the year ended 31 December 2005. Other income for 2005 was comprised mainly of HK$2.1 million rental income from investment properties. The decrease was mainly attributable to the decrease in commission income received from Genesis Alloys by HK$0.8 million in 2005 with the temporary suspension of the manufacturing activities of Genesis Ningbo in 2005.

Distribution and selling expenses

Our distribution and selling expenses increased approximately 57.5% from HK$10.7 million for the year ended 31 December 2004 to HK$16.8 million for the year ended 31 December 2005. The increase was due primarily to (i) the increase in storage charges by HK$2.8 million in 2005 as compared to that of 2004. As a result of the increase in the sales volume in 2005, we maintained a proportionately higher level of stock, thus resulting in the increase in storage charges; (ii) an increase in commission expenses to our sales agent by HK$1.4 million; (iii) an increase in our salesman direct salaries by HK$1.9 million; and (iv) an increase in direct marketing expenses by HK$0.4 million.

Administrative expenses

Our administrative expenses increased approximately 17.7% from HK$27.2 million for the year ended 31 December 2004 to HK$32.0 million for the year ended 31 December 2005. Administrative expenses for 2005 mainly comprised of staff costs of HK$15.4 million, rental expenses of HK$3.0 million, depreciation expenses of HK$1.9 million, entertainment expenses of HK$1.6 million and insurance expenses of HK$1.4 million.

The increase in our administrative expenses was mainly attributable to an increase in staff costs by HK$4.1 million as a result of the increase in the number of staff to cater for our expansion business, the annual increase in employee wages and a special bonus payment of HK$3.4 million due to the significant result improvement of the Group in 2005.

Other gains — net

Other gains increased approximately 52.9% from HK$8.2 million for the year ended 31 December 2004 to HK$12.5 million for the year ended 31 December 2005. The other gains for 2005 comprised mainly HK$9.8 million fair value gain on investment properties and net exchange gain of HK$3.0 million. The increase was due primarily to the increase in the fair value gain on investment properties by HK$4.1 million as a result of the increase in fair value of the properties, and the increase in net exchange gain by HK$2.3 million due to the difference between our actual US dollar payments to our suppliers and the recognised amount based on our US dollar booking rates. However, such increase was partially offset by the losses in our metal futures trading as a result of the increase in general metals prices.

Finance costs

Our finance costs increased from HK$2.3 million for the year ended 31 December 2004 to HK$7.9 million for the year ended 31 December 2005. The increase was due primarily to the increase in interest expenses on our trust receipt loans. As our purchase volumes increased in line with the increase in our sales volume, our trust receipt loans throughout the year increased accordingly, resulting in the increase in interest expenses.

Taxation

Taxation increased approximately 71.4% from HK$24.6 million for the year ended 31 December 2004 to HK$42.1 million for the year ended 31 December 2005. The effective tax rate was approximately 17.9% and 17.2% for the year ended 31 December 2004 and 2005, respectively.

Comparison of our results for the year ended 31 December 2004 and the year ended 31 December 2003

Turnover

Our turnover increased approximately 75.4% from HK$1,390.3 million for the year ended 31 December 2003 to HK$2,438.4 million for the year ended 31 December 2004. The increase was mainly as a result of increases in volumes and the average selling prices.

Sales volume for the year ended 31 December 2004 increased approximately 42.3% compared to 2003, which was due primarily to an increase in sales volumes for SHG zinc and zinc alloy and nickel and nickel-related products. For SHG zinc and zinc alloy, our sales volume increased approximately 46.2% in 2004 as a result of the increase in our sales force in the Greater China Region and increased customer demand for Zinifex's EZDA products in the Greater China Region. Through our sales agents, we also expanded our sales with Taiwanese customers which had production facilities in the PRC during the year. For nickel and nickel-related products, our sales volume increased approximately 34.9% as we increased our sales force by almost double.

Secondly, the average prices for zinc and nickel on the LME for the year ended 31 December 2004 recorded an increase of approximately 26.6% and 44.0% as compared to the year ended 31 December 2003, respectively, thus increasing the average selling prices of our SHG zinc and zinc alloy and nickel and nickel-related products.

Costs of sales

Our cost of sales increased approximately 73.0% from HK$1,313.5 million for the year ended 31 December 2003 to HK$2,272.9 million for the year ended 31 December 2004.

Gross profit

Our gross profit for the year ended 31 December 2004 was HK$165.5 million, an increase of approximately 115.4% when compared to our gross profit of HK$76.8 million for the year ended 31 December 2003. Our gross profit margin increased from approximately 5.5% in 2003 to approximately 6.8% in 2004. Such increase was mainly due to the increase in the gross profit margin for SHG zinc & zinc alloy. As we normally maintain a strategic level of inventory with turnover days of around 35 to 45 days, we are able to recognise a higher margin on our products under first-in, first-out accounting system when worldwide non-ferrous metal prices increase. When worldwide non-ferrous metal prices increase, the prices we charge to our customers for our products increase correspondingly. Thus, we recognise the gain between the inventory cost and the higher market price for the metals. When the LME prices go up, it increases our profit margin. Prices for zinc quoted on LME recorded an increase of approximately 21.7% in the year ended 31 December 2004.

Other income

Our other income increased approximately 12.6% from HK$3.6 million for the year ended 31 December 2003 to HK$4.0 million for the year ended 31 December 2004. Other income for 2004 was comprised mainly rental income of HK$1.8 million, interest income of HK$0.6 million and commission income of HK$0.9 million. Other income increase due mainly to the mixed effect of the increase in commission income received from Genesis Alloys by HK$0.5 million as we assisted Genesis Alloys to source more orders of zinc alloys to our PRC customers during the year.

Distribution and selling expenses

Our distribution and selling expenses increased approximately 77.7% from HK$6.0 million for the year ended 31 December 2003 to HK$10.7 million for the year ended 31 December 2004. Distribution and selling expenses for 2004 mainly comprised of HK$5.2 million carriage outward charges, commission paid to our sales agent of HK$1.5 million and salesman direct salaries of HK$2.8 million. The increase in our distribution and selling expenses was mainly due to (i) increase in carriage outward charges of HK$2.6 million as a result of increasing number of sales; (ii) increase in commission expenses by HK$1.5 million with the appointment of a new sales agent during 2004.

Administrative expenses

Our administrative expenses increased approximately 19.8% from HK$22.7 million for the year ended 31 December 2003 to HK$27.2 million for the year ended 31 December 2004. Administrative expenses for 2004 was comprised mainly of staff costs of HK$11.2 million, rental expenses of HK$2.8 million, entertainment expenses of HK$2.4 million, depreciation of HK$1.9 million and insurance expenses of HK$1.1 million.

The increase in our administrative expenses was mainly attributable to (i) the increase in staff costs by HK$1.8 million, which was due to the increase in our average staff headcount and the increase in directors' remuneration as a result of the improvement in the results of 2004; (ii) the increase in rental expenses by HK$0.8 million due to the full year financial impact of rental expenses for a director quarter in 2004 as compared to a one month financial impact in 2003 as the tenancy agreement of such was only signed in November 2003; (iii) the increase in license fee expenses to our main supplier, Zinifex, of HK$0.6 million as a result of the grant of exclusive right pro rata for a partial year; and (iv) the increase in insurance expenses of HK$0.5 million as a result of the increase in staff headcount in 2004 and sales volume thus resulting to an increase in cargo insurance expenses.

Other gains/(losses) — net

Our other gains was HK$8.2 million for the year ended 31 December 2004, while other losses of HK$6.1 million was recorded for the year ended 31 December 2003. Our other gains for the year ended 31 December 2004 was comprised mainly of gain on metal futures trading of HK$1.1 million and fair value gains on investment properties of HK$5.7 million, while other losses for the year ended 31 December 2003 was comprised mainly of loss on metal futures trading of HK$7.4 million.

The gains or losses on metal futures trading were due to our entering into non-ferrous metal future contracts to hedge against declines in spot prices of metals. In 2003, in view of our relatively high level of inventory and the trend of increasing non-ferrous metal prices, we had entered into more non-ferrous metal future contracts to partially hedge against the price risk. The losses arising from the future contracts in 2003, however, could be offset by the price gained on our inventory on hand in 2003.

As for 2004, although we increased our year-end inventory balance in order to meet our increased sales demand, we had closely monitored our inventory level throughout the year, thus reducing our need to enter into future contracts to hedge against potential price declines, which in turn reduced our exposure to loss on future contracts. The fair value gains on investment properties in 2004 were to reflect the increased market value of the investment properties.

Finance costs

Our finance costs increased approximately 36.2% from HK$1.7 million for the year ended 31 December 2003 to HK$2.3 million for the year ended 31 December 2004. Our finance costs for 2004 was comprised mainly of interests on trust receipts loans. As our purchase volumes increased with the increase in sales volume, we used more banking facilities, including trust receipts loans and letters of credit.

Taxation

Taxation increased from HK$8.1 million for the year ended 31 December 2003 to HK$24.6 million for the year ended 31 December 2004. The effective tax rate was approximately 18.5% and 17.9% for the year ended 31 December 2003 and 2004, respectively.

Analysis of our major balance sheet items

Non-current assets

As at 31 May 2006, our non-current assets was HK$14.6 million. As at 31 December 2005, our non-current assets was HK$13.5 million, consisting mainly of HK$5.2 million in leasehold land and HK$8.3 million in property, plant and equipment. The decrease from HK$64.9 million for the year ended 31 December 2004 was due mainly to the reclassification of all the investment properties, certain leasehold land, property, plant and equipment held by our former subsidiary which had been disposed of by us in April 2006 but before the listing of the Company, as "assets held for sale".

Current assets

As at 31 May 2006, our current assets was HK$886.4 million. As at 31 December 2005, our current assets was HK$682.6 million which was comprised mainly of HK$351.3 million in inventories, HK$188.0 million in trade and other receivables, HK$9.0 in restricted bank balances, HK$71.0 million in unrestricted cash and bank balances and HK$61.4 million in assets held for sale. The increase in current assets from 31 December 2005 to 31 May 2006 was mainly attributable to the increases in inventories, trade and other receivables and cash and bank balances. See "Management's Discussion and Analysis of Trading Record — Liquidity, Financial Resources and Capital Structure — Operating Activities" for discussion of the increases in inventories and trade and other receivables.

The increase from 2004 was attributable mainly to (i) the increase in year end balance of inventories by HK$76.0 million as compared to the balance as at 31 December 2004, which was mainly due to the increase in the year end average unit costs; (ii) the increase in trade and other receivables by HK$36.6 million as compared to that of 2004, which was mainly attributable to the increase in the year end sales and the selling prices for our products although our trade receivables turnover days remained stable throughout the Track Record Period (2005: 14.8 days; 2004: 13.8 days); (iii) the increase in unrestricted cash and bank balances by HK$43.7 million in 2005 as compared to that of 2004 as a result of significant improvement in the results noted during the Track Record Period and that we had not engaged in any investment project that required capital contribution; and (iv) the additional balance of HK$61.4 million assets held for sale, representing mainly investment properties, leasehold land, property, plant and equipment held by Modern Wealth Limited, which had been disposed of by us after 31 December 2005 but before 31 May 2006, reclassified from the non-current assets balance.

Current liabilities

As at 31 May 2006, our current liabilities was HK$323.4 million and as at 31 December 2005, our current liabilities was comprised mainly of HK$186.9 million in current bank loans on trust receipts, HK$85.0 million in dividend payable and HK$36.9 million in trade and other payables. The increase from 2004 was due mainly to the HK$85.0 million in dividend payable.

Non-current liabilities

As at 31 May 2006, our non-current liabilities was HK$1.7 million and as at 31 December 2005, our non-current liabilities consisted of HK$1.6 million in deferred tax liabilities. The decrease from HK$34.7 million as at 31 December 2004 was due mainly to the full settlement of HK$21.6 million amount due to a director before 31 December 2005.

Shareholders' funds

As at 31 May 2006 and as at 31 December 2005, shareholders' funds consisted of HK$10.0 million in share capital and HK$565.9 million and HK$341.2 million, respectively, in retained profits. The increase from 2004 was due to the profit earned in 2005 less proposed dividend of HK$85 million.

Financial ratios

Current ratio

For each of the three years ended 31 December 2005 and the five months ended 31 May 2006 our current ratio was 1.7, 1.8 and 2.0, and 2.7 respectively. The increase in our current ratio by 0.7 between the year ended 31 December 2005 and the five months ended 31 May 2006 was due mainly to the increases in inventories, trade and other receivables and cash and bank balances. The increase in our current ratio by 0.2 between the year ended 31 December 2004 and 31 December 2005 was due mainly to the substantial increase in cash and bank balances and the additional balance of assets held for sale of HK$61.4 million less liabilities associated with assets held for sale of HK$4.7 million.

Gearing ratio

As at 31 May 2006, we did not have any bank borrowings except for loans on trust receipts amounting to HK$186.4 million, which were of trade nature and mostly with a term within 90 days. As we had repaid the mortgage loan in 2004, the gearing ratio excluding the trust receipt loans decreased to zero from 2004 onwards.

PROPERTY INTERESTS

Sallmanns (Far East) Limited, an independent property valuer, valued our property interests held by the Group as at 30 June 2006. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set forth in Appendix III to this prospectus.

DIVIDENDS

Following the listing of our Shares, our Shareholders will be entitled to receive dividends declared by the Company. The Company intends to pay dividends by way of interim and final dividends. Our Directors intend to declare and recommend dividends which would amount in total to around 25-35% of our distributable profit for the period subsequent to the Global Offering. The payment and amount of any dividends will be at the discretion of our Directors and will depend upon our earnings, financial conditions, cash requirements and availability, and other factors. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

We declared and paid dividends of HK$85.0 million for the year ended 31 December 2005, which were financed partly by consideration for sale of entire interest in Modern Wealth Limited and partly by our internal resources. Save as disclosed herein, no other dividend was declared by any member of our Group since the commencement of the Track Record Period. The dividend distribution recorded during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

DISTRIBUTABLE RESERVES

Our Company had no reserves available for distribution to our Shareholders as at 31 July 2006, being the date of our latest unaudited management accounts.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of our Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 May 2006. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 May 2006 or at any future date.

	Audited combined net assets of our Group as at 31 May 2006(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$1.94 per Share	575,940	353,472	929,412	1.16
Based on an Offer Price of HK$2.70 per Share	575,940	500,212	1,076,152	1.35

Notes:

1. The audited combined net assets of our Group as at 31 May 2006 has been extracted without adjustment from the accountants' report, the text of which is set forth in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.94 and HK$2.70 per Share, after deduction of the underwriting fees and other related expenses paid and payable by our Company. No account has been taken of our Shares which may be issued pursuant to any exercise of the Over-allotment Option or any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue, taking no account for our Shares which may be issued pursuant to any exercise of the Over-allotment Option or any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 31 May 2006, being the date of our latest audited financial statements, there has been no material adverse change in our financial or trading position or prospects.

FUTURE PLANS AND PROSPECTS

Our Directors believe that the demand for non-ferrous metals in the Greater China Region will continue to grow. In particular, the PRC has grown to become one of the largest metals consumers in the world with expanding demand from die-casting foundries outgrowing supply. Our Directors also anticipate that, due to our established position in the market, our turnover generated from the supply and distribution of non-ferrous metals will continue to increase. The Enlarged Group's objective is to maintain our leading position in the distribution of zinc alloy in the Greater China Region and become an integrated supply chain company in the metal industry that provides 'one-stop' solution services to customers. The Enlarged Group's future plans and prospects are summarised as follows:

- to continue to develop our distribution abilities in the PRC through setting up trading companies and representative offices in major cities such as Guangzhou, Shanghai, Chengdu, Dalian and Beijing by 2008;
- to expand our logistics facilities and seek alliances opportunities in various parts of the Great China Region;
- to form a strategic partnership in order to further expand the Enlarged Group's production capacity of zinc alloy by up to 10,000 metric tonnes per month by establishing the Enlarged Group's alloy production plants by 2009;
- to explore the expansion of our existing product lines by moving up the supply chain to establish our own production facilities for manufacturing and processing aluminium alloys up to 7,500 metric tonnes per month by 2009;
- to acquire Lee Yip pursuant to the Call Option Deed in order to expand into the downstream of the metal supply chain; and
- to expand our service offering by providing laboratory testing services on metal-related products and recycling service to our customers.

REASONS FOR THE GLOBAL OFFERING AND PROPOSED USE OF NET PROCEEDS

Our Directors intend to utilise the net proceeds from the Global Offering to finance the Enlarged Group's future development, strengthen its capital base and improve its financial position. The net proceeds from the Global Offering (after deduction of related expenses and assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.32, being the mid-point of the Offer Price range stated in this prospectus) are estimated to be HK$426.9 million. Our Directors currently intend to use such net proceeds as follows:

- approximately HK$125.7 million (accounting for approximately 29.4% of the net proceeds) will be used to develop our distribution abilities in the PRC through setting up trading companies and representative offices in major cities such as Guangzhou, Shanghai, Chengdu, Dalian and Beijing in the following order:

  - approximately HK$74.8 million will be used to establish a foreign invested commercial enterprise to serve as our trading company (including expenses for lease of office) in Shanghai in December 2006 and we expect such enterprise to commence operation in 2007 with an initial capacity to handle 45,000 tonnes of non-ferrous metals per annum and target to increase to 90,000 tonnes per annum by 2009;

  - approximately HK$49.4 million will be used to establish a foreign invested commercial enterprise to serve as our trading company (including expenses for lease of office) in Guangzhou in December 2006 and we expect such enterprise to commence operation in 2007 with an initial capacity to handle 30,000 tonnes of non-ferrous metals per annum and target to increase to 90,000 tonnes per annum by 2009; and

  - approximately HK$1.5 million will be used to establish other representative offices (including expenses for leases of offices) in Chengdu, Dalian and Beijing in the second half of 2007 and we expect such representative offices to commence operations in 2008;

- approximately HK$110.0 million (accounting for approximately 25.8% of the net proceeds), being 50% of the investment, will be used to form a strategic partnership in order to further expand the Enlarged Group's production capacity of zinc alloy by up to 10,000 metric tonnes per month by establishing the Enlarged Group's zinc alloy production plants in two phases, namely 2008 and 2009 respectively. In the event that no such strategic partnership is formed, the remaining 50% investment will be financed by bank loans and we will then establish our own zinc alloy production plants;

- approximately HK$78.5 million (accounting for approximately 18.4% of the net proceeds) will be used to expand our product lines by establishing our own production facilities for manufacturing and processing aluminium alloys up to 7,500 metric tonnes per month in two phases, namely 2008 and 2009 respectively, by using aluminium scraps as major raw materials;

- approximately HK$30.0 million (accounting for approximately 7.0% of the net proceeds) will be used to expand our logistics facilities in Hong Kong;

- approximately HK$25.0 million (accounting for approximately 5.9% of the net proceeds) will be used to expand our service offering by providing laboratory testing services on metal-related products and recycling service to our customers;

- approximately HK$15.0 million (accounting for approximately 3.5% of the net proceeds) will be used to acquire Lee Yip; and

- approximately HK$42.7 million (accounting for approximately 10.0% of the net proceeds) will be used as our general working capital.

If the call option to acquire Lee Yip is not exercised, we intend to use the net proceeds of approximately HK$15.0 million to develop our trading company in Guangzhou as described above.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$2.32, being the mid-point of the Offer Price range stated in this prospectus, we intend to use the additional net proceeds of HK$67.5 million in (i) setting up trading companies and representative offices; (ii) expansion of production capacity of zinc alloy; and (iii) expansion of production facilities of aluminium alloys in the amount of 40%, 35% and 25% of the additional net proceeds, respectively. To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, it is our present intention that such net proceeds be placed on short term deposits with authorised financial institutions and/or licensed banks in Hong Kong for so long as it is in our best interests.

Should the Offer Price be set higher or lower than the mid-point of the Offer Price range of HK$2.32 per Share, the Directors presently intend to increase or decrease its investment in (i) setting up trading companies and representative offices; (ii) expansion of production capacity of zinc alloy; and (iii) expansion of production facilities of aluminium alloys in the amount of 40%, 35% and 25% of the net proceeds increase or decrease, respectively.

UNDERWRITERS

Public Offer Underwriters

Cazenove
BCOM Securities Company Limited
Nomura International (Hong Kong) Limited
CCB International Capital Limited
First Shanghai Securities Limited
Taiwan Securities (Hong Kong) Company Limited

Placing Underwriters

Cazenove
BCOM Securities Company Limited
Nomura International (Hong Kong) Limited
CCB International Capital Limited
First Shanghai Securities Limited
Taiwan Securities (Hong Kong) Company Limited

PUBLIC OFFER

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is initially offering 20 million Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions set out in this prospectus and the Application Forms. Subject to:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus;

(b) the International Underwriting Agreement having been duly executed and delivered and having become unconditional in accordance with its terms (save as regards any condition relating to the Public Offer Underwriting Agreement having become unconditional); and

(c) certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Offer Price being agreed between the Company and Cazenove (on behalf of the Public Offer Underwriters)).

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares will be subject to termination by notice in writing from Cazenove (on behalf of the Public Offer Underwriters) to the Company if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(A) (1) there is any material change or prospective material change (whether or not permanent) in the business or in the financial or trading position or prospects of any member of the Enlarged Group; or

(2) any event or series of events resulting or representing or likely to result in any change or development (whether or not permanent) in local, national regional or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other conditions, circumstances or matters shall have occurred, happened or come into effect; or

(3) any relevant new law or change (whether or not forming part of a series of changes) in existing laws or any change in the interpretation or application thereof by any court or governmental authority of any relevant jurisdiction shall have been introduced or effected; or

(4) a change or development occurs involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in Hong Kong, Japan, the PRC, Taiwan, the US or the European Union (or any member thereof) or elsewhere; or

(5) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the warrantors under the Public Offer Underwriting Agreement pursuant to the indemnities contained in the Public Offer Underwriting Agreement; or

(6) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by Japan, the US or the European Union (or any member thereof) or any other country or organisations in Hong Kong, the PRC, Taiwan, or any other jurisdiction relevant to the Enlarged Group; or

(7) any event, or series of events, beyond the control of the Public Offer Underwriters (including without limitation, any act of God, acts of government, war, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome), terrorism, strike or lockout) shall have occurred, happened or come into effect; or

(8) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting Hong Kong, Japan, the PRC, Taiwan, the US or the European Union (or any member thereof), or any other jurisdiction relevant to the Enlarged Group;

(9) there is a change in the system under which the value of the HK dollar is linked to that of the US dollar; or

(10) the imposition or declaration of (i) any suspension or material limitation on dealings in shares or securities generally on the Stock Exchange, New York Stock Exchange, Inc., London Stock Exchange plc or any other major international stock exchange or (ii) any moratorium on banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Hong Kong, PRC, New York, London or any other jurisdiction;

(11) a demand by any creditor for repayment or payment of any indebtedness of any member of the Enlarged Group or in respect of which any member of the Enlarged Group is liable prior to its stated maturity which will have a material adverse effect on the Enlarged Group's trading and financial positions; or

(12) any loss or damage sustained by any member of the Enlarged Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which will have a material adverse effect on the Enlarged Group's trading and financial positions; or

(13) a petition is presented for the winding-up or liquidation of any member of the Enlarged Group or any member of the Enlarged Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Enlarged Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Enlarged Group; or

(14) there is any event or change or any other reason (whether or not permanent) which would or may result in that a supplemental prospectus or any document of a similar nature is or will be or is required to be issued, whether required by the Stock Exchange or not; or

(15) any of the Public Offer Underwriters shall become aware of the fact that:

(a) any of the warranties given by the warrantors under the Public Offer Underwriting Agreement is untrue, inaccurate misleading or breached in any material respect when given or as repeated as determined by Cazenove in its sole and reasonable discretion (having acted in good faith in exercising such discretion);

(b) any statement contained in this prospectus or application forms is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus or application forms were to be issued at the time, constitute a material omission therefrom as determined by Cazenove in its sole and reasonable discretion (having acted in good faith in exercising such discretion); or

(c) there has been a material breach on the part of any of the warrantors under the Public Offer Underwriting Agreement of any of the provisions of the Public Offer Underwriting Agreement or the International Underwriting Agreement as determined by Cazenove in its sole and reasonable discretion (having acted in good faith in exercising such discretion).

which in the sole and reasonable opinion of Cazenove:

(1) is or will or may individually or in the aggregate have a material adverse effect on the business, financial trading or other condition or prospects of the Company taken alone or the Enlarged Group taken as a whole and/or, in the case of item (A)(4) above, to any present or prospective substantial shareholder in its capacity as such; or

(2) has or will or may have a material adverse effect on the success of the Public Offer, the Placing or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(3) is or will or may make it impracticable or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Agreement, the Public Offer, the Placing and/or the Global Offering to be performed or implemented as envisaged or (ii) to proceed with the Public Offer, the Placing and/or the Global Offering on the terms and in the manner contemplated in this prospectus or the application forms, as the case may be.

UNDERTAKINGS

In addition to our undertakings to the Stock Exchange as set out in the section headed "Substantial Shareholder — Undertakings" in the prospectus, the Enlarged Group has undertaken to Cazenove and each of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement, and will undertake to Cazenove and each of the Placing Underwriters pursuant to the International Underwriting Agreement and each of Gold Alliance, Mr. CHAN Pak Chung and Ms. MA Siu Tao has undertaken to Cazenove and each of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement, and will undertake to Cazenove and each of the Placing Underwriters pursuant to the International Underwriting Agreement, to procure, amongst other things, that the Company will:

(A) (1) furnish to its shareholders all the reports, circulars and documents, including without limitation, its annual and interim reports, as may be required to be delivered to its shareholders by the Stock Exchange, the SFC, and any other relevant governmental or regulatory agency or authority in Hong Kong, Cayman Islands or elsewhere;

(2) without prejudice to (10) below, announce in a press release any information so required by the Stock Exchange or the SFC to be published and disseminated to the public;

(3) for so long as the Shares are outstanding, file with the Stock Exchange, the SFC, and any other relevant governmental or regulatory agency or authority, such relevant reports, documents, agreements and other information which may from time to time be required by applicable laws to be filed because the Shares are outstanding;

(4) use the net proceeds received by it from the issue of the Offer Shares pursuant to the Global Offering in the manner specified under the section headed "Future plans and use of proceeds" in this prospectus and in the event and to the extent that any such net proceeds are not immediately being used for the specific purposes as described in this prospectus, it shall place such proceeds in short-term deposits with licensed banks or financial institutions in Hong Kong except that the Company shall be permitted to apply its proceeds otherwise than the manner specified in the aforementioned section of the prospectus provided that after prior consultation with Cazenove in its capacity as compliance adviser, it has published an announcement in relation to the change of use of proceeds in accordance with the Listing Rules;

(5) for so long as Cazenove acts as the compliance adviser of the Company, deliver to Cazenove as soon as they are available, copies of all reports or other communications (financial or other) provided to shareholders of the Company, copies of any reports and financial statements provided to or filed with the Stock Exchange or any securities exchange on which any class of securities of the Company is at the time also listed;

(6) except pursuant to the Global Offering, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or to the options that may be granted under the Share Option Scheme and the Pre-IPO Share Option Scheme, not without the prior written consent of Cazenove (on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its Affiliates), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the Latest Practicable Date up to and including the date falling six months after the date on which dealings in the Shares commence on the Stock Exchange (the "Lock-up Period");

(7) not at any time during the Lock-up Period, without the prior written consent (such consent not to be unreasonably delayed or withheld) of Cazenove (on behalf of the Public Offer Underwriters) and subject always to the provisions of the Listing Rules, repurchase any Shares or securities of the Company;

(8) not at any time within the six month period immediately following the expiry of the Lock Up Period (the "Second Six Month Period") do any of the acts set out in (6) and (7) above such that Mr. CHAN Pak Chung or Gold Alliance, directly or indirectly, would cease to be a controlling shareholder of the Company (within the meaning defined in the Listing Rules);

(9) in the event that the Company does any of the acts set out in (6) or (7) above after the expiry of the Lock-up Period or the Second Six Month Period, as the case may be, take all steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of the Company or any interest therein;

(10) comply with the Listing Rules in relation to supplemental listing documents that may have to be issued in respect of the Global Offering and further agrees not to make, issue or publish any statement, announcement or listing document (as defined in the Listing Rules) in relation to the Global Offering without the prior written consent of Cazenove (on behalf of the Public Offer Underwriters) (which consent shall not be unreasonably withheld or delayed) during the Lock-up Period except as required by Laws or by any regulatory body or governmental authority, in which case prior consultation with Cazenove is required;

(11) maintain a listing for the Shares on the Stock Exchange for at least three years from the commencement of dealing in the Shares on the Stock Exchange except following a withdrawal of such listing which has been commenced and approved by the relevant shareholders of the Company (such withdrawal of listing not having been sought or initiated by the Company or any of the Covenantors) in accordance with the Listing Rules or following an offer (within the meaning of the Takeovers Code) becoming unconditional;

(12) from the date of the International Underwriting Agreement until 5:00 p.m. on the date which is the third Business Day after the date which is 30 days after the date of this prospectus (the "Long Stop Date"), the Company will not (i) declare, pay or otherwise make any dividend or distribution of any kind on its share capital nor (ii) change or alter its capital structure (including but not limited to alteration to the nominal value of the Shares whether as a result of consolidation, sub-division or otherwise) provided such obligation shall cease after closing;

(13) appoint a "Compliance Adviser" as required by the Listing Rules and provide all information and documents required by the Compliance Adviser to carry out its duties under the Listing Rules;

(14) conduct the Enlarged Group's business and affairs in compliance with all applicable Laws;

(15) provide Cazenove with the particulars of all material adverse changes in the condition (financial or otherwise) of the business, properties, shareholders' equity or results of operations of the Company that occur between the date hereof and the date of the last closing of the International Underwriting Agreement; and

(16) in the event that any of the premises on which any member of the Group or Genesis Ningbo carrying on the Enlarged Group's operations is confiscated or has for whatever reason become unavailable for use or occupation by the relevant Group member or Genesis Ningbo, the Company will cause replacement premises of substantially the same size, nature, facilities and upon substantially the same terms and conditions to be located promptly so that the Enlarged Group's operations will not be materially adversely affected or disrupted.

(B) comply in all respects with the terms and conditions of the Public Offer, in particular, without limitation:

(1) procure compliance with the obligations imposed upon it by the Companies Ordinance, the Listing Rules and all other relevant Laws in respect of or by reason of the Public Offer, including but not limited to, the making of all necessary filings with the Registrar of Companies in Hong Kong and the Stock Exchange and the making available for inspection at the offices of Richards Butler of the documents referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus during the period specified in that section;

(2) subject to the terms of the International Underwriting Agreement, allot and issue the Public Offer Shares to successful applicants or their nominees under the Public Offer

and, if any of the Public Offer Shares fall to be taken up pursuant to the International Underwriting Agreement or, as the case may be, as Cazenove directs, and enter the names of such persons in the register of members of the Company (without payment of any registration fee) prior to the commencement of dealing in the Shares on the Stock Exchange;

(3) as soon as practicable following announcement of the basis of allocation of the Public Offer Shares and in any event no later than 9:00 a.m. on the Business Day before the day on which the Shares commence trading on the Stock Exchange cause definitive share certificates representing the Public Offer Shares to be posted or made available for collection in accordance with the terms of this prospectus to successful applicants or, as the case may be, procure the share certificates for the Public Offer Shares in respect of which successful applicants have elected for delivery into CCASS to be duly delivered to the depository for Hongkong Clearing for credit to the relevant CCASS account of such CCASS participant(s) as may be specified for such purpose by or on behalf of the relevant applicant provided, however, that such shares certificates shall not become effective documents of title until immediately after closing of the International Underwriting Agreement;

(C) procure that the Hong Kong Branch Share Registrar and the receiving banker shall provide Cazenove with such information and assistance as Cazenove may reasonably require for the purposes of determining the level of acceptances under the Public Offer and the basis of allocation of the Public Offer Shares, and that the receiving banker shall deliver to the Hong Kong Branch Share Registrar the Application Forms for the Public Offer Shares in accordance with the receiving banker agreement. None of the terms of the appointments of the Hong Kong Branch Share Registrar and the receiving banker in relation to their respective roles as registrar and receiving banker for the purpose of the Global Offering shall be amended without the prior written consent of Cazenove (such consent not to be unreasonably withheld or delayed);

(D) as soon as practicable and in any event before the commencement of dealings in the Shares on the Stock Exchange, deliver to the Stock Exchange the declaration in the form set out in Appendix 5, Form F of the Listing Rules;

(E) pay any tax, duty, levy, fee or other charge or expense which may be payable by the Company in Hong Kong or elsewhere, whether pursuant to the requirement of any Law or otherwise, in connection with the creation, allotment and issue of the Public Offer Shares, the Public Offer, the execution and delivery of, or the performance of any of the provisions under, the International Underwriting Agreement; and

(F) furnish to Cazenove, on behalf of the Public Offer Underwriters, three copies of the prospectus and of each amendment or supplement thereto signed by an authorised officer of the Company and additional copies of this prospectus in such quantities as Cazenove, on behalf of the Public Offer Underwriters, may from time to time reasonably request and, if at any time prior to the expiration of six months from the later of (i) the date of this prospectus and (ii) the closing of the Public Offer, as determined by Cazenove, any event shall have occurred as a result of which this prospectus, as then amended or supplemented, would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such prospectus was delivered, not misleading or, if for any other reason it shall be necessary during such period to amend or supplement this prospectus, to obtain Cazenove's written approval (which shall not be unreasonably withheld or delayed) prior to any such amendment or supplement (except for those amendments or supplements required by applicable laws in which case the Company shall forthwith consult with Cazenove and on Cazenove's request to prepare and furnish without charge to each of the Public Offer Underwriters as many copies as Cazenove, on behalf of the Public Offer Underwriters, may from time to time reasonably request of an amended prospectus, or a supplement to the prospectus which will correct such statement or omission.

Further, each of Gold Alliance, Mr. CHAN Pak Chung and Ms. MA Siu Tao has undertaken to us, Cazenove and the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement and will undertake to each of us, Cazenove and the Placing Underwriters pursuant to the International Underwriting Agreement that:

(A) they shall take all steps to complete the Capitalisation Issue after the initial closing of the International Underwriting Agreement but in any event before dealings in the Shares commence on the Stock Exchange;

(B) they will, subject to applicable laws, provide to Cazenove all such information known to them or which on reasonable enquiry ought to be known to them relating to the Company or any of the other warrantors as may be reasonably required by the Public Offer Underwriters in connection with the Public Offer or by Cazenove in connection with the Global Offering for the purposes of complying with any relevant law or requirement of the Stock Exchange or of the SFC or any other governmental authority in any relevant jurisdiction;

(C) the Company shall not issue any announcement to the public within six months after the date of this prospectus without the consent of Cazenove (on behalf of the Public Offer Underwriters) (which shall not be unreasonably withheld or delayed) except pursuant to, or in accordance with the Listing Rules or other applicable laws, in which case the Company shall consult with Cazenove (on behalf of the Public Offer Underwriters) prior to issuing such announcement;

(D) they or any of their Affiliates will not take, directly or indirectly, any action which is designed to stabilise or manipulate or which constitutes or which might be expected to cause or result in stabilisation or manipulation of the price of the Shares or any securities of the Company (including facilitating the sale or resale of the Shares for such purpose) Provided that the granting of, and the allotment of Shares pursuant to the exercise of the Over-allotment Option by the Company hereunder and in respect of Gold Alliance, the execution and performance of the stock borrowing agreement between Gold Alliance and Cazenove shall not constitute any breach of this paragraph (D);

(E) each of Gold Alliance, Mr. CHAN Pak Chung and Ms. MA Siu Tao will not apply for any Offer Shares either in its, his or her own name or through nominee(s) and none of the Company nor the Controlling Shareholders will directly or indirectly induce, fund or finance any of the placees or investors in respect of the subscription of any Offer Shares and shall use its best endeavours to procure that none of his/her/its associates (as defined in the Listing Rules) shall apply for any of the Offer Shares; and

(F) they will not make or enter into, or use their best endeavours to procure that none of his/her/its associates (as defined in the Listing Rules) shall make or enter into any agreement, understanding, indemnity, favourable term or other arrangement with any of the placees or investors in respect of the subscription of any of the Offer Shares.

We will also notify the Stock Exchange as soon as we have been informed of such event and shall make a public disclosure by way of press announcement in accordance with the Listing Rules.

INTERNATIONAL UNDERWRITING AGREEMENT

In connection with the Placing, it is expected that the Company, Cazenove, the Placing Underwriters and the covenantors set out therein will enter into the International Underwriting Agreement on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the International Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure the subscribers for the Placing Shares being offered pursuant to the Placing. The Company intends to grant the Placing Underwriters an Over-allotment Option, exercisable by Cazenove, within 30 days from the date of this prospectus, to require the Company to allot and issue the Over-allotment Shares at the Offer Price to cover over-allocations in connection with the Placing and/or the obligations of Cazenove to return securities borrowed under the Stock Borrowing Agreement.

SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus and save for their obligations under the Underwriting Agreements, as at the Latest Practicable Date, none of the Underwriters is interested directly or indirectly in any Shares or other securities of our Company or has any right or option (whether legally enforceable or not) to subscribe for, or nominate persons to subscribe for, any Shares or other securities of our Company. The Company is expected to appoint Cazenove as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Please refer to the section headed "Directors, senior management and staff — Compliance Adviser" in this prospectus for further details.

COMMISSION AND EXPENSES

The Public Offer Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions. The Sponsor will receive a documentation fee.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$2.32, being the mid-point of the Offer Price range of HK$1.94 to HK$2.70 per Share, the fees and commissions in connection with the Public Offer and the Placing, together with the Stock Exchange listing fees, SFC transaction levy of 0.005%, Stock Exchange trading fee of 0.005%, legal and other professional fees, printing, and other expenses relating to the Global Offering, are estimated to amount to approximately HK$37.1 million in aggregate and will be payable by us.

Our Company has agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements.

STOCK BORROWING ARRANGEMENT

Under Rule 10.07(1)(a) of the Listing Rules, our Controlling Shareholders are prohibited from disposal of Shares for a period of six months from the Listing Date.

The offering structure for the Global Offering includes the grant by us to the Placing Underwriters of the Over-allotment Option which will be exercisable by Cazenove (on behalf of the Placing Underwriters) at any time within 30 days from the date of this prospectus. In order to facilitate settlement of over-allocations in connection with the Placing, Cazenove may borrow Shares from Gold Alliance, being one of our Controlling Shareholders, under the Stock Borrowing Agreement, pending exercise of the Over-allotment Option. Gold Alliance has agreed with Cazenove that, if requested by Cazenove, it will, subject to the terms of the Stock Borrowing Agreement, make available to Cazenove up to 30,000,000 Shares held by it, by way of stock lending, to cover any over-allocations in connection with the Placing.

For the purpose of the stock borrowing arrangement between Cazenove and Gold Alliance, we and Gold Alliance have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules, and such waiver has been granted by the Stock Exchange subject to the conditions that:

(i) such Stock Borrowing Arrangement will only be effected by Cazenove or its affiliates for settlement of over-allocations of Shares in connection with the Placing;

(ii) the maximum number of Shares which may be borrowed from Gold Alliance by Cazenove or its affiliates under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Gold Alliance or its nominees, as the case may be, on or before the third business day following the earlier of:

  (a) the last day on which the Over-allotment Option may be exercised; or

  (b) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued;

(iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and

(v) no payment or other benefit will be made to Gold Alliance by Cazenove or any of the Placing Underwriters in relation to such stock borrowing arrangement.

THE GLOBAL OFFERING

The Global Offering consists of:

(i) the Public Offer of 20,000,000 Public Offer Shares (subject to adjustment as described below) in Hong Kong; and

(ii) the Placing of 180,000,000 Placing Shares (subject to adjustment and the Over-allotment Option) outside the US including professional and institutional investors in Hong Kong in reliance on Regulation S and in the US to QIBs in reliance on Rule 144A.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The Placing will involve the selective marketing of the Offer Shares to professional and institutional investors and other investors expected to have a sizeable demand for the Offer Shares.

PRICING

The Offer Price is expected to be fixed by agreement between Cazenove (on behalf of the Underwriters) and our Company on or about Thursday, 28 September 2006, or such later date as may be agreed by the parties, but in any event not later than Monday, 2 October 2006. If Cazenove and our Company are unable to reach agreement on the Offer Price, the Global Offering will not become unconditional and will lapse.

The Offer Price will be not more than HK$2.70 and is expected to be not less than HK$1.94. Applicants under the Public Offer must pay, on application, the maximum price of HK$2.70 per Public Offer Share plus 1% brokerage, a 0.005% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$5,454.54 per board lot of 2,000 Shares. Each of the Application Forms includes a table showing the exact amount payable for all ranges of Offer Shares.

If the Offer Price, as finally determined in the manner described below, is lower than the maximum price of HK$2.70 per Share, appropriate refund payments will be made. Further details are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by professional and institutional investors during the book-building process, Cazenove (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction of the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such notices, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by Cazenove, (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notices will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of any such reduction. Applicants under the Public Offer should note that in no circumstances can applications for Public Offer Shares be withdrawn once submitted, even if the number of Offer Shares and/or the indicative Offer Price range is so reduced. In the absence of any such notice so published, the Offer Price, if agreed upon with Cazenove (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Public Offer Shares, are expected to be announced on Tuesday, 3 October 2006 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares is conditional upon:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Application Forms (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which have been granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly determined and execution and delivery of International Underwriting Agreement on or before the Price Determination Date; and

(c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not having been terminated in accordance with the terms of the respective agreements.

In each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 21 October 2006.

If, for any reason, the Offer Price is not agreed between Cazenove (on behalf of the Underwriters) and our Company on or before Monday, 2 October 2006, the Global Offering will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offerings becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived by Cazenove (on behalf of the Underwriters) prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse, and all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Public Offer Shares". In the meantime, such monies will be held in one or more separate bank accounts with the receiving banker(s) or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, 4 October 2006 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Grounds for termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

We are offering initially 20,000,000 new Shares at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering by way of public offer in Hong Kong, subject to reallocation as mentioned below and as stipulated under the Listing Rules. Applicants under the Public Offer must pay, on application, the maximum price of HK$2.70 per Public Offer Share plus 1% brokerage, a 0.005% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$5,454.54 per board lot of 2,000 Shares. Each of the Application Forms includes a table showing the exact amount payable for all ranges of Offer Shares.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated and will not indicate an interest for any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be). We and Cazenove have full discretion to reject or accept any application, or to accept only part of an application. Allocation of the Public Offer Shares, including any Offer Shares which may be re-allocated from the Placing, to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. Where the Public Offer is oversubscribed, the basis of allocation may vary depending on the number of Public Offer Shares validly applied for by each applicant, but, subject to that, will be made on a strictly pro rata basis. The allocation of the Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

THE PLACING

We are offering initially 180,000,000 new Shares at the Offer Price, representing 90% of the total number of Offer Shares initially available under the Global Offering by way of placing, subject to reallocation and the exercise of the Over-allotment Option as mentioned below. Investors subscribing for the Placing Shares must also pay 1% brokerage, a 0.005% SFC transaction levy and a 0.005% Stock Exchange trading fee.

Allocation of the Placing Shares to professional, institutional and other investors in Hong Kong and other jurisdictions outside the US in reliance on Regulation S and in the US to QIBs in reliance on Rule 144A pursuant to the Placing will be effected in accordance with the "book-building" process undertaken by the Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Placing Shares after the listing of the Shares on the Stock Exchange. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base to our benefit and our shareholders as a whole. Investors who have been allocated any of the Placing Shares under the Placing will not be allocated any Public Offer Shares under the Public Offer. Similarly, investors who have been allocated any Public Offer Shares under the Public Offer will not be allocated any Placing Shares under the Placing.

OFFER MECHANISM — BASIS OF ALLOCATION OF THE OFFER SHARES

We are initially offering 20,000,000 Offer Shares at the Offer Price, representing 10% of the 200,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong.

For allocation purposes only, the total number of Public Offer Shares initially available for public subscription under the Public Offer (taking into account any adjustment of Offer Shares between the Placing and the Public Offer referred to below), will be divided equally into two pools, pool A and pool B:

- The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding SFC transaction levy, Stock Exchange trading fee and brokerage payable thereon) of HK$5.0 million or less; and

- The Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding SFC transaction levy, Stock Exchange trading fee and brokerage payable thereon) of more than HK$5.0 million and up to the total value of pool B.

Applicants should be aware that applications within the same pool, and as well as between different pools, are likely to receive different allocation ratios. Where one of the pools is undersubscribed and the other pool is oversubscribed, the surplus Public Offer Shares from the undersubscribed pool will be transferred to the other pool to satisfy excess demand in the oversubscribed pool and be allocated accordingly. Applicants can only apply to receive an allocation of Public Offer Shares in either pool A or pool B but not from both pools. No applications will be accepted from investors applying for more than the total number of Public Offer Shares originally allocated to each pool. Multiple applications or suspected multiple applications within either pool or between pools will be rejected.

Cazenove (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to Cazenove so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of Shares under the Public Offer.

Over-subscription

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment on the following basis:

(A) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times, then an additional 40,000,000 Placing Shares, representing 20 per cent. of the initial number of Shares available under the Global Offering prior to the exercise of the Over-allotment Option, will be reallocated to the Public Offer from the Placing, so that an aggregate of at least 60,000,000 Shares will be available under the Public Offer, representing at least 30 per cent. of the initial number of Shares available under the Global Offering prior to the exercise of the Over-allotment Option;

(B) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then an additional 60,000,000 Placing Shares, representing 30 per cent. of the initial number of Shares available under the Global Offering prior to the exercise of the Over-allotment Option, will be reallocated to the Public Offer from the Placing, so that an aggregate of at least 80,000,000 Shares will be available under the Public Offer, representing at least 40 per cent. of the initial number of Shares available under the Global Offering prior to the exercise of the Over-allotment Option; or

(C) if the number of Shares validly applied for under the Public Offer represents 100 or more times the number of Shares initially available for subscription under the Public Offer, then an additional 80,000,000 Placing Shares, representing 40 per cent. of the initial number of Shares available under the Global Offering prior to the exercise of the Over-allotment Option, will be reallocated to the Public Offer from the Placing, so that an aggregate of at least 100,000,000 Shares will be available under the Public Offer, representing at least 50 per cent. of the initial number of Shares available under the Global Offering prior to the exercise of the Over-allotment Option.

In each of the above cases, the additional Shares re-allocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced in such manner as Cazenove deems appropriate.

Adjustment

If the Public Offer is not fully subscribed for, Cazenove (on behalf of the Underwriters) has the discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate. Cazenove has the discretion to re-allocate all or any of the Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such re-allocated Shares. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the allotment results announcement, which is expected to be made on Tuesday, 3 October 2006.

OVER-ALLOTMENT OPTION

It is expected that under the Underwriting Agreements, the Company will grant to the Placing Underwriters (exercisable by Cazenove) the right, but not the obligation, to exercise the Over-allotment Option, exercisable at any time within 30 days from the date of this prospectus. Pursuant to the Over-allotment Option, the Company may be required to issue up to 30,000,000 new Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, solely for the purpose of covering over-allocations in the Placing (if any). These Shares will be issued by the Company at the Offer Price. Cazenove may, at its option, also cover any over-allocations by, among other means, purchasing Shares in the secondary market from holders of Shares or exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. The maximum number of Shares that may be over-allocated in the Placing shall not exceed the number of Shares that may be sold under the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

STABILISATION

In connection with the Global Offering, Cazenove will be appointed by us as our stabilising manager. Cazenove, or any person acting for it, may over-allot or effect transactions with a view to stabilising and maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such stabilisation transactions may include the exercise of the Over-allotment Option or by making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases. Any such market purchases will be effected in compliance with all applicable laws, rules and regulatory requirements. However, there is no obligation on Cazenove or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of Cazenove and may be discontinued at any time. Any such stabilisation activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer.

Stabilisation is practiced by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to delay and, if possible, prevent a decline in the initial public offer prices of such securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

Cazenove or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares:

(ii) in connection with any action described in paragraph (i) above:

(A) (1) over-allocate our Shares; or

(2) sell or agree to sell our Shares so as to establish a short position in them,

for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(B) exercise the Over-allotment Option and subscribe for or agree to subscribe for our Shares in order to close out any position established under paragraph (A) above;

(C) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or

(D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, Cazenove, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period of which Cazenove, or any person acting for it, will maintain the long position is at the discretion of Cazenove and is uncertain. In the event that Cazenove liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilising action by Cazenove, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Public Offer. The stabilising period is expected to end on or before Thursday, 26 October 2006. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore its market price, may fall.

Any stabilising action taken by Cazenove, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by Cazenove, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the Offer Price.

STOCK BORROWING

In order to facilitate settlement of over-allocations in connection with the Placing, a stock borrowing agreement has been entered into between Gold Alliance and Cazenove. Under the stock borrowing agreement, Gold Alliance being one of our Controlling Shareholders has agreed with Cazenove that if requested by Cazenove, it will, subject to the terms of the stock borrowing agreement, make available to Cazenove up to 30,000,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the Placing. We (on Gold Alliance's behalf) have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.07(1) of the Listing Rules, which restricts the disposal of shares by the controlling shareholders, as defined in the Listing Rules, of a company following the new listing of that company, in order to allow Gold Alliance, one of our Controlling Shareholders, to enter into and perform its obligations under the Stock Borrowing Agreement on the conditions that:

(i) such Stock Borrowing Arrangement will only be effected by Cazenove or its affiliates for settlement of over-allocations of Shares in connection with the Placing;

(ii) the maximum number of Shares which may be borrowed from Gold Alliance by Cazenove or its affiliates under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Gold Alliance or its nominees, as the case may be, on or before the third business days following the earlier of:

  (a) the last day on which the Over-allotment Option may be exercised; or

  (b) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued;

(iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and

(v) no payment or other benefit will be made to Gold Alliance by Cazenove or any of the Placing Underwriters in relation to such stock borrowing arrangement.

1. METHODS TO APPLY FOR THE PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by using a **WHITE** or **YELLOW** Application Form or electronically instructing HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

2. WHICH APPLICATION FORM TO USE

(a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

(b) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your investor participant stock account or your designated CCASS Participant's stock account maintained in CCASS.

(c) **Electronic applications**

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf via CCASS. Any Public Offer Share allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Public Offer Shares are not available to our Directors or chief executive or the directors or chief executive of any of our subsidiaries, existing beneficial owners of the Shares, or associates of any of them.

3. WHERE TO OBTAIN THE APPLICATION FORMS AND THE PROSPECTUS FOR THE PUBLIC OFFER SHARES

You can obtain a **WHITE** Application Form and a prospectus from:

Any participant of the Stock Exchange

or

Cazenove Asia Limited
50th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

Co-lead Managers

BCOM Securities Company Limited
3rd Floor
Far East Consortium Building
121 Des Voeux Road
Central
Hong Kong

Nomura International (Hong Kong) Limited
30th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Co-managers

CCB International Capital Limited
Suites 2815-21, 28th Floor
Two Pacific Place
88 Queensway
Hong Kong

First Shanghai Securities Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

Taiwan Securities (Hong Kong) Company Limited
Room 1302-5, 13th Floor
Tower II
Admiralty Centre
18 Harcourt Road
Hong Kong

or any of the following branches of Hang Seng Bank Limited:

District	Branch	Address
Hong Kong	Head Office	83 Des Voeux Road Central
	Central District Branch	Basement Central Building, Pedder Street
	Causeway Bay Branch	28 Yee Wo Street
	North Point Branch	335 King's Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Kwun Tong Branch	70 Yue Man Square
	Kowloon Main Branch	618 Nathan Road
	Hung Hom Branch	21 Ma Tau Wai Road
New Territories	Shatin Branch	Shop 18 Lucky Plaza, Wang Pok Street, Shatin
	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on 21 September 2006 till 12:00 noon on 26 September 2006 from:

The Depository Counter of HKSCC
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

or

The Customer Service Center of HKSCC
Upper Ground Floor
V-Heun Building
128-140 Queen's Road Central
Hong Kong

or

your broker may have the application forms available.

4. HOW TO COMPLETE THE APPLICATION FORM

You should obtain an application form as described in the paragraph headed "Where to obtain the Application Forms and the prospectus for the Public Offer Shares" above. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier orders) to you (or the first-named applicant in the case of joint applicant(s)) at your own risk at the address stated in the application form.

If your application is made through a duly authorised attorney, Cazenove, in consultation with us, may accept your application at its discretion, and subject to any conditions it thinks fit, including evidence of the authority of your attorney.

You should lodge the Application Form in one of the collection boxes by the time as described in paragraph headed "Members of the Public — Time for applying for the Public Offer Shares" below and at any of the branches of Hang Seng Bank Limited listed under the paragraph headed "Where to obtain the Application Forms and the prospectus for the Public Offer Shares" above.

In order for the **YELLOW** Application Forms to be valid:

(a) if the application is made through a designated CCASS Participant, other than a CCASS Investor Participant:

   (i) the designated CCASS Participant or its authorised signatories must sign in the appropriate box; and

   (ii) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box;

(b) if the application is made by an individual CCASS Investor Participant:

  (i) the application form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

  (ii) the CCASS Investor Participant should insert its participant I.D. and sign in the appropriate box in the application form;

(c) if the application is made by a joint individual CCASS Investor Participant:

  (i) the application form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and

  (ii) the participant I.D. should be inserted and the authorised signatory(ies) of the CCASS Investor Participant's stock account should sign in the appropriate box in the application form;

(d) if the application is made by a corporate CCASS Investor Participant:

  (i) the application form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

  (ii) the participant I.D. and company chop, bearing the applicant's company name, endorsed by its authorised signatures should be inserted in the appropriate box in the application form;

(e) signature(s), number of signatories and form of chop, where appropriate, should match with the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory(ies) (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner.

Each **WHITE** or **YELLOW** Application Form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorised signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant Application Form, or one separate banker's cashier order on the reverse of which the bank has certified by an authorised signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant Application Form. All such cheques or banker's cashier orders must be made payable as set forth in the Application Forms and crossed "Account Payee Only". An application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Forms.

5. HOW MANY APPLICATIONS MAY YOU MAKE

You may make more than one application for the Public Offer Shares if and only if:

You are a nominee, you may lodge more than one application in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an application form or by giving **electronic application instructions** to HKSCC, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form or give **electronic application instructions** to HKSCC as that other person's agent.

Save as referred to above, all of your applications for Public Offer Shares will be rejected as multiple applications if you, or you and your joint applicants together or any of your joint applicants:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (save in the case of application made by nominees in accordance with the paragraph headed "How many applications may you make") above;
- both apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give electronic application instructions to HKSCC via CCASS;
- apply on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC (whether individually or jointly with others) for more than 100% of the Public Offer Shares being initially available in either pool A or pool B to the public as referred to in the section headed "Structure and Conditions of the Global Offering — Offer mechanism — Basis of allocation of the Offer Shares" in this prospectus; or
- apply for or take up any Shares under the Placing or otherwise participate in the Placing or indicate an interest for any Placing Shares.

All of your applications for Public Offer Shares will also be rejected as multiple applications if more than one application for Public Offer Shares is made for your benefit (including the part of an application made by HKSCC Nominees acting on **electronic application instructions** submitted by you). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

An unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- *control the composition of the board of directors of that company; or*
- *control more than half of the voting power of that company; or*
- *hold more than half of the issued share capital of that company, not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital.*

6. EFFECT OF MAKING ANY APPLICATION

By making any application, whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- instruct and authorise our Company and/or Cazenove (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees (as the case may be) as required by the Articles and otherwise to give effect to the arrangements described in the Prospectus and the relevant Application Form;
- undertake to sign all documents and to do all things necessary to enable HKSCC Nominees to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles;
- represent and warrant that you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act and you are outside the US when completing the Application Form (as defined in Regulation S) and are not a US person described under the US Securities Act;
- confirm that you have received a copy of the Prospectus and have only relied on the information and representations contained in the Prospectus in making your application, and not on any other information or representation concerning our Company and you agree that neither our Company, Cazenove and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;

- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form as that other person's agent;

- agree that once your application is accepted, your application will be evidenced by the results of the Public Offer made available by our Company;

- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing;

- warrant the truth and accuracy of the information contained in your application;

- agree to disclose to our Company, Cazenove and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- undertake and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

- authorise our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that you have indicated in your Application Form that you wish to collect your share certificate (where applicable) and/or refund cheque (where applicable) in person, then you can collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person between 9:00 a.m. and 1:00 p.m. on 3 October 2006 (Hong Kong time) from Computershare Hong Kong Investor Services Limited);

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, Cazenove and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in the Application Form and in the Prospectus;

- agree with our Company, for itself and for the benefit of each shareholder of our Company (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) to observe and comply with the Companies Law and the Articles;

- agree with our Company, each shareholder, director, manager and officer of our Company, and our Company acting for itself and for each director, manager and officer of our Company agrees with each shareholder, to refer all differences and claims arising from the Articles or any rights or obligations conferred or imposed by the Companies Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agree with our Company and each shareholder of our Company that Shares are freely transferable by the holders thereof;

- authorise our Company to enter into a contract on behalf of you with each director and officer of our Company whereby such directors and officers undertake to observe and comply with their obligations to shareholders stipulated in the Articles; and

- confirm that you are aware of the restrictions on Global Offering of the Public Offer Shares described in the Prospectus.

If you apply for the Public Offer Shares using the **YELLOW** Application Form, in addition to the confirmations and agreements referred to above, you agree that:

- agree that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant;

- agree that each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Public Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the Share certificate(s) for such allotted Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- agree that each of HKSCC and HKSCC Nominees may adjust the number of allotted Public Offer Shares issued in the name of HKSCC Nominees;

- agree that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in the Prospectus and the **YELLOW** Application Forms;

- agree that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

7. HOW MUCH ARE THE PUBLIC OFFER SHARES

You must pay the maximum Offer Price of HK$2.70 per Share plus brokerage of 1%, a SFC transaction levy of 0.005% and a Stock Exchange trading fee of 0.005% in full when you apply for the Public Offer Shares. This means that for every board lot of 2,000 Shares, you will pay HK$5,454.54. Each of the Application Forms has a table showing the exact amount payable for all ranges of Public Offer Shares. Your payment must be by one cheque or one banker's cashier order and must comply with the terms of the application forms.

If your application is successful, brokerage is paid to participants of the Stock Exchange, the transaction levy are paid to the SFC and the trading fee is paid to the Stock Exchange.

If the Offer Price as finally determined is less than HK$2.70 for each Offer Share, appropriate refund payments (including the brokerage, the transaction levy and the Stock Exchange trading fee attributable to the surplus application money) will be made to applicants, **WITHOUT INTEREST**. Particulars of the procedures for refund are set forth below under "Despatch and collection of Share certificates and/or refund cheques and deposit of Share certificates into CCASS".

Cazenove, on behalf of the Underwriters, may reduce the indicative Offer Price range below that stated in this prospectus in the manner described in the section headed "Structure and Conditions of the Global Offering — Pricing".

If we are unable to reach agreement with Cazenove (on behalf of the Underwriters) on the final Offer Price by the Price Determination Date, the Global Offering will not proceed and will lapse.

We expect to publish an announcement of the final Offer Price, together with the level of indication of interest in the Placing, the application results and basis of allotment of the Public Offer Shares, on or about Tuesday, 3 October 2006 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

8. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

(a) **WHITE** or **YELLOW** Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, 26 September 2006 or, if the Application Lists are not open on that day, then by 12:00 noon on the next business day when the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Hang Seng Bank Limited listed under the paragraph headed "Where to obtain the Application Forms and the prospectus for the Public Offer Shares" above at the following times:

Thursday, 21 September 2006 — 9:00 a.m. to 4:00 p.m.
Friday, 22 September 2006 — 9:00 a.m. to 4:00 p.m.
Saturday, 23 September 2006 — 9:00 a.m. to 12:00 noon
Monday, 25 September 2006 — 9:00 a.m. to 4:00 p.m.
Tuesday, 26 September 2006 — 9:00 a.m. to 12:00 noon

(b) **Electronic application instructions to HKSCC**

CCASS Participants (apart from CCASS Investor Participants) should input **electronic application instructions** at the following times:

Thursday, 21 September 2006 — 9:00 a.m. to 8:30 p.m.*
Friday, 22 September 2006 — 8:00 a.m. to 8:30 p.m.*
Saturday, 23 September 2006 — 8:00 a.m. to 1:00 p.m.*
Monday, 25 September 2006 — 8:00 a.m. to 8:30 p.m.*
Tuesday, 26 September 2006 — 8:00 a.m.* to 12:00 noon

* These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 21 September 2006 until 12:00 noon on Tuesday, 26 September 2006 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Tuesday, 26 September 2006 or if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather conditions on the opening and closing of the Application Lists" below.

(c) **Application Lists**

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 26 September 2006. Applications for the Public Offer Shares will not be processed, and no allotment of any such Public Offer Shares will be made, until the closing of the Application Lists.

9. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 26 September 2006. Instead the application lists will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

If the Application Lists do not open and close on Tuesday, 26 September 2006, the dates mentioned in the section headed "Expected timetable" in this prospectus and the related application forms and other dates mentioned in this prospectus may be affected. A press announcement will be made in such event in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).

10. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated Public Offer Shares are set forth in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Public Offer Shares will not be allocated to you:

- **If your application is revoked:**

  By completing and submitting an Application Form or an **electronic application instruction**, you agree that your application or the application made by HKSCC Nominees on your behalf may not be revoked on or before 21 October 2006, unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with us and will become binding when you lodge your application form or give **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of us agreeing that we will not offer any Public Offer Shares to any person before 21 October 2006, except by means of one of the procedures referred to in this prospectus.

  If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

  If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the basis of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or the results of the ballot, respectively.

- **At the discretion of the Company or its agents or nominees, your application is rejected:**

  Our Company and Cazenove (as agent for our Company) and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application.

  Our Company, Cazenove and the Underwriters in their capacity as agent for our Company, and their respective agents or nominees, do not have to give any reason for any rejection or acceptance.

- **If the allocation of the Public Offer Shares is void:**

  Your allocation of the Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

  - within 3 weeks from the date of the closing of the application lists; or
  - within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists.

- **If you do not receive allocation:**

  You will not receive any allocation if:

  - it is a multiple application or a suspected multiple application;
  - your Application Form is not filled in correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
  - your payment is not made correctly;
  - you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
  - you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Shares in the Placing;
  - the Company believes that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;
  - the Public Offer Underwriting Agreement and/or the International Underwriting Agreement do/does not become unconditional;
  - the Public Offer Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their/its respective terms; or
  - you apply for more than 50% of the Public Offer Shares initially being offered to the public for subscription.

11. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

(b) If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at *https://ip.ccass.com* (using the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Customer Service Centre of HKSCC
at Upper Ground Floor,
V-Heun Building,
128-140 Queen's Road Central,
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

(c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Public Offer Shares.

(d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Broker Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

(e) you may give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the multiples set out in the table in the Application Form.

(f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

(ii) HKSCC Nominees does the following things on behalf of each of the persons:

- agrees that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf;

- undertakes and agrees to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- undertakes and confirms that person has not applied for or taken up any Placing Shares under the Placing nor otherwise participated in the Placing;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) declares that it has given only one set of **electronic application instructions** for the benefit of that other person, and that it is duly authorised to give those instructions as that other person's agent;

- understands that the above declaration will be relied upon by our Company, the Directors and the Global Coordinator in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if that person makes a false declarations;

- authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificates and/or refund monies in accordance with arrangements separately agreed between us and HKSCC;

- confirms that that person has read the terms and conditions and application procedures set forth in this prospectus and agrees to be bound by them;

- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;

- agrees that our Company, the Global Coordinator, the Underwriters and any other parties involved in the Public Offer are liable only for the information and representations contained in this prospectus;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;

- agrees to disclose that person's personal data to our Company, the Global Coordinator and/or their respective agents and any information which they require about that person;

- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before 21 October 2006. This agreement will take effect as a collateral contract with us and will become binding when that person gives the instructions and such collateral contract will be in consideration of our Company agreeing that we will not offer any Offer Shares to any person before 21 October 2006 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before 21 October 2006, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the press announcement on results of the Public Offer published by our Company;

- agrees to the arrangement, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares.

- agrees and undertakes to do all such other things, warrants, acknowledges, confirms and understands all such other matters, and gives all such other instructions and authorisations, and makes all such waivers, as mentioned in the paragraphs headed "Effect of making any application" above.

(g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application.

(h) For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(i) Information set forth under "Personal Data" in the Application Forms applies to any personal data held by Cazenove, us and the Hong Kong Branch Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to do the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- **instruct and authorise** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Public Offer Shares on your behalf;

- **instruct and authorise** HKSCC to arrange payment of the maximum Offer Price, brokerage, transaction levy and trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or the Offer Price is less than the Offer Price per share initially paid on application, refund of the application money including brokerage of 1%, SFC transaction levy of 0.005% and Stock Exchange trading fee of 0.005%, without interest, by crediting your designated bank account;

- **instruct and authorise** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for the HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Allocation of public offer shares

For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.

Personal Data

The section of the application form headed "Personal Data" applies to any personal data held by our Company and the Hong Kong Branch Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

Application for Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, Cazenove and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

(a) submit the WHITE or YELLOW Application Form (as appropriate); or

(b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Tuesday, 26 September 2006 or such later time as described under the paragraph headed "Effect of bad weather conditions on the opening and closing of the application lists" above.

12. PUBLICATION OF RESULTS

We expects to release an announcement on the level of indication of interest in the Placing, results of applications and basis of allocation of Shares under the Public Offer, and the number of Shares, if any, reallocated between the Placing and the Public Offer on or about Tuesday, 3 October 2006 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

13. DESPATCH AND COLLECTION OF SHARE CERTIFICATES AND/OR REFUND CHEQUES AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

We will not issue temporary documents of title. No receipt will be issued for application monies received.

Refund cheques in respect of the entire application monies or the appropriate portion thereof will be payable if your application is rejected, not accepted, or accepted in part only, or if the conditions of the Public Offer described under the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus are not fulfilled in accordance with their terms, or your application is revoked or any allotment pursuant thereto has become void or the Offer Price as finally determined is less than the indicative maximum Offer Price of HK$2.70.

Pursuant to a new measure to improve security as agreed and adopted by The Hong Kong Association of Banks, the Hong Kong Monetary Authority, the Federation of Share Registrars and the SFC with effect from 9 August 2004, refund cheques will be printed with part of your Hong Kong identity card number or passport number. For joint applicants, the identity information of the first-named applicant will be printed. When a refund cheque is presented to a bank, the bank will cross-check both the name and the printed part of the Hong Kong identity card or passport number of the payee shown on the cheque against the bank's own record on the information of the account holder. If there is a discrepancy, the bank might request other proof of identity or take other steps for verification. If the bank is unable to be satisfied with the identity of the payee, the bank might reject the deposit of the refund cheque concerned. You are therefore advised to ensure that your identification numbers are accurately filled in on your Application Form to avoid delay in cashing your refund cheques. A cheque deposit might be rejected if you fail to fill in correct identity information. When in doubt, you should enquire with the Hong Kong Branch Share Registrar.

WHITE Application Forms:

If your application is wholly or partially successful and if you have applied for 1,000,000 Public Offer Shares or more and have indicated on your Application Form that you will collect your Share certificate(s) and/or refund cheque(s), if any, in person, you may collect the item(s) in person from:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by us in the newspapers as the date of despatch of Share certificates and/or refund cheques. This is expected to be on or about Tuesday, 3 October 2006.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives, if applicable, must produce, at the time of collection, evidence of identity acceptable to Hong Kong Branch Share Registrar.

If you do not collect your Share certificate(s) and/or refund cheque(s) (where applicable), if any, in person within the time specified for collection, the item(s) will be sent to the address on your application form shortly after 1:00 p.m. on the date of despatch by ordinary post and at your own risk.

If your application is wholly or partially successful and if you have applied for 1,000,000 Public Offer Shares or more and have not indicated on your application form that you will collect your Share certificate(s) and/or refund cheque(s), if any, in person, or if you have applied for less than 1,000,000 Public Offer Shares, then your Share certificate(s) and/or refund cheque(s), if any, will be sent to the address on your Application Form on the date of despatch by ordinary post and at your own risk.

YELLOW Application Forms:

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, as instructed by you, expected to be at the close of business on Tuesday, 3 October 2006, or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS Participant, other than a CCASS Investor Participant:

- for Public Offer Shares credited to the stock account of your designated CCASS Participant, other than a CCASS Investor Participant, you can check the number of Public Offer Shares allotted to you with that CCASS Participant on Tuesday, 3 October 2006.

If you are applying as a CCASS Investor Participant:

- we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the newspapers in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 3 October 2006. You should check against the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 3 October 2006 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, please follow the instructions set forth in the paragraphs headed "**WHITE** Application Forms" above.

If you have applied for less than 1,000,000 Public Offer Shares, or if you have applied for 1,000,000 Public Offer Shares or more and have not indicated on your Application Form that you will collect your refund cheque, then your refund cheque(s) (where applicable), if any, will be sent to the address on your Application Form on the date of despatch, by ordinary post and at your own risk.

Electronic application instructions to HKSCC

- If your application is wholly or partly successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf, which is expected to be at the close of business on Tuesday, 3 October 2006 or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- The Company will publish the **application results of CCASS Participants** (and where the CCASS Participant is a broker or custodian, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Public Offer, in the newspapers on or about Tuesday, 3 October 2006. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 3 October 2006 or any other date as shall be determined by HKSCC or HKSCC Nominees.

- **If you are instructing your broker or custodian to give electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Broker Participant or CCASS Custodian Participant.

- **If you applying as a CCASS Investor Participant**, you can also check the number of Public Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 3 October 2006. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will make available to you an activity statement showing the number of Public Offer Shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

If you have given **electronic application instructions** to HKSCC, your refunds (if any) (comprising the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, attributable to the refund application monies (if any), without interest) will be credited to your designated bank account or the designated bank account of the designated CCASS Broker/ Custodian Participant through which you are applying Offer Shares on or before Tuesday, 3 October 2006.

Notwithstanding the foregoing, refund cheques may only be despatched or available for collection (as the case may be) after the date of despatch in the event if they are payable because certain of the conditions of the Public Offer described under the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus are not fulfilled, or where applicable, waived by Cazenove (on behalf of the Underwriters), on or before 21 October 2006.

14. REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.005% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of refund cheques will be retained for the benefit of us.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.005% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the offer price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, we will refund the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.005% and Stock Exchange trading fee of 0.005%, without interest.

In a contingency situation involving a substantial over-subscription, at discretion of Cazenove and our Company, cheques for applications for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, 3 October 2006 in accordance with the various arrangements as described above.

15. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in our Shares on the Main Board are expected to commence on Wednesday, 4 October 2006 with stock code 637.

Our Shares will be traded in board lots of 2,000 Shares each.

16. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares issued and to be issued as mentioned in this prospectus and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Main Board or on such other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, from the reporting accountants of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

21 September 2006

The Directors
Lee Kee Holdings Limited
Cazenove Asia Limited

Dear Sirs,

We set out below our report on the financial information relating to Lee Kee Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the years ended 31 December 2003, 2004 and 2005 and for the five months ended 31 May 2005 and 2006 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 21 September 2006 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 11 November 2005 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. Pursuant to a group reorganisation as detailed in note 1 of Section II below, which became effective on 15 September 2006, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

Details of the Company's direct and indirect interests in its subsidiaries at the date of this report are set out in note 30 of Section II below. All companies comprising the Group have adopted 31 December as their financial year end date.

No audited accounts have been prepared for the Company and all the subsidiaries incorporated in the British Virgin Islands since their respective dates of incorporation as they were newly incorporated and have not been involved in any significant business transactions other than the Reorganisation. Except for Lee City Asia Company Limited, Success City Asia Company Limited and Success In Asia Company Limited, subsidiaries incorporated in Hong Kong after 31 May 2006, we acted as the auditors of all the other subsidiaries, which were incorporated in Hong Kong, for the years ended 31 December 2003, 2004 and 2005.

We have examined the audited accounts or, where applicable, unaudited management accounts of all the companies now comprising the Group for the Relevant Periods or since their respective dates of incorporation to 31 May 2006, where this is a shorter period, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have reviewed the financial information for the five months ended 31 May 2005 in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of the Group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the five months ended 31 May 2005.

The financial information as set out in Sections I to III ("Financial Information") has been prepared based on the audited accounts or, where applicable, unaudited management accounts of all the companies now comprising the Group for the Relevant Periods on the basis set out in note 1 of Section II below, after making such adjustments as are appropriate. The directors of the respective companies now comprising the Group, during the Relevant Periods, are responsible for preparing accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the Financial Information which gives a true and fair view. It is our responsibility to form an independent opinion, based on our examination and review, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 1 of Section II below, gives a true and fair view of the state of affairs of the Company as at 31 December 2005 and at 31 May 2006, the combined state of affairs of the Group as at 31 December 2003, 2004 and 2005 and at 31 May 2006 and of the combined results and combined cash flows of the Group for the periods then ended.

Moreover, on the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the financial information for the five months ended 31 May 2005.

I FINANCIAL INFORMATION

(a) Combined profit and loss accounts

	Section II Note	Year ended 31 December			Five months ended 31 May	
		2003	2004	2005	2005	2006
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Turnover	5	1,390,325	2,438,382	3,143,009	1,184,875	1,849,920
Costs of sales	6	(1,313,509)	(2,272,897)	(2,857,850)	(1,055,183)	(1,559,312)
Gross profit		76,816	165,485	285,159	129,692	290,608
Other income	5	3,571	4,023	3,571	1,423	1,562
Distribution and selling expenses	6	(5,994)	(10,651)	(16,778)	(6,003)	(5,444)
Administrative expenses	6	(22,684)	(27,180)	(31,979)	(11,824)	(17,155)
Other gains/(losses) — net	7	(6,118)	8,156	12,473	6,576	6,733
Operating profit		45,591	139,833	252,446	119,864	276,304
Finance costs	8	(1,661)	(2,263)	(7,906)	(2,645)	(3,052)
Profit before taxation		43,930	137,570	244,540	117,219	273,252
Taxation	11	(8,134)	(24,597)	(42,160)	(20,323)	(48,533)
Profit for the year/period		35,796	112,973	202,380	96,896	224,719
Earnings per share for profit attributable to the equity holders of the Company during the year/period	12	N/A	N/A	N/A	N/A	N/A
Dividend	13	—	—	85,000	—	—

(b) **Combined balance sheets**

	Section II Note	As at 31 December **2003** *HK$'000*	**2004** *HK$'000*	**2005** *HK$'000*	As at 31 May **2006** *HK$'000*
Non-current assets					
Investment properties	14	31,240	36,980	—	—
Leasehold land	15	16,599	16,218	5,156	5,103
Property, plant and equipment	16	12,115	11,679	8,295	9,499
Deferred tax assets	25	—	38	72	28
		59,954	64,915	13,523	14,630
Current assets					
Inventories	17	166,420	275,230	351,270	408,553
Trade and other receivables	18	99,433	151,442	188,045	348,152
Amounts due from related companies	19	12	311	140	219
Tax recoverable		45	14	1,749	263
Restricted bank balances	20	5,148	8,784	9,007	9,171
Bank balances and cash — unrestricted		14,811	27,293	70,995	120,027
Assets held for sale	21	—	—	61,441	—
		285,869	463,074	682,647	886,385
Total assets		345,823	527,989	696,170	901,015
Equity attributable to equity holders					
Share capital	22	10,000	10,000	10,000	10,000
Retained profits		110,868	223,841	341,221	565,940
Total equity		120,868	233,841	351,221	575,940

	Section II Note	As at 31 December 2003 HK$'000	As at 31 December 2004 HK$'000	As at 31 December 2005 HK$'000	As at 31 May 2006 HK$'000
Non-current liabilities					
Bank borrowings	23	3,264	—	—	—
Amount due to a director	24	37,281	21,646	—	—
Amount due to a director of subsidiaries	24	9,137	8,693	—	—
Deferred tax liabilities	25	2,682	4,320	1,626	1,702
		52,364	34,659	1,626	1,702
Current liabilities					
Trade and other payables	26	90,556	35,302	36,928	57,230
Amounts due to related companies	19	1,207	6,221	14	8
Amount due to a director of subsidiaries	24	—	—	9,183	7,702
Bank borrowings	23	78,065	202,006	186,907	186,428
Taxation payable		2,763	15,960	20,625	65,840
Dividend payable		—	—	85,000	6,165
Liabilities associated with assets held for sale	21	—	—	4,666	—
		172,591	259,489	343,323	323,373
Total liabilities		224,955	294,148	344,949	325,075
Total equity and liabilities		345,823	527,989	696,170	901,015
Net current assets		113,278	203,585	339,324	563,012
Total assets less current liabilities		173,232	268,500	352,847	577,642

(c) **Balance sheets**

	Section II Note	**As at 31 December 2005** *HK$'000*	**As at 31 May 2006** *HK$'000*
Current asset			
Amount due from shareholder		—	—
Equity attributable to equity holders			
Share capital	22	—	—
Accumulated losses		(14)	(14)
Total equity		(14)	(14)
Current liability			
Amount due to a subsidiary		14	14
Total equity and liability		—	—

(d) **Combined cash flow statements**

	Section II Note	Year ended 31 December			Five months ended 31 May	
		2003	2004	2005	2005	2006
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Operating activities						
Net cash generated from/(used in) operations	27(a)	(16,919)	(76,167)	127,368	(28,490)	75,820
Interests paid		(1,661)	(2,263)	(7,906)	(2,645)	(3,052)
Hong Kong profits tax paid		(7,996)	(9,769)	(37,799)	—	(911)
Net cash from/(used in) operating activities		(26,576)	(88,199)	81,663	(31,135)	71,857
Investing activities						
Interest received		373	638	558	185	347
Purchase of property, plant and equipment		(2,481)	(2,304)	(2,103)	(152)	(2,139)
Proceeds from disposal of leasehold land and property, plant and equipment		557	1,385	402	—	449
Disposal of subsidiaries	27(b)	—	—	—	—	(351)
Net cash from/(used in) investing activities		(1,551)	(281)	(1,143)	33	(1,694)
Financing activities						
Repayment of mortgage loans		(423)	(3,686)	—	—	—
Net inception/(repayment) of loans against trust receipts		48,307	130,818	(14,726)	29,363	(479)
Increase/(decrease) in amount due to a director		27,465	(15,635)	(21,646)	3,593	—
Increase/(decrease) in amount due to a director of subsidiaries		(33,937)	(444)	490	(297)	(1,481)
Dividend paid		—	—	—	—	(19,347)
Increase in restricted bank balances		(3,148)	(3,636)	(223)	(69)	(164)
Net cash from/(used in) financing activities		38,264	107,417	(36,105)	32,590	(21,471)
Increase in cash and cash equivalents		10,137	18,937	44,415	1,488	48,692
Cash and cash equivalents at beginning of the year/period		(2,154)	7,983	26,920	26,920	71,335
Cash and cash equivalents at end of the year/period		7,983	26,920	71,335	28,408	120,027

	Section II Note	Year ended 31 December			Five months ended 31 May	
		2003	2004	2005	2005	2006
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Analysis of balances of cash and cash equivalents						
Bank balances and cash — unrestricted		14,811	27,293	71,335	28,408	120,027
Bank overdrafts		(6,828)	(373)	—	—	—
		7,983	26,920	71,335	28,408	120,027

Note: The above bank balances and cash included HK$340,000 relating to assets held for sale as at 31 December 2005 (note 21).

(e) **Combined statements of changes in equity**

	Year ended 31 December			Five months ended 31 May	
	2003	2004	2005	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Total equity at beginning of the year/period	85,072	120,868	233,841	233,841	351,221
Profit for the year/period	35,796	112,973	202,380	96,896	224,719
Dividend	—	—	(85,000)	—	—
Total equity at end of the year/period	120,868	233,841	351,221	330,737	575,940

II NOTES TO FINANCIAL INFORMATION

1 Group reorganisation

The Company and the subsidiaries now comprising the Group underwent the following reorganisation in preparation for the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited:

On 21 August 2006, each of Lee Kee Metal Company (BVI) Limited, Lee Sing Materials Company (BVI) Limited, Lee Fung Metal Company (BVI) Limited, Lee Tai Precious Metal Company (BVI) Limited and Toba Company (BVI) Limited (collectively the "BVI Subsidiaries") allotted and issued one HK$1.00 share to Lee Kee Group Limited ("Lee Kee Group"), credited as fully paid, in consideration of the acquisition of the entire share capital of each of Lee Kee Metal Company Limited, Lee Sing Materials Company Limited, Lee Fung Metal Company Limited, Lee Tai Precious Metal Company Limited and Toba Company Limited ("Hong Kong Subsidiaries"), respectively from Lee Kee Group. After the reorganisation, the BVI Subsidiaries, which were all wholly and directly held by Lee Kee Group, became intermediate holding companies of the Hong Kong Subsidiaries.

On 15 September 2006, Lee Kee Group also acquired 1,050,000 ordinary shares of US$1.00 each of Genesis Recycling Technology (BVI) Limited ("GRTL"), which represents 50% of its issued share capital, from Metallic Scope Holding Company Limited, a company wholly owned by Mr Chan Pak Chung for an aggregate consideration of approximately HK$9,350,000. GRTL is holding 100% interest in Genesis Alloys Limited ("Genesis Alloys") and Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"). Genesis Ningbo is a wholly foreign owned enterprise established by Genesis Alloys in the People's Republic of China and is principally engaged in metal processing and zinc alloy businesses. The Company has accounted for GRTL, Genesis Alloys and Genesis Ningbo as jointly controlled entities from the date of acquisition. As the date of acquisition is after the Relevant Periods, the results and financial positions of these companies have not been dealt with in this report.

The Company was incorporated on 11 November 2005 with one share of HK$0.10 issued at par to the initial subscriber and transferred to Mr Chan Pak Chung on 10 January 2006. On 11 September 2006, Lee Kee Group (BVI) Limited ("Lee Kee Group (BVI)"), a wholly owned subsidiary of the Company entered into a reorganisation agreement with Mr Chan Pak Chung and Lee Kee Group, whereby Lee Kee Group allotted and issued 1,000 new ordinary shares of HK$1.00 each to Lee Kee Group (BVI) for cash at par. Mr Chan Pak Chung also consented to convert the 10,000,000 ordinary shares of HK$1.00 each of Lee Kee Group held by him into 10,000,000 non-voting deferred shares of HK$1.00 each in consideration of the allotment and issue of 1 new ordinary share of HK$1.00 of Lee Kee Group (BVI) at premium to the Company pursuant to a deed of gift entered into between Mr Chan Pak Chung and the Company. On 12 September 2006, the 10,000,000 non-voting deferred shares converted were repurchased by Lee Kee Group at par from Mr Chan Pak Chung. After the above group reorganisation (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group, and the list of subsidiaries is set out in note 30 below.

For the purpose of this report, the combined profit and loss accounts, combined cash flow statements and combined statements of changes in equity of the Group for the Relevant Periods, include the financial information of the companies under common control and now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods or since the date when the combining companies first came under the control of the controlling party, where there is a shorter period. The combined balance sheets of the Group as at 31 December 2003, 2004 and 2005 and at 31 May 2006 have been prepared to present the assets and liabilities of the companies under common control and now comprising the Group at these dates, as if the current group structure had been in existence as at these dates.

All significant intra-group transactions and balances have been eliminated on combination.

2 Principal accounting policies

The principal accounting policies applied in the preparation of the Financial Information which are in conformity with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA (which include Hong Kong Accounting Standards and Interpretations) are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

(a) ***Basis of preparation***

The Financial Information set out in this report has been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

(i) HK(IFRIC) — Interpretation 7, 'Applying the Restatement Approach under HKAS 29', effective for annual periods beginning on or after 1 March 2006. Management does not expect the interpretation to be relevant for the Group;

(ii) HK(IFRIC) — Interpretation 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of the interpretation on the Group's operations;

(iii) HK(IFRIC) — Interpretation 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. Management believes that the interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assesses if embedded derivative should be separated using principles consistent with the interpretation; and

(iv) HKFRS 7, 'Financial Instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. HKAS 1, 'Amendments to Capital Disclosures', effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

(b) ***Subsidiaries***

Subsidiaries are those entities over which the Company has 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.

Apart from the Group reorganisation referred to in note 1 above which has been accounted for by regarding the Company as being the holding company of the subsidiaries from the beginning of the earliest period presented, or since the date when the combining companies first came under the control of the controlling party, where there is a shorter period, 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 profit and loss account.

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.

(c) ***Foreign currency translation***

(i) *Functional and presentation currency*

Items included in the accounts 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 Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. 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. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

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

Buildings	2% straight-line
Leasehold improvements	20% reducing balance
Motor vehicles	30% reducing balance
Machinery	30% reducing balance
Furniture, fixtures and office equipment	20% reducing balance
Computer system	20% reducing balance

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) ***Investment properties***

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

(f) ***Impairment of non-financial assets***

Non-financial assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Non-financial assets that are subject to amortisation 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).

(g) ***Inventories***

Inventories represent finished goods and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out 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 receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(i) ***Investments in financial derivatives***

Investments in financial derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised immediately in the profit and loss account.

(j) ***Assets held for sale and liabilities associated with assets held for sale***

Disposal groups are classified as assets held for sale and liabilities associated with assets held for sale and stated at the lower of carrying amount and fair values less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through a continuing use. The carrying amounts of the reclassified assets and liabilities are determined based on the same applicable accounting policies prior to the reclassification, except for leasehold land and property, plant and equipment, no amortisation and depreciation have been provided for subsequent to the reclassification.

(k) ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(l) ***Deferred taxation***

Deferred taxation 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 accounts. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) ***Employee benefits***

(i) *Pension obligation*

The Group participates in a mandatory provident fund scheme ("MPF Scheme") for all employees pursuant to the Mandatory Fund Schemes Ordinance. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of the MPF Scheme are held in separate trustee-administered funds.

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

(ii) *Employee leave entitlements*

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

(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 bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(n) ***Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not 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.

(o) ***Revenue and income recognition***

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight-line basis over the lease periods.

Interest income is recognised on a time-proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Management fee and commission income are recognised when services are rendered.

(p) ***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 profit and loss account on a straight-line basis over the period of the lease.

(q) ***Borrowings costs***

All borrowing costs are charged to the profit and loss account in the periods in which they are incurred.

(r) ***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 outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they 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 events not wholly within the control of the Group.

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

(s) ***Segment reporting***

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

3 **Financial risk management**

The Group's activities expose it to a variety of financial risks. 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.

(a) ***Foreign exchange risk***

The Group purchases almost all of its products from overseas suppliers. Payments are primarily made in United States dollars ("US dollar"). Sales of the Group are denominated in US dollar and HK dollar. The Group does not consider there is a high exchange risk between HK dollar and US dollar.

(b) ***Credit risk***

The Group has no significant concentrations of credit risk. It has policies in place to ensure that credit sales are made to customers with an appropriate credit history. Sales to new customers or to those without an appropriate credit history are traded on letter of credit, cash on delivery or delivery against payment.

(c) ***Liquidity risk***

Prudent liquidity risk management implies 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.

(d) **Interest rate risk**

As the Group has no significant interest-bearing assets the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group aims to minimise long term bank borrowings which exposes the Group to high interest rate risk. The floating rate short term bank borrowings borrowed by the Group, which have maturities of less than 120 days, do not expose the Group to high interest rate risk owing to their short maturities.

(e) ***Fair value estimation***

The carrying amounts of the Group's financial assets including cash and cash equivalents, 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 long-term borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 **Critical accounting estimates and judgements**

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the related actual results. The accounting estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

(a) ***Net realisable value of inventories***

Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market conditions and the historical experience and selling goods of similar nature. It could change as a result of change in market conditions. Management will reassess the estimations by the balance sheet date.

(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 the current market conditions. It could change as a result of change in the financial positions of customers. Management will reassess the provision by the balance sheet date.

5 **Turnover and other income**

The Group is principally engaged in trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy and other electroplating chemical products in Hong Kong which accounts for more than 90 percent of the Group's turnover and trading results and more than 90 percent of the Group's total assets are in Hong Kong. Accordingly, no analysis by business and geographical segments has been prepared. Turnover and other income recognised during the Relevant Periods are as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Turnover					
Sales of goods	1,390,325	2,438,382	3,143,009	1,184,875	1,849,920
Other income					
Interest income	373	638	558	185	347
Gross rental income from investment properties	2,089	1,787	2,103	825	691
Gross rental income from leasehold land and buildings	54	—	—	—	—
Management fee, net of withholding tax	320	320	260	134	59
Commission income	365	858	20	20	—
Others	370	420	630	259	465
	3,571	4,023	3,571	1,423	1,562

6 **Expenses by nature**

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

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Auditors' remuneration	355	411	500	131	300
Depreciation	2,134	1,910	1,939	612	752
Amortisation of leasehold land	381	381	381	159	53
Staff costs *(note 9)*	12,680	14,095	20,081	6,350	6,470
Operating lease rental for land and buildings	2,051	2,806	3,045	1,216	1,716
Cost of inventories sold	1,311,383	2,269,084	2,854,108	1,053,799	1,557,498
Outgoings in respect of investment properties	54	72	81	34	17
Impairment provision for doubtful debts	—	152	—	—	—
Other receivable written off	—	—	33	—	—

7 **Other gains/(losses) — net**

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Fair value gains on investment properties, including those reclassified to assets held for sale	2,595	5,740	9,840	6,830	3,800
Gains/(losses) on metal future trading contracts	(7,415)	1,130	(595)	(336)	—
Gains on disposal of leasehold land and property, plant and equipment	139	555	204	—	266
Net exchange gain/(loss)	(1,437)	731	3,024	82	2,749
Loss on disposal of subsidiaries *(notes 21 and 27(b))*	—	—	—	—	(82)
	(6,118)	8,156	12,473	6,576	6,733

8 **Finance costs**

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest on					
Bank overdrafts	151	26	3	—	—
Loans against trust receipts	1,373	2,184	7,903	2,645	3,052
Mortgage loans	137	53	—	—	—
	1,661	2,263	7,906	2,645	3,052

9 **Staff costs**

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Wages, salaries and allowances	12,288	13,626	19,561	6,133	6,231
Pension costs — defined contribution	392	469	520	217	239
	12,680	14,095	20,081	6,350	6,470

The above staff costs include the directors' emoluments.

10 **Directors' and senior management's emoluments**

(a) ***Directors' emoluments:***

Name of Directors	Fees	Salaries and other allowances	Bonuses	Pension	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year 2003:					
Mr Chan Pak Chung	—	776	1,072	12	1,860
Ms Chan Yuen Shan, Clara	—	180	15	10	205
Ms Ma Siu Tao	—	79	506	4	589
	—	1,035	1,593	26	2,654
Year 2004:					
Mr Chan Pak Chung	—	865	1,072	12	1,949
Ms Chan Yuen Shan, Clara	—	400	35	12	447
Ms Ma Siu Tao	—	244	521	12	777
	—	1,509	1,628	36	3,173
Year 2005:					
Mr Chan Pak Chung	—	865	72	12	949
Ms Chan Yuen Shan, Clara	—	420	1,035	12	1,467
Ms Ma Siu Tao	—	259	1,122	12	1,393
	—	1,544	2,229	36	3,809
Five months ended 31 May 2005 (Unaudited):					
Mr Chan Pak Chung	—	361	—	5	366
Ms Chan Yuen Shan, Clara	—	175	—	5	180
Ms Ma Siu Tao	—	108	—	5	113
	—	644	—	15	659
Five months ended 31 May 2006:					
Mr Chan Pak Chung	—	369	—	5	374
Ms Chan Yuen Shan, Clara	—	208	—	5	213
Ms Ma Siu Tao	—	118	—	5	123
	—	695	—	15	710

No directors waived or agreed to waive any emoluments during the Relevant Periods. No emoluments were paid to all other directors during the Relevant Periods. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the Relevant Periods.

(b) ***Five highest paid individuals***

The five individuals whose emoluments were the highest in the Group during the Relevant Periods include two directors for the year ended 31 December 2003 and the five months ended 31 May 2005 and 2006 and three directors for the years ended 31 December 2004 and 2005 whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining of the five highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries and other allowances	1,818	1,391	1,712	768	632
Bonuses	74	52	260	—	—
Pension	37	24	24	15	11
	1,929	1,467	1,996	783	643

The emoluments payable to these individuals during the Relevant Periods fell within the emolument band of HK$Nil to HK$1,000,000, except for the emoluments payable to one individual during the year ended 31 December 2005 which fell within the emolument band of HK$1,000,001 to HK$1,500,000.

11 **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for each of the Relevant Periods.

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Current taxation	7,166	22,922	40,962	19,313	47,712
Deferred taxation relating to the origination and reversal of temporary differences, including for the disposal group reclassified to assets held for sale and liabilities associated with assets held for sale	902	1,600	1,384	1,010	821
Deferred taxation resulting from an increase in tax rate	153	—	—	—	—
Under/(over) provisions in prior year	(87)	75	(186)	—	—
	8,134	24,597	42,160	20,323	48,533

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

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before taxation	43,930	137,570	244,540	117,219	273,252
Calculated at a taxation rate of 17.5%	7,688	24,075	42,795	20,513	47,819
Income not subject to taxation	(59)	(284)	(567)	(305)	(92)
Expenses not deductible for taxation purpose	78	7	118	115	806
Utilisation of previously unrecognised tax losses	(25)	—	—	—	—
Under/(over) provisions in prior year	(87)	75	(186)	—	—
Others	539	724	—	—	—
Taxation charge	8,134	24,597	42,160	20,323	48,533

12 **Earnings per share**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in note 1.

13 **Dividend**

No dividend has been paid or declared by the Company since its incorporation. The dividend declared during the Relevant Periods represented an interim dividend declared by Lee Kee Group Limited, a subsidiary of the Company, to its then shareholder prior to the Reorganisation. The rate of the dividend and the number of shares ranking for the dividend are not presented as such information is not meaningful for the purpose of this report.

14 **Investment properties**

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the year/period	28,100	31,240	36,980	—
Reclassified from leasehold land and property	545	—	—	—
Fair value gains	2,595	5,740	9,840	—
Reclassified to assets held for sale *(note 21)*	—	—	(46,820)	—
End of the year/period	31,240	36,980	—	—

The Group's interests in investment properties, including those reclassified to assets held for sale as at 31 December 2005 (note 21), at their carrying values are analysed as follows:

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong, held on:				
Lease of over 50 years	26,390	30,700	38,020	—
Leases of between 10 to 50 years	4,850	6,280	8,800	—
	31,240	36,980	46,820	—

Investment properties were revalued based on active market price by Chesterton Petty Limited, independent professional valuers.

At 31 December 2003, 2004 and 2005, certain investment properties with an aggregate value of HK$31,240,000, HK$36,480,000 and HK$Nil respectively, were pledged as security for the Group's banking facilities.

15 **Leasehold land**

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the year/period	17,593	16,599	16,218	5,156
Amortisation	(381)	(381)	(381)	(53)
Disposal	(172)	—	—	—
Reclassified to investment properties	(441)	—	—	—
Reclassified to assets held for sale *(note 21)*	—	—	(10,681)	—
End of the year/period	16,599	16,218	5,156	5,103

The Group's interests in leasehold land, including those reclassified to assets held for sale at 31 December 2005 (note 21), represent prepaid operating lease payments for land in Hong Kong held on lease of between 10 to 50 years.

At 31 December 2003, 2004 and 2005 and at 31 May 2006, certain leasehold land with an aggregate net book value of HK$16,599,000, HK$10,351,000, HK$5,156,000 and HK$5,103,000 respectively, were pledged as security for the Group's banking facilities.

16 **Property, plant and equipment**

	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Furniture fixtures and office equipment HK$'000	Computer system HK$'000	Total HK$'000
Cost							
At 1 January 2003	7,830	2,446	8,182	1,311	1,757	1,877	23,403
Additions	—	201	1,952	—	178	150	2,481
Disposals	(239)	—	(105)	(169)	—	—	(513)
Reclassification	(126)	21	85	(85)	(14)	(7)	(126)
At 31 December 2003	7,465	2,668	10,114	1,057	1,921	2,020	25,245
Additions	—	26	854	3	193	1,228	2,304
Disposals	—	(88)	(2,167)	—	—	—	(2,255)
At 31 December 2004	7,465	2,606	8,801	1,060	2,114	3,248	25,294
Additions	—	401	1,141	—	210	351	2,103
Disposals	—	—	(756)	—	(13)	—	(769)
Reclassification	(4,065)	(90)	—	—	—	—	(4,155)
At 31 December 2005	3,400	2,917	9,186	1,060	2,311	3,599	22,473
Additions	—	239	1,539	—	17	344	2,139
Disposals	—	—	(1,601)	—	—	—	(1,601)
At 31 May 2006	3,400	3,156	9,124	1,060	2,328	3,943	23,011
Accumulated depreciation							
At 1 January 2003	777	1,519	5,359	1,175	1,251	1,204	11,285
Charge for the year	146	226	1,423	34	140	165	2,134
Disposals	(51)	—	(69)	(147)	—	—	(267)
Reclassification	(22)	19	81	(81)	(14)	(5)	(22)
At 31 December 2003	850	1,764	6,794	981	1,377	1,364	13,130
Charge for the year	146	186	1,030	24	146	378	1,910
Disposals	—	—	(1,425)	—	—	—	(1,425)
At 31 December 2004	996	1,950	6,399	1,005	1,523	1,742	13,615
Charge for the year	145	217	1,029	17	137	394	1,939
Disposals	—	—	(560)	—	(11)	—	(571)
Reclassification	(769)	(36)	—	—	—	—	(805)
At 31 December 2005	372	2,131	6,868	1,022	1,649	2,136	14,178
Charge for the period	26	89	425	5	47	160	752
Disposals	—	—	(1,418)	—	—	—	(1,418)
At 31 May 2006	398	2,220	5,875	1,027	1,696	2,296	13,512
Net book value							
At 31 December 2003	6,615	904	3,320	76	544	656	12,115
At 31 December 2004	6,469	656	2,402	55	591	1,506	11,679
At 31 December 2005	3,028	786	2,318	38	662	1,463	8,295
At 31 May 2006	3,002	936	3,249	33	632	1,647	9,499

All the Group's buildings are situated on the Group's leasehold land. At 31 December 2003, 2004 and 2005 and at 31 May 2006, certain buildings with an aggregate net book value of HK$6,615,000, HK$4,532,000, HK$3,028,000, HK$3,002,000 respectively, were pledged as security for the Group's banking facilities.

17 **Inventories**

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods, at cost	166,420	275,230	351,270	408,553

18 **Trade and other receivables**

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables, net of provision	97,848	92,086	127,086	225,086
Prepayments to suppliers	—	55,252	55,512	116,944
Deposits	1,269	1,307	2,683	4,752
Other receivables	316	2,797	2,764	1,370
	99,433	151,442	188,045	348,152

The Group offers credit terms to its customers ranging from cash on delivery to 30 days. Ageing analysis of trade receivables at the respective balance sheet dates are as follows:

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	85,711	82,671	108,347	208,023
31 to 60 days	10,707	8,663	17,172	15,854
61 to 90 days	1,204	656	1,489	1,144
Over 90 days	226	96	78	65
	97,848	92,086	127,086	225,086

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

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK dollar	59,206	52,883	68,333	90,333
US dollar	38,642	39,203	58,753	134,753
	97,848	92,086	127,086	225,086

19 **Amounts due from/to related companies**

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from:				
Other receivables				
Genesis Alloys (Ningbo) Limited	—	—	140	199
Lee Kee Far East Company Limited	8	—	—	—
Lee Yip Metal Company Limited	—	311	—	—
Metallic Scope Holding Company Limited	4	—	—	—
Modern Wealth Limited	—	—	—	20
	12	311	140	219
Amounts due to:				
Trade payable				
Genesis Alloys Limited	803	6,221	14	8
Other payable				
Lee Yip Metal Company Limited	404	—	—	—
	1,207	6,221	14	8

Throughout the Relevant Periods, Mr Chan Pak Chung had controlling interests in Lee Kee Far East Company Limited and Metallic Scope Holding Company Limited and had joint control over Genesis Alloys Limited and Genesis Alloys (Ningbo) Limited. Mr Chan Pak Chung had significant influence in Lee Yip Metal Company Limited until 24 May 2005 and had controlling interests in it thereafter. Modern Wealth Limited was a wholly owned subsidiary of the Group until its entire issued share capital was sold to Mr Chan Pak Chung in April 2006.

The maximum outstanding amounts due from Lee Kee Far East Company Limited and Metallic Scope Holding Company Limited during the year ended 31 December 2003 and Modern Wealth Limited during May 2006 were HK$8,000, HK$4,000 and HK$20,000 respectively.

The amounts receivable and payable are denominated in Hong Kong dollars, unsecured, interest free and have no fixed terms of repayment except for the amounts due from/to Lee Yip Metal Company Limited which carried interest at Hong Kong prime rate. No provision has been required for the amounts due from the related companies.

All balances with related companies as at 31 May 2006 have been settled prior to the listing of the Company.

20 **Restricted bank balances**

The bank balances are pledged as security for the banking facilities of the Group.

21 **Assets and liabilities held for sale**

On 31 December 2005, the directors of a subsidiary, in preparing the Group for the initial public offering, decided to dispose the Group's entire interest in Modern Wealth Limited and Wah San Diecasting Company Limited, wholly owned subsidiaries of the Group to Mr Chan Pak Chung at considerations to be determined with reference to the net asset value of the two subsidiaries. Prior to the disposal, Modern Wealth Limited held all the investment properties of the Group, which is not a core business of the Group and certain other leasehold land and property, plant and equipment of the Group and Wah San Diecasting Company Limited remained inactive. The two subsidiaries were disposed of in April 2006 at an aggregate final consideration of approximately HK$59,488,000, resulting in a loss on disposal of subsidiaries of approximately HK$82,000 (notes 7 and 27(b)). Accordingly, the assets and liabilities of Modern Wealth Limited and Wah San Diecasting Company Limited were presented as a disposal group held for sale as at 31 December 2005.

The carrying amount of major classes of assets and liabilities classified as disposal group held for sale as at 31 December 2005 are analysed as follows:

	As at 31 December 2005 *HK$'000*
Assets	
Investment properties	46,820
Leasehold land	10,681
Property, plant and equipment	3,350
Trade and other receivables	250
Bank balances and cash — unrestricted	340
	61,441
Liabilities	
Trade and other payables	507
Taxation payable	47
Deferred tax liabilities	4,112
	4,666

An analysis of the results of the operation of the disposal group attributable to the Group is as follows:

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Income	1,447	1,787	2,103	825	691
Fair value gains on investment properties	2,780	5,740	9,840	6,830	3,800
Expenses	(829)	(599)	(517)	(233)	(58)
Profit before taxation	3,398	6,928	11,426	7,422	4,433
Taxation	(763)	(1,215)	(1,625)	(1,068)	(803)
Profit for the year/period	2,635	5,713	9,801	6,354	3,630

The net cash flows attributable to the operating, investing and financing activities of the operation of the disposal group attributable to the Group during the Relevant Periods are set out below:

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Net cash generated from operating activities	886	1,513	1,795	761	733
Net cash used in investing activities	(179)	(26)	(15)	—	—
Net cash used in financing activities	(423)	(3,686)	—	—	—

22 **Share capital**

The Company was incorporated in the Cayman Islands on 11 November 2005, with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each. As at 31 December 2005 and 31 May 2006, the Company had only one share issued and fully paid at par.

The share capital balances as presented in the combined balance sheets as at 31 December 2003, 2004 and 2005 and at 31 May 2006 represent the share capital of Lee Kee Group Limited, a subsidiary which was the holding company of all the other subsidiaries of the Group (other than Lee Kee Group (BVI) Limited) at the respective balance sheet dates, as described in note 1 above.

23 **Bank borrowings**

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Mortgage loans — non-current portion	3,264	—	—	—
Current				
Bank overdrafts — secured	5,738	—	—	—
Bank overdrafts — unsecured	1,090	373	—	—
Loans against trust receipts — secured	70,815	195,557	110,387	136,811
Loans against trust receipts — unsecured	—	6,076	76,520	49,617
Mortgage loans — current portion	422	—	—	—
	78,065	202,006	186,907	186,428
Total	81,329	202,006	186,907	186,428

Except for certain bank borrowings at 31 December 2003 with an aggregate carrying amount of HK$13,015,000, all bank borrowings at the balance sheet dates were guaranteed by certain directors of the Company and/or a director of certain subsidiaries. As at 31 May 2006, bank borrowings with an aggregate carrying amount of HK$43,105,000 were also guaranteed by Modern Wealth Limited. In addition, the secured bank borrowings were secured by certain investment properties, leasehold land, properties and bank balances of the Group (notes 14, 15, 16 and 20).

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

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
US dollar	70,815	201,041	186,701	186,428
HK dollar	10,514	373	—	—
Others	—	592	206	—
	81,329	202,006	186,907	186,428

The maturity of the bank borrowings is as follows:

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	78,065	202,006	186,907	186,428
Between 1 and 2 years	922	—	—	—
Between 2 and 5 years	1,679	—	—	—
Over 5 years	663	—	—	—
Total	81,329	202,006	186,907	186,428

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

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
Bank overdrafts	5%	2.07% to 2.88%	N/A	N/A
Loans against trust receipts	3% to 4.25%	1.83% to 4.31%	1.34% to 6.14%	5.97% to 6.76%
Mortgage loans	3.5%	N/A	N/A	N/A

The bank borrowings are all subject to contractual interest repricing dates within 6 months from the relevant balance sheet dates. The carrying amounts of the bank borrowings approximate their fair values.

24 **Amounts due to a director and a director of subsidiaries**

The amount due to a director was due to Mr Chan Pak Chung and the amount due to a director of subsidiaries was due to Mr Chan Shu Cheong, who is the father of Mr Chan Pak Chung. All amounts are denominated in Hong Kong dollars, unsecured and interest free. Except for the amounts outstanding as at 31 December 2005 and 31 May 2006 which have been settled prior to the listing of the Company, the other amounts are not repayable within twelve months from the balance sheet date.

25 **Deferred tax**

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The gross movement in deferred tax account during the Relevant Periods is as follows:

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the year/period	1,627	2,682	4,282	1,554
Charged to profit and loss account	1,055	1,600	1,384	120
Reclassified to liabilities associated with assets held for sale *(note 21)*	—	—	(4,112)	—
End of the year/period	2,682	4,282	1,554	1,674

The movement in deferred tax asset and liabilities during the Relevant Periods is as follows:

	Deferred tax assets	**Deferred tax liabilities**		
	Accelerated accounting depreciation	**Accelerated tax depreciation**	**Fair value gains on investment properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2003	—	567	1,060	1,627
Charged to profit and loss account	—	653	402	1,055
At 31 December 2003	—	1,220	1,462	2,682
Charged/(credited) to profit and loss account	(38)	792	846	1,638
At 31 December 2004	(38)	2,012	2,308	4,320
Charged/(credited) to profit and loss account	(34)	224	1,194	1,418
Reclassified to liabilities associated with assets held for sale	—	(610)	(3,502)	(4,112)
At 31 December 2005	(72)	1,626	—	1,626
Charged to profit and loss account	44	76	—	76
At 31 May 2006	(28)	1,702	—	1,702

26 **Trade and other payables**

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	79,648	23,887	19,131	24,391
Deposits received	3,214	6,203	8,005	27,464
Accrued expenses	7,694	5,212	9,792	5,375
	90,556	35,302	36,928	57,230

Ageing analysis of trade payables at the respective balance sheet dates are as follows:

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	67,002	19,277	15,825	20,888
31 to 60 days	7,034	2,570	595	792
61 to 90 days	5,612	—	—	—
Over 90 days	—	2,040	2,711	2,711
	79,648	23,887	19,131	24,391

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

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK dollar	1,159	1,520	1,461	1,161
US dollar	78,489	22,367	17,670	23,230
	79,648	23,887	19,131	24,391

27 **Notes to the combined cash flow statements**

(a) ***Reconciliation of profit before taxation to net cash generated from/(used in) operations***

	Year ended 31 December			Five months ended 31 May	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before taxation	43,930	137,570	244,540	117,219	273,252
Fair value gains on investment properties	(2,595)	(5,740)	(9,840)	(6,830)	(3,800)
Depreciation	2,134	1,910	1,939	612	752
Amortisation of leasehold land	381	381	381	159	53
Interest income	(373)	(638)	(558)	(185)	(347)
Interest expense	1,661	2,263	7,906	2,645	3,052
Gains on disposal of leasehold land and property, plant and equipment	(139)	(555)	(204)	—	(266)
Loss on disposal of subsidiaries	—	—	—	—	82
Operating cash inflow before working capital changes	44,999	135,191	244,164	113,620	272,778
Increase in inventories	(44,770)	(108,810)	(76,040)	(89,999)	(57,283)
Increase in trade and other receivables	(34,049)	(52,009)	(36,853)	(58,199)	(160,010)
Increase/(decrease) in trade and other payables	9,219	(55,254)	2,133	12,040	20,420
Movement in balances with related companies	7,682	4,715	(6,036)	(5,952)	(85)
Net cash generated from/(used in) operations	(16,919)	(76,167)	127,368	(28,490)	75,820

(b) ***Disposal of subsidiaries***

	As at date of disposal
	HK$'000
Net assets disposed of:	
Investment properties	50,620
Leasehold land	10,596
Property, plant and equipment	3,317
Trade and other receivables	153
Bank balances and cash — unrestricted	351
Trade and other payables	(507)
Taxation payable	(147)
Deferred tax liabilities	(4,813)
	59,570
Loss on disposal of subsidiaries *(notes 7 and 21)*	(82)
Sale consideration	59,488
Satisfied by set off of dividend payable	59,488

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

Bank balances and cash disposed of	(351)

28 **Commitments**

(a) ***Operating lease commitments — as a lessee***

The future aggregate minimum rental expense in respect of land and buildings under non-cancellable operating leases are payable in the following periods:

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,027	1,735	3,352	4,222
In the second to fifth years inclusive	1,717	—	2,652	1,676
	3,744	1,735	6,004	5,898

As at 31 May 2006, an amount of approximately HK$1,206,000 related to operating lease commitment with Modern Wealth Limited.

(b) ***Operating lease commitments — as a lessor***

Prior to the disposal of Modern Wealth Limited, the Group leased out properties under operating leases, which generally ran for an initial period of two to five years, with an option to renew the lease after that date at which time all terms will be renegotiated.

The Group's total future minimum rental income under non-cancellable operating leases was receivable as follows:

	As at 31 December			As at 31 May
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,454	1,616	2,013	—
In the second to fifth years inclusive	195	1,811	716	—
	1,649	3,427	2,729	—

All the amounts receivable as of 31 December 2005 were for investment properties included in assets held for sale.

29 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) *Transactions with related parties*

Other than as disclosed in note 21, other significant related party transactions carried out during the Relevant Periods are as follows:

		Year ended 31 December			Five months ended 31 May	
	Note	**2003**	**2004**	**2005**	**2005**	**2006**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Income						
Rental received from Lee Yip Metal Company Limited	(i)	230	334	106	106	—
Management fee received from						
Lee Yip Metal Company Limited	(ii)	180	180	120	75	—
Genesis Alloys (Ningbo) Limited*	(ii)	156	156	156	65	65
Commission income received from Genesis Alloys Limited*	(iii)	365	858	20	20	—
Interest received from Lee Yip Metal Company Limited	(iv)	81	351	—	—	—
Sales of metal to a director	(v)	—	—	—	—	10,290
Expense						
Purchase of goods from Genesis Alloys Limited	(vi)	27,547	83,818	4,537	4,537	—
Rental paid to directors	(vii)	163	180	220	100	—
Rental paid to Regal China Properties Limited	(viii)	—	72	120	75	15
Rental paid to Lee Kee Far East Company Limited	(viii)	—	—	360	—	600
Rental paid to Modern Wealth Limited*	(ix)	—	—	—	—	67
Other						
Sale of leasehold land and buildings to Regal China Properties Limited	(x)	520	—	—	—	—

* These transactions shall continue after the listing of the Company.

Note:

(i) The Group received rental from Lee Yip Metal Company Limited at a fixed sum as agreed by both parties.

(ii) The Group received management fees from Lee Yip Metal Company Limited and Genesis Alloys (Ningbo) Limited pursuant to the terms of management services agreements entered into with these related companies for the provision of operating support services at fixed monthly service fees.

(iii) The Group received commission income from Genesis Alloys Limited calculated at a fixed rate as agreed by both parties for the relevant unit of products sold by Genesis Alloys Limited.

(iv) The Group received interest from Lee Yip Metal Company Limited charged on the balance therewith at Hong Kong prime rate.

(v) The Group sold gold to Mr Chan Pak Chung at the prevailing market value on the date of transaction.

(vi) The Group purchased goods from Genesis Alloys Limited at prices as agreed by both parties for each transaction.

(vii) The Group paid rental for staff quarters of which Mr Chan Pak Chung and Ms Ma Siu Tao are owners at fixed sums as agreed by parties involved.

(viii) The Group paid rental for staff and directors' quarters to Regal China Properties Limited and Lee Kee Far East Company Limited, of which Mr Chan Pak Chung and Ms Ma Siu Tao are directors, at fixed sums as agreed by both parties.

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

(x) The Group sold an interest in leasehold land and building to Regal China Properties Limited at HK$520,000.

(b) ***Key management compensation***

	Year ended 31 December			**Five months ended 31 May**	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and other short term employee benefits	5,548	6,100	9,378	2,014	2,153
Post employment benefits - pension	108	124	151	57	61
	5,656	6,224	9,529	2,071	2,214

(c) ***Balances with related parties***

Other than as disclosed in notes 19 and 24, during the Relevant Periods, the Group had no material balances with its related parties.

30 **Particulars of subsidiaries**

As at the date of this report, the Company has direct and indirect interests in the following wholly owned subsidiaries, all of which are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

Company name	Date of incorporation	Issued capital	Principal activities
Incorporated and operating in Hong Kong			
Lee Kee Group Limited	6 January 1997	1,000 shares of HK$1 each	Investment holding
Lee Fung Metal Company Limited	25 April 1995	100,000 shares of HK$1 each	Trading of non-ferrous metal
Lee Kee Metal Company Limited	8 April 1987	500,000 shares of HK$10 each	Trading of zinc and zinc alloy
Lee Sing Materials Company Limited	4 May 1993	100,000 shares of HK$1 each	Trading of chemical products
Lee Tai Precious Metal Company Limited	31 January 2000	10,000 shares of HK$1 each	Trading of precious metal
Standard Glory Management Limited	7 August 2000	10,000 shares of HK$1 each	Provision of management services
Toba Company Limited	12 June 1987	10,000 shares of HK$1 each	Property holding
Lee City Asia Company Limited	14 July 2006	10,000 shares of HK$1 each	Property holding
Success City Asia Company Limited	3 August 2006	10,000 shares of HK$1 each	Inactive
Success In Asia Company Limited	3 August 2006	10,000 shares of HK$1 each	Inactive
Incorporated in the British Virgin Islands			
Lee Fung Metal Company (BVI) Limited	31 October 2005	2 shares of HK$1 each	Investment holding
Lee Kee Group (BVI) Limited	31 October 2005	2 shares of HK$1 each	Investment holding
Lee Kee Metal Company (BVI) Limited	31 October 2005	2 shares of HK$1 each	Investment holding
Lee Sing Materials Company (BVI) Limited	31 October 2005	2 shares of HK$1 each	Investment holding
Lee Tai Precious Metal Company (BVI) Limited	31 October 2005	2 shares of HK$1 each	Investment holding
Toba Company (BVI) Limited	31 October 2005	2 shares of HK$1 each	Investment holding

Lee Kee Group Limited subscribed 9,999 shares of each of Lee City Asia Company Limited, Success City Asia Company Limited and Success In Asia Company Limited on 21 July 2006, 21 August 2006 and 21 August 2006 respectively. Lee Kee Group Limited also acquired one share of each of Lee City Asia Company Limited, Success City Asia Company Limited and Success In Asia Company Limited on 25 July 2006, 29 August 2006 and 29 August 2006 respectively.

The Company subscribed the first issued share of Lee Kee Group (BVI) Limited on 9 September 2006.

Lee Kee Group Limited subscribed the first issued share of each of Lee Fung Metal Company (BVI) Limited, Lee Kee Metal Company (BVI) Limited, Lee Sing Materials Company (BVI) Limited, Lee Tai Precious Metal Company (BVI) Limited and Toba Company (BVI) Limited on 14 February 2006.

The following companies incorporated and operating in Hong Kong were wholly owned subsidiaries of the Group prior to the disposal of them by the Group in April 2006 as described in note 21.

Company name	Date of incorporation	Issued capital	Principal activities
Modern Wealth Limited	24 July 1990	10,000 shares of HK$1 each	Property investment
Wah San Diecasting Company Limited	24 August 2001	10,000 shares of HK$1 each	Inactive

31 **Ultimate and immediate holding companies**

The directors regard Gold Alliance International Management Limited and Gold Alliance Services Limited, companies incorporated in the British Virgin Islands, as being the ultimate and immediate holding companies of the Group, respectively, after the completion of the Reorganisation as detailed in note 1.

32 **Subsequent events**

In August and September 2006, the companies now comprising the Group underwent the Reorganisation in the preparation of the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited. Details of the Reorganisation of the Company are set out in the sub-section headed "Corporate reorganisation" in Appendix V of the Prospectus.

On 15 September 2006, the Company entered into a call option deed with Mr Chan Pak Chung whereby the Company has a right to acquire up to all equity interest held by Mr Chan Pak Chung at the time of exercise of the call option in Lee Yip Metal Products Company Limited, a company engaged in stainless steel processing business at a price to be determined based on the higher of the original investment costs of Mr Chan Pak Chung plus interest at no more than 1.25% above HIBOR accruing from the period commencing on the respective dates of payment of such investment or the net asset value of shares in Lee Yip Metal Products Company Limited and all indebtedness owed by Lee Yip Metal Products Company Limited to Mr Chan Pak Chung within one year from the date of the listing of the Company.

On 27 July 2006, Lee City Asia Company Limited, a subsidiary incorporated subsequent to the Relevant Periods, entered into an agreement to acquire a property for own use in Hong Kong at a consideration of HK$29,000,000.

III SUBSEQUENT ACCOUNTS

No audited accounts of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 May 2006 up to the date of this report. Save as disclosed in this report, no dividend or other distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 31 May 2006.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth here to illustrate the effect of the Global Offering on the unaudited pro forma adjusted net tangible assets of our Group as if it had taken place on 31 May 2006.

The information set forth in this Appendix does not form part of the accountants' report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of our Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 May 2006. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 May 2006 or at any future date.

	Audited combined net assets of our Group as at 31 May 2006[(1)]	**Estimated net proceeds from the Global Offering**[(2)]	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**[(3)]
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$1.94 per Share	575,940	353,472	929,412	1.16
Based on an Offer Price of HK$2.70 per Share	575,940	500,212	1,076,152	1.35

Notes:

1. The audited combined net assets of our Group as at 31 May 2006 has been extracted without adjustment from the accountants' report, the text of which is set forth in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.94 and HK$2.70 per Share, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of our Shares which may be issued pursuant to any exercise of the Over-allotment Option or any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under and the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue, taking no account for our Shares which may be issued pursuant to any exercise of the Over-allotment Option or any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.

4. No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 May 2006.

(C) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

The Directors
Lee Kee Holdings Limited

21 September 2006

Dear Sirs,

We report on the unaudited pro forma financial information of Lee Kee Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 and II-2 under the heading of "Unaudited Pro Forma Adjusted Net Tangible Assets" (the "unaudited pro forma financial information") in Appendix II of the Company's prospectus dated 21 September 2006, in connection with the proposed initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Prospectus"). The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group as at 31 May 2006. The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 and II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 31 May 2006 with the accountants' report as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 May 2006 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 30 June 2006 of the property interests of the Group.

Sallmanns

Corporate valuation and consultancy
www.sallmanns.com

22nd Floor, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2528 5079

21 September 2006

The Board of Directors
Lee Kee Holdings Limited
Rooms 1302-1305, 13th Floor
Manulife Provident Funds Place
No. 345 Nathan Road
Yau Ma Tei
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Lee Kee Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong and the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 June 2006 (the "date of valuation").

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest in Group I in Hong Kong by the direct comparison approach assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the property interest in Group II has been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the Market Value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Groups III and IV, which are leased by the Group in Hong Kong and the PRC respectively, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing those property interests of the Group in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of the title documents and lease agreements relating to the property interests and have caused searches to be made at the Hong Kong Land Registries. However, we have not searched the original documents to verify ownership or to ascertain any amendment.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal adviser — Global Law Office, concerning the validity of the Group's titles to the property interests.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars. The exchange rate adopted in our valuation is approximately HK$1 = RMB1.03, which is the prevailing exchange rate as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 23 years' experience in the valuation of properties in the PRC and 26 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I — PROPERTY INTEREST OWNED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2006
		HK$		*HK$*
1.	The Remaining Portion of Lot No. 1931 and the Remaining Portions of Sub-sections 2 & 3 of Section B of Lot No. 1932 in D.D. 76 Ma Mei Ha Sha Tau Kok New Territories	11,000,000	100%	11,000,000
	Sub-total:	11,000,000		11,000,000

GROUP II — PROPERTY INTEREST OWNED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2006
		HK$		*HK$*
2.	Land, various buildings and structures located at No.8 Wang Fang Road Wang Jia Village Xiepu Industrial Development Area Zhenhai District Ningbo City Zhejiang Province The PRC	5,860,000	50%	2,930,000
	Sub-total:	5,860,000		2,930,000

GROUP III — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing state as at 30 June 2006 *HK$*
3.	Short Term Tenancy No. 1023 Government land adjoining Lot Nos. 1931RP and 1932B2RP in D.D.76 Ma Mei Ha Sha Tau Kok New Territories	No commercial value
4.	Units 1 and 3 on Ground Floor and Car Parking Space Nos. P7 and L2 on 1st Floor Yue Fung Industrial Building Nos. 35-45 Chai Wan Kok Street Tsuen Wan New Territories	No commercial value
5.	Rooms 1302-1305 on 13th Floor Wing On Kowloon Centre (also known as Manulife Provident Funds Place) No. 345 Nathan Road Yau Ma Tei Kowloon	No commercial value
6.	Flat E on 12th Floor of Tower 5 and Car Parking Space No. 36 on Car Park B2 One Beacon Hill No. 1 Beacon Hill Road Kowloon	No commercial value
7.	Lot No. 1828 in D.D.76 Ma Mei Ha Sha Tau Kok New Territories	No commercial value
	Sub-total:	Nil

GROUP IV — PROPERTY INTEREST RENTED BY THE GROUP IN THE PRC

No.	Property		Capital value in existing state as at 30 June 2006 *HK$*
8.	Unit D on Level 4 of Block A Central Gardens No. 139 Xiao Wen Street Ningbo City Zhejiang Province The PRC		No commercial value
		Sub-total:	Nil
		Grand Total:	13,930,000

VALUATION CERTIFICATE

GROUP I — PROPERTY INTEREST OWNED AND OCCUPIED BY THE GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006 *HK$*
1.	The Remaining Portion of Lot No. 1931 and the Remaining Portions of Sub-sections 2 & 3 of Section B of Lot No. 1932 in D.D. 76 Ma Mei Ha Sha Tau Kok New Territories	The property comprises 3 parcels of adjoining land, on which are erected two 1-storey buildings completed in about 1990s. The property has a total site area of approximately 53,895 sq.ft. The property is held under a Government Lease for a term of 75 years commencing from 1 July 1898 renewable for 24 years and thereafter statutorily extended until 30 June 2047 without premium but subject to a payment of Government rent which equals to 3% of the rateable value for the time being of the lot.	The property is currently occupied by the Group for warehouse purpose.	11,000,000 100% interest attributable to the Group: HK$11,000,000

Notes:

1. The registered owner of the property is Toba Company Limited under Assignments Memorial Nos. N224368, N225388 and N229022 dated 28 August 1987, 20 October 1987 and 2 November 1988 respectively.

2. Toba Company Limited is a wholly-owned subsidiary of the Company.

3. The property is subject to a mortgage in favour of Hang Seng Bank Limited vide Memorial No. N523667 dated 2 January 2002. The consideration is all monies.

4. The property is subject to the Short Term Waiver No. 1118 dated 4 March 1999 issued by the Lands Department and the Company is allowed to use part of the property for the purpose of film studios and storage/open storage of metals, and built over area not exceeding 1,080 sq.m. and building not exceeding 7.62 metres in height are allowed on the property for the term of one year from 1 March 1998 and thereafter renewable quarterly.

5. The property is zoned under Lung Yeuk Tau & Kwan Tei South Outline Zoning Plan No. S/NE-LYT/11 dated 24 February 2006 for “Agriculture” purpose.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTEREST OWNED AND OCCUPIED BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006 *HK$*
2.	Land, various buildings and structures located at No.8 Wang Fang Road Wang Jia Village Xiepu Industrial Development Area Zhenhai District Ningbo City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 10,400 sq.m. on which are constructed 12 buildings and various structures completed in various stages between 2000 and 2005. The buildings have a total gross floor area of approximately 4,305.89 sq.m. The buildings mainly include an industrial building and an office building, etc. The structures mainly comprise boundary walls, sheds and roads, etc. The land use rights of the property were granted for a term of 50 years expiring on 7 March 2051 for industrial use.	The property is currently occupied by the Group for production purpose.	5,860,000 50% interest attributable to the Group: HK$2,930,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zhen Guo Yong (2001) Zi Di No.0500062 dated 20 June 2001 issued by the Zhenhai District Land Administration Bureau of Ningbo City, the land use rights of a parcel of land with a site area of approximately 10,400 sq.m. were granted to Genesis Alloy (Ningbo) Limited ("Genesis Ningbo"), a 50% interest owned jointly-controlled entity of the Company, for a term expiring on 7 March 2051 for industrial use.

2. Pursuant to 2 Building Ownership Certificates — Fang Quan Zheng Zhen Xie Zi Di No. 2003000329 and No. 2002000708, dated 6 March 2003 and 12 June 2002 respectively issued by the Zhenhai District Housing and Land Administration Bureau of Ningbo City, 2 buildings with a total gross floor area of approximately 3,940.89 sq.m. are owned by Genesis Ningbo.

3. In the valuation of this property, we have not attributed any commercial value to the 10 buildings with a total gross floor area of approximately 365 sq.m. which have not obtained Building Ownership Certificates. However, for reference purposes, we are of the opinion that the capital value of the buildings (excluding the land) as at the date of valuation would be HK$192,000 assuming all proper title certificates have been obtained and the buildings could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   (i) Genesis Ningbo legally obtained the land use rights of the parcel of land mentioned in note 1 and the building ownership rights of the two buildings mentioned in note 2, and has the rights to transfer, let and mortgage them in accordance with the valid term stipulated by the land use rights certificate; and

   (ii) The property is not subject to mortgage and any other encumbrances.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006 *HK$*
3.	Short Term Tenancy No. 1023 Government land adjoining Lot Nos. 1931RP and 1932B2RP in D.D.76 Ma Mei Ha Sha Tau Kok New Territories	The property comprises a strip of open land in between 2 parcels of land of property 1. The property has a site area of approximately 2,960 sq.ft. The property is rented from The Government of the Hong Kong Special Administrative Region, for a term of 1 year commencing from 1 March 1998 and thereafter on 3 months' term, at a rent of HK$26,000 per annum from 1 March 1998 onwards. Subsequent payment of renewal rent is made each 3 months in advance, which is HK$6,500.	The property is currently occupied by the Group for access way and open storage purposes.	No commercial value

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006 *HK$*
4.	Units 1 and 3 on Ground Floor and Car Parking Space Nos. P7 and L2 on 1st Floor Yue Fung Industrial Building Nos. 35-45 Chai Wan Kok Street Tsuen Wan New Territories	The property comprises 2 units on the ground floor and 2 car and lorry parking spaces on the 1st floor of a 17-storey industrial building completed in about 1990. The units have a total gross floor area of approximately 7,796 sq.ft. The detailed area breakdown of the units is set out as follows: **Unit** — **Gross Floor Area** *(sq.ft.)* Unit 1 — 2,445 Unit 3 — 5,351 Total — 7,796 The property is rented from Modern Wealth Limited, a connected party of the Group, for a term of 2 years commencing from 1 December 2005 and expiring on 30 November 2007 and at a monthly rent of HK$67,000 exclusive of rates and management fees. The tenant has an option to renew for a further term of 2 years from the date of expiration of the term at a monthly rent of HK$84,000 or at the prevailing market rent whichever is lower.	The property is currently occupied by the Group for warehouse and car parking purposes.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006 *HK$*
5.	Rooms 1302-1305 on 13th Floor Wing On Kowloon Centre (also known as Manulife Provident Funds Place) No. 345 Nathan Road Yau Ma Tei Kowloon	The property comprises 4 office units on the 13th floor of a 19-storey commercial building completed in about 1999. The property has a total gross floor area of approximately 7,994 sq.ft. The detailed area breakdown of the units is set out as follows: **Unit** — **Gross Floor Area** *(sq.ft.)* Rooms 1302-04 — 6,066 Room 1305 — 1,928 Total — 7,994 Rooms 1302-04 of the property are rented from The Wing On Company Limited and The Wing On Properties and Securities Company Limited, independent third parties of the Group, for a term of 2 years commencing from 16 September 2005 and expiring on 15 September 2007 at a monthly rent of HK$81,891 exclusive of rates, management charges and other outgoings. Rooms 1302-04 are given two rent free periods from 16 September 2005 to 5 November 2005 and from 16 August 2007 to 15 September 2007 respectively. Room 1305 of the property is also rented from The Wing On Company Limited and The Wing On Properties and Securities Company Limited, independent third parties of the Group, for a term commencing from 1 November 2005 and expiring on 15 September 2007 at a monthly rent of HK$32,776 exclusive of rates, management charges and other outgoings. Room 1305 is given a rent free period of 1 month from 1 November 2005 to 30 November 2005.	The property is currently occupied by the Group for office purpose.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006 *HK$*
6.	Flat E on 12th Floor of Tower 5 and Car Parking Space No. 36 on Car Park B2 One Beacon Hill No. 1 Beacon Hill Road Kowloon	The property comprises a unit on the 12th floor and a car parking space on the level B2 of a 16-storey (including 3 car parking levels) residential building completed in about 2004. The unit has a gross floor area of approximately 1,473 sq.ft. including balcony of 32 sq.ft., bay window of 38 sq.ft. and utility platform of 16 sq.ft. The property is rented from Li Yee Mei, an independent third party of the Group, for a term of 1 year commencing from 1 November 2005 and expiring on 30 October 2006, at a monthly rent of HK$40,000 inclusive of rates and management fees. The tenant has an option to renew for a further term of 1 year from 1 November 2006 to 30 October 2007 at the same monthly rent.	The property is currently occupied by the Group for staff quarters purpose.	No commercial value

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006 *HK$*
7.	Lot No. 1828 in D.D. 76 Ma Mei Ha Sha Tau Kok New Territories	The property comprises a parcel of land with a site area of approximately 11,761 sq.ft. The property is rented from Mr. Wai Siu Kan (韋少勤) and Ms. Wong Ho Chu Silvia (黃灝珠), independent third parties of the Group, for a term of 3 years commencing from 1 August 2005 and expiring on 31 July 2008, at a monthly rent of HK$15,000 inclusive of rates and Government rent but exclusive of water and electricity charges. The tenant has a rent free period from 25 July 2005 to 31 July 2005.	The property is currently occupied by the Group for open storage purpose.	No commercial value

VALUATION CERTIFICATE

GROUP IV — PROPERTY INTEREST RENTED BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006 *HK$*
8.	Unit D on Level 4 of Block A Central Gardens No. 139 Xiao Wen Street Ningbo City Zhejiang Province The PRC	The property comprises a unit on the Level 4 of a 25-storey residential building completed in about 2000. The property has a gross floor area of approximately 130 sq.m. The property is rented from Cao Songhui, an independent third party, for a term of 1 year commencing from 10 March 2006 and expiring on 9 March 2007, at a yearly rent of RMB54,000 exclusive of management fees, gas, water and electricity charges.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Genesis Alloy (Ningbo) Limited ("Genesis Ningbo") ("the lessee"), a 50% interest owned jointly-controlled entity of the Company and Cao Songhui ("the lessor"), an independent third party, the property is leased to Genesis Ningbo for a term of 1 year commencing from 10 March 2006 and expiring on 9 March 2007 at a yearly rent of RMB54,000, exclusive of management fees, gas, water and electricity charges.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   (i) The tenancy agreement is legally binding and enforceable under the PRC laws.

Set forth below is a summary of certain provisions of the Memorandum and Articles and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 November 2005 under the Companies Law. The Memorandum and Articles comprise its constitution.

1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was adopted on 15 September 2006 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI to this prospectus.

2 ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted on 15 September 2006 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles of Association is HK$800,000,000 divided into 8,000,000,000 shares of HK$0.10 each.

2.2 Directors

2.2.1 *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

2.2.2 *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

2.2.3 *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

2.2.4 *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

2.2.5 *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

2.2.6 *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(a) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;

(e) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

    (i) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;

    (ii) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(iii) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

2.2.7 *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

2.2.8 *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(a) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(b) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(c) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(e) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(f) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(g) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

2.2.9 *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

2.2.10 *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person(or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 **Alteration of Capital**

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

2.5.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

2.5.2 cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

2.5.3 sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares. The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 **Special resolution — majority required**

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 **Voting rights (generally, on a poll and right to demand a poll)**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

2.7.1 the chairman of the meeting; or

2.7.2 at least five members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or

2.7.3 any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or

2.7.4 any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

2.8 **Annual general meetings**

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 **Accounts and audit**

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 **Notice of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 **Transfer of Shares**

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 **Power of the Company to purchase its own Shares**

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

2.13 **Power of any subsidiary of the Company to own Shares**

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 **Dividends and other methods of distributions**

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment. Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 **Calls on Shares and forfeiture of Shares**

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 **Inspection of register of members**

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 **Procedure on liquidation**

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 **Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 November 2005 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 **Share capital**

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct. Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association. The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of US corporations.

14 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

16 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18 Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

    (i) on or in respect of the shares, debentures or other obligations of the Company; or

    (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from 29 November 2005.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

19 **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

20 **General**

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 November 2005.

We are registered in Hong Kong under Part XI of the Companies Ordinance as an overseas company on 8 August 2006 and our principal place of business in Hong Kong is at Rooms 1302-05, 13th Floor, Manulife Provident Funds Place, 345 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong. In compliance with the requirements of the Companies Ordinance, Ms. CHAN Yuen Shan, Clara of Flat E, 12th Floor, Tower 5, One Beacon Hill, No. 1 Beacon Hill Road, Kowloon, Hong Kong, has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Companies Law and the Company's constitution which comprises the Memorandum and the Articles. A summary of various parts of our Company's constitution and relevant aspects of Companies Law is set forth in Appendix IV to this prospectus.

2. Changes in share capital of our Company

The following changes in the share capital of our Company have taken place since the date of its incorporation up to the date of this prospectus:

(a) As at the date of incorporation of our Company, our authorised share capital was HK$380,000 divided into 3,800,000 Shares, one of which was allotted and issued, fully paid, to the initial subscriber, and was transferred to Mr. CHAN Pak Chung on 10 January 2006.

(b) By written resolutions of our sole Shareholder passed on 15 September 2006, the authorised share capital of the Company was increased from HK$380,000 to HK$800,000,000 by the creation of 7,996,200,000 new Shares ranking *pari passu* in all respects with the then existing issued Shares.

(c) Assuming that the Global Offering and the Capitalisation Issue become unconditional and the Shares are issued but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the authorised share capital of our Company will be HK$800,000,000 divided into 8,000,000,000 Shares, of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 7,200,000,000 Shares will remain unissued.

Other than the issue of Shares under the Global Offering, the Capitalisation Issue, the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme, there is at present no intention to issue any part of the authorised but unissued share capital of our Company and without the prior approval of our members in general meeting.

Save as aforesaid and except as referred to in paragraph headed "Corporate reorganisation" below, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. **Written resolutions of our sole Shareholder passed on 15 September 2006**

Written resolutions were passed by our sole Shareholder on 15 September 2006 pursuant to which, among other matters:

(a) conditional upon the Listing, our Company approved and adopted our existing Memorandum and Articles;

(b) the authorised share capital of our Company was increased from HK$380,000 to HK$800,000,000 by the creation of 7,996,200,000 new Shares ranking pari passu in all respects with the Shares then in issue;

(c) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in paragraph headed "Pre-IPO Share Option Scheme" in this Appendix, were approved and adopted and our Board was authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme;

(d) conditional upon the satisfaction of the conditions as stated in the paragraph headed "Conditions of the Global Offering" in the section headed "Structure and conditions of the Global Offering" of this prospectus:

(i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares under the Global Offering;

(ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph headed "Share Option Scheme" in this Appendix, were approved and adopted and our Board was authorised, at its absolute discretion, to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(iv) subject to the share premium account of our Company being credited by an amount not less than HK$59,999,999.90 as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 599,999,999 Shares credited as fully paid at par to the holder(s) of Shares whose name(s) appear on the register of members of the Company (or as they may direct) at the close of business on the date of this prospectus in proportion as nearly as possible without involving the fraction of a Share to its then existing shareholding in our Company by way of capitalisation of the sum of HK$59,999,999.90 standing to the credit of the share premium account of our Company, and our Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares;

(e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with 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). The exercise of this mandate may require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any scrip 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; or (iii) any specific authority granted by the Shareholders in general meeting, shall not exceed 20% of the total nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option;

(f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of any other stock exchange, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option; and

(g) the general unconditional mandate mentioned in paragraph (e) above was 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 our Directors 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 mandate to repurchase Shares referred to in paragraph (f) above, provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

For the purpose of paragraph (e) above, "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 our Directors, 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 our Directors 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).

Each of the general mandates referred to in paragraphs (e) and (f) above will remain effective until the earliest of (i) the conclusion of the next annual general meeting of our Company; (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 to be held; and (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking, varying or renewing the authority given to our Directors by such resolution.

4. **Corporate reorganisation**

The companies within our Group underwent a reorganisation in preparation for the listing of the Shares on the Main Board which involved the following:

(a) On 31 October 2005, Lee Kee Group (BVI) was incorporated in BVI with an authorised share capital of HK$1,000 divided into 1,000 shares of HK$1.00 each. On 9 September 2006, Lee Kee Group (BVI) allotted and issued for cash at par one share to the Company.

(b) On 14 February 2006, Ms. CHAN Yuen Shan, Clara transferred the legal ownership of one share in the capital of Lee Kee Group to Mr. CHAN Pak Chung for nil consideration. Upon completion of the share transfer, Lee Kee Group became a single member company wholly-owned by Mr. CHAN Pak Chung.

(c) On 14 February 2006, Mr. CHAN Pak Chung transferred the legal ownership of one share in the capital of each of Lee Kee Metal, Lee Sing Materials, Lee Fung Metal, Lee Tai Precious Metal, Toba and Standard Glory to Lee Kee Group for nil consideration. Upon completion of the share transfers, each of Lee Kee Metal, Lee Sing Materials, Lee Fung Metal, Lee Tai Precious Metal, Toba and Standard Glory became a single member company wholly-owned by Lee Kee Group.

(d) On 6 March 2006, Mr. CHAN Pak Chung created the P.C. CHAN Family Trust.

(e) On 17 May 2006, Lee Kee Group transferred the beneficial ownership of 10,000 shares of HK$1.00 each in, being the entire issued share capital of, Modern Wealth Limited to Mr. CHAN Pak Chung for an aggregate consideration of HK$59,487,679.19, being the unaudited net asset value of Modern Wealth Limited as at 31 March 2006 and the amount of the shareholder's loan owed to Mr. CHAN Pak Chung.

(f) On 24 May 2006, Lee Kee Group transferred the beneficial ownership of 10,000 shares of HK$1.00 each in, being the entire issued share capital of Wah San Diecasting Company Limited to Mr. CHAN Pak Chung for a nominal consideration of HK$1.00.

(g) On 21 August 2006, each of Lee Kee Metal (BVI), Lee Sing Materials (BVI), Lee Fung Metal (BVI), Lee Tai Precious Metal (BVI) and Toba (BVI) entered into the following transactions:

(i) Lee Kee Metal (BVI) acquired from Lee Kee Group the entire issued share capital of Lee Kee Metal, and in consideration thereof, Lee Kee Metal (BVI) allotted and issued one share of HK$1.00 in the capital of Lee Kee Metal (BVI), credited as fully paid, to Lee Kee Group;

(ii) Lee Sing Materials (BVI) acquired from Lee Kee Group the entire issued share capital of Lee Sing Materials, and in consideration thereof, Lee Sing Materials (BVI) allotted and issued one share of HK$1.00 in the capital of Lee Sing Materials (BVI), credited as fully paid, to Lee Kee Group;

(iii) Lee Fung Metal (BVI) acquired from Lee Kee Group the entire issued share capital of Lee Fung Metal, and in consideration thereof, Lee Fung Metal (BVI) allotted and issued one share of HK$1.00 in the capital of Lee Fung Metal (BVI), credited as fully paid, to Lee Kee Group;

(iv) Lee Tai Precious Metal (BVI) acquired from Lee Kee Group the entire issued share capital of Lee Tai Precious Metal, and in consideration thereof, Lee Tai Precious Metal (BVI) allotted and issued one share of HK$1.00 in the capital of Lee Tai Precious Metal (BVI), credited as fully paid, to Lee Kee Group; and

(v) Toba (BVI) acquired from Lee Kee Group the entire issued share capital of Toba, and in consideration thereof, Toba (BVI) allotted and issued one share of HK$1.00 in the capital of Toba (BVI), credited as fully paid, to Lee Kee Group.

(h) On 11 September 2006, Lee Kee Group (BVI) entered into a reorganisation agreement with Mr. CHAN Pak Chung and Lee Kee Group whereby:

(i) Lee Kee Group (BVI) subscribed for 1,000 shares of HK$1.00 each in the capital of Lee Kee Group in cash;

(ii) Mr. CHAN Pak Chung consented to convert (the "**Non Voting Shares Conversion**") his interest in 10,000,000 ordinary shares of HK$1.00 each in the capital of Lee Kee Group into the same number of non voting deferred shares in Lee Kee Group (the "**Non Voting Shares**"); and

(iii) Lee Kee Group (BVI) allotted and issued one share at premium to the Company at the direction of Mr. CHAN Pak Chung and pursuant to a deed of gift entered into between Mr. CHAN Pak Chung and the Company (the "**Conversion Deed of Gift**") in consideration of the Non Voting Shares Conversion.

(i) On 12 September 2006, Lee Kee Group entered into a share buy back agreement with Mr. CHAN Pak Chung whereby Lee Kee Group acquired the Non Voting Shares from Mr. CHAN Pak Chung in consideration of HK$10,000,000 paid by Lee Kee Group out of distributable profits of Lee Kee Group to Mr. CHAN Pak Chung.

(j) On 13 September 2006, the entire issued share capital of the Company became wholly owned by Gold Alliance, which is in turn wholly-owned by Gold Alliance International, by way of a deed of gift entered into between Mr. CHAN Pak Chung and Gold Alliance (the "**Trustee Deed of Gift**"). The entire issued share capital of Gold Alliance International is held by HSBC Trustee, which is the trustee of the P.C. CHAN Family Trust.

(k) On 15 September 2006, Lee Kee Group acquired 50% of the issued share capital of GRTL from Metallic Scope Holding Company Limited for an aggregate consideration of HK$9,347,752, being the net asset value of GRTL as at 30 June 2006 and the amount of the shareholder's loan owed to Metallic Scope Holding Company Limited.

5. **Changes in share capital of our subsidiaries**

Our subsidiaries are listed out in the accountants' report set forth in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus.

(a) *Lee Kee Metal (BVI)*

On 31 October 2005, Lee Kee Metal (BVI) was incorporated in BVI with an authorised share capital of HK$1,000 divided into 1,000 shares of HK$1.00 each. On 14 February 2006, Lee Kee Metal (BVI) allotted and issued for cash at par one share to Lee Kee Group. On 21 August 2006, in consideration of the transfer of the entire issued share capital of Lee Kee Metal to Lee Kee Metal (BVI) by Lee Kee Group, Lee Kee Metal (BVI) allotted and issued to Lee Kee Group one share of HK$1.00 in its capital.

(b) *Lee Sing Materials (BVI)*

On 31 October 2005, Lee Sing Materials (BVI) was incorporated in BVI with an authorised share capital of HK$1,000 divided into 1,000 shares of HK$1.00 each. On 14 February 2006, Lee Sing Materials (BVI) allotted and issued for cash at par one share to Lee Kee Group. On 21 August 2006, in consideration of the transfer of the entire issued share capital of Lee Sing Materials to Lee Sing Materials (BVI) by Lee Kee Group, Lee Sing Materials (BVI) allotted and issued to Lee Kee Group one share of HK$1.00 in its capital.

(c) *Lee Fung Metal (BVI)*

On 31 October 2005, Lee Fung Metal (BVI) was incorporated in BVI with an authorised share capital of HK$1,000 divided into 1,000 shares of HK$1.00 each. On 14 February 2006, Lee Fung Metal (BVI) allotted and issued for cash at par one share to Lee Kee Group. On 21 August 2006, in consideration of the transfer of the entire issued share capital of Lee Fung Metal to Lee Fung Metal (BVI) by Lee Kee Group, Lee Fung Metal (BVI) allotted and issued to Lee Kee Group one share of HK$1.00 in its capital.

(d) *Lee Tai Precious Metal (BVI)*

On 31 October 2005, Lee Tai Precious Metal (BVI) was incorporated in BVI with an authorised share capital of HK$1,000 divided into 1,000 shares of HK$1.00 each. On 14 February 2006, Lee Tai Precious Metal (BVI) allotted and issued for cash at par one share to Lee Kee Group. On 21 August 2006, in consideration of the transfer of the entire issued share capital of Lee Tai Precious Metal to Lee Tai Precious Metal (BVI) by Lee Kee Group, Lee Tai Precious Metal (BVI) allotted and issued to Lee Kee Group one share of HK$1.00 in its capital.

(e) *Toba (BVI)*

On 31 October 2005, Toba (BVI) was incorporated in BVI with an authorised share capital of HK$1,000 divided into 1,000 shares of HK$1.00 each. On 14 February 2006, Toba (BVI) allotted and issued for cash at par one share to Lee Kee Group. On 21 August 2006, in consideration of the transfer of the entire issued share capital of Toba to Toba (BVI) by Lee Kee Group, Toba (BVI) allotted and issued to Lee Kee Group one share of HK$1.00 in its capital.

(f) *Lee City Asia*

On 14 July 2006, Lee City Asia was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each and one share of HK$1.00 in the capital of Lee City Asia being subscribed by the initial subscriber. On 21 July 2006, Lee City Asia allotted and issued for cash at par 9,999 shares to Lee Kee Group. On 25 July 2006, the subscriber share was transferred to Lee Kee Group.

(g) *Success City Asia*

On 3 August 2006, Success City Asia was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each and one share of HK$1.00 in the capital of Success City Asia being subscribed by the initial subscriber. On 21 August 2006, Success City Asia allotted and issued for cash at par 9,999 shares to Lee Kee Group. On 29 August 2006, the subscriber share was transferred to Lee Kee Group.

(h) *Success In Asia*

On 3 August 2006, Success In Asia was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each and one share of HK$1.00 in the capital of Success In Asia being subscribed by the initial subscriber. On 21 August 2006, Success In Asia allotted and issued for cash at par 9,999 shares to Lee Kee Group. On 29 August 2006, the subscriber share was transferred to Lee Kee Group.

(i) *Lee Kee Group*

On 8 September 2006, the authorised share capital of Lee Kee Group was increased from HK$10,000,000 to HK$11,000,000 by the creation of additional 1,000,000 new ordinary new shares of HK$1.00 each.

On 11 September 2006, 1,000 new ordinary shares of HK$1.00 each in the capital of Lee Kee Group were allotted and issued to Lee Kee Group (BVI) for cash at par.

On 11 September 2006, 10,000,000 ordinary shares of HK$1.00 each in the capital of Lee Kee Group were converted into 10,000,000 non-voting deferred shares of HK$1.00 each. On 12 September 2006, the 10,000,000 non-voting deferred shares were repurchased by Lee Kee Group at par value from Mr. CHAN Pak Chung.

6. **Repurchase of our Shares**

This section includes information relating to our repurchase of Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Shareholders' approval*

All our proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to written resolutions passed by our sole Shareholder on 15 September 2006, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising them to exercise all powers of our Company to repurchase our Shares on the Stock Exchange or on any other stock exchange on which our Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.

(b) *Number of Shares which may be repurchased*

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (and assuming that the Over-allotment Option is not exercised), could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of the Company; (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to the held; or (3) the passing of an ordinary resolution by the Shareholders in a general meeting revoking, varying or renewing of the Repurchase Mandate, whichever occurs first.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and our assets and/or our earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Source of funds*

Repurchases by our Company must be funded out of funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws and regulations of the Cayman Islands and the Listing Rules. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by our Company may be made out of our funds which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase.

(e) *Impact of repurchase*

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) *Directors' intention to sell shares*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to us.

(g) *Directors' undertakings*

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

(h) *Takeovers Code*

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(i) *Share repurchase made by the Company*

No repurchase of Shares has been made by our Company since its incorporation.

(j) *Connected parties*

No connected person (as defined in the Listing Rules) has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the Enlarged Group's material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years preceding the date of this prospectus and are or may be material:

(a) a deed of novation dated 24 February 2006 entered between GRTL, Metallic Scope Holding Company Limited ("Metallic"), Lee Kee Group, Zinifex International and Mr. CHAN Pak Chung in respect of the release and discharge of Lee Kee Group from all rights, duties, liabilities and obligations owed by, and to, the other parties under a subscription agreement dated 30 July 2001 between, inter alia, GRTL, Metallic, Lee Kee Group and Zinifex International (as amended and supplemented from time to time);

(b) a deed of novation dated 24 February 2006 entered between GRTL, Metallic, Lee Kee Group, Zinifex International and Mr. CHAN Pak Chung in respect of the release and discharge of Lee Kee Group from all rights, duties, liabilities and obligations owed by, and to, the other parties under a shareholders' agreement dated 30 July 2001 between, inter alia, GRTL, Metallic, Lee Kee Group and Zinifex International (as amended and supplemented from time to time);

(c) a deed of assignment of a loan dated 30 April 2006 entered into between Lee Kee Metal, Lee Kee Group and Modern Wealth Limited, pursuant to which all the rights, interest, benefit and title in respect of a loan owed by Modern Wealth Limited to Lee Kee Metal was assigned to Lee Kee Group for a consideration of HK$10,611,641.46;

(d) a deed of assignment of a loan dated 30 April 2006 entered into between Lee Kee Group, Mr. CHAN Pak Chung and Modern Wealth Limited, pursuant to which all the rights, interest, benefit and title in respect of a loan owed by Modern Wealth Limited to Lee Kee Group was assigned to Mr. CHAN Pak Chung for a consideration of HK$51,095,182.88;

(e) an agreement dated 30 April 2006 entered into between Lee Kee Group and Mr. CHAN Pak Chung, pursuant to which Lee Kee Group agreed to transfer its entire interest in Modern Wealth Limited to Mr. CHAN Pak Chung together with an assignment of shareholder's loans for an aggregate consideration of HK$59,487,679.19;

(f) instruments of transfer, each of which is dated 21 August 2006 in respect of the following transfers of shares for the consideration set out below:

Relevant company whose shares are being transferred	**Transferor**	**Transferee**	**Consideration in the form of the number of shares set out below in the transferee**
Lee Kee Metal	Lee Kee Group	Lee Kee Metal (BVI)	1 ordinary share of HK$1.00
Lee Sing Materials	Lee Kee Group	Lee Sing Materials (BVI)	1 ordinary share of HK$1.00
Lee Fung Metal	Lee Kee Group	Lee Fung Metal (BVI)	1 ordinary share of HK$1.00
Lee Tai Precious Metal	Lee Kee Group	Lee Tai Precious Metal (BVI)	1 ordinary share of HK$1.00
Toba	Lee Kee Group	Toba (BVI)	1 ordinary share of HK$1.00

(g) a reorganisation agreement dated 11 September 2006 between Lee Kee Group as the target company, Mr. CHAN Pak Chung as guarantor and Lee Kee Group (BVI) as acquirer, pursuant to which Lee Kee Group (BVI) subscribed for 1,000 shares in Lee Kee Group and 10,000,000 ordinary shares of HK$1.00 each in the capital of Lee Kee Group were converted into 10,000,000 non-voting deferred shares and in consideration of such conversion, one share was issued by Lee Kee Group (BVI) to the Company at Mr. CHAN Pak Chung's direction;

(h) an agreement dated 15 September 2006 entered into between Metallic as vendor, Lee Kee Group as purchaser and Mr. CHAN Pak Chung as guarantor, pursuant to which Metallic agreed to transfer 50% of the issued share capital of GRTL to Lee Kee Group together with (i) a deed of assignment of a loan dated 15 September 2006 entered into between Metallic as assignor, Lee Kee Group as assignee and GRTL, pursuant to which all the rights, interests, benefit and title in respect of a shareholder's loan owed by GRTL to Metallic was assigned to Lee Kee Group, for an aggregate consideration of HK$9,347,752; and (ii) a deed of accession dated 15 September 2006 entered into between Lee Kee Group, Metallic, Zinifex International and GRTL, pursuant to which Lee Kee Group agreed to be bound by the terms and conditions of the shareholders' agreement dated 30 July 2001 between, inter alia, GRTL, Metallic, Lee Kee Group and Zinifex International (as amended and supplemented from time to time);

(i) the Conversion Deed of Gift, details of which are set out in the section headed "Corporate reorganisation" of this Appendix V;

(j) a share buy back agreement dated 12 September 2006 between Mr. CHAN Pak Chung and Lee Kee Group, pursuant to which Lee Kee Group repurchased the 10,000,000 non-voting deferred shares from Mr. CHAN Pak Chung at par value;

(k) the Trust Deed of Gift, details of which are set out in the section headed "Corporate reorganisation" of this Appendix V;

(l) a Non-competition Undertaking dated 15 September 2006 entered into between Mr. CHAN Pak Chung being covenantor on the one part and the Company on the other part regarding non-competition by the covenantor with the Enlarged Group;

(m) a deed of indemnity dated 15 September 2006 given by Gold Alliance and Mr. CHAN Pak Chung in favour of the Company (for itself and as trustee for each of the members of the Enlarged Group) containing the indemnities in respect of, inter alia, taxation; and

(n) the Public Offer underwriting agreement dated 20 September 2006 entered into between the Company, the Public Offer Underwriters and the covenantors stated therein.

2. **Intellectual property rights of our Company**

(a) *Trade marks*

(i) As at the Latest Practicable Date, the Group has registered the following trade marks in Hong Kong:

Trade mark	Class	Registration number	Expiry date
	35	300094707	14 October 2013
	1, 6, 14	300551961	20 December 2015
	6, 35	300551998	20 December 2015
	1, 6, 14, 35	300552087	20 December 2015

(ii) As at the Latest Practicable Date, the Group has applied for registration of the following trade marks in the PRC:

Trade mark	Class	Application number	Application date
	6	5135476	23 January 2006
	14	5135477	23 January 2006
	35	5135478	23 January 2006
	6	5135479	23 January 2006
	35	5135480	23 January 2006
	6	5135481	23 January 2006
	14	5135482	23 January 2006
	35	5135483	23 January 2006

(iii) As at the Latest Practicable Date, the Group has applied for registration of the following trade marks in Taiwan:

Trade mark	Classes	Application number	Application date
	1, 6, 14 and 35	95045964	8 September 2006
	1, 6, 14 and 35	95045965	8 September 2006

(iv) As at the Latest Practicable Date, the Group has applied for registration of the following trade marks in India:

Trade mark	Classes	Application date
	1, 6, 14 and 35	30 August 2006
LK	1, 6, 14 and 35	30 August 2006

(v) As at the Latest Practicable Date, the Group has applied for registration of the following trade marks in Vietnam:

Trade mark	Classes	Application number	Application date
	1, 6, 14 and 35	4-2006-14534	31 August 2006
LK	1, 6, 14 and 35	4-2006-14535	31 August 2006

The following products and/or services are covered by the respective classes of trade marks:

Class	Specification
1	potassium gold cyanide, potassium silver cyanide, palladium chloride, diaminedichloro palladium
6	aluminium, aluminium ingot, magnesium, nickel, ingots of common metal, alloys of common metal, lead (unwrought or semi-wrought), copper (unwrought or semi-wrought), tin ingot, tin alloy, zinc ingot and zinc alloy
14	palladium, rhodium, silver (unwrought or semi-wrought), gold (unwrought or semi-wrought), precious metals (unwrought or semi-wrought)
35	advertising; business management; business administration; import-export and re-export agencies

(b) *Domain name*

As at the Latest Practicable Date, the Group held the following domain name:

Domain Name	Registrant	Registration Date
leekeegroup.com	Lee Kee Group	6 March 2000

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service agreements

(a) *Executive Directors*

Each of the executive Directors has entered into a service agreement with the Company pursuant to which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date. Either party to the service agreement has the right to give not less than three months' written notice to terminate the agreement.

Each of the executive Directors is entitled to the respective basic salaries set out below (which shall be subject to review by the Board and the Remuneration Committee) and a discretionary management bonus as the Remuneration Committee may in its discretion determine having regard to the performance of the relevant executive Director and the overall performance of our Group in respect of the financial year of our Company in question provided that such bonus in aggregate will not exceed 5% of our consolidated net profit before taxation and minority interests and before exceptional and extraordinary items as shown in our consolidated audited accounts for such financial year. Furthermore, each of Mr. CHAN Pak Chung and Ms. CHAN Yuen Shan, Clara is entitled to a monthly housing allowance of HK$120,000 and HK$40,000 respectively.

(b) *Non-executive Director and independent non-executive Directors*

Each of the non-executive Director and the independent non-executive Directors has entered into an appointment letter with the Company for a term of two years commencing from the Listing Date. The respective annual fees for the non-executive Director and each of the independent non-executive Directors are set out below.

(c) *Remuneration of Directors*

The annual basic salaries/fees of the Directors effective from the Listing Date are as follows:

	(HK$)
Executive Directors	
Mr. CHAN Pak Chung	3,120,000
Ms. MA Siu Tao	2,160,000
Ms. CHAN Yuen Shan, Clara	1,920,000
Mr. NG Tze For	1,300,000
Non-executive Director	
Mr. William Tasman WISE	180,000
Independent non-executive Directors	
Mr. YAN Cheuk Yam	180,000
Mr. LEUNG Kwok Keung	180,000
Mr. CHUNG Wai Kwok Jimmy	180,000

Remuneration and benefits in kind of approximately HK$3,808,450 in aggregate were paid and granted by our Group to our Directors in respect of the financial year ended 31 December 2005.

Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending 31 December 2006, is expected to be approximately HK$3,527,000 (excluding discretionary bonus).

Save as disclosed in this prospectus, none of the Directors has or is proposed to have a service contract with us other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Disclosure of interests

(a) *Interests and/or short positions of the Directors in the share capital of the Company and its associated corporations following the Global Offering*

Immediately following completion of the Global Offering and the Capitalisation Issue, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option or pursuant to exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests and/or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

(i) Long position in the Shares

Name of Director	**Capacity**	**Number of Shares in which interested**	**Approximate percentage of issued Shares**
Mr. CHAN Pak Chung *(Note 1)*	Founder of a discretionary trust	600,000,000	75%
Ms. MA Siu Tao *(Note 2)*	Beneficiary of a trust	600,000,000	75%

(ii) Short position in the Shares

Name of Director	Capacity	Number of Shares in short position	Approximate percentage of issued Shares
Mr. CHAN Pak Chung *(Note 3)*	Founder of a discretionary trust	30,000,000	3.75%
Ms. MA Siu Tao *(Note 3)*	Beneficiary of a trust	30,000,000	3.75%

Notes:

1. The entire share capital of Gold Alliance is held by Gold Alliance International, 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 6 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 Gold Alliance 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 Gold Alliance as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.

3. Conditional upon the Stock Borrowing Agreement being entered into between Gold Alliance and Cazenove, each of Mr. CHAN Pak Chung, Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung will be deemed to have a short position in 30,000,000 Shares under the Stock Borrowing Agreement in accordance with the terms of the SFO, pursuant to which Cazenove may borrow up to 30,000,000 Shares from Gold Alliance in accordance with the terms thereof.

(iii) Long positions in underlying Shares of equity derivatives of the Company:

Name of Director	Capacity	Description of equity derivatives	Number of underlying Shares
Mr. CHAN Pak Chung	Beneficial owner	Share option *(Note 1)*	4,705,860 Shares
Mr. CHAN Pak Chung	Family interest	Share option *(Note 2)*	3,862,740 Shares
Ms. MA Siu Tao	Beneficial owner	Share option *(Note 1)*	3,862,740 Shares
Ms. MA Siu Tao	Family interest	Share option *(Note 2)*	4,705,860 Shares
Ms. CHAN Yuen Shan, Clara	Beneficial owner	Share option *(Note 1)*	2,745,090 Shares
Mr. NG Tze For	Beneficial owner	Share option *(Note 1)*	196,050 Shares

Notes:

1. The share options were granted under the Pre-IPO Share Option Scheme.

2. Mr. CHAN Pak Chung and Ms. MA Siu Tao were granted options under the Pre-IPO Share Option 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 Shares subject to the share option granted to Ms. MA Siu Tao and Ms. MA Siu Tao is deemed to be interested in the Shares subject to the share option granted to Mr. CHAN Pak Chung.

(b) *Interests and/or short positions of the Substantial Shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO*

Save as disclosed below and so far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option or pursuant to exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the following persons (other than a Director or a chief executive of the Company) will have interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

(i) Long positions in the Shares

Name	**Capacity**	**Number of Shares in which interested**	**Approximate percentage of issued Shares**
Gold Alliance *(Note 1)*	Registered owner	600,000,000	75%
Gold Alliance International *(Note 1)*	Interest of controlled corporation	600,000,000	75%
HSBC Trustee *(Note 1)*	Trustee	600,000,000	75%

(ii) Short position in the Shares

Name	**Capacity**	**Number of Shares in short position**	**Approximate percentage of issued Shares**
Gold Alliance *(Note 2)*	Registered owner	30,000,000	3.75%
Gold Alliance International *(Note 2)*	Interest of controlled corporation	30,000,000	3.75%
HSBC Trustee *(Note 2)*	Trustee	30,000,000	3.75%

Notes:

1. The 600,000,000 Shares are held by Gold Alliance, the entire share capital of which is held by Gold Alliance International, which is in turn held by HSBC Trustee acting as 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 6 March 2006. The discretionary objects of the P.C. CHAN Family Trust include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung.

2. Conditional upon the Stock Borrowing Agreement being entered into between Gold Alliance and Cazenove, Gold Alliance will have a short position in 30,000,000 Shares under the Stock Borrowing Agreement, pursuant to which Cazenove may borrow up to 30,000,000 Shares from Gold Alliance in accordance with the terms thereof.

3. Personal guarantees

As at 31 July 2006, our outstanding borrowings of HK$259 million were secured by personal guarantees given by Mr. CHAN Pak Chung. The Directors confirmed that the banks have given their respective consents in principle to release all such guarantees and replace such guarantees by corporate guarantees to be issued by the Company upon listing of the Shares on the Main Board.

4. Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

5. Connected transactions

During the two years immediately preceding the date of this prospectus, our Group has engaged in dealings with certain Directors and their associates as described in the paragraphs headed “Exempt continuing connected transaction” and “Related party transactions” in the section headed “The Enlarged Group’s business” in this prospectus.

6. Disclaimers

Save as disclosed in this prospectus, as at the Latest Practicable Date:

(a) the Directors were not aware of any person (not being a Director or chief executive of the Company) who would, immediately after completion of the Global Offering and the Capitalisation Issue (taking no account of the Over-allotment Option or any Shares which may be taken up under the Global Offering or any exercise of options under the Pre-IPO Share Option Scheme and the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who would, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(b) none of our Directors nor any chief executive of our Company had any interest and/or short position in the shares, underlying shares or debentures of any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties whose names are listed in the paragraph headed "Consents of experts" in this Appendix had any direct or indirect interest in the promotion of the Company or in any assets which had within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or were proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors was materially interested in any contract or arrangement subsisting as at the date of this prospectus which was significant in relation to our business taken as a whole;

(e) save in connection with the Underwriting Agreements, none of the parties whose names are listed in the paragraph headed "Consents of experts" in this Appendix:

  (i) was interested legally or beneficially in any securities of any member of our Group; or

  (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) so far as known to the Directors, none of our Directors or their associates had any interest in any of our five largest customers; and

(g) so far as known to the Directors, save and except Mr. William Tasman WISE holds 32,955 shares in Zinifex, representing less than 0.01% of the total issued shares in Zinifex, none of our Directors or their associates had any interest in any of our five largest suppliers.

D. PRE-IPO SHARE OPTION SCHEME

The Company has conditionally adopted the Pre-IPO Share Option Scheme pursuant to the written resolutions of our sole Shareholder passed on 15 September 2006. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors and full-time employees of members of the Group whom the Board considers have contributed to the growth of the Group and/or to the listing of Shares on the Stock Exchange. The exercise of any options granted under the Pre-IPO Share Option Scheme is conditional on: (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and (ii) the commencement of the dealings in the Shares on the Stock Exchange.

The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except for the following:

(a) the subscription price per Share for each of the grantee is 80% of the Offer Price per Share;

(b) the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme, the Share Option Scheme and any other share option schemes of the Company in relation to Shares must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time;

(c) the total number of Shares subject to the Pre-IPO Share Option Scheme are 22,744,470 Shares equivalent to approximately 2.843% (immediately following completion of the Global Offering (assuming that the Over-allotment Option and any of the options offered under the Pre-IPO Share Option Scheme have not been exercised)) of the issued share capital of the Company;

(d) subject to paragraph (b) above, there is no provision limiting the maximum number of options that may be granted to any individual grantee under the Pre-IPO Share Option Scheme;

(e) the grantees eligible for the options comprise only the directors and full-time employees of members of the Group whom the Board considers to have contributed to the development of the Group and/or to the listing of Shares on the Stock Exchange;

(f) the provisions on the granting of options to connected persons (as defined in the Listing Rules) were not included;

(g) the price sensitive development provisions relating to grant of options were not included;

(h) although this scheme provides that options can be offered and granted up to 9:00 a.m. on the business day before the Listing Date, the Directors have confirmed that no further options (other than those referred to below) will be offered under this scheme and accordingly, the Pre-IPO Share Option Scheme does not contain provisions relating to the "refreshing" of the 10% limit or the seeking of separate approval for granting options beyond the 10% limit as anticipated in Note 1 of Rule 17.03(3) of the Listing Rules, or the restrictions on the number of shares issue or to be issued under options in any 12 month period to any participant of the Pre-IPO Share Option Scheme not exceeding 1% of the Shares in issue as anticipated in the note to Rule 17.03(4) of the Listing Rules.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

As at the date of this prospectus, options have been granted to, inter alia, certain Directors and employees of the Group under the Pre-IPO Share Option Scheme. Details are set out as follows:

Name of grantee	Residential Address	Title/Position	Date of joining the Group	Date of grant	Number of Shares subject to the options	Approximate percentage of the issued Shares
						(%)
Director						
Mr. CHAN Pak Chung	Flat B, 1st and 2nd Floors, No. 3 Selkirk Road, Kowloon Tong, Kowloon, Hong Kong	Executive Director	8 April 1987	15 September 2006	4,705,860	0.588
Ms. MA Siu Tao	Flat B, 1st and 2nd Floors, No. 3 Selkirk Road, Kowloon Tong, Kowloon, Hong Kong	Executive Director	8 April 1987	15 September 2006	3,862,740	0.482
Ms. CHAN Yuen Shan, Clara	Flat E, 12th Floor, Tower 5, One Beacon Hill, No. 1 Beacon Hill Road, Kowloon, Hong Kong	Executive Director	13 November 1995	15 September 2006	2,745,090	0.343
Mr. NG Tze For	Flat G, 31/F, Block 2, The Pacific, 9 Sham Shing Road, Kowloon	Executive Director	3 July 2006	15 September 2006	196,050	0.025
Senior Management						
Ms. CHAN Pui Shan, Lillian	Flat F, 3/F, Tower 1, One Beacon Hill, No. 1 Beacon Hill Road, Kowloon Tong, Kowloon, Hong Kong	Procurement Manager	12 March 2001	15 September 2006	1,960,770	0.245
Mr. CHEUK Wa Pang	7C, Tower 6, Park Avenue, 18 Hoi Ting Road, Kowloon, Hong Kong	Chief Financial Officer, Qualified Accountant and Company Secretary	16 December 2002	15 September 2006	1,764,690	0.221
Mr. TSE Chi Yan	Flat 8A, Block 11, Charming Garden, Mongkok, Kowloon, Hong Kong	Accounting Manager	20 April 2005	15 September 2006	784,290	0.098
Mr. NG Siu Kee	Block B, 13/F, Sung King House, 31 Sung Kit St, Hung Hom, Hong Kong	Business Consultant	1 March 1990	15 September 2006	784,290	0.098
Ms. LAI Lai Kwan	Flat J, Block 4, 14/F, Rhythm Garden, 242 Choi Hung Road, Kowloon, Hong Kong	General Manager - Chemical Division	4 February 1998	15 September 2006	588,210	0.074
Mr. CHENG Yick Tong, Steven	P406, Telford Garden, Kowloon Bay, Kowloon, Hong Kong	Sales and Technical Manager	20 July 1998	15 September 2006	294,090	0.037
Ms. TSOI Hau Chu	Flat A, 2/F, Lascar Court, 3 Lok Ku Road, Sheung Wan, Hong Kong	Manager - Customer Liaison	17 July 2001	15 September 2006	196,050	0.025

Name of grantee	Residential Address	Title/Position	Date of joining the Group	Date of grant	Number of Shares subject to the options	Approximate percentage of the issued Shares
						(%)
Mr. HO Wai Man	Flat H, 25/F, Block 9, Cityone, Shatin, New Territories, Hong Kong	Credit Manager	2 July 2004	15 September 2006	156,840	0.02
Ms. LAI Pui Man, Jessica	Flat 3, 36/F, Kam Fu Hse, Kam Tai Court, Ma On Shan, Shatin, New Territories, Hong Kong	Manager - Customer Liaison	16 February 2005	15 September 2006	117,630	0.015
Employee						
Mr. CHAN Shu Cheong	Flat E, 11/F, Kiu Wang Mansion, 3 Hok Yu Lane, Yau Ma Tei, Kowloon, Hong Kong	Director of Lee Kee Group, Lee Fung Metal, Lee Kee Metal, Lee Sing Materials, Lee Tai Precious Metal, Standard Glory and Toba	8 April 1987	15 September 2006	2,745,090	0.343
Ms. KWOK Tsz Kuen	Flat B, 3/F, Block 1, Castello, Siu Lek Yuen, Shatin, New Territories, Hong Kong	Personal Assistant to Chairman	8 November 2004	15 September 2006	333,330	0.042
Mr. MAN Kwai Sum	Room 16, 6/F, Block E, Chun Hong House, Tin Ma Court, Wong Tai Sin, Kowloon, Hong Kong	Manager - Logistic	29 July 1993	15 September 2006	196,050	0.025
Ms. LO Wing Tin	Flat A2, 10/F, Fortune Terrace, 4-16 Tak Shing Street, Kowloon, Hong Kong	Manager - China Operations	5 March 2001	15 September 2006	156,840	0.02
Ms. TSANG Yuk King	Flat 4, 22/F, Block C, Golden Peace Court, Golden Lion Garden, Shatin, New Territories, Hong Kong	Shipping Coordinator	14 April 1994	15 September 2006	137,250	0.017
Ms. WONG Shui Lai	Room 2403, Tak Fu Hse, Hau Tak Est, Tseung Kwan O, Hong Kong	Senior Accounting Officer	22 April 1996	15 September 2006	98,010	0.012
Mr. CHAN Yu Ling	A1, 6/F, Lok Sing Centre, Yee Wo St, Causeway Bay, Hong Kong	Sales Executive	1 September 2003	15 September 2006	98,010	0.012
Mr. WONG Ka Fai	Room 2049, Yiu Chak House, Tin Yiu Estate, Tin Shui Wai, New Territories, Hong Kong	Market Analyst	2 August 2004	15 September 2006	98,010	0.012
Mr. CHAN Yuk Lun	Room 1603, Kam Wan Hse, Choi Hung Estate, Kowloon, Hong Kong	Assistant Technical Manager	4 November 2002	15 September 2006	98,010	0.012

Name of grantee	Residential Address	Title/Position	Date of joining the Group	Date of grant	Number of Shares subject to the options	Approximate percentage of the issued Shares
						(%)
Mr. LAW Chi Man	Flat 8, 11/F, Lai Wan House, Yuet Lai Court, Kwai Chung, New Territories, Hong Kong	Assistant Technical Manager	4 November 2004	15 September 2006	98,010	0.012
Ms. YU Kin Fung	Flat 1703, Shek Kuk House, Shek Wai Kok Estate, Tsuen Wan	System Analyst	25 June 2004	15 September 2006	98,010	0.012
Mr. CHAN Ka Chun	Flat E, 32nd Floor, Tower 7, The Waterfront, No. 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong	Assistant to Chairman	15 August 2006	15 September 2006	58,800	0.007
Ms. CHAN Kam Fung	Flat L, G/F, Block 5, Carado Garden, Tai Wai, Shatin, New Territories, Hong Kong	Administrative Assistant - Procurement	14 June 2004	15 September 2006	58,800	0.007
Mr. LEE Hua, Eric	Flat 4, 12/F, Kai Kwai Building, Wham Poa Estate, Hung Hom	Sales Executive	10 February 2006	15 September 2006	58,800	0.007
Mr. POON Yuk Chun	Room 48, 13/F, Wuhu Street, Hunghom Building, Hung Hom	Technical Engineer	12 December 2005	15 September 2006	58,800	0.007
Ms. CHEUNG Yu Shan	Room 516, Hin Kwai Hse, Hin Keng Estate, Shatin, New Territories, Hong Kong	Sales Administrator	9 October 2000	15 September 2006	39,210	0.005
Mr. LEUNG Chung Man	Flat C, 14/F, Hang Fu Bldg, 38 Yau San St, Yuen Long, New Territories, Hong Kong	Driver	8 April 1987	15 September 2006	39,210	0.005
Ms. WONG Mei Ying	Room 511, Wing Cheung House, Fuk Loi Estate, Tsuen Wan, New Territories, Hong Kong	Clerk - Logistics	7 March 1994	15 September 2006	39,210	0.005
Ms. POON Wai Man	Room 1921, King Fat House, Cheung Fat Estate, Tsing Yi, New Territories, Hong Kong	Clerk - Logistics	20 July 2000	15 September 2006	39,210	0.005
Mr. WONG Ho Cheung	Flat One, 17/F, Ming Hoi House, Ming Nga Court, Tai Po, New Territories, Hong Kong	IT Coordinator	24 August 1998	15 September 2006	39,210	0.005
					22,744,470	2.843

All holders of options granted under the Pre-IPO Share Option Scheme may only exercise their option in the following manner:

Maximum percentage of option exercisable	Period for exercise of the relevant percentage of the option
33% of the total number of the options granted to any grantee	From the expiry of the first anniversary of the Listing Date 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)

Out of the 22,744,470 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, options representing 11,509,740 Shares were granted to four Directors of our Company, options representing 6,646,860 Shares were granted to nine senior management of our Group and options representing 4,587,870 Shares were granted to 20 other employees of our Group.

All the options under the Pre-IPO Share Option Scheme will not be exercisable within the first twelve months after the Listing Date. The Directors will not exercise any options granted under the Pre-IPO Share Option Scheme to the extent that the percentage of the Shares in the public hands will be less than the public float requirements under the Listing Rules.

The options issued under the Pre-IPO Share Option Scheme represent approximately 2.843% of our enlarged share capital as at the Listing Date. If all options are exercised, this would have a dilutive effect on our Shareholders of approximately 2.843%.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the written resolutions of our sole Shareholder passed on 15 September 2006.

(a) *Purpose*

The Share Option Scheme is established to provide participants with the opportunity to acquire proprietary interests in our Company and to encourage participants to work towards enhancing the value of our Company and our Shares for the benefit of our Company and our Shareholders as a whole.

(b) *Who may join*

The Board may, in its sole discretion, offer to grant options to subscribe for such number of Shares as the Board may determine at an exercise price determined in accordance with paragraph (c) below, and subject to other terms of the Share Option Scheme summarised below, to the following participants:

(i) any employees of any member of the Group; or

(ii) any directors (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group; or

(iii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

(c) *Subscription price*

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.

(d) *Acceptance of offer to grant*

To accept an offer for grant of option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(e) *Maximum number of Shares in respect of which options may be granted*

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 in issue immediately upon completion of the Global Offering and the Capitalisation Issue, being 80,000,000 Shares. Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option scheme(s) of the Company) will not be counted for the purpose of calculating the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Company may refresh the 10% limit at any time provided that the limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting. Options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of such scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed.

The Company may also with the approval of Shareholders in general meeting grant options in respect of Shares in excess of the 10% limit (as refreshed from time to time) to participants specifically identified by the Company.

Notwithstanding the foregoing, 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 schemes of the Company at any time must not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

(f) *Maximum entitlement of each participant*

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.

(g) *Granting options to connected persons or any of their associates*

Any grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be the relevant grantee).

If the Company proposes to grant options to a substantial shareholder or any independent non-executive Director of the Company or any of their respective associates which would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer of such grant (which must be a business day), in excess of HK$5.0 million, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour of the relevant resolution at such general meeting, and/or such other requirements prescribed under the Listing Rules from time to time.

(h) *Price sensitive developments*

An offer to grant options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of actual publication of the results announcement. Such period shall cover any period of delay in the publication of a results announcement.

(i) *Rights are personal to grantee*

An option granted under the Share Option Scheme is personal to the grantee which may not be transferred or assigned.

(j) *Time of and restrictions on exercise of option*

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each grantee provided that the period within which the Shares may be taken up under the option must not be more than 10 years from the date of offer of that option.

At the time of grant of the options, the Board may specify any minimum period(s) for which an option must be held before it can be exercised in whole or in part. The Share Option Scheme does not contain any such minimum period.

(k) *Performance target*

At the time of grant of the options, the Board may specify any performance target(s) which must be achieved before any option granted under the Share Option Scheme can be exercised in whole or in part. The Share Option Scheme does not contain any such performance target.

(l) *Rights of exercise for grantees*

Save as otherwise determined by the Board, in the case of a grantee who dies before exercising his or her option(s) in full, his or her personal representative(s) may exercise such options (to the extent not already exercised by such grantee as at the date of death) in whole or in part within a period of 12 months from the date of death of the grantee.

Save as otherwise determined by the Board, if a grantee (being an employee or director of any members of the Group) ceases to be a participant under the Share Option Scheme for any reason other than death or on one or more of the grounds of termination of employment or engagement specified in paragraph (r)(v) below before exercising his or her options in full, such outstanding options shall lapse on the date of cessation of such employment or engagement.

(m) *Rights on general offers*

If a general offer by way of voluntary offer, takeover or otherwise is made to all the Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option in full extent or, if the Company shall give the relevant notification, to the extent notified by the Company at any time within such period as shall be notified by the Company.

(n) *Rights on winding-up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and each grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise his or her options to the full extent or, if the Company shall give the relevant notification, to the extent notified by the Company, and the Company shall as soon as possible and, in any event, no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(o) *Rights on compromise or arrangement between the Company and its members or creditors*

If a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the grantees on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may exercise the option to its full extent or if the Company shall give the relevant notification, to the extent notified by the Company, and the Company shall as soon as possible and, in any event, no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(p) *Ranking of Shares issued upon exercise of options*

The Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company, save that they will not rank for any dividend or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

(q) *Effect of alterations to capital*

In the event of any alteration in the share capital structure of the Company by way of capitalisation of profits or reserves, rights issue, sub-division or consolidation of shares, or reduction of the share capital of the Company, the auditors of or the financial advisor engaged by the Company for such purpose shall determine what adjustment is required to be made to the number or nominal amount of Shares comprised in each option so far as unexercised, and/or the subscription price, and/or (if necessary) the method of exercise of the option (or any combination of the foregoing), provided always that:

(i) any adjustments should give each grantee the same proportion of the equity capital of the Company as that to which he or she was previously entitled prior to such adjustments; and

(ii) no adjustments shall be made which will enable a Share to be issued at less than its nominal value.

(r) *Lapse of options*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the date or the expiry of any of the periods for exercising the options as provided in paragraphs (l), (m), (n) or (o) above;

(iii) the date of commencement of the winding-up of the Company;

(iv) the date on which the Board exercises the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above;

(v) the date on which the grantee (being an employee or a director of any member of the Group) ceases to be a participant by reason of termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily; and

(vi) unless the Board otherwise determines, and other than in the circumstances as provided in paragraph (l) above, the date the grantee ceases to be a participant (as determined by a Board resolution) for any other reason.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the participants in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms and conditions of options granted,

shall first be approved by the Shareholders in general meeting except where the proposed alteration takes effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) *Cancellation of options*

Any unexercised option may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Share Option Scheme in force from time to time.

(u) *Termination of the Share Option Scheme*

The Company by resolution in general meeting or the Board may at any time resolve to terminate the Share Option Scheme and in such event no further options shall be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Period of the Share Option Scheme*

Subject to earlier termination by the Shareholders' resolution in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date of its adoption.

(w) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on (a) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof.

(x) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnity

(a) *Tax indemnity*

Gold Alliance and Mr. CHAN Pak Chung (collectively, the "Indemnifiers") have pursuant to document (m) in the paragraph headed "Material contracts" of this Appendix (the "Deed") jointly and severally given indemnities in favour of the Company (for itself and as trustee for each of the members of the Enlarged Group) in connection with, among other matters, taxation resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the date on which the Global Offering becomes unconditional (the "Effective Date") which might by payable by any member of the Enlarged Group.

The indemnity in the deed shall not apply in, among others, the following circumstances:

(a) to the extent that provision has been made for such taxation in the consolidated audited accounts of the Company or the audited accounts of any member of the Enlarged Group for the period up to 31 December 2005;

(b) for which any member of the Enlarged Group is primarily liable as a result of transactions entered into in the ordinary course of business after 31 May 2006 (the "Accounts Date");

(c) to the extent that such taxation would not have arisen but for any act or omission of, or delay by, any member of the Enlarged Group voluntarily effected after the date of the Deed (other than pursuant to a legally binding commitment created on or before the date of the Deed), otherwise than in the ordinary course of business and without the prior written consent or agreement of any of the Indemnifiers;

(d) to the extent that the taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority in any other part of the world coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after such date with retrospective effect; or

(e) to the extent of any provision or reserve made for taxation in the accountants' report set out in Appendix I to this prospectus up to the Accounts Date which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

(b) *Other indemnity*

The Indemnifiers have jointly and severally given an indemnity to fully and effectually indemnify the Company against all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in future as a result of or in connection with the Reorganisation.

2. **Litigation**

No member of the Enlarged Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against the Enlarged Group, that would have a material adverse effect on the Enlarged Group results of operations or financial condition.

3. **Preliminary expenses**

The preliminary listing expenses of the Company are estimated to be approximately HK$62,000 and are payable by our Company.

4. **Promoter**

Our Company does not have any promoter.

5. **Sponsor**

The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus, including any Shares that may be issued under the Over-allotment Option and any Shares falling to be issued pursuant to the Capitalisation Issue and the exercise of the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

6. No material adverse change

Our Directors believe that there has been no material adverse change in our financial or trading position or prospects since 31 December 2005 (being the date on which the latest audited combined financial statements of the Group were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither we nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of our Company or any of our subsidiaries; and

(v) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months.

(b) All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

9. **Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name of Expert	Qualification
Cazenove	a corporation licenced to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
Global Law Office	Qualified PRC lawyers
PricewaterhouseCoopers	Certified public accountants
Maples and Calder	Cayman Islands legal advisers
Sallmanns (Far East) Limited	Property valuer

10. **Consents of experts**

Each of the experts referred to above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations (as the case may be) and references to its name included in the form and context in which they are respectively included.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus, the statement of adjustments to the accountants' report set forth in Appendix I to this prospectus and copies of the material contracts referred to in the paragraph headed "Summary of the Enlarged Group's material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Richards Butler at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours up to and including 5 October 2006:

(a) the Memorandum and the Articles;

(b) the accountants' report reported by PricewaterhouseCoopers, the text of which is set forth in Appendix I to this prospectus, together with the related statement of adjustments;

(c) the audited financial statements which have been prepared for Lee Kee Group and each of other companies now comprising the Group (except for our Company incorporated in the Cayman Islands, subsidiaries incorporated in Hong Kong after 31 May 2006 and other subsidiaries incorporated in the BVI pursuant to the reorganisation of the Enlarged Group in preparation for the listing of Shares on the Main Board) for each of three years ended 31 December 2005;

(d) the letter on unaudited pro forma financial information received from PricewaterhouseCoopers, the text of which is set forth in Appendix II to this prospectus;

(e) the letter, summary of valuation and valuation certificate relating to the property interests of the Enlarged Group prepared by Sallmanns (Far East) Limited, the text of which are set forth in Appendix III to this prospectus;

(f) a copy of the letter of advice prepared by Maples and Calder summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;

(g) the rules of, respectively, the Pre-IPO Share Option Scheme and the Share Option Scheme;

(h) the material contracts referred to in the paragraph headed "Summary of the Enlarged Group's material contracts" in Appendix V to this prospectus;

(i) the service contracts and appointment letters referred to in the paragraph headed "Particulars of Directors' service agreements" in Appendix V to this prospectus;

(j) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus;

(k) the Companies Law; and

(l) the PRC legal opinion issued by Global Law Office, relating to, among others, the legality of Genesis Ningbo's business and corporate structure.