SINCE 1947

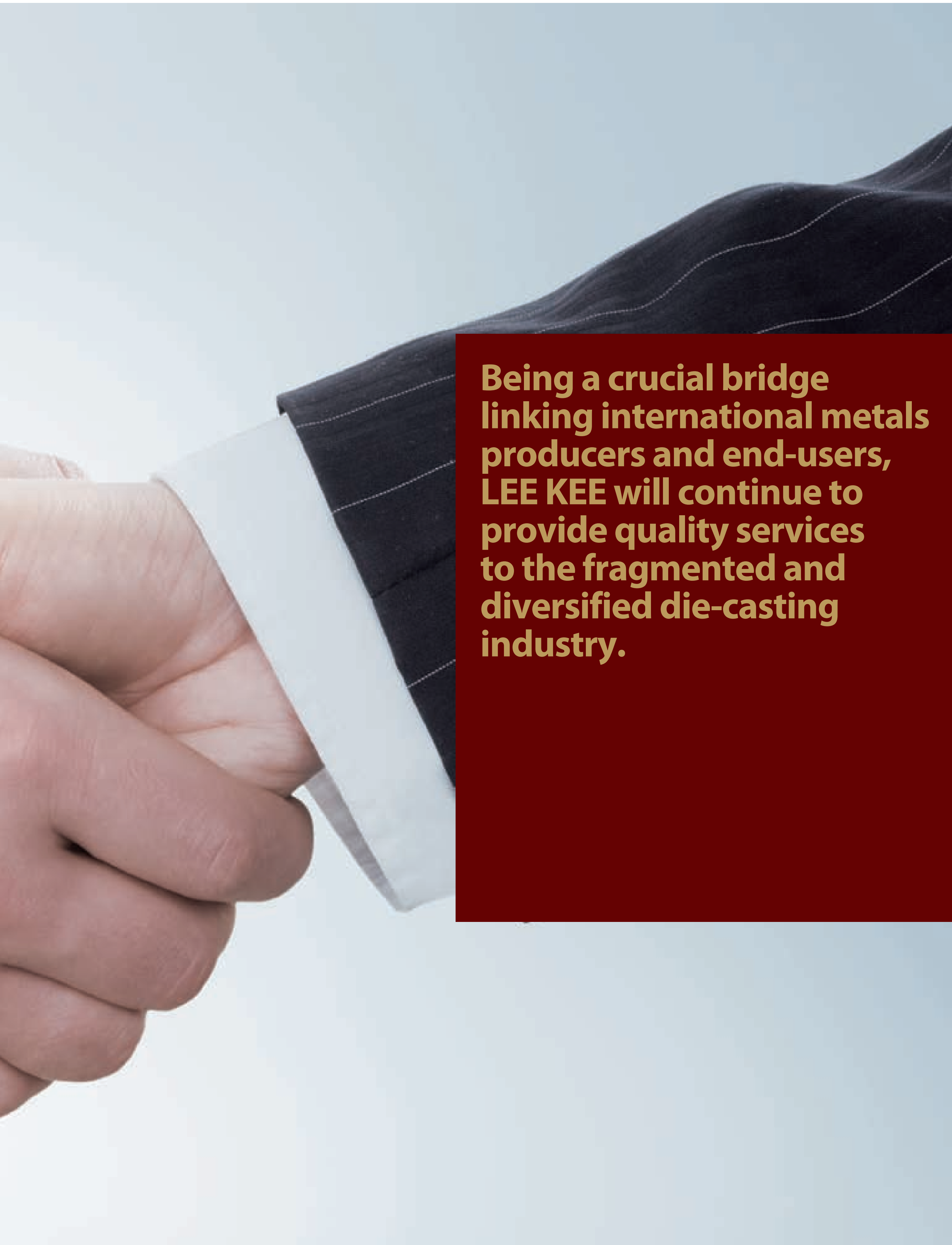
利記控股有限公司
Lee Kee Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 637

Innovating from a Solid Foundation

2007 ANNUAL REPORT

Contents



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

Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

CHUNG Wai Kwok, Jimmy
LEUNG Kwok Keung
HU Wai Kwok

COMPANY SECRETARY

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

QUALIFIED ACCOUNTANT

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

CHAN Yuen Shan, Clara
CHEUK Wa Pang

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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345 Nathan Road
Yaumatei
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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Cazenove Asia Limited
50th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:
Richards Butler
20th Floor, Alexandra House
16-20 Chater Road, Central
Hong Kong

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

AUDITOR

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

PRINCIPAL BANKERS

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

STOCK CODE

637

WEBSITE OF THE COMPANY

www.leekeegroup.com

Corporate Structure

利記控股有限公司
Lee Kee Holdings Limited

- 利記集團有限公司
  Lee Kee Group Ltd.
  - **Lee Kee Metal Co., Ltd.** (Hong Kong) — *Distribution of zinc alloy and zinc*
  - **Lee Fung Metal Co., Ltd.** (Hong Kong) — *Distribution of non-ferrous metals, includes aluminum alloy and aluminum*
  - **Lee Sing Materials Co., Ltd.** (Hong Kong) — *Distribution of nickel and other chemicals*
  - **Lee Tai Precious Metal Co., Ltd.** (Hong Kong) — *Distribution of precious metal chemicals*
  - **Toba Co., Ltd.** (Hong Kong) — *Property holdings*
  - **Standard Glory Management Co., Ltd.** (Hong Kong) — *Provision of management service*
  - **Lee City Asia Co., Ltd.** (Hong Kong) — *Property holdings*
  - **LKG Elite (Shenzhen) Co., Ltd.** (PRC) — *Distribution of non-ferrous metals*
  - **LKG Elite (Wuxi) Co., Ltd.** (PRC) — *Distribution of non-ferrous metals*
  - **Lee Yip Metal Products Co., Ltd.#** (Hong Kong) — *Distribution and processing of stainless steel*
  - **Genesis Alloys (Ningbo) Ltd.*** (PRC) — *Manufacturing of zinc alloy*

70% owned
* *50% owned*

We strive to expand the upstream and downstream operations and diversify the revenue base, further penetrate into the China market.

Chairman's Statement

"Building Up Strengths into the Future"

Chan Pak Chung
Chairman

DEAR SHAREHOLDERS,

Year 2007 was a tough year for Lee Kee Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group"). While a year ago we reported a strong 2006 which was characterised by a conducive business environment with rising non-ferrous metals prices worldwide, year 2007 was very much a turn-about for the industry that was hard hit by volatile metal prices, in combination with unsettling government policies and intensified competition in China.

The declined performance of the Group in 2007 was mainly attributable to the high volatility and hefty fall of non-ferrous metals prices worldwide, in particular the prices of SHG (Special High Grade) zinc and zinc alloy which contributed around 72% of the Group's revenue. An instance to demonstrate the price volatility: the LME (London Metal Exchange) cash settlement zinc price began at its year high of approximately US$4,300 on 2nd January 2007 but dived 30% to around US$3,100 in February, swung back to approximately US$4,100 in May, before sliding in the second half of the year to end at around US$2,350 by 29th December 2007, representing a 45% plunge for the whole year.

Such volatility and hefty fall has, on one hand, eroded the gross profit margins of the Group, and on the other hand, facilitated keen competition in the PRC market where changing government policies have enticed many metal users to switch to domestic supplies which LEE KEE has bottleneck constraints. Blessed by a well established supplier network as well as long-standing client relations, LEE KEE was perhaps one of the least scathed players in the industry. We managed to register a respectable 191,000 tonnage sold during the year, signifying a slight decrease of 6.2% year-on-year over 2006, versus the industry 21% drop in the imports of zinc alloy in the PRC in 2007. As such, the Group's market leadership position was extended, with its sales of zinc alloy accounting for approximately 84% of China's total zinc alloy imports.

Year 2007 was also a year of building up strengths for LEE KEE. The year witnessed a number of efforts by the Group to expand its distribution and manufacturing infrastructure in conjunction with initiatives to de-bottleneck its domestic supply constraints – efforts that will go a long way towards building a much stronger LEE KEE for the years to come. On the distribution front, we have expanded our network in the PRC, with new sales and distribution centre in Shenzhen commencing operation during the year and another centre in Wuxi being geared up for operation in the second quarter of 2008. These new distribution centres and supply sources will strengthen the Group's supply capability, catering especially to certain PRC customers who prefer good-quality domestic products.

The Group has also made important strides in expanding the upstream and downstream operations of its supply chain. Investments were started in 2007 to double the production capacity of Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned joint venture in zinc alloy processing, which will commission the increased production capacity to over 60,000 tonnes per annum in the second quarter of 2008 to raise domestic supplies. Downstream-wise, the Group acquired 70% interest in Lee Yip Metal Products Company Limited ("Lee Yip") to broaden its product range to distribution and processing of stainless steel. During the year, the Group has completed negotiation to invest in a 23,000-tonne aluminium alloy processing facility in Nanhai, Foshan, China. In February 2008, the Group received approval to establisha 60% owned subsidiary, Almax Non-Ferrous Metals Company Limited ("Almax"), to hold the aluminium alloy processing plant. Almax will raise our domestic supplies of aluminium alloy products considerably and is expected to provide immediate revenue contribution to the Group for year 2008.

Meanwhile, significant initiatives were made in mitigating the impact of metal price volatility. Firstly, the Group has brought down tonnage of physical stocks towards the year end of 2007 and as a result, the inventory holding period has been reduced to around 34 days from preceding year's 57 days. Secondly, to resolve the inventory holding-pricing dilemma, LEE KEE has secured more market adaptive price-fixing terms with certain key long-term suppliers commencing in 2008. Both measures are imperative in substantially alleviating any price volatilities or profit margin risks that may recur in the future.

In fact, the high volatility of metal prices appeared to have subsided in recent months, in particular zinc price has dropped nearly 50% from its historical high. Overall business environment remained positive for our key markets in Hong Kong, China mainland and South East Asia, despite uncertainty of a slowing United States economy and increasing inflationary pressure.

While the road ahead is challenging, we are committed to bringing satisfactory returns to our shareholders and building a leading integrated supply chain in the non-ferrous metals industry. Our medium-term objective is to diversify revenue base from trading and distribution business to upstream operations in metal processing, with the latter is expected to account for 20-30% of our revenue in 2-3 years' time. The efforts that we have expended in 2007 have certainly moved us in the right direction.

As I look forward to a more promising year in 2008, I believe our endeavours on various fronts during 2007 will bring to fruition, enabling the Group to emerge as an even stronger industry player in the long term. I would like to take this opportunity to thank our employees, business partners and customers who have unfailingly stood by us during a tough time, as well as our shareholders and the financial community for their continued support.

Chan Pak Chung
Chairman

15th April 2008

We set up sales and distribution centers in Eastern and Southern China to strengthen the group's distribution networks, and remaining one of the largest zinc importers in China.

Financial Summary

Following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years presented on a basis as stated in the note below:

CONSOLIDATED RESULTS

	Year ended 31st December				
	2007 HK$'000	2006 HK$'000 (Restated)	2005 HK$'000 (Restated)	2004 HK$'000	2003 HK$'000
Revenue	**6,437,335**	5,700,451	3,195,902	2,438,382	1,390,325
(Loss)/profit before income tax	**(28,565)**	491,379	246,119	137,570	43,930
Income tax expense	**(6,585)**	(85,986)	(42,438)	(24,597)	(8,134)
(Loss)/profit for the year	**(35,150)**	405,393	203,681	112,973	35,796
Attributable to:					
Equity holders of the Company	**(37,281)**	400,344	203,291	112,973	35,796
Minority interests	**2,131**	5,049	390	–	–
	(35,150)	405,393	203,681	112,973	35,796

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st December				
	2007 HK$'000	2006 HK$'000 (Restated)	2005 HK$'000 (Restated)	2004 HK$'000	2003 HK$'000
Total non-current assets	**79,240**	20,501	13,963	64,915	59,954
Total current assets	**1,523,637**	1,812,578	732,668	463,074	285,869
Total assets	**1,602,877**	1,833,079	746,631	527,989	345,823
Total non-current liabilities	**2,019**	2,069	1,692	34,659	52,364
Total current liabilities	**415,584**	500,515	391,417	259,489	172,591
Total liabilities	**417,603**	502,584	393,109	294,148	224,955
Net assets	**1,185,274**	1,330,495	353,522	233,841	120,868

Note: The summary of the consolidated results of the Group for each of the five financial years ended 31st December 2007 and the consolidated assets and liabilities of the Group as at the end of each of these five financial years were prepared as if the current group structure had been in existence throughout these financial years, or since the respective dates of incorporation of the Company and its subsidiaries, where this is a shorter period, according to the basis of presentation as set out in note 2(a)(i) to the financial statements.

Building a superb supply platform to serve our diversified customer base in an increasingly dynamic market.

Management Discussion and Analysis

Metal Processing
Global Sourcing
Shipping and Transportation
Inventory Management
Customer Services

OVERALL BUSINESS PERFORMANCE

After a dramatic run-up of metal prices in 2006, year 2007 witnessed the contrary: price volatility with an overall substantial downward trend. The LME zinc price, for instance, swung vigorously between the US$4,300 and US$3,100 levels in the first half of 2007, and plunged further in the second half to approximately US$2,350 by year end, which resulting in a full-year drop of around 45%.

The PRC market was inevitably affected. Unable to absorb the price differential between domestic products and imported products, some PRC metal users shifted to domestic suppliers, among whom competition was intense. Total volume of the PRC's imports of zinc alloy and aluminium alloy, for instance, dropped by 21% and 23% respectively in 2007. Meanwhile, further strengthening of China's macro-economic control measures and the tighten credit policy in 2007 have exerted much pressure on various metal end-users. All in all, metals suppliers and traders were heavily hit in 2007.

Amidst the adverse operating environment, through its expertise in building and maintaining strong supplier and client networks, the Group managed to register a 12.9% year-on-year growth in revenue, amounting to approximately HK$6,437 million for year 2007 (2006: approximately HK$5,700 million).

The revenue of zinc alloy and SHG zinc amounted to approximately HK$4,650 million, an increase of 5.8% year-on-year and accounting for 72.2% of the Group's total revenue. The revenue of nickel and nickel-related products amounted to approximately HK$1,166 million, an increase of 51.5% and accounting for 18.1% of the Group's total revenue. The revenue of aluminium alloy and aluminium ingot amounted to approximately HK$241 million, an increase of 9.9% and accounting for 3.7% of the Group's total revenue, while the revenue of stainless steel amounted to HK$234 million, an increase of 31.7% year-on-year and accounting for 3.6% of the Group's total revenue.

In terms of tonnage sold, even amidst a highly competitive market in the PRC, the Group still sold a respectable tonnage of around 191,000 metric tonnes (2006: around 203,000 metric tonnes), merely a slight drop of 6.2% over 2006 and a modest increase of 3.1% year-on-year in second half of 2007 versus the industry's 21% and 23% drop in the imports of zinc alloy and aluminium alloy respectively in the PRC in 2007.

The Group recorded gross profit of approximately HK$122 million (2006: approximately HK$567 million), representing a decline of 78.5% over 2006, and loss attributable to the equity holders of the Company of approximately HK$37 million (2006: profit attributable to equity holders of the Company of approximately HK$400 million).

The decrease in the gross profit margin was primarily due to the substantial downward trend of the metal price in 2007 versus the significant run-up in 2006. The Group maintains a strategic level of inventory with turnover of around 30 to 45 days. This practice had enabled the Group to realise higher margins from its products under first-in-first-out accounting treatment when worldwide non-ferrous metal prices increased as in year 2006. But in 2007, such practice eroded the gross margins of the Group when the non-ferrous metal prices dropped substantially.

In order to mitigate the impact of the price volatility, besides placing back-to-back order with suppliers against orders made by customers, the Group has entered into metal futures and forward contracts especially during first half of 2007.

Besides the above measures, some significant long term initiatives were made in mitigating the impact of metal price volatility. Firstly, the Group has brought down tonnage of physical stocks towards the year end of 2007 and as a result, the inventory holding period has been reduced to around 34 days from the preceding year's 57 days. Secondly, to resolve the inventory holding-pricing dilemma, the Group has secured more market adaptive price-fixing terms with certain key suppliers commencing in 2008. We believe these two measures are imperative in substantially alleviating any price volatilities or profit margin risks that may recur in the future.

The increase in the other income was mainly attributed to the interest earned on the un-utilised IPO proceeds during 2007.

Administrative expenses rose by 15.0 % mainly due to the share-based compensation of the share options granted in 2006 of approximately HK$15.6 million for the year of 2007 (2006: HK$4.7 million), the increase in manpower with our expansion and project development expenses during 2007, the difference was partially offset by the one-off expenses incurred on the IPO exercise in October 2006.

As the Chinese metal users were facing tighten credit policies, many of these users switched to lower-price domestic suppliers on the one hand, and demanded longer payment periods on the other hand. However, LEE KEE adhered to its prudent credit control policy towards its customers, stressing instead the reliability of its product quality and delivery. Consequently, the Group's bad debts were of a negligible amount and its accounts receivable days was maintained at 14.8 days at the year end of 2007.

BUSINESS REVIEW

As a leading non-ferrous metal supply chain management group, LEE KEE specialises in metal processing, sourcing and distribution. The Group sources, processes, and distributes metals, primarily die-casting zinc alloy and SHG zinc, nickel and nickel-related products, die-casting aluminium alloy and aluminium ingot, stainless steel and other electroplating chemicals (including chemicals of precious metals such as silver, gold and rhodium). In year 2007, the Group continues to be one of the largest zinc alloy importers in the PRC, with total sales of zinc alloy making up approximately 84% (2006: approximately 76%) of the total zinc alloy import volume of the country.

In addition to sourcing and distribution, the Group also provides customers with a full range of value-added services including transportation and insurance arrangement, inventory management, quality control, market information update, technical consultancy service as well as before and after sales support. With a comprehensive one-stop service, LEE KEE has been a crucial bridge linking international metals suppliers with end-users, providing better services to the fragmented and diversified die-casting industry.

During the year under review, the Group had around 1,250 customers, primarily in the Greater China Region and also in Vietnam, Indonesia, Thailand, Singapore and Malaysia. Currently, the majority of the Group's customers are foreign-invested entities located in the Pearl River Delta ("PRD") region. These customers are mainly manufacturers of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts, etc.

To expand our sales in the PRD region, a sales and distribution centre in Shenzhen was opened in March 2007. The Group also established another centre in Guangzhou in February 2008. Meanwhile, to capitalise on the growth potential in the Yangtze River Delta ("YRD") region, a sales and distribution centre has been set up in Wuxi. Full trading activities of the centre are expected to commence in the second quarter of 2008 after having obtained all relevant government approvals. A strengthened sales and distribution channel in the PRC is expected to bring in more income to the Group and to strategically diversify the geographical spread of its customer base. Over the long term, the prosperous YRD region is expected to become another significant market to the Group.

Aiming to become an integrated metals supply chain, LEE KEE has been undertaking initiatives to expand its upstream and downstream operations. Back in September 2006, the Group acquired a 50% effective interest in Genesis Ningbo, a zinc alloy production plant of which the other 50% joint-venture partner was Nyrstar, the world's largest producer of zinc metal. During the year under review, the Group undertook an expansion programme at Genesis Ningbo, raising its annual production capacity from 23,000 metric tonnes to over 60,000 metric tonnes. The expansion programme was just completed and ready for commissioning in the second quarter of 2008. During 2007, Genesis Ningbo produced approximately 23,000 metric tonnes of zinc alloy, contributing revenue of approximately HK$298 million to the Group.

The Group's downstream expansion in 2007 involved the acquisition of 70% equity interest in Lee Yip, a stainless steel processing and distribution operation, from the major shareholder of the Group. The acquisition was completed in August 2007. As both Lee Yip before acquisition and the Group had the common major shareholder, under the Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants, the whole year result of Lee Yip has been accounted for in the year under review and the comparative figures of 2006 have been restated to include the result of Lee Yip. Lee Yip's main products are stainless steel sheets for kitchenware, watch case and jewellery. Complementing the Group's core non-ferrous metals business, Lee Yip is expected to capitalise on the rising demand for stainless steel products in the PRC.

The Group has undertaken another upstream initiative: its establishment of Almax, a 60% owned subsidiary, in February 2008 in Foshan. An aluminium alloy processing plant with an annual production capacity of around 23,000 metric tonnes aluminium alloy. Almax is expected to commence its production in the second quarter of 2008 and will have immediate revenue contribution for year 2008.

The Group has officially opened its Tai Po logistics centre in January 2008. Expected to be fully operational by the second quarter of 2008, the logistic centre will form an integral part of our supply chain model and will enable the Group to offer more efficient logistics support as well as comprehensive one-stop value-added services and technical support to our customers in the region.

PROSPECTS

Riding on the thriving economies of our key markets, China and South East Asia, LEE KEE is very focused in expanding the metal supply chain to drive its next phase of growth. Although the external environment remains challenging with a slowing US economy and unsettling metal price volatility, slight improvement was noticed in recent months on the much reduced zinc price fluctuation. Coupled with the more market adaptive price-fixing arrangement with our key suppliers and all the strategic initiatives, the Group gradually fosters its way to return to a promising growth path.

In 2008, the Group will adhere to its three-pronged growth strategies to strengthen its metals supply chain and diversify its revenue base: (1) to build up a comprehensive distribution infrastructure; (2) to expand upstream and downstream along the metals supply chain; and (3) to enhance value-added services and sourcing of the supply chain.

We will continue to identify suitable locations for further building up our sales and distribution infrastructure. The new sales and distribution centres in Shenzhen and Wuxi will start to make important contribution in 2008, not only revenue-wise but also in developing new market intelligence and customer base. Over the long term, the Group is looking to expand its market coverage in YRD and other parts of China and South East Asia, and to diversify its customer profile into domestic die-casters. Our sales and distribution centres in the PRC will give a crucial boost to such diversification endeavours.

The upstream and downstream initiatives that the Group undertook during the past two years is expected to see their harvest in 2008, as Genesis Ningbo's expanded facility and Almax will serve as the Group's production pillar for two key products, zinc alloy and aluminium alloy. Our plan is to expand our processing assets with capacity amounting to 20-30% of the Group's total distribution-cum-processing capability in 2-3 years' time. While more expansion programmes at Genesis Ningbo and Almax will soon embark, the Group is continuously looking into other merger and acquisition opportunities to speed up capacity growth.

To enhance our integrated value-added services, the Group is poised to add chemical testing and certification services for metal-related products. A chemical testing laboratory will be equipped in the Tai Po logistics centre which will be fully operational in the second half of 2008. With increasingly strict quality requirements in European Union and other overseas markets on metal products such as the RoHS compliance, chemical testing services have become increasingly important for our customers.

Apart from establishing its own processing facilities, the Group will continue to broaden its supplier network. Over the years, LEE KEE has established strong long-standing relationships with major international non-ferrous metals suppliers. Such relationships will be maintained and strengthened, and more long-term supply arrangements will be explored, with a view to building a superb supply platform to serve a diversified customer base in an increasingly dynamic market.

DIVIDENDS

The Directors do not recommend the payment of a final dividend (2006: special and final dividends of HK11.93 cents per share). An interim dividend in respect of 2007 of HK1 cent per share (2006: Nil), amounting to a total dividend of HK$8,300,000 was declared on 22nd August 2007.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources, borrowings from banks and capital contributions from our shareholders. As at 31st December 2007, the Group had cash and bank balances of approximately HK$649 million (2006: HK$728 million) and bank borrowings of approximately HK$253 million (2006: HK$303 million). The borrowings, which are short term in nature, were substantially made in Hong Kong dollars and United Stated dollars with interest chargeable at market rates and the gearing ratio (total bank borrowings to total equity) as at 31st December 2007 was 21.4% (2006: 22.8%). The Group has a current ratio of 367% (2006: 362%).

The Company had issued guarantees to the extent of approximately HK$1,335 million to banks to secure general banking facilities of approximately HK$1,271 million to certain subsidiaries, of which HK$253 million had been utilised as of 31st December 2007.

The Group adopted internal control systems, including hedging policies, to regularly evaluate and monitor the risk exposure in the metals price and formed a risk management committee to evaluate and monitor hedging activities. In order to optimise exposure to the risk of metals prices' fluctuation, the Group placed back-to-back orders with suppliers after receiving orders from customers whenever possible and engaged in hedging activities to control the Group's exposure (inventory level + pre-arrival buy-in volume – pre-dispatch sell-out volume) within a tolerance limit. During the reporting year, the Group has entered into 57 metal future contracts amounting to HK$1,032 million to contain the metal risk.

The Group's foreign exchange exposure was mainly resulted from the translation between Hong Kong dollars, United States dollars and Renminbi.

EMPLOYEES

As at 31st December 2007, the Group had approximately 120 employees and the Group's 50% owned joint venture had approximately 50 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 60, is the Chairman of the Board and an Executive Director of the Company and a director of certain subsidiaries of the Company. Mr. Chan has been serving the Group since 1967 and is now responsible for the overall business strategy of the Group. Mr. Chan has more than 40 years of experience in the non-ferrous metals industry. He obtained a Master Degree in Material Engineering from the Yanshan University. Mr. Chan is also the honorary fellow of the Professional Validation Council of Hong Kong Industries, the Supervisory Vice Chairman of Hong Kong Metal Merchants Association, a fellow member of Asian Knowledge Management Association, Honorary President of the Professional Validation Council of Hong Kong Industries, Honorable President of the Federation of Hong Kong Machinery and Metal Industries, Honorary President of Hong Kong Association for the Advancement of Science and Technology and a fellow member of the Hong Kong Institute of Directors. Mr. Chan is the spouse of Ms. MA Siu Tao and the father of Ms. CHAN Yuen Shan, Clara.

Ms. CHAN Yuen Shan, Clara, aged 36, is the Chief Executive Officer and an Executive Director of the Company, a director of certain subsidiaries of the Company and joint ventures of the Group. Ms. Chan joined the Group in November 1995 and is now responsible for the overall management and daily operations of the Group, developing and implementing company policies and procedures; negotiating with suppliers and customers on major contracts; and formulating pricing strategies to respond to market changes. Ms. Chan has over 12 years of experience in the non-ferrous metals industry. She obtained a Bachelor Degree in Administrative Studies from the Open University in collaboration with the British Columbia Institution of Technology. Ms. Chan is also the Vice Chairman of Hong Kong Die-casting Association Limited, an associate of Asian Knowledge Management Association, a member of the Hong Kong Institute of Directors, a committee member of the Hong Kong Metal Finishing Society Limited, the Deputy Director of Market Development Division of the Federation of Hong Kong Machinery and Metal Industries, the Founding Member and the Chairman of Lee Sang Charity Foundation Co. Ltd., a charitable organization. Ms. Chan also obtained an associateship from the Professional Validation Council of Hong Kong Industries. Ms. Chan is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao.

Ms. MA Siu Tao, aged 58, is an Executive Director and the Sales Director of the Company and a director of certain subsidiaries of the Company. Ms. Ma joined the Group in 1985 and is now responsible for monitoring the overall sales function of the Group, developing strategies, guiding and leading the sales managers in analysing market information, expanding current and exploring future new businesses. Ms. Ma has been working in the non-ferrous metals industry for more than 22 years. She obtained a Master Degree in Material Engineering from the Yanshan University. Ms. Ma 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 and a fellow member of the Hong Kong Institute of Directors. Ms. Ma is the spouse of Mr. CHAN Pak Chung and the mother of Ms. CHAN Yuen Shan, Clara.

Mr. NG Tze For, aged 46, is an Executive Director of the Company and a director of certain subsidiaries of the Company. Mr. Ng joined the Group in July 2006 with responsibilities for the overall strategic development of the Group and investor relationships. Prior to joining the Group, Mr. Ng had more than 4 years of experience in the aluminum industry and worked in various levels for a number of international banks for over 16 years in Hong Kong and the PRC. Mr. Ng obtained a Master Degree in business administration (executive programme) from the City University of Hong Kong and a Bachelor Degree (Honours) in Business Administration from The Chinese University of Hong Kong.

Mr. William Tasman WISE, aged 64, was appointed as a Non-Executive Director of the Company in September 2006 and re-designated as an Executive Director in August 2007. He is responsible for certain new projects and acts as a director of certain subsidiaries of the Company. Prior to joining the Group, Mr. Wise was the general manager responsible for global marketing and sales for Zinifex Limited. He has held a number of senior positions in the mining and smelting industry for over 40 years. Mr. Wise obtained a Bachelor Degree in Economics from the University of Tasmania.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Wai Kwok, Jimmy, aged 58, is an independent non-executive Director of the Company appointed in September 2006. Mr. Chung has over 20 years of experience in financial advisory, taxation and management. He was a partner of PricewaterhouseCoopers and retired in June 2005. In October 2005, he joined a professional consulting firm, Russell Bedford Hong Kong Limited, as Director – Tax & Business Advisory. Mr. Chung is a member of Hong Kong Institute of Certified Public Accountants, the Taxation Institution of Hong Kong and the Association of Chartered Certified Accountants (ACCA). He was the President of the Hong Kong branch of ACCA for the year 2005/06. He is currently also an independent non-executive director of Fittec International Group Limited and Tradelink Electronic Commerce Limited, both companies are listed on the Main Board of the Stock Exchange.

Mr. LEUNG Kwok Keung, aged 44, is an independent non-executive Director of the Company appointed in September 2006. Mr. Leung is currently an independent non-executive director of Global Link Communications Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Leung worked in an international accountancy firm in Hong Kong for 12 years and has over 6 years' experience as financial controller for companies listed on the Main Board of the Stock Exchange. He obtained a bachelor degree in accountancy from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) and a degree in Bachelor of Laws from Tsinghua University. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Institute of Chartered Accountants in England and Wales.

Mr. HU Wai Kwok, aged 35, is an Independent Non-executive Director of the Company appointed in May 2007. He is currently a Vice President of JPMorgan Asset Management Real Assets (Asia) Limited, focusing on infrastructure investments. Prior to that, he was the Vice General Manager of The National Trust & Investments Ltd. ("Natrust"), a company providing financial services in China. Prior to joining Natrust, Mr. Hu was a director of Emerging Markets Partnership. He has over 10 years' experience in corporate finance and direct investments. Mr. Hu holds a Bachelor Degree in Economics from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. Mr. Hu is a Chartered Financial Analyst.

SENIOR MANAGEMENT

Mr. CHEUK Wa Pang, aged 43, is the Chief Financial Officer, the Qualified Accountant and the Company Secretary of the Company. Mr. Cheuk joined the Group in December 2002 and is responsible for the financial matters of the Group. Prior to joining the Group, Mr. Cheuk worked as financial controller and company secretary as well as business consultant of various private and listed companies. Mr. Cheuk has over 17 years of experience in accounting and auditing. Mr. Cheuk holds a Bachelor Degree of Science in Engineering from the University of Hong Kong, a Master Degree in Applied Finance and a Master Degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a member of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. YAN Cheuk Yam, aged 61, was appointed as an Independent Non-executive Director of the Company in September 2006. He resigned from the directorship in February 2007 and started to take charge of the China operation of the Group since March 2007 as the Head of China Division of the Group. He is also a director of the Group's certain PRC subsidiaries. Prior to this employment, Mr. Yan was a director of a steel pipes company and a consultant of a Dongguan metals factory. Mr. Yan has more than 20 years' experience in steel business and metal trading in the PRC, Taiwan and Hong Kong.

Mr. CHENG Yick Tong, Steven, aged 38, is the Technical Director of the Group. Mr. Cheng joined the Group in July 1998 and is now mainly responsible for technical issues of non-ferrous metals including leading, guiding and coaching to the technical team. Mr. Cheng is also involved in the Group's certain development projects and sales activities. Prior to joining the Group, Mr. Cheng had served in a technical services company for four years and his last position was senior chemist. Mr. Cheng obtained a Bachelor Degree in Applied Science in Chemistry from the University of Technology in Sydney, Australia and a Master Degree in Materials Technology and Management from the City University of Hong Kong.

Mr. POON Man Keung, aged 45, is a director and general manager of Lee Yip Metal Products Company Limited ("Lee Yip") which became a subsidiary of the Company in August 2007. He is responsible for Lee Yip's overall business strategy and daily operation. Prior to his joining Lee Yip in June 2005, Mr Poon was the owner and precedent partner of Wing Kee Metal. Mr. Poon has over 25 years' experience in metal and stainless steel business.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. Accordingly, the Company implemented various measures to comply with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during 2007.

To the knowledge of the Directors and save as disclosed herein, the Directors consider that the Company has applied the principles of the CG Code and to certain extent, of the recommended best practices thereof and are not aware of any non-compliance with the code provisions in the CG Code for 2007.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the Model Code by the Directors during 2007.

BOARD OF DIRECTORS

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has two different persons for the posts of the Chairman of the Board and Chief Executive Officer. The Chairman of the Board, Mr. CHAN Pak Chung, chairs all the board meetings and general meetings, and in his absence, another Director of the Company will be chosen to chair such meetings pursuant to the Company's Articles. He is also responsible for the overall business strategy of the Group. The Chief Executive Officer of the Company, Ms. CHAN Yuen Shan, Clara, is responsible for the overall management and daily operations of the Group, developing and implementing company policies and procedures, negotiating with suppliers and customers on major contracts and formulating pricing strategies to respond market changes.

NON-EXECUTIVE DIRECTORS

All the Independent Non-executive Directors entered into appointment letters with the Company for a term of two years, two of which are commencing from 4th October 2006 and one of which is commencing from 14th May 2007.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee on 15th September 2006 with written terms of reference. The primary duties of the Remuneration Committee included reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the share option scheme. The Remuneration Committee has three members comprising Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok, Jimmy and Mr. LEUNG Kwok Keung, two of which are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. CHAN Pak Chung. The Remuneration Committee discharged its duties by reviewing the remuneration packages of Executive Directors during 2007.

NOMINATION OF DIRECTORS

The Company established the Nomination Committee on 15th September 2006 with written terms of reference. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee has three members comprising Mr. CHAN Pak Chung, Ms. MA Siu Tao and Mr. LEUNG Kwok Keung, one of whom is an Independent Non-Executive Director. The Nomination Committee discharged its duties by making recommendations to the Board on the appointment of new Director and reviewing the structure, size and the composition of the Board during 2007.

AUDITOR'S REMUNERATION

The remuneration of the audit services rendered by the auditor of the Company were mutually agreed in view of the scope of services and the audit fee during 2007 was HK$1,340,000 for annual audit. In addition, the auditor of the Company also provided non-audit services to the Group in respect of mainly interim review, financial due diligence and tax and the aggregate fee amounted to approximately HK$960,000.

AUDIT COMMITTEE

The Company established the Audit Committee on 15th September 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include the review and supervision of the financial reporting processes and internal control systems of the Group. Mr. HU Wai Kwok was appointed as the Independent Non-executive Director and a member of the Audit Committee on 14th May 2007 in place of the vacancy arose from the resignation of Mr. YAN Cheuk Yam on 28th February 2007. Accordingly, the Audit Committee comprises Mr. CHUNG Wai Kwok, Jimmy, being the Chairman, Mr. LEUNG Kwok Keung, and Mr. HU Wai Kwok, all are Independent Non-executive Directors.

During 2007, the Audit Committee discharged its duties by reviewing the financial matters, financial statements and internal control of the Group, discussing with Executive Directors and the auditor of the Company, and making recommendations to the Board.

ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following tables summaries the attendance of individual Directors and committee members in 2007:

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

Note: Mr. Hu was appointed as an Independent Non-executive Director on 14th May 2007 and he attended all the Board Meetings and Audit Committee Meetings after his appointment.

PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for 2007 (the "2007 Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the 2007 Financial Statements in its Independent Auditor's Report of the annual report.

INTERNAL CONTROL

The Board acknowledged its responsibility for reviewing the effectiveness of the internal control system and engaged an external independent consultancy firm to review the internal control of the Group for the financial year of 2007 covering material financial, operational, compliance and risk controls. Since no material control failure has been identified and certain necessary actions is being implemented to improve the internal control of the Group, both the Audit Committee and the Board are satisfied with the results and concluded that the Group's internal control system is effective.

COMMUNICATION WITH SHAREHOLDERS

All the shareholders of the Company have the right to attend and vote at the general meetings. Their rights and the procedures for demanding a poll at the general meetings are contained in the Articles. Details of procedure to demand a poll are set out in the circulars to the shareholders in relation to holding of general meetings and explained at each general meeting. In addition, the Group maintains its own website at which the shareholders of the Company can access to for the Company's information and communication with the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained sufficient public float for 2007.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 39.

The Directors do not recommend the payment of a final dividend (2006: special and final dividends of HK11.93 cents per share). An interim dividend in respect of 2007 of HK1 cent per ordinary share (2006: Nil), amounting to a total dividend of HK$8,300,000 was declared on 22nd August 2007.

RESERVES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$775,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2007 amounted to approximately HK$1,182 million.

PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 12 & 13.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 2007, the Company repurchased a total of 1,250,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$1,406,080 before expenses. The repurchased shares were subsequently cancelled. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the premium payable on repurchase was charged against the share premium account. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. Details of the shares repurchased are set out in note 22 to the financial statements.

Save as disclosed above, neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during 2007.

SHARE OPTIONS

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

1. Pre-IPO Scheme

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

SHARE OPTIONS *(Continued)*

1. Pre-IPO Scheme *(Continued)*

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

Details of the share options granted and outstanding as at 31st December 2007 under the Pre-IPO Scheme are set out in Note 22 to the financial statements.

As at 31st December 2007, options to subscribe for a total of 21,960,180 shares were still outstanding under the Pre-IPO Scheme which represents approximately 2.58% of the enlarged issued share capital of the Company.

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

Directors	**HK$**
Mr. CHAN Pak Chung	6,690,360
Ms. MA Siu Tao	5,491,689
Ms. CHAN Yuen Shan, Clara	3,902,717
Mr. NG Tze For	278,726
Others	
Senior management and employees	14,857,476

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

2. Share Option Scheme

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

SHARE OPTIONS *(Continued)*

2. Share Option Scheme *(Continued)*

The subscription price of Shares 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 Shares 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 Shares on the date of offer of such grant.

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

No options have been granted under the Share Option Scheme since the adoption date on 15th September 2006 and up to 31st December 2007.

DIRECTORS

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

Executive Directors

Mr. CHAN Pak Chung
Ms. CHAN Yuen Shan, Clara
Ms. MA Siu Tao
Mr. NG Tze For
Mr. William Tasman WISE (re-designated from Non-Executive Director to Executive Director on 14th August 2007)

Independent Non-executive Directors

Mr. CHUNG Wai Kwok, Jimmy
Mr. LEUNG Kwok Keung
Mr. HU Wai Kwok (appointed on 14th May 2007)

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

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group acquired 70% interest in Lee Yip Metal Products Company Limited from Mr. Chan Pak Chung, details of which are set out in note 34(a)(vii) to the financial statements.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and the Senior Management are set out on page 22 of the Annual Report.

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

At 31st December 2007, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

1. Long Position in Shares of the Company

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

Notes:

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

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

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

2. Long Position in Underlying Shares of the Company

Name of Director	Capacity	Description of equity derivatives	Number of underlying Shares
Mr. CHAN Pak Chung	Beneficial owner	Share option	4,705,860
	Family interest	Share option	3,862,740
Ms. MA Siu Tao	Beneficial owner	Share option	3,862,740
	Family interest	Share option	4,705,860
Ms. CHAN Yuen Shan, Clara	Beneficial owner	Share option	2,745,090
Mr. NG Tze For	Beneficial owner	Share option	196,050

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

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

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

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

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31st December 2007, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Long Position in the Shares of the Company

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

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

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

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

As at 31st December 2007, no other persons had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

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

The percentage of purchases for 2007 attributable to the Group's major suppliers is as follows:

Purchases	
– the largest supplier	40%
– five largest suppliers combined	88%

MANAGEMENT CONTRACTS

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

COMPETING BUSINESS

Mr. CHAN Pak Chung has provided a written confirmation, which has been reviewed and confirmed by the Independent Non-executive Directors of the Company, confirming that he has complied with the terms of a Deed of Non-competition entered into with the Company and him during 2007.

AUDITORS

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

On behalf of the Board of Directors

CHAN Pak Chung
Chairman

Hong Kong, 15th April 2008

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LEE KEE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 100, which comprise the consolidated and company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15th April 2008

Consolidated Income Statement

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Revenues	5	**6,437,335**	5,700,451
Cost of sales	6	**(6,315,442)**	(5,133,504)
Gross profit		**121,893**	566,947
Other income	5	**30,552**	17,551
Distribution and selling expenses	6	**(20,485)**	(17,443)
Administrative expenses	6	**(83,701)**	(72,803)
Other (losses)/gains, net	7	**(58,103)**	10,562
Operating (loss)/profit		**(9,844)**	504,814
Finance costs	8	**(18,721)**	(13,435)
(Loss)/profit before income tax		**(28,565)**	491,379
Income tax expense	11	**(6,585)**	(85,986)
(Loss)/profit for the year		**(35,150)**	405,393
Attributable to:			
Equity holders of the Company	13	**(37,281)**	400,344
Minority interests		**2,131**	5,049
		(35,150)	405,393
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	12		
– basic (Hong Kong cents)		**(4.49)**	61.14
– diluted (Hong Kong cents)		**N/A**	60.63
Dividends	14	**8,300**	99,019

The notes on pages 46 to 100 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Non-current assets			
Leasehold land	15	**35,205**	5,532
Property, plant and equipment	16	**39,056**	14,850
Deferred income tax assets	28	**127**	119
Available-for-sale financial asset	17	**4,852**	–
		79,240	20,501
Current assets			
Inventories	18	**596,870**	808,619
Trade and other receivables	19	**260,499**	275,841
Income tax recoverable		**9,675**	28
Financial asset at fair value through profit or loss	20	**7,853**	–
Bank balances and cash	21	**648,740**	728,090
		1,523,637	1,812,578
Total assets		**1,602,877**	1,833,079
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**82,875**	83,000
Share premium	23	**495,293**	496,574
Other reserves	23	**600,136**	647,063
Proposed dividend	23	**–**	99,019
		1,178,304	1,325,656
Minority interests		**6,970**	4,839
Total equity		**1,185,274**	1,330,495

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Non-current liabilities			
Deferred income tax liabilities	28	**2,019**	2,069
Current liabilities			
Trade and other payables	24	**153,066**	133,599
Amount due to a joint venturer of a jointly controlled entity	30	**392**	274
Amount due to a related company	25	**–**	146
Bank borrowings	26	**253,255**	303,259
Income tax payable		**3,171**	44,237
Amount due to a director of the Company	27	**–**	13,300
Amount due to minority interests	27	**5,700**	5,700
		415,584	500,515
Total liabilities		**417,603**	502,584
Total equity and liabilities		**1,602,877**	1,833,079
Net current assets		**1,108,053**	1,312,063
Total assets less current liabilities		**1,187,293**	1,332,564

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 46 to 100 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment in a subsidiary	29	**264,171**	640,631
Current assets			
Amounts due from subsidiaries	29	**592,126**	107,040
Bank balances and cash	21	**408,606**	576,338
Other receivable		**1**	–
		1,000,733	683,378
Total assets		**1,264,904**	1,324,009
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**82,875**	83,000
Share premium	23	**495,293**	496,574
Other reserves	23	**686,721**	645,399
Proposed dividend	23	**–**	99,019
Total equity		**1,264,889**	1,323,992
Current liabilities			
Other payables		**1**	3
Amount due to a subsidiary	29	**14**	14
Total liabilities		**15**	17
Total equity and liabilities		**1,264,904**	1,324,009
Net current assets		**1,000,718**	683,361
Total assets less current liabilities		**1,264,889**	1,323,992

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 46 to 100 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Operating activities			
Net cash generated from operations	31(a)	**218,780**	64,074
Interest paid		**(18,721)**	(13,435)
Hong Kong profits tax paid		**(55,901)**	(59,718)
Overseas income tax paid		**(1,480)**	(113)
Net cash from/(used in) operating activities		**142,678**	(9,192)
Investing activities			
Interest received		**29,902**	16,278
Purchase of leasehold land and property, plant and equipment		**(57,471)**	(6,154)
Proceeds from disposals of property, plant and equipment		**50**	449
Purchase of available-for-sale financial asset		**(4,852)**	–
Acquisition of a subsidiary	2(a)(i)	**(18,530)**	–
Acquisition of a jointly controlled entity	31(b)	**–**	(1,740)
Disposal of subsidiaries	31(c)	**–**	(351)
Net cash (used in)/from investing activities		**(50,901)**	8,482
Financing activities			
Decrease in amount due to a director of subsidiaries		**–**	(9,183)
(Decrease)/increase in amount due to a director of the Company		**(13,300)**	12,305
Increase in amount due to minority interests		**–**	4,000
Net inception of short-term bank loan		**2,942**	–
Net (repayment)/inception of loans against trust receipts		**(52,946)**	96,146
Dividends paid		**(107,319)**	(25,512)
Interim dividends paid to the then shareholders of a subsidiary by the subsidiary		**–**	(3,000)
Repurchase of shares of a subsidiary from the then shareholder of the subsidiary		**–**	(10,000)
Repurchase of own shares		**(1,406)**	–
Net proceeds from issue of new shares		**–**	579,574
Decrease in restricted bank balances		**–**	9,007
Net cash (used in)/from financing activities		**(172,029)**	653,337

	Note	2007 HK$'000	2006 HK$'000 (Restated)
(Decrease)/increase in cash and cash equivalents		**(80,252)**	652,627
Cash and cash equivalents at 1st January		**728,090**	75,263
Exchange gains on cash and cash equivalents		**902**	200
Cash and cash equivalents at 31st December		**648,740**	728,090
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**648,740**	728,090

The notes on pages 46 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2007

	Note	Attributable to the equity holders of the Company				
		Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January 2006 – as restated		–	–	352,832	690	353,522
Exchange difference		–	–	258	–	258
Profit for the year – as restated		–	–	400,344	5,049	405,393
Total recognised income and expense for 2006		–	–	400,602	5,049	405,651
Repurchase of shares of a subsidiary from the then shareholder of the subsidiary		–	–	(10,000)	–	(10,000)
Capitalisation of share premium	22(a)	60,000	(60,000)	–	–	–
Issue of shares in connection with listing	22(a)	23,000	591,100	–	–	614,100
Share issuance expenses	22(a)	–	(34,526)	–	–	(34,526)
Pre-IPO Share Option Scheme – value of employee services		–	–	4,748	–	4,748
Interim dividends paid to the then shareholders of a subsidiary prior to the Lee Yip Acquisition as detailed in note 2(a)(i)		–	–	(2,100)	(900)	(3,000)
At 31st December 2006 – as restated		83,000	496,574	746,082	4,839	1,330,495
At 1st January 2007 – as restated		83,000	496,574	746,082	4,839	1,330,495
Exchange difference		–	–	1,606	–	1,606
(Loss)/profit for the year		–	–	(37,281)	2,131	(35,150)
Total recognised income and expense for 2007		–	–	(35,675)	2,131	(33,544)
Repurchase of own shares	22(a)	(125)	(1,281)	–	–	(1,406)
Consideration paid for Lee Yip Acquisition as detailed in note 2(a)(i)		–	–	(18,530)	–	(18,530)
Pre-IPO Share Option Scheme – value of employee services		–	–	15,578	–	15,578
Dividends paid		–	–	(107,319)	–	(107,319)
At 31st December 2007		82,875	495,293	600,136	6,970	1,185,274

The notes on pages 46 to 100 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in units of Hong Kong dollars ("HK dollars") and have been approved for issue by the Board of Directors on 15th April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of Lee Kee Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (which include Hong Kong Accounting Standards ("HKAS")). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Accounting adjustments under common control combination

On 31st August 2007, the Group completed the acquisition of the 70% equity interest in Lee Yip Metal Products Company Limited ("Lee Yip"), a company principally engaged in the trading of stainless steel, from Mr Chan Pak Chung ("Mr Chan"), a director and controlling shareholder of the Company, for a cash consideration of approximately HK$18,530,000 (the "Lee Yip Acquisition").

Since the Company and Lee Yip are both ultimately controlled by Mr Chan immediately before and after the Lee Yip Acquisition, these financial statements have been prepared using the principle of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets.

Consolidated balance sheet as at 31st December 2007:

	The Group excluding Lee Yip HK$'000	Lee Yip HK$'000	Adjustment (Note) HK$'000	Consolidated HK$'000
Investment in Lee Yip	**18,530**	**–**	**(18,530)**	**–**
Other assets – net	**1,162,042**	**23,232**	**–**	**1,185,274**
Net assets	**1,180,572**	**23,232**	**(18,530)**	**1,185,274**
Share capital	**82,875**	**1,000**	**(1,000)**	**82,875**
Share premium	**496,293**	**–**	**–**	**496,293**
Merger reserve	**–**	**–**	**(17,830)**	**(17,830)**
Other reserves	**601,404**	**22,232**	**(6,670)**	**616,966**
Minority interests	**–**	**–**	**6,970**	**6,970**
	1,180,572	**23,232**	**(18,530)**	**1,185,274**

Note: The above adjustments represent adjustments to eliminate the Group's share of share capital of Lee Yip as at 31st December 2007 against the Group's investment cost in Lee Yip with the difference of HK$17,830,000 being made to the merger reserve in the consolidated financial statements; and to account for the minority interests in the net assets of Lee Yip as at 31st December 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Accounting adjustments under common control combination *(Continued)*

Consolidated balance sheet as at 31st December 2006:

	The Group excluding Lee Yip HK$'000	Lee Yip HK$'000	Adjustment (Note) HK$'000	Consolidated HK$'000
Net assets	1,314,364	16,131	–	1,330,495
Share capital	83,000	1,000	(1,000)	83,000
Share premium	496,574	–	–	496,574
Merger reserve	–	–	700	700
Other reserves	734,790	15,131	(4,539)	745,382
Minority interests	–	–	4,839	4,839
	1,314,364	16,131	–	1,330,495

Note: The above adjustments represent adjustments to reclassify the Group's share of share capital of Lee Yip as at 31st December 2006 to merger reserve; and to account for the minority interests in the net assets of Lee Yip as at 31st December 2006.

No other significant adjustments were made to the net assets and net profit or loss of any entities as a result of the common control combination to achieve consistency of accounting policies.

(ii) Relevant standard and interpretations to published standards effective in 2007

- HKFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of Financial Statements – Capital Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

- HK(IFRIC) – Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Relevant standard and interpretations to published standards effective in 2007 *(Continued)*

- HK(IFRIC) – Int 9, 'Re-assessment of Embedded Derivatives', requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on the consolidated financial statements.

- HK(IFRIC) – Int 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the consolidated financial statements.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

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

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

(b) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Merger accounting for common control combination *(Continued)*

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

(c) Consolidation

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

(i) Subsidiaries

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

Except for a common control combination, 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.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Consolidation *(Continued)*

(ii) Jointly controlled entity

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Group companies

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

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

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

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

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation of property, plant and equipment is calculated using the straight-line basis or reducing balance basis to allocate cost less estimated 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 (note 2(f)).

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

(f) Impairment of investment in a subsidiary and non-financial assets

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

(g) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' and 'bank balances and cash' in the consolidated balance sheet (note 2 (j)).

(iii) Available-for-sale financial assets

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

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

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

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

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

(h) Investments in financial derivatives

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

(i) Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Trade and other receivables

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

(k) Cash and cash equivalents

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

(l) Share capital

Ordinary shares are classified as equity.

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

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

(m) Trade and other payables

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

(n) Borrowings

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Current and deferred income tax

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

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

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

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

(p) Employee benefits

(i) Pension obligation

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(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.

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

(iii) Bonus plan

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

(iv) Share-based compensation

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

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

(q) Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Management fee is recognised when services are rendered.

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

(s) Leases

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

(t) Borrowing costs

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

(u) Contingent liabilities and contingent assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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.

(w) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign exchange risk

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

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

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

In respect of RMB, at 31st December 2007, if RMB had strengthened/weakened by 10% against the HK dollars with all other variables held constant, post-tax loss for the year would have been approximately HK$190,000/HK$210,000 lower/higher (2006: post-tax profit would have been approximately HK$178,000/HK$196,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Commodity price risk

The Group uses a number of futures contracts traded on London Metal Exchange and some over-the-counter metal forwards contracts to reduce its exposure to fluctuations in the price of base metals that the Group is trading.

As at 31st December 2007 and 2006, the Group had no future and forward metal contracts.

(iii) Fair value and cash flow interest rate risk

The Group has short term bank deposits at fixed interest rates with maturities less than 30 days as stated in note 21 which subject to fair value interest rate risk, and bank borrowings at floating interest rates with maturities of less than 120 days as stated in note 26, which subject to cash flow interest rate risk.

At 31st December 2007, if interest rates on deposits and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$96,000 lower/higher (2006: post-tax profit would have been approximately HK$5,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Credit risk

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

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

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

The table below shows the deposits placed with banks with different class of credit ratings at the balance sheet date.

	2007 HK$'000	2006 HK$'000
Rating:		
A1	**1,479**	3,552
A2	**57,094**	176,604
A3	**230**	457
Aa1	**252**	–
Aa2	**440,575**	2,612
Aa3	**143,423**	542,749
Baa2	**4,724**	1,923
	647,777	727,897

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(v) Liquidity risk

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Management monitors the Group's liquidity on the basis of availability of bank balances and cash and unutilised committed credit lines. Liquidity reserve as of 31st December 2007 is as follows:

	HK$'000
Bank balances and cash	648,740
Committed credit lines available	1,270,745
Less: Utilised credit lines	(253,255)
Liquidity available as of 31st December 2007	1,666,230

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

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as gross debt divided by total equity. Gross debt is the total bank borrowings as shown in the consolidated balance sheet.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio below 30%.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratio at 31st December 2007 and 2006 were as follows:

	2007	2006
	HK$'000	HK$'000
Total bank borrowings	**253,255**	303,259
Total equity	**1,185,274**	1,330,495
Gearing ratio	**21.4%**	22.8%

(c) Fair value estimation

The carrying amounts of the Group's financial assets including bank balances and cash, trade and other receivables; and financial liabilities including trade and other payables, and short term bank borrowings approximate their fair values due to their short maturities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the related actual results. The accounting estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

(a) Net realisable value of inventories

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairment of trade receivables

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

5 REVENUES AND OTHER INCOME

The Group is principally engaged in trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy and stainless steel and other electroplating chemical products mainly in Hong Kong which accounts for more than 90 percent of the Group's revenues 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. Revenues, which also represent the Group's turnover, and other income recognised during the year are as follows:

	2007 HK$'000	2006 HK$'000 (Restated)
Revenues		
Sales of goods	**6,437,335**	5,700,451
Other income		
Interest income	**29,902**	16,278
Gross rental income from investment properties	**–**	691
Management fee, net of withholding tax	**70**	70
Others	**580**	512
	30,552	17,551

6 EXPENSES BY NATURE

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

	2007 HK$'000	2006 HK$'000 (Restated)
Auditors' remuneration	1,460	1,245
Depreciation of property, plant and equipment	3,703	3,239
Amortisation of leasehold land	536	128
Staff costs, including directors' remuneration (note 9)	52,874	38,382
Operating lease rental for land and buildings	4,540	4,285
Cost of inventories sold	6,253,954	5,125,743
Outgoings in respect of investment properties	–	17
Provision for impairment of trade receivables	56	2,062
Provision for inventories	55,002	–

7 OTHER (LOSSES)/GAINS, NET

	2007 HK$'000	2006 HK$'000 (Restated)
Fair value gains on investment properties	–	3,800
(Loss)/gain on disposal of property, plant and equipment	(32)	266
Net fair value losses of financial assets at fair value through profit or loss, including metal future trading contracts	(56,056)	(786)
Net exchange (loss)/gain	(2,015)	6,280
Loss on disposal of subsidiaries (notes 31(c) and 34(a) (ix))	–	(82)
Excess of the Group's interest in the net fair value of the identifiable net assets of the jointly controlled entity over cost of acquisition (note 31(b))	–	1,084
	(58,103)	10,562

8 FINANCE COSTS

	2007 HK$'000	2006 HK$'000 (Restated)
Interest on		
Bank overdrafts	**4**	5
Loans against trust receipts	**18,683**	13,430
Short-term bank loan	**34**	–
	18,721	13,435

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000 (Restated)
Wages, salaries and allowances	**36,356**	32,899
Pension costs – defined contribution	**940**	735
Share-based compensation	**15,578**	4,748
	52,874	38,382

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Name of directors	Fees HK$'000	Salaries and other allowances HK$'000	Bonuses HK$'000	Pension HK$'000	Share-based compensation HK$'000	Total HK$'000
2007						
Mr Chan Pak Chung	**–**	**4,560**	**380**	**12**	**3,338**	**8,290**
Ms Chan Yuen Shan, Clara	**–**	**1,920**	**160**	**12**	**1,947**	**4,039**
Ms Ma Siu Tao	**–**	**2,160**	**180**	**12**	**2,740**	**5,092**
Mr Ng Tze For	**–**	**1,237**	**100**	**12**	**139**	**1,488**
Mr William Tasman Wise	**466**	**–**	**–**	**–**	**–**	**466**
Mr Chung Wai Kwok, Jimmy	**180**	**–**	**–**	**–**	**–**	**180**
Mr Yan Cheuk Yam #	**30**	**–**	**–**	**–**	**–**	**30**
Mr Leung Kwok Keung	**180**	**–**	**–**	**–**	**–**	**180**
Mr Hu Wai Kwok ##	**114**	**–**	**–**	**–**	**–**	**114**
	970	**9,877**	**820**	**48**	**8,164**	**19,879**
2006						
Mr Chan Pak Chung	–	1,809	880	12	1,017	3,718
Ms Chan Yuen Shan, Clara	–	992	1,700	12	594	3,298
Ms Ma Siu Tao	–	758	880	12	835	2,485
Mr Ng Tze For	–	594	150	6	42	792
Mr William Tasman Wise	45	–	–	–	–	45
Mr Chung Wai Kwok, Jimmy	45	–	–	–	–	45
Mr Yan Cheuk Yam #	45	–	–	–	–	45
Mr Leung Kwok Keung	45	–	–	–	–	45
	180	4,153	3,610	42	2,488	10,473

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

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

No directors waived or agreed to waive any emoluments during the year (2006: Nil). No payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2006: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: two) of the five highest paid individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other allowances	1,768	1,235
Bonuses	145	1,366
Pension	24	24
Share-based compensation	2,643	806
	4,580	3,431

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

	Number of individuals	
	2007	2006
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	–
	2	2

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on profits arising from operations in China mainland has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the China mainland in which the Group's entities operate.

	2007 HK$'000	2006 HK$'000 (Restated)
Current income tax		
– Hong Kong profits tax	6,645	84,524
– China mainland enterprise income tax	–	459
Deferred income tax relating to the origination and reversal of temporary differences (note)	(58)	1,031
Over-provision in prior years	(2)	(28)
Income tax expense	6,585	85,986

Note: Deferred income tax charged to the consolidated income statement in 2006 included an amount of HK$701,000 which was credited to 'liabilities associated with assets held for sale' in relation to the disposal of subsidiaries as detailed in note 34 (a)(ix).

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

	2007 HK$'000	2006 HK$'000 (Restated)
(Loss)/profit before income tax	(28,565)	491,379
Calculated at a tax rate of 17.5% (2006: 17.5%)	(4,999)	85,991
Effect of different income tax rates in other country	(186)	(151)
Income not subject to income tax	(5,306)	(3,002)
Expenses not deductible for income tax purpose	3,686	3,176
Tax losses not recognised	13,392	–
Over-provision in prior years	(2)	(28)
Income tax expense	6,585	85,986

12 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2007	2006 (Restated)
(Loss)/profit attributable to equity holders of the Company (HK$'000)	(37,281)	400,344
Weighted average number of ordinary shares in issue ('000)	829,817	654,767
Basic (loss)/earnings per share (Hong Kong cents per share)	(4.49)	61.14

(b) Diluted

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

	2007	2006 (Restated)
(Loss)/profit attributable to equity holders of the Company (HK$'000)	(37,281)	400,344
Weighted average number of ordinary shares in issue ('000)	829,817	654,767
Adjustments for share options ('000)	2,029	5,562
Weighted average number of ordinary shares for diluted (loss)/earnings per share ('000)	831,846	660,329
Diluted (loss)/earnings per share (Hong Kong cents per share)	N/A	60.63

12 (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) Diluted *(Continued)*

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

13 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$34,044,000 (2006: HK$99,053,000).

14 DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim dividend paid of HK1 cent (2006: Nil) per ordinary share (note (a))	**8,300**	–
Proposed special dividend of HK10 cents per ordinary share (note (b))	**–**	83,000
Proposed final dividend of HK1.93 cents per ordinary share (note (b))	**–**	16,019
	8,300	99,019

Notes:

(a) An interim dividend in respect of 2007 of HK1 cent per ordinary share, amounting to a total dividend of HK$8,300,000, was declared on 22nd August 2007.

(b) A final dividend and special dividend in respect of 2006 of HK1.93 cents and HK 10 cents per ordinary share, amounting to a total dividend of HK$16,019,000 and HK$83,000,000, respectively, were proposed and approved at the annual general meeting on 31st May 2007. The comparative financial statements did not reflect this dividend payable.

15 LEASEHOLD LAND

	2007 HK$'000	2006 HK$'000
At 1st January	**5,532**	5,156
Exchange difference	**511**	12
Additions	**29,698**	–
Acquisition of a jointly controlled entity (note 31(b))	**–**	492
Amortisation	**(536)**	(128)
At 31st December	**35,205**	5,532

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

	2007 HK$'000	2006 HK$'000
Held on leases of between 10 and 50 years		
In Hong Kong	**22,206**	5,032
Outside Hong Kong	**12,999**	500
	35,205	5,532

Leasehold land with an aggregate net book value as at 31st December 2007 of approximately HK$524,000 (2006: Nil) has been pledged to secure short-term bank loan granted to a jointly controlled entity (note 26).

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	Construction in progress HK$'000	Total HK$'000
Cost								
At 1st January 2007 – as restated	5,132	3,262	12,693	3,014	2,493	4,310	–	30,904
Exchange difference	121	(1)	2	114	3	–	–	239
Additions	12,621	3,899	2,003	423	301	893	7,633	27,773
Disposals	–	–	(501)	(85)	(28)	–	–	(614)
At 31st December 2007	17,874	7,160	14,197	3,466	2,769	5,203	7,633	58,302
Accumulated depreciation								
At 1st January 2007 – as restated	454	2,360	7,630	1,211	1,801	2,598	–	16,054
Exchange difference	4	–	1	14	2	–	–	21
Charge for the year	447	428	1,945	278	145	460	–	3,703
Disposals	–	–	(477)	(38)	(17)	–	–	(532)
At 31st December 2007	905	2,788	9,099	1,465	1,931	3,058	–	19,246
Net book value at 31st December 2007	16,969	4,372	5,098	2,001	838	2,145	7,633	39,056

Buildings with an aggregate net book value as at 31st December 2007 of approximately HK$1,761,000 (2006: Nil) have been pledged to secure short-term bank loan granted to a jointly controlled entity (note 26).

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings HK$'000	Leasehold improvements HK$'000 (Restated)	Motor vehicles HK$'000	Machinery HK$'000 (Restated)	Furniture, fixtures and office equipment HK$'000 (Restated)	Computer system HK$'000 (Restated)	Construction in progress HK$'000	Total HK$'000 (Restated)
Cost								
At 1st January 2006 – as restated	3,400	2,949	9,186	1,344	2,381	3,705	–	22,965
Exchange difference	12	–	1	35	1	–	–	49
Additions – as restated	32	313	5,099	41	64	605	–	6,154
Acquisition of a jointly controlled entity (note 31(b))	1,688	–	8	1,594	47	–	–	3,337
Disposals	–	–	(1,601)	–	–	–	–	(1,601)
At 31st December 2006 – as restated	5,132	3,262	12,693	3,014	2,493	4,310	–	30,904
Accumulated depreciation								
At 1st January 2006 – as restated	372	2,133	6,868	1,053	1,657	2,147	–	14,230
Exchange difference	–	–	1	2	–	–	–	3
Charge for the year – as restated	82	227	2,179	156	144	451	–	3,239
Disposals	–	–	(1,418)	–	–	–	–	(1,418)
At 31st December 2006 – as restated	454	2,360	7,630	1,211	1,801	2,598	–	16,054
Net book value at 31st December 2006 – as restated	4,678	902	5,063	1,803	692	1,712	–	14,850

17 AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset at 31st December 2007 is an investment in an unlisted limited partnership incorporated in the Cayman Islands and its carrying value is at fair value and denominated in United Kingdom Pounds.

There were no disposals or impairment provisions on available-for-sale financial asset in 2007.

18 INVENTORIES

	2007 HK$'000	2006 HK$'000 (Restated)
Raw materials	**316**	12,551
Finished goods	**596,554**	796,068
	596,870	808,619

19 TRADE AND OTHER RECEIVABLES

	2007 HK$'000	2006 HK$'000 (Restated)
Trade receivables, net of provision	**237,069**	220,665
Prepayments to suppliers	**2,069**	40,486
Deposits	**5,288**	10,331
Other receivables	**16,073**	4,359
	260,499	275,841

19 TRADE AND OTHER RECEIVABLES *(Continued)*

The Group offers credit terms to its customers ranging from cash on delivery to 30 days. Ageing analysis of trade receivables, based on invoice date, is as follows:

	2007 HK$'000	2006 HK$'000 (Restated)
0 to 30 days	**194,201**	186,058
31 to 60 days	**31,857**	27,265
61 to 90 days	**6,806**	5,533
Over 90 days	**4,205**	1,809
	237,069	220,665

As at 31st December 2007, trade receivables of approximately HK$190,681,000 (2006: HK$189,940,000) were past due but not impaired. These relate to independent customers for whom there is no recent history of default. The ageing of these receivables, based on payment due date, is as follows:

	2007 HK$'000	2006 HK$'000
0 to 30 days	**153,740**	171,700
31 to 60 days	**27,118**	14,299
61 to 90 days	**5,638**	3,182
Over 90 days	**4,185**	759
	190,681	189,940

The Group did not have any impaired trade receivables as at the balance sheet date (2006: Nil).

19 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2007 HK$'000	2006 HK$'000 (Restated)
HK dollars	152,235	80,316
US dollars	57,710	122,909
Renminbi	27,124	17,440
	237,069	220,665

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

	2007 HK$'000	2006 HK$'000
At 1st January	–	–
Provision for impairment of trade receivables	56	2,062
Receivables written off during the year as uncollectible	(56)	(2,062)
At 31st December	–	–

The other classes within trade and other receivables do not contain impaired assets.

20 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 HK$'000	2006 HK$'000
Unlisted debt security	7,853	–

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

Financial asset at fair value through profit or loss is presented within 'operating activities' as part of changes in working capital in the consolidated cash flow statement (note 31(a)).

21 BANK BALANCES AND CASH

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Cash at bank and in hand	**170,851**	129,157	**1,706**	7
Short-term bank deposits	**477,889**	598,933	**406,900**	576,331
	648,740	728,090	**408,606**	576,338

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

	Group		Company	
	2007	2006	**2007**	2006
Short-term bank deposits	**3.40% to 5.23%**	3.65% to 5.25%	**3.40% to 5.23%**	3.85% to 5.25%

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
HK dollars	**80,392**	85,947	**4,728**	19,936
US dollars	**548,414**	636,715	**403,878**	556,402
Renminbi	**19,792**	–	**–**	–
Others	**142**	5,428	**–**	–
	648,740	728,090	**408,606**	576,338

22 SHARE CAPITAL

(a) Authorised and issued capital

	Number of shares	Approximate amount HK$'000
Authorised – ordinary shares of HK$0.1 each:		
As at 1st January 2006	3,800,000	380
Increase in authorised share capital (note (i))	7,996,200,000	799,620
At 31st December 2006 and 31st December 2007	8,000,000,000	800,000
Issued and fully paid – ordinary shares of HK$0.1 each:		
At 1st January 2006	1	–
Capitalisation of share premium upon issue of shares (note (ii))	599,999,999	60,000
Issue of shares for global offering (note (iii))	200,000,000	20,000
Issue of shares on the exercise of over-allotment option (note (iv))	30,000,000	3,000
At 31st December 2006	830,000,000	83,000
At 1st January 2007	830,000,000	83,000
Repurchase of own shares (note (v))	(1,250,000)	(125)
At 31st December 2007	828,750,000	82,875

Notes:

(i) On 15th September 2006, the Company increased its authorised share capital from HK$380,000 to HK$800,000,000 by the creation of an additional 7,996,200,000 shares of HK$0.10 each ranking pari passu in all respects with the then existing issued shares.

(ii) In preparation for the listing of the Company's shares on the Stock Exchange, on 13th September 2006, the entire issued share capital of the Company became wholly owned by Gold Alliance Global Services Limited ("Gold Alliance"), a wholly-owned subsidiary of Gold Alliance International Management Limited ("Gold Alliance International"), by way of a deed of gift entered into between Mr Chan Pak Chung and Gold Alliance.

On 15th September 2006, a written resolution was passed by Gold Alliance, the then sole shareholder of the Company pursuant to which, 599,999,999 shares of HK$0.10 each were allotted and issued to Gold Alliance, credited as fully paid at par, by way of the capitalisation of the sum of HK$59,999,999.90 standing to the credit of the share premium account of the Company, subject to the share premium account of the Company being credited by an amount not less than HK$59,999,999.90 as a result of the issue of the shares pursuant to the global offering as detailed in (iii) below.

22 SHARE CAPITAL *(Continued)*

(a) Authorised and issued capital *(Continued)*

Notes: *(Continued)*

(iii) On 4th October 2006, the Company completed a global offering of 200,000,000 shares with a par value of HK$0.10 each at a price of HK$2.67 per share in cash for an aggregate consideration of HK$534 million. The shares commenced trading on the Stock Exchange on 4th October 2006. All these shares rank pari passu in all respects with the then existing shares. The listing proceeds of the aforementioned shares, net of direct issuance expenses amounted to approximately HK$503 million. The resulting share premium amounted to approximately HK$483 million.

(iv) On 20th October 2006, upon the exercise of the over-allotment option by the placing underwriters under the underwriting agreements entered into between the Company and the placing underwriters, 30,000,000 shares with a par value of HK$0.10 each were allotted and issued at a price of HK$2.67 per share in cash for an aggregate consideration of approximately HK$80 million to the placing underwriters. The proceeds of the aforementioned shares, net of direct issuance expenses amounted to approximately HK$77 million. The resulting share premium amounted to approximately HK$74 million.

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

(b) Share option schemes

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

(i) Pre-IPO Share Option Scheme

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

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

22 SHARE CAPITAL *(Continued)*

(b) Share option schemes *(Continued)*

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

7,246,859 shares options under the Pre-IPO Share Option Scheme are exercisable as at 31st December 2007 (2006: Nil).

Details of the options granted under the Pre-IPO Share Option Scheme outstanding as at 31st December 2007 are as follows:

	Date of grant	Exercise price in HK$ per share	Number of shares subject to the options
Directors	15th September 2006	2.136	11,509,740
Senior management	15th September 2006	2.136	5,862,570
Other employees	15th September 2006	2.136	4,587,870
			21,960,180

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

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

(ii) Share Option Scheme

No option was granted under the Share Option Scheme.

23 SHARE PREMIUM AND OTHER RESERVES

Group

			Other reserves							
	Note	Share premium HK$'000	Merger reserve HK$'000 (Restated)	Capital redemption reserve HK$'000	Reserve funds (note (b)) HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000 (Restated)	Sub-total HK$'000 (Restated)	Total HK$'000 (Restated)
At 1st January 2006 – as restated		–	10,700	–	–	–	–	342,132	352,832	352,832
Exchange difference		–	–	–	–	–	258	–	258	258
Profit for the year – as restated		–	–	–	–	–	–	400,344	400,344	400,344
Repurchase of shares of a subsidiary from the then shareholder of the subsidiary		–	(10,000)	–	–	–	–	–	(10,000)	(10,000)
Issue of shares in connection with listing	22(a)(iii) and (iv)	591,100	–	–	–	–	–	–	–	591,100
Share issuance expenses	22(a)(iii) and (iv)	(34,526)	–	–	–	–	–	–	–	(34,526)
Capitalisation of share premium	22(a)(ii)	(60,000)	–	–	–	–	–	–	–	(60,000)
Transfer to reserve funds		–	–	–	313	–	–	(313)	–	–
Pre-IPO Share Option Scheme – value of employee services	(a)	–	–	–	–	4,748	–	–	4,748	4,748
Interim dividend paid to the then shareholder of a subsidiary prior to the Lee Yip Acquisition		–	–	–	–	–	–	(2,100)	(2,100)	(2,100)
At 31st December 2006 – as restated		496,574	700	–	313	4,748	258	740,063	746,082	1,242,656
Balance after 2006 final dividend proposed – as restated		496,574	700	–	313	4,748	258	641,044	647,063	1,143,637
2006 final dividend proposed		–	–	–	–	–	–	99,019	99,019	99,019
		496,574	700	–	313	4,748	258	740,063	746,082	1,242,656
At 1st January 2007 – as restated		496,574	700	–	313	4,748	258	740,063	746,082	1,242,656
Exchange difference		–	–	–	–	–	1,606	–	1,606	1,606
Loss for the year		–	–	–	–	–	–	(37,281)	(37,281)	(37,281)
Repurchase of own shares	22(a)(v)	(1,281)	–	125	–	–	–	(125)	–	(1,281)
Consideration paid for the Lee Yip Acquisition	2(a)(i)	–	(18,530)	–	–	–	–	–	(18,530)	(18,530)
Pre-IPO Share Option Scheme – value of employee services	(a)	–	–	–	–	15,578	–	–	15,578	15,578
Dividends paid		–	–	–	–	–	–	(107,319)	(107,319)	(107,319)
At 31st December 2007		495,293	(17,830)	125	313	20,326	1,864	595,338	600,136	1,095,429

Notes:

(a) Share-based compensation reserve represents an entry corresponding to employee share option expense charged to the income statement.

(b) In accordance with the regulations of China mainland, the Group's entities registered in the China mainland are required to transfer part of its profit after income tax to reserve funds. The transfer is also subject to the approval of the board of directors of these entities, in accordance with its articles of association.

23 SHARE PREMIUM AND OTHER RESERVES *(Continued)*

Company

	Note	Share premium HK$'000	Other reserves: Contributed Surplus (note(b)) HK$'000	Other reserves: Capital redemption reserve HK$'000	Other reserves: Share-based compensation reserve HK$'000	Other reserves: Retained earnings/ (accumulated losses) HK$'000	Other reserves: Sub-total HK$'000	Total HK$'000
At 1st January 2006		–	–	–	–	(14)	(14)	(14)
Profit for the year		–	–	–	–	99,053	99,053	99,053
Effect of Reorganisation		–	640,631	–	–	–	640,631	640,631
Issue of shares in connection with listing	22(a)(iii) and (iv)	591,100	–	–	–	–	–	591,100
Share issuance expenses	22(a)(iii) and (iv)	(34,526)	–	–	–	–	–	(34,526)
Capitalisation of share premium	22(a)(ii)	(60,000)	–	–	–	–	–	(60,000)
Pre-IPO Share Option Scheme – value of employee services	(a)	–	–	–	4,748	–	4,748	4,748
At 31st December 2006		496,574	640,631	–	4,748	99,039	744,418	1,240,992
Balance after 2006 final dividend proposed		496,574	640,631	–	4,748	20	645,399	1,141,973
2006 final dividend proposed		–	–	–	–	99,019	99,019	99,019
		496,574	640,631	–	4,748	99,039	744,418	1,240,992
At 1st January 2007		496,574	640,631	–	4,748	99,039	744,418	1,240,992
Profit for the year		–	–	–	–	34,044	34,044	34,044
Repurchase of own shares	22(a)(v)	(1,281)	–	125	–	(125)	–	(1,281)
Pre-IPO Share Option Scheme – value of employee services	(a)	–	–	–	15,578	–	15,578	15,578
Dividends paid		–	–	–	–	(107,319)	(107,319)	(107,319)
At 31st December 2007		495,293	640,631	125	20,326	25,639	686,721	1,182,014

Notes:

(a) Share-based compensation reserve represents an entry corresponding to employee share option expense charged to the income statement.

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

24 TRADE AND OTHER PAYABLES

	2007 HK$'000	2006 HK$'000 (Restated)
Trade payables	**112,684**	83,809
Deposits received	**27,631**	35,851
Accrued expenses	**12,751**	13,939
	153,066	133,599

Ageing analysis of trade payables is as follows:

	2007 HK$'000	2006 HK$'000 (Restated)
0 to 30 days	**111,414**	80,790
31 to 60 days	**964**	141
61 to 90 days	**–**	–
Over 90 days	**306**	2,878
	112,684	83,809

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

	2007 HK$'000	2006 HK$'000 (Restated)
HK dollars	**2,573**	1,798
US dollars	**87,110**	57,573
Renminbi	**22,673**	24,365
Others	**328**	73
	112,684	83,809

25 AMOUNT DUE TO A RELATED COMPANY

	2007 HK$'000	2006 HK$'000
Amount due to:		
Other payable		
Modern Wealth Limited	–	146

Modern wealth Limited is wholly-owned by Mr Chan, a director of the Company, as at 31st December 2006 and 2007.

The amount payable was denominated in Hong Kong dollars, unsecured, interest free and had no fixed terms of repayment.

26 BANK BORROWINGS

	2007 HK$'000	2006 HK$'000 (Restated)
Short-term bank loan – secured	2,942	–
Loans against trust receipts – unsecured	250,313	303,259
	253,255	303,259

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

	2007 HK$'000	2006 HK$'000 (Restated)
US dollars	250,313	302,235
Others	2,942	1,024
	253,255	303,259

26 BANK BORROWINGS *(Continued)*

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

	2007	2006 (Restated)
Short-term bank loan	**8.38%**	–
Loans against trust receipts	**4.10% to 7.26%**	5.70% to 6.86%

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

The short-term bank loan is secured by certain leasehold land and buildings of the Group's jointly controlled entity as at 31st December 2007 (notes 15 and 16).

27 AMOUNTS DUE TO A DIRECTOR OF THE COMPANY/MINORITY INTERESTS

The amounts payable are denominated in Hong Kong dollars, unsecured, interest fee and have no fixed terms of repayment.

28 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a principal income tax rate of 17.5% (2006: 17.5%).

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

	2007 HK$'000	2006 HK$'000 (Restated)
At 1st January – as restated	**1,950**	1,620
(Credited)/charged to income statement	**(58)**	330
At 31st December	**1,892**	1,950

28 DEFERRED INCOME TAX *(Continued)*

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

	Deferred income tax assets		Deferred income tax liabilities	
	Accelerated accounting depreciation		Accelerated tax depreciation	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000 (Restated)
At 1st January – as restated	**119**	72	**(2,069)**	(1,692)
Deferred income tax credited/(charged) to income statement	**8**	47	**50**	(377)
At 31st December	**127**	119	**(2,019)**	(2,069)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognised deferred income tax assets of approximately HK$13,392,000 (2006: Nil) in respect of losses amounting to approximately HK$75,577,000 (2006: Nil) that can be carried forward against future taxable income. Tax losses arising in Hong Kong amounting to approximately HK$68,045,000 (2006: Nil) are available with no expiry date to offset against future taxable profits of the companies in which the losses arose. Tax losses arising in China mainland amounting to approximately HK$7,532,000 (2006: Nil) will expire in 2012.

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

	Company	
	2007 **HK$'000**	2006 HK$'000
Unlisted shares, at cost	**264,171**	640,631

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

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

(Continued)

The following is a list of principal subsidiaries at 31st December 2007:

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

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

(Continued)

Company name	Place of incorporation and kind of legal entity	Issued capital/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities
Standard Glory Management Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Provision of management services
Toba Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding
#LKG Elite (Shenzhen) Co., Ltd	The People's Republic of China, limited liability company	RMB5,000,000	100%	Distribution of non-ferrous metals
#肇慶市利晉金屬資源再生材料有限公司	The People's Republic of China, limited liability company	US$360,099	100%	Property holding
#肇慶市利明金屬資源再生材料有限公司	The People's Republic of China, limited liability company	US$925,100	100%	Property holding

Wholly foreign owned enterprises newly set up during the year
Directly held by the Company
* Newly acquired during the year

30 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

The Group has a 50% interest in a jointly controlled entity, Genesis Recycling Technology (BVI) Limited ("GRTL"). GRTL together with its wholly owned subsidiaries, Genesis Alloys Limited and Genesis Alloys (Ningbo) Limited ("Genesis Ningbo", collectively referred to as the "Genesis Group") are engaged in the manufacturing and trading of alloy products in the China mainland. The following are the particulars of the jointly controlled entity at 31st December 2007:

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

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

The following amounts represent the Group's 50% share of the consolidated assets and liabilities of Genesis Group at 31st December 2007, and revenues and results of Genesis Group for the year then ended. They are included in the consolidated balance sheet and consolidated income statement of the Group:

	2007 **HK$'000**	2006 HK$'000
Leasehold land	**524**	501
Property, plant and equipment	**4,942**	3,319
Inventories	**5,857**	13,279
Trade and other receivables	**30,855**	23,337
Bank balances and cash	**1,322**	8,444
Income tax recoverable	**1,068**	–
Trade and other payables	**(27,414)**	(33,114)
Income tax payable	**–**	(360)
Bank borrowings	**(2,943)**	–
Amount due to a related company, Modern Wealth Limited	**–**	(146)
Amount due to a joint venturer of a jointly controlled entity	**(392)**	(274)
	13,819	14,986
Amount due to the Group	**(2,075)**	(1,836)
Net assets	**11,744**	13,150
Revenues	**298,737**	83,331
Cost of sales	**(296,468)**	(78,535)
Gross profit	**2,269**	4,796
Other income	**155**	17
Distribution and selling expenses	**(2,352)**	(239)
Administrative expenses	**(2,267)**	(890)
Other gains, net	**76**	–
Operating (loss)/profit	**(2,119)**	3,684
Finance cost	**(34)**	–
(Loss)/profit before income tax	**(2,153)**	3,684
Income tax expense	**(27)**	(574)
(Loss)/profit after income tax	**(2,180)**	3,110

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

31 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2007 HK$'000	2006 HK$'000 (Restated)
(Loss)/profit before income tax	(28,565)	491,379
Fair value gains on investment properties	–	(3,800)
Depreciation of property, plant and equipment	3,703	3,239
Amortisation of leasehold land	536	128
Interest income	(29,902)	(16,278)
Interest expense	18,721	13,435
Loss/(gain) on disposal of property, plant and equipment	32	(266)
Loss on disposal of subsidiaries	–	82
Excess of the Group's interest in the net fair value of the identifiable net assets of the jointly controlled entity over cost of acquisition	–	(1,084)
Pre-IPO Share Option Scheme – value of employee services	15,578	4,748
Operating cash (outflow)/inflow before working capital changes	(19,897)	491,583
Decrease/(increase) in inventories	211,749	(425,820)
Decrease/(increase) in trade and other receivables	15,342	(54,476)
Increase in financial asset at fair value through profit or loss	(7,853)	–
Increase in trade and other payables	19,467	54,098
Movement in balances with related companies	(146)	(348)
Movement in balance with a joint venturer of a jointly controlled entity	118	(124)
Repayment of amount due to a director by a jointly controlled entity	–	(839)
Net cash generated from operations	218,780	64,074

31 NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of 50% interest in a jointly controlled entity

	2006 At the date of acquisition HK$'000
Leasehold land	985
Property, plant and equipment	6,674
Inventories	16,403
Trade and other receivables	20,915
Bank balances and cash	12,771
Trade and other payables	(32,730)
Income tax payable	(195)
Amount due to a related company, Modern Wealth Limited	(97)
Amount due to a director of a jointly controlled entity	(1,677)
Amount due to the Group	(1,916)
Amount due to a joint venturer of a jointly controlled entity	(2,712)
Net assets	18,421
Net assets acquired (50%)	9,210
Cash consideration for acquisition (note)	(8,126)
Excess of the Group's interest in the net fair value of the identifiable net assets of the jointly controlled entity over cost of acquisition (note 7)	1,084
An analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition of a jointly controlled entity is as follows:	
Cash consideration	(8,126)
Bank balances and cash acquired	6,386
	(1,740)

There was no acquisition of jointly controlled entity in 2007.

Note:

Total cash consideration of approximately HK$8,126,000 includes the consideration of the acquisition of 50% interest in a jointly controlled entity of approximately HK$7,593,000 (note 34(a)(viii)) and advanced contribution made by the Group to the jointly controlled entity of approximately HK$533,000.

31 NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Disposal of subsidiaries

	2006 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	351
Trade and other payables	(507)
Income tax payable	(147)
Deferred income tax liabilities	(4,813)
	59,570
Loss on disposal of subsidiaries (notes 7 and 34(a)(ix))	(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)

There is no disposal of subsidiary in 2007.

32 CONTINGENT LIABILITIES

At 31st December 2007, the Company had contingent liabilities of HK$1,335 million (2006: HK$680 million) in respect of corporate guarantees for credit facilities for certain subsidiaries amounting to approximately HK$1,271 million (2006: HK$600 million), of which approximately HK$253 million (2006: HK$268 million) was utilised.

33 COMMITMENTS – GROUP

(a) Operating lease commitments – as a lessee

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

	2007 HK$'000	2006 HK$'000 (Restated)
Within one year	**3,739**	2,902
In the second to fifth years inclusive	**1,695**	429
	5,434	3,331

(b) Capital commitments

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

	2007 HK$'000	2006 HK$'000
Contracted but not provided for:		
Leasehold land and property, plant and equipment	**21,670**	20,300
Equity investment (note 35)	**32,282**	–
	53,952	20,300

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

	2007 HK$'000	2006 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**1,869**	123

34 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Other than as disclosed in note 22(a)(ii), other significant related party transactions carried out during the year were as follows:

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Income			
Management fee received from Genesis Ningbo	(i)	**78**	130
Sales of metal to a director	(ii)	**–**	10,290
Expense			
Purchase of goods from Genesis Ningbo	(iii)	**10,302**	–
Purchase of goods from Wing Kee Metal Company	(iv)	**–**	79
Rental paid to Regal China Properties Limited	(v)	**–**	9
Rental paid to Lee Kee Far East Company Limited	(v)	**–**	720
Rental paid to Sonic Gold Limited	(v)	**187**	–
Rental paid to Modern Wealth Limited	(vi)	**793**	536
Others			
Acquisition of 70% interest in Lee Yip from a director of the Company	(vii)	**31,830**	–
Acquisition of 50% interest in GRTL from Metallic Scope Holding Company Limited ("Metallic Scope")	(viii)	**–**	9,348
Purchase of plant and equipment from Wing Kee Metal Company	(iv)	**–**	28
Disposal of Modern wealth Limited and Wah San Diecasting Company Limited to a director of the Company	(ix)	**–**	59,488

(i) The Group received management fee from Genesis Ningbo pursuant to the terms of management service agreement entered into with the related company for the provision of operating support services at fixed monthly service fee.

(ii) The Group sold gold to Mr Chan Pak Chung at the prevailing market value on the date of the transaction.

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

(iv) The Group purchased goods and plant and equipment from Wing Kee Metal Company, a company wholly owned by a minority shareholder of a subsidiary of the Company.

34 RELATED PARTY TRANSACTIONS *(Continued)*

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

(v) The Group paid rental for staff and directors' quarters to Regal China Properties Limited, Lee Kee Far East Company Limited and Sonic Gold Limited, of which Mr Chan Pak Chung and Ms Ma Siu Tao are directors of Regal China Properties Limited and Lee Kee Far East Company Limited and Ms Chan Yuen Shan, Clara is a director of Sonic Gold Limited, at fixed sums as agreed by both parties.

(vi) The Group paid rental for warehouse and car parking spaces to Modern Wealth Limited at fixed sums as agreed by both parties.

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

(viii) On 15th September 2006, the Group acquired 1,050,000 ordinary shares of US$1.00 each of GRTL, which represents 50% of its issued share capital together with a loan due to Metallic Scope of approximately HK$1,755,000, from Metallic Scope, a company wholly owned by Mr Chan Pak Chung for cash consideration of approximately HK$7,593,000 (note 31(b)) and HK$1,755,000 respectively.

(ix) In April 2006, the Group disposed of Modern wealth Limited and Wah San Diecasting Company Limited, the Group's wholly owned subsidiaries, to Mr Chan Pak Chung, a director of the Company, at a consideration of HK$59,488,000 with reference to the net assets value of the two subsidiaries, resulting in a loss of approximately HK$82,000 (notes 7 and 31(c)).

(b) Personal guarantee given by Mr Chan Pak Chung and Mr Poon Man Keung

Banking facilities of HK$10,000,000 were granted to a subsidiary which were jointly and severally guaranteed by personal guarantees given by Mr Chan Pak Chung and Mr Poon Man Keung, shareholder of the subsidiary, since 2005.

34 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	2007 HK$'000	2006 HK$'000 (Restated)
Salaries and other short term employee benefits	**17,095**	16,054
Post employment benefits – pension	**177**	163
Share-based compensation	**12,323**	3,756
	29,595	19,973

(d) Balances with related parties

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

35 EVENT AFTER THE BALANCE SHEET DATE

In November 2007, the Group, through its wholly-owned subsidiary, entered into a joint venture agreement with the then independent third party to establish Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax"), which was then incorporated in the People's Republic of China on 5th February 2008. The Group is going to inject a capital of RMB30 million (approximately HK$32.3 million) (note 33(b)) for 60% equity interest in Almax. Almax is going to involve in the manufacturing and trading of aluminium alloy. As of date of this report, no capital has been injected into Almax.

36 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

The directors regard Gold Alliance International and Gold Alliance, companies incorporated in the British Virgin Islands, as being the ultimate and immediate holding companies of the Group, respectively.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lee Kee Holdings Limited (the "Company") will be held at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Kowloon, Hong Kong on Tuesday, 27th May 2008 at 3:00 p.m. for the following purposes:

1. To receive and adopt the audited Consolidated Financial Statements of the Company and its subsidiaries and the Reports of the Directors and the Auditors for the year ended 31st December 2007.

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

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

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

"**THAT**:

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

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

(c) the aggregate nominal value of the Shares allotted or issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined in this Resolution); or (ii) any script dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or (iii) any specific authority granted by the shareholders of the Company in general meeting, shall not exceed the aggregate of (aa) 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the time of passing this Resolution and (bb) conditional on Resolution No. 5 and Resolution No. 6 being passed, the total nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the authorization granted to the Directors under the Resolution No. 5, and the approval granted pursuant to paragraphs (a) and (b) above of this Resolution shall be limited accordingly;

(d) for the purposes of this Resolution:–

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

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

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

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

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

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

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

"**THAT**:

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

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

(c) for the purposes of this Resolution:–

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

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

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

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

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

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

By Order of the Board

CHEUK Wa Pang
Company Secretary

Hong Kong, 28 April 2008

Head Office and Principal Place of Business in Hong Kong:
Rooms 1302–05, 13th Floor
Manulife Provident Funds Place
345 Nathan Road
Yaumatei
Kowloon
Hong Kong

Notes:

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

2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Branch Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

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