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

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

Annual Report
2010 年報

As a leading metal supply-chain management specialist with professional expertise and decades of experience, we have established a unique IVAS (integrated value added services) to provide custom-made services for our customers in the processing, sourcing and distribution of quality metals.

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DIRECTORS

Executive Directors

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

Independent Non-executive Directors

CHUNG Wai Kwok, Jimmy
LEUNG Kwok Keung
HU Wai Kwok

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

CHAN Yuen Shan, Clara
CHEUK Wa Pang

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

WEBSITE OF THE COMPANY

www.leekeegroup.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:

Mallesons Stephen Jaques
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to Cayman Islands Law:

Maples and Calder Asia
1504 One International Finance Centre
1 Harbour View Street
Central
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

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

STOCK CODE

637

Corporate Structure

(operating companies as at 31.12.2010)

利記控股有限公司
LEE KEE HOLDINGS LIMITED

利記集團有限公司
LEE KEE GROUP LTD.

Lee Kee Metal Co., Ltd. (HK)
Distribution of zinc alloy and zinc

Lee Fung Metal Co., Ltd. (HK)
Distribution of non-ferrous metals, includes aluminum alloy and aluminum

Lee Sing Materials Co., Ltd. (HK)
Distribution of nickel and other chemicals, precious metal chemicals

Toba Co., Ltd. (HK)
Property holdings

Standard Glory Management Co., Ltd. (HK)
Provision of management service

Lee City Asia Co., Ltd. (HK)
Property holdings

Promet Metals Testing Laboratory Ltd. (HK)
Metal testing laboratory

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

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

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

Lee Yip Metal Products Co., Ltd. # (HK)
Distribution and processing of stainless steel

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

70% owned
* *50% owned*

Chan Pak Chung
Chairman

As a consequence of our prudent management style, evidenced by precautionary measures such as inventory and credit controls, cost reductions and highlighted by continued penetration into the PRC domestic market, we believe that LEE KEE is well positioned to continue benefitting from the buoyant demands for domestic consumption within the PRC.

DEAR SHAREHOLDERS

I am pleased to report that LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group" or "we") performed steadily in 2010, highlighted by continued penetration into the PRC domestic market which secured a double-digit growth in tonnage sold.

Promising signs of global economic recovery have become apparent, particularly in the USA and the European Union (the "EU") in the second half, though pressure on the Euro was accentuated by the adverse economic situation amongst certain members of the EU in the first half of 2010. Further fluctuations in the currencies of these countries rich in natural resources could boost metal prices in 2010. Prices for most metals recorded higher closing levels in 2010, zinc being an exception by a mild drop of 3.6%. Our performance was somewhat helped by a significant increase in the value of our inventory holdings, together with buoyant demand for domestic consumption by the Mainland.

As a consequence of our prudent management style, evidenced by precautionary measures such as inventory and credit controls and cost reductions enforced in 2009 to combat the influence of the financial tsunami of 2008, LEE KEE's revenue and tonnage sold in 2010 increased to approximately HK$3,610 million and 170,000 metric ton respectively, which translated to a net profit attributable to equity holders of the Company of approximately HK$59 million. In line with the Company's core corporate goal of maximizing shareholders' return, the Board of Directors (the "Directors"), after taking into account our working capital and liquidity requirements, recommended a final dividend of HK1.5 cents per share for the year.

Our expertise in professional management capability was again highlighted by the accreditation of our wholly-owned subsidiary, Promet Metals Testing Laboratory Limited ("Promet") by The Hong Kong Laboratory Accreditation Scheme (the "HOKLAS"). It is the first laboratory in Hong Kong to receive Metals and Metallic Alloys category certification from HOKLAS. Providing professional advice to customers on every manufacturing process from raw materials to end products, through the medium of laboratory testing, Promet has consolidated our competitive advantage in providing comprehensive and cutting-edge services for new and innovative materials, as well as the conventional ones. The launch of this industry-leading facility enables LEE KEE to integrate upstream and downstream supply chains and bodes well for the Group's future development and stature in the market.

In 2010, the Group disposed of its 60%-owned subsidiary, Foshan Nanhai Almax Non-Ferrous Metals Company Limited for approximately US$4.98 million in order to realign its resources allocation to focus on capturing the buoyant PRC domestic market for its core sales and distribution business.

In 2010, the Group continued to strengthen the upstream development of its original equipment manufacturer ("OEM") business by auditing and approving a number of domestic OEM alloy producers to supply sophisticated and competitive alloy products of premium quality to quench the pent-up domestic demand for zinc and aluminium alloys.

To take advantage of the Open Up of the Wide West of China, we will make our presence felt by establishing an office in Chengdu, to complement our strategic distribution centres in Shenzhen, Wuxi and Guangzhou.

Benefitted from its solid financial foundation and prudent fiscal management, the Group has fared markedly better than the majority of its competitors. LEE KEE is now extremely well prepared and in excellent shape to face the future. This is also the result of the diverse and extensive customer network built by the LEE KEE team over previous years. In addition, LEE KEE works only with suitably accredited, world-class suppliers, thus best serving its loyal and quality customers and simultaneously upholding the Group's stature and reputation in the market.

Finally, I would like to take this opportunity to thank our management team, staff and business partners for their unwavering efforts during 2010. I would also especially like to express our heartfelt gratitude to customers for their continued loyalty.

CHAN Pak Chung
Chairman

17th March 2011

Benefitted from its solid financial foundation and prudent fiscal management, the Group has fared markedly better than the majority of its competitors and is now extremely well prepared and in excellent shape to face the future.

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				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenues	**3,610,302**	2,433,980	4,127,696	6,437,335	5,700,451
Profit/(loss) before income tax	**74,038**	123,201	(2,298)	(28,565)	491,379
Income tax expense	**(12,020)**	(16,178)	(3,066)	(6,585)	(85,986)
Profit/(loss) for the year	**62,018**	107,023	(5,364)	(35,150)	405,393
Attributable to:					
Equity holders of the Company	**59,472**	106,940	60	(37,281)	400,344
Non-controlling interests	**2,546**	83	(5,424)	2,131	5,049

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**115,192**	131,264	128,923	79,240	20,501
Total current assets	**1,618,549**	1,544,137	1,227,848	1,523,637	1,812,578
Total assets	**1,733,741**	1,675,401	1,356,771	1,602,877	1,833,079
Total non-current liabilities	**2,971**	2,952	2,203	2,019	2,069
Total current liabilities	**537,748**	423,772	152,810	415,584	500,515
Total liabilities	**540,719**	426,724	155,013	417,603	502,584
Net assets	**1,193,022**	1,248,677	1,201,758	1,185,274	1,330,495

Note: The summary of the consolidated results of the Group for each of the five financial years ended 31st December 2010 and the consolidated assets and liabilities of the Group as at end for the five financial years ended 31st December 2010 was prepared as if the current group structure had been in existence throughout these financial years, or since the respective dates of incorporation of the Company and its subsidiaries, where this is a shorter period.

LEE KEE works only with suitably accredited, world-class suppliers, in this way best serving our loyal customers and upholding the Group's quality stature and reputation in the market. We are also optimistic about our prospects of expanding our market penetration by leveraging our traditional, professional and prudent management strength.

OVERALL BUSINESS PERFORMANCE

The global economy saw promising signs of recovery in the second half of 2010 amidst a mixed economic environment highlighted by fluctuating metal prices. On the macroeconomic front, the United States dollars depreciated against all currencies with the shrinking Euro frustrated by concerns over the adverse economic situation in Greece and Turkey. Pressured by the US, the Renminbi continued its gradual appreciation despite its labour shortage nationwide, in particular, in southern China that affected the foreign exchange gains on exports.

Average prices for base metals per tonne quoted on the London Metal Exchange sustained an overall upward trend with wide fluctuations throughout 2010, except for the zinc closing price which fell from USD2,542 on 4th January 2010 to USD1,759 on 30th June 2010 and rebounded to USD2,450 by 31st December 2010, a 31% drop in the first half and a 39% increase in second half that equated to a mild drop of 3.6% for the whole of 2010, and fluctuated within a range of around USD1,100 between USD1,600 to USD2,700 per metric tonne (2009: between USD1,070 to USD2,610 per metric tonne). Aluminium, copper, lead and nickel all recorded higher closing prices for 2010, rising 10%, 30%, 8% and 30% respectively. In general, base metal prices were affected positively by buoyant demands for domestic consumption by China.

Driven by the burgeoning Chinese economy and our enhanced in depth-and extensive market penetration into its domestic market, especially in eastern China, our tonnage sold recorded a double-digit growth of 18% from around 144,000 metric tonnes in 2009 to 170,000 metric tonnes in 2010. Revenue rose correspondingly by 48% to approximately HK$3,610 million from approximately HK$2,434 million in 2009. Stringent control measures had been exercised, with administrative expenses reduced by 8% over 2009 whilst distribution and selling expenses increased by around 19% against a 18% year-on-year increase in tonnage sold. Finance costs have increased along with the average level of bank loans during the year as a result of the increase in the annual average metal prices (in particular, the annual average price of zinc in 2010 has recorded a 29% year-on-year increase despite a mild drop in closing price of 2010 against 2009) and physical inventory level.

The legacy, inherited from the first half of 2010 when base metal prices fell heftily against an upward trend in 2009, has dragged down the overall annual net result of 2010 against 2009, while the net results for the second half of the two years were of a similar level.

BUSINESS REVIEW

As a leading metal supply-chain management specialist with professional expertise and decades of experience, we have established a unique IVAS (integrated value added services) to provide custom-made services for our customers in the processing, sourcing and distribution of quality metals, as well as serving both the import and domestic markets of non-ferrous products and electroplating chemicals.

The Group sources and distributes diecasting zinc alloy and SHG zinc, which represented 72% of the Group's revenue (2009: 67%), along with diecasting aluminium alloy and ingot, which represented 10% of the Group's revenue (2009: 12%), nickel and nickel-related products and electroplating chemicals (including precious metal chemicals such as rhodium), which represented 14% of the Group's revenue (2009: 17%) and stainless steel, which represented 4% of the Group's revenue (2009: 4%). In 2010, LEE KEE's zinc alloy sales volume represented approximately 73% of the PRC's total zinc alloy import volume for the year.

Backed by huge domestic demands for zinc and aluminium alloys, the Group fortified its upstream development of original equipment manufacturer ("OEM") business in 2010. To this end, we have successfully developed and approved a number of domestic OEM alloy suppliers to facilitate the supply of highly competitive alloys products of premium quality. Stringent requirements have been exercised over all OEM suppliers which must attain the international standards in respect of production management, operating processes and quality control as well as fulfilling the strict supervision and monitoring of our technical department to warrant the quality and stability of LEE KEE's products.

To improve the Group's resource allocation and to focus on its core sales and distribution business in capitalising on the buoyant PRC market, the Group disposed of its 60%-owned subsidiary, Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax") at a cash consideration of approximately USD4,980,000, in October 2010. Following the disposal, the Group has entered into a supply agreement with Almax to sustain and secure a steady and adequate supply of domestic aluminium alloy.

With our existing strategic distribution centres in Wuxi, Shenzhen and Guangzhou, we are poised to capture China's domestic consumption growth with increases in both tonnage and revenue of 6,303 tonnes and HK$179 million or approximately 26% and 48% respectively over 2009. LEE KEE serves around 1,470 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia, the majority being foreign-invested entities in the Pearl River Delta region.

Metal Processing

Global Sourcing

Logistics and Transportation

Inventory Management

Benefitting from its co-location with the Tai Po Technology and Logistic Centre and the Group's existing distribution network in the PRC, Lee Yip Metal Products Company Limited ("Lee Yip"), a 70%-owned stainless steel processing and distribution operation, further increased its processing capacity as well as revenue, thanks to China's economic development. Lee Yip sold approximately 5,617 tonnes (2009: 4,660 tonnes) of stainless steel and contributed revenue of approximately HK$133 million (2009: HK$94 million) to the Group.

In 2010, Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned zinc alloy production joint venture, continued to strengthen both upstream and downstream supply-chain activities, produced approximately 14,230 tonnes (2009: 11,520 tonnes) of zinc alloy and contributed revenue of approximately HK$78 million (2009: 59 million) to the Group.

PROSPECTS

Buoyed by the signs of global recovery, in particular, the buoyant Chinese economy, we are well positioned to capitalise on the explosive consumption growth in the domestic market and the upward trends of metal prices. Fluctuations in the value of key trading currencies such as the United States dollars and Euro, will as always affect our bottom line performance.

Being the first officially accredited laboratory under the metals and alloys category by The Hong Kong Laboratory Accreditation Scheme (the "HOKLAS"), our wholly-owned subsidiary, Promet Metals Testing Laboratory Limited ("Promet") heralded the attainment of our professional management capability. Our one-stop services in providing requisite quality controls, testing and certification relative to the production processes and finished products of global raw material manufacturers as well as customers in the Pearl and Changjiang River Deltas in a more efficient manner have already exemplified our proactive efforts in integrating the upstream and downstream supply chains. By fulfilling the requirements of our customers, we believe we can consolidate our competitive advantages through cooperation with local scientific and research institutions and internationally recognised testing centres in undertaking technical research projects and providing more diversified and cutting-edge testing and certification services for innovative materials.

Customer Services

Market Intelligent

Technical Support

Testing and Certification

To align ourselves with the pent-up domestic demands for metals and alloys, the Group will continue in 2011 to exercise stringent monitoring of the development of OEM suppliers and their technical qualities. This will be supported by our value-added services, such as our consistent, flexible and swift logistics transportation, market information and intelligence, and technical backups. We are confident that LEE KEE is well-placed to provide reliable and competitive products to the insatiable PRC metals and alloys market.

We have confidence in expanding our market penetration, and doing so with our traditional, professional and conservative management strength.

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

DIVIDENDS

On 24th August 2010, the Directors declared an interim dividend of HK1 cent per share (2009: HK1 cent per share), amounting to a total dividend of HK$8,287,500 (2009: HK$8,287,500) which was paid on 7th September 2010.

The Directors have recommended a final dividend of HK1.5 cents (2009: a final dividend of HK2.5 cents and a special dividend of HK8 cents) per share for the year to shareholders whose names appeared on the register of members of the Company on 12th May 2011. Subject to the shareholders' approval, the dividend of HK1.5 cents per share will be paid on or around 1st June 2011. Total dividends for 2010 will be HK2.5 cents per share (2009: HK11.5 cents per share) amounting to approximately HK$20,718,000 (2009: HK$95,306,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 6th May 2011 to Thursday, 12th May 2011, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 5th May 2011.

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 2010, the Group had unrestricted cash and bank balances of approximately HK$603 million (2009: HK$715 million) and bank borrowings of approximately HK$390 million (2009: HK$280 million). The borrowings, which are short term in nature, were substantially made in Renminbi and United States dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 31st December 2010 was 32.7% (2009: 22.4%). The Group has a current ratio of 301% (2009: 364.4%).

The Company had issued guarantees to the extent of approximately HK$1,414 million to banks to secure general banking facilities of approximately HK$1,358 million to certain subsidiaries, of which approximately HK$390 million had been utilised as of 31st December 2010.

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

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

EMPLOYEES

As at 31st December 2010, the Group had approximately 150 employees (2009: 250 employees, including the employees of the Group's then 60%-owned subsidiary, Almax) and the Group's 50%-owned joint venture, Genesis Ningbo, had approximately 40 employees (2009: 50 employees). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes. During 2010, staff cost (including directors' emoluments) was approximately HK$50 million (2009: HK$50 million).

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 63, 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 44 years of experience in the non-ferrous metals industry. He obtained a Master Degree in Material Engineering from the Yanshan University. Mr. Chan is also a Permanent Honorary President of Hong Kong Die-casting and Foundry Association Limited, Honorary Fellow (Machinery and Metal Industries) of the Professional Validation Council of Hong Kong Industries, the Supervisory Vice Chairman of Hong Kong Metal Merchants Association, Honorary President of the Professional Validation Council of Hong Kong Industries, Honorable President of the Federation of Hong Kong Machinery and Metal Industries and Honorary President of Hong Kong Association for the Advancement of Science and Technology. Mr. Chan is the spouse of Ms. MA Siu Tao and the father of Ms. CHAN Yuen Shan, Clara.

Ms. CHAN Yuen Shan, Clara, aged 39, 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 16 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 also obtained the Young Industrialist Awards of Hong Kong 2008. Ms. Chan is the Committee Member of the Professional Validation Council of Hong Kong Industries, a Vice Chairman of Hong Kong Die-casting and Foundry Association Limited, a Honorary Secretary of Hong Kong Young Industrialist Council, a director of The Hong Kong General Chamber of Small and Medium Business Limited, a founder and Director of Lee Sang Charity Foundation Co. Ltd., a charitable organization. Ms. Chan is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao.

Ms. MA Siu Tao, aged 61, is an Executive Director and the Sales Director of the Company and director of certain subsidiaries of the Company. Ms. Ma joined the Group in 1985 and is now responsible for monitoring the overall sales function of the Group, developing strategies, guiding and leading the sales managers in analyzing market information, expanding current and exploring future new businesses. Ms. Ma has been working in the non-ferrous metals industry for more than 26 years. She obtained a Master Degree in Material Engineering from the Yanshan University. Ms. Ma is the Honorary Treasurer of Hong Kong Die-casting and Foundry Association Limited and an associate of the Professional Validation Council of Hong Kong Industries. Ms. Ma is the spouse of Mr. CHAN Pak Chung and the mother of Ms. CHAN Yuen Shan, Clara.

Mr. William Tasman WISE, aged 67, 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 61, 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, Fook Woo Group Holdings Limited and Tradelink Electronic Commerce Limited, all are listed on the Main Board of the Stock Exchange; and China World Trade Center Company Limited, listed on the Shanghai Stock Exchange.

Mr. LEUNG Kwok Keung, aged 47, 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 9 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 38, is an Independent Non-executive Director of the Company appointed in May 2007. He is currently an Executive Director 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 13 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 46, 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 20 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.

Directors and Senior Management

Mr. YAN Cheuk Yam, aged 64, 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 Hong Kong and 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 23 years' experience in steel business and metal trading in the PRC, Taiwan and Hong Kong.

Mr. CHENG Yick Tong, Steven, aged 41, is the Technical Director of the Group and mainly responsible for the management of non-ferrous metal technical support, upstream production integration and HOKLAS accredited Promet Metals Testing Laboratory which is diversified from the Group. Mr. Cheng is also involved in the Group's certain development projects, sales and marketing activities as to provide customers perspective on products quality and guide internal teams on new products research and development, and exploration of new market. Mr. Cheng joined the Group in July 1998 with four years experience of metal testing laboratory operations. Mr. Cheng obtained a Bachelors Degree in Applied Science in Chemistry from the University of Technology in Sydney, Australia and a Master Degree in Materials Technology and Management from the City University of Hong Kong.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. Accordingly, the Company implemented various measures to comply with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during 2010.

To the knowledge of the Directors and save as disclosed herein, the Directors consider that the Company has applied the principles of the CG Code and to certain extent, of the recommended best practices thereof and are not aware of any non-compliance with the then code provisions in the CG Code for 2010.

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 2010.

BOARD OF DIRECTORS

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

All Independent Non-executive Directors entered into appointment letters with the Company for a term of two years, two of which are renewed from 4th October 2010 and one of which is renewed from 14th May 2009 after the expiry of the previous term.

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 Directors and the Senior Management during 2010.

NOMINATION OF DIRECTORS

The Company established the Nomination Committee on 15th September 2006 with written terms of reference. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee has three members comprising Mr. CHAN Pak Chung, Ms. MA Siu Tao and Mr. LEUNG Kwok Keung, one of whom is an Independent Non-Executive Director. The Nomination Committee discharged its duties by reviewing of the structure, size and the composition of the Board during 2010.

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 2010 was approximately HK$1,235,000 for annual audit. In addition, the auditor of the Company also provided non-audit services to the Group in respect of mainly interim review and tax and the aggregate fee amounted to approximately HK$494,000.

AUDIT COMMITTEE

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

During 2010, the Audit Committee discharged its duties by reviewing the financial matters, financial statements and internal control as well as discussing with Executive Directors and the auditor of the Company, and making recommendations to the Board.

ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following tables summaries the attendance of individual Director and committee member in 2010:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. CHAN Pak Chung	7/7	—	2/2	1/1
Ms. CHAN Yuen Shan, Clara	7/7	—	—	—
Ms. MA Siu Tao	6/7	—	—	1/1
Mr. William Tasman WISE	7/7	—	—	—
Mr. CHUNG Wai Kwok, Jimmy	6/7	3/3	2/2	—
Mr. LEUNG Kwok Keung	7/7	3/3	2/2	1/1
Mr. HU Wai Kwok	7/7	3/3	—	—

PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for 2010 (the "2010 Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the 2010 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 2010 covering material financial, operational, compliance and risk controls, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget. Being no material control failures were identified and certain necessary actions is being implemented to improve the internal control of the Group, both the Audit Committee and the Board are satisfied with the result.

COMMUNICATION WITH SHAREHOLDERS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained sufficient public float for 2010.

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 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 29.

On 24th August 2010, the Directors declared an interim dividend of HK1 cent per share (2009: HK1 cent per share), amounting to a total dividend of HK$8,287,500 (2009: HK$8,287,500) which was paid on 7th September 2010.

The Directors have recommended a final dividend of HK1.5 cents (2009: a final dividend of HK2.5 cents and a special dividend of HK8 cents) per share for the year to shareholders whose names appeared on the register of members of the Company on 12th May 2011. Subject to the shareholders' approval, the dividends of HK1.5 cents per share will be paid on or around 1st June 2011. Total dividends for 2010 will be HK2.5 cents per share (2009: HK11.5 cents per share) amounting to approximately HK$20,718,000 (2009: HK$95,306,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 6th May 2011 to Thursday, 12th May 2011, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 5th May 2011.

RESERVES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$712,000.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2010 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 page 7.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during 2010.

SHARE OPTIONS

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

1. Pre-IPO Scheme

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

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

Details of the share options granted and outstanding as at 31st December 2010 under the Pre-IPO Scheme are set out in note 23 to the consolidated financial statements.

As at 31st December 2010, options to subscribe for a total of 13,925,210 shares were still outstanding under the Pre-IPO Scheme which represents approximately 1.68% of the enlarged issued share capital of the Company.

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

	HK$
Directors	
Mr. CHAN Pak Chung	4,482,542
Ms. MA Siu Tao	3,679,432
Ms. CHAN Yuen Shan, Clara	2,614,821
Others	
Senior management and employees	9,020,790

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

SHARE OPTIONS (Continued)

2. Share Option Scheme

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

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

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

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

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

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

No options have been granted under the Share Option Scheme since the adoption date on 15th September 2006 and up to 31st December 2010.

DIRECTORS

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

Executive Directors

Mr. CHAN Pak Chung
Ms. CHAN Yuen Shan, Clara
Ms. MA Siu Tao
Mr. William Tasman WISE

Independent Non-executive Directors

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

The Group entered into an agreement to dispose of its 60% equity interests in Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax") on 5th October 2010 and Almax ceased to be a subsidiary of the Group after the disposal. Before the disposal, Almax purchased materials from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd. ("Wanxinglong") pursuant to a non-exclusive Raw Materials Supply Agreement (the "Raw Materials Supply Agreement"), which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules during the said period, whose details are set out below:

Transaction date	:	20th March 2008
Parties to the transaction	:	(1) Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax"), as purchaser (2) Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd. ("Wanxinglong"), as supplier
Description and purpose of the transaction	:	Wanxinglong will provide raw materials to Almax for its manufacturing.
Total consideration	:	For the period from 1st January 2010 to the date of disposal, Almax purchased raw materials from Wanxinglong for a total consideration of approximately RMB29.4 million.
Major terms of the Raw Materials Supply Agreement	:	(1) Wanxinglong supplies scrap aluminium to Almax based upon purchase orders to be placed by Almax for the period from 1st May 2008 to 31st December 2010. (2) The price of raw materials was agreed to be determined in accordance with the prevailing market prices published and updated daily by an independent metal information provider that are widely referred to by the industry players in Guangdong Province, the PRC. (3) The purchase price was settled by Almax within 5 days upon receipt of the scrap aluminium from Wanxinglong by way of bank transfer or tele-transfer.
Nature and connected person's interest	:	Before the disposal, Wanxinglong is an associate of the other substantial shareholder of Almax which held 40% of equity interest in Almax.

CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 23 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and the Senior Management are set out on page 14–16 of the Annual Report.

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

At 31st December 2010, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange under Division 7 and 8 of Part XV of the SFO or required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

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 (Note 1)	Founder of a discretionary trust	600,000,000	72.40
Ms. MA Siu Tao (Note 2)	Beneficiary of a trust	600,000,000	72.40
Ms. CHAN Yuen, Shan, Clara (Note 3)	Beneficiary of a trust	600,000,000	72.40

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

1. Long Position in Shares of the Company (Continued)

Notes:

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

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

3. Ms. CHAN Yuen Shan, Clara, the daughter of Mr. CHAN Pak Chung and an Executive Director and Chief Executive Officer, is deemed to be interested in the 600,000,000 Shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.

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	3,152,927
	Family interest	Share option	2,588,036
Ms. MA Siu Tao	Beneficial owner	Share option	2,588,036
	Family interest	Share option	3,152,927
Ms. CHAN Yuen Shan, Clara	Beneficial owner	Share option	1,839,211

Note: Mr. CHAN Pak Chung and Ms. MA Siu Tao were granted options under the Pre-IPO Scheme to subscribe for 3,152,927 Shares and 2,588,036 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 on 15th September 2006 under the Pre-IPO Scheme adopted on 15th September 2006 whose details are listed under the section "Share Options" above.

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

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

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

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31st December 2010, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Long Position in the Shares of the Company

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

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

Saved as disclosed above, at no time during the 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 2010, 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 2010 attributable to the Group's major suppliers is as follows:

Purchases	
— the largest supplier	30.3%
— five largest suppliers combined	71.9%

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 2010.

AUDITOR

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

On behalf of the Board of Directors

CHAN Pak Chung
Chairman

Hong Kong, 17th March 2011

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 29 to 80, which comprise the consolidated and company statements of financial position as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

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 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th March 2011

Consolidated Income Statement

For the year ended 31st December 2010

	Note	**2010 HK$'000**	2009 HK$'000
Revenues	5	**3,610,302**	2,433,980
Cost of sales	7	**(3,450,070)**	(2,216,534)
Gross profit		**160,232**	217,446
Other income	6	**2,948**	3,915
Distribution and selling expenses	7	**(16,637)**	(13,923)
Administrative expenses	7	**(74,701)**	(81,096)
Other gains/(losses), net	8	**8,305**	(690)
Operating profit		**80,147**	125,652
Finance costs	9	**(6,109)**	(2,451)
Profit before income tax		**74,038**	123,201
Income tax expense	12	**(12,020)**	(16,178)
Profit for the year		**62,018**	107,023
Profit attributable to:			
Equity holders of the Company	14	**59,472**	106,940
Non-controlling interests		**2,546**	83
		62,018	107,023
Earnings per share for profit attributable to the equity holders of the Company during the year — basic and diluted (Hong Kong cents)	13	**7.18**	12.90
Dividends	15	**20,718**	95,306

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2010

	2010 **HK$'000**	2009 HK$'000
Profit for the year	**62,018**	107,023
Other comprehensive income for the year:		
Exchange translation differences	**958**	717
Release of exchange reserve upon disposal of a subsidiary	**(662)**	—
Movement of available-for-sale financial assets revaluation reserve	**3,397**	2,524
Other comprehensive income for the year, net of tax	**3,693**	3,241
Total comprehensive income for the year	**65,711**	110,264
Total comprehensive income attributable to:		
Equity holders of the Company	**63,060**	110,122
Non-controlling interests	**2,651**	142
	65,711	110,264

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31st December 2010

	Note	31st December 2010 HK$'000	31st December 2009 HK$'000 (Restated)	1st January 2009 HK$'000 (Restated)
Non-current assets				
Leasehold land	16	**16,522**	43,754	40,288
Property, plant and equipment	17	**59,672**	79,885	78,478
Deferred income tax assets	28	**1,225**	174	192
Available-for-sale financial assets	18	**37,773**	4,380	6,581
Prepayment for leasehold land		**—**	3,071	3,063
Prepayment for property, plant and equipment		**—**	—	321
		115,192	131,264	128,923
Current assets				
Inventories	19	**816,361**	626,041	221,615
Trade and other receivables	20	**184,861**	202,429	131,288
Prepayment for leasehold land		**3,148**	—	—
Income tax recoverable		**272**	280	10,798
Bank balances and cash	21	**602,628**	715,387	864,147
		1,607,270	1,544,137	1,227,848
Assets classified as held for sale	22	**11,279**	—	—
Total current assets		**1,618,549**	1,544,137	1,227,848
Total assets		**1,733,741**	1,675,401	1,356,771
Capital and reserves attributable to the equity holders of the Company				
Share capital	23	**82,875**	82,875	82,875
Share premium	24	**495,293**	495,293	495,293
Other reserves	24	**601,123**	558,781	541,010
Proposed dividend	24	**12,431**	87,019	58,013
		1,191,722	1,223,968	1,177,191
Non-controlling interests		**1,300**	24,709	24,567
Total equity		**1,193,022**	1,248,677	1,201,758

Consolidated Statement of Financial Position

As at 31st December 2010

	Note	**31st December 2010 HK$'000**	31st December 2009 HK$'000 (Restated)	1st January 2009 HK$'000 (Restated)
Non-current liability				
Deferred income tax liabilities	28	**2,971**	2,952	2,203
Current liabilities				
Trade and other payables	25	**136,563**	124,945	72,607
Amount due to a joint venturer of a jointly controlled entity	30	**396**	561	292
Bank borrowings	26	**390,433**	279,515	74,206
Income tax payable		**4,656**	13,051	5
Amount due to non-controlling interests	27	**5,700**	5,700	5,700
		537,748	423,772	152,810
Total liabilities		**540,719**	426,724	155,013
Total equity and liabilities		**1,733,741**	1,675,401	1,356,771
Net current assets		**1,080,801**	1,120,365	1,075,038
Total assets less current liabilities		**1,195,993**	1,251,629	1,203,961

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current asset			
Investment in a subsidiary	29	**264,171**	264,171
Current assets			
Amounts due from subsidiaries	29	**709,115**	653,491
Bank balances and cash	21	**291,828**	420,775
Prepayment		**172**	172
		1,001,115	1,074,438
Total assets		**1,265,286**	1,338,609
Capital and reserves attributable to the equity holders of the Company			
Share capital	23	**82,875**	82,875
Share premium	24	**495,293**	495,293
Other reserves	24	**674,509**	673,239
Proposed dividend	24	**12,431**	87,019
Total equity		**1,265,108**	1,338,426
Current liabilities			
Other payables		**178**	169
Amount due to a subsidiary	29	**—**	14
Total liabilities		**178**	183
Total equity and liabilities		**1,265,286**	1,338,609
Net current assets		**1,000,937**	1,074,255
Total assets less current liabilities		**1,265,108**	1,338,426

CHAN Pak Chung
Director

CHAN Yuen Shan, Clara
Director

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Net cash used in operations	31(a)	**(104,314)**	(279,926)
Interest paid		**(6,109)**	(2,451)
Hong Kong profits tax (paid)/refunded		**(19,101)**	8,697
Overseas income tax paid		**(2,236)**	(544)
Net cash used in operating activities		**(131,760)**	(274,224)
Investing activities			
Interest received		**2,166**	3,501
Purchase of and prepayment for leasehold land and property, plant and equipment		**(6,908)**	(18,017)
Proceeds from disposal of property, plant and equipment		**1,510**	389
Proceeds from disposal of assets classified as held for sale		**6,208**	—
Purchase of available-for-sale financial assets		**(29,996)**	—
Net cash inflow arising on disposal of a subsidiary	31(b)	**30,204**	—
Net cash generated from/(used in) investing activities		**3,184**	(14,127)
Financing activities			
Net repayment of short term bank loans		**(5,008)**	(11,472)
Net inception of loans against trust receipts		**115,926**	216,781
Dividends paid		**(95,306)**	(66,300)
Net cash generated from financing activities		**15,612**	139,009
Decrease in cash and cash equivalents		**(112,964)**	(149,342)
Cash and cash equivalents at 1st January		**715,387**	864,147
Exchange gains on cash and cash equivalents		**205**	582
Cash and cash equivalents at 31st December		**602,628**	715,387
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**602,628**	715,387

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2010

	Attributable to the equity holders of the Company				
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January 2010	**82,875**	**495,293**	**645,800**	**24,709**	**1,248,677**
Profit for the year	**—**	**—**	**59,472**	**2,546**	**62,018**
Other comprehensive income:					
Exchange translation differences	**—**	**—**	**853**	**105**	**958**
Release of exchange reserve upon disposal of a subsidiary	**—**	**—**	**(662)**	**—**	**(662)**
Movement of available-for-sale financial assets revaluation reserve	**—**	**—**	**3,397**	**—**	**3,397**
Total comprehensive income for the year	**—**	**—**	**63,060**	**2,651**	**65,711**
Disposal of a subsidiary	**—**	**—**	**—**	**(26,060)**	**(26,060)**
Dividends paid	**—**	**—**	**(95,306)**	**—**	**(95,306)**
At 31st December 2010	**82,875**	**495,293**	**613,554**	**1,300**	**1,193,022**
At 1st January 2009	82,875	495,293	599,023	24,567	1,201,758
Profit for the year	—	—	106,940	83	107,023
Other comprehensive income:					
Exchange translation differences	—	—	658	59	717
Movement of available-for-sale financial assets revaluation reserve	—	—	2,524	—	2,524
Total comprehensive income for the year	—	—	110,122	142	110,264
Pre-IPO Share Option Scheme — value of employee services	—	—	2,955	—	2,955
Dividends paid	—	—	(66,300)	—	(66,300)
At 31st December 2009	82,875	495,293	645,800	24,709	1,248,677

The notes on pages 36 to 80 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in units of Hong Kong dollars ("HK dollars"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 17th March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of Lee Kee Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (which include Hong Kong Accounting Standards ("HKAS")). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets.

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

(i) Relevant revised standards, amendments and interpretation to existing standards effective in 2010 and adopted by the Group

- HKAS 7 (Amendment), "Statement of Cash Flows": The amendment provides clarification that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. There is no material impact on the Group's consolidated financial statements.

- HKAS 17 (Amendment), "Leases": The amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, a land interest for which title was not expected to pass to the Group by the end of the lease term was classified as an operating lease under "Leasehold land" and any premium was amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised certain leasehold land interests in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leases from operating lease (within leasehold land) to finance lease (within property, plant and equipment). There has not been an effect on the retained earnings as a result of this amendment, although certain items in the income statement have been restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Relevant revised standards, amendments and interpretation to existing standards effective in 2010 and adopted by the Group *(Continued)*

The retrospective effect of the adoption of this amendment is as below:

	31st December 2010 HK$'000	31st December 2009 HK$'000	1st January 2009 HK$'000
Decrease in leasehold land	**(4,534)**	(4,658)	(4,783)
Increase in property, plant and equipment	**4,534**	4,658	4,783
Change in net assets	**—**	—	—

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements": The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. HKAS 27 (Revised) has had no material impact on the current year, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

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

- HKFRS 3 (Revised), "Business Combinations": The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. As there have been no acquisition of business during the year, there is no material impact on the Group's consolidated financial statements.

- HK(IFRIC) 17, "Distribution of Non-Cash Assets to Owners": This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. There is no material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Relevant new or revised standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2011 or later periods, but the Group has not early adopted them:

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

- Third improvements to HKFRSs (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011. These improvements are not expected to have a material impact on the Group's consolidated financial statements.

(b) Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including special purpose 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

(iii) Jointly controlled entity

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

— all resulting exchange differences are recognised in other comprehensive income.

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 other comprehensive income. When a foreign operation is partially disposed of or sold, 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.

(d) Property, plant and equipment

Leasehold land interests classified as finance leases and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Leasehold land interests classified as finance leases	Over the period of the lease
Buildings	2.5% to 5%
Leasehold improvements	20% to 33 1/3%
Motor vehicles and yacht	10% to 30%
Machinery	10% to 30%
Furniture, fixtures and office equipment	20%
Computer system	20% to 33 1/3%

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial assets

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "bank balances and cash" in the consolidated statement of financial position (notes 2(h) and 2(i)).

(ii) Available-for-sale financial assets

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

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial assets *(Continued)*

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

(g) Inventories

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

(h) Trade and other receivables

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

(i) Cash and cash equivalents

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

(j) Assets classified as held for sale

Assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amounts and fair values less costs to sell if their carrying amounts are to be recovered principally through a sale transaction rather than through continuing use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary 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.

(l) Trade and other payables

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

(m) Borrowings

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

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

(n) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(o) Employee benefits

(i) Pension obligation

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

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

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

(ii) Employee leave entitlements

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

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

(iii) Bonus plan

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(iv) Share-based compensation

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

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.

(p) Provisions

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

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

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

(q) Revenues and income recognition

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

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

Management fee income is recognised when services are rendered.

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

(r) Leases (as the lessee for operating leases)

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

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

(t) Contingent liabilities and contingent assets

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

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

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

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

(u) Segment reporting

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

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

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

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

(v) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign exchange risk

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

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

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

In respect of RMB, at 31st December 2010, if RMB had strengthened/weakened by 5% (2009: 5%) against the HK dollars with all other variables held constant, post-tax profit for the year would have been approximately HK$7,545,000/HK$7,186,000 higher/lower (2009: post-tax profit for the year would have been approximately HK$1,400,000/HK$1,265,000 higher/lower).

(ii) Cash flow interest rate risk

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

At 31st December 2010, if interest rates on deposits and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$44,000 lower/higher (2009: HK$38,000 higher/lower) as a result of lower/higher (2009: higher/lower) interest income on short-term bank deposits.

(iii) Price risk

The Group is exposed to equity securities price risk because of investment in listed equity instrument in Hong Kong, classified on the consolidated statement of financial position as available-for-sale financial assets.

At 31st December 2010, if the fair value of the listed equity instrument increased or decreased by 5%, the Group's available-for-sale financial assets revaluation reserve would have been increased or decreased by approximately HK$1,678,000 (2009: Nil).

(iv) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) ***Credit risk*** *(Continued)*

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

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

	2010 **HK$'000**	2009 HK$'000
Rating:		
A1	**215,639**	156,987
A2	**118,916**	124,128
A3	**80**	83
Aa1	**177,082**	267,318
Aa2	**108**	86
Aa3	**66,891**	165,885
Baa1	**189**	561
Baa2	**23,279**	31
	602,184	715,079

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

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

(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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(v) *Liquidity risk (Continued)*

Management monitors the Group's liquidity on the basis of availability of bank balances and cash and unutilised committed credit lines. Available bank and cash balances and committed credit lines as of 31st December 2010 are as follows:

	HK$'000
Bank balances and cash	**602,628**
Committed credit lines available	**1,414,436**
Less: Utilised credit lines	**(390,433)**
Unutilised committed credit lines	**1,024,003**

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

	On demand or within one year HK$'000	Total HK$'000	Carrying amount HK$'000
At 31st December 2010			
Trade payables and accrued expenses	**99,859**	**99,859**	**99,859**
Amount due to a joint venturer of a jointly controlled entity	**396**	**396**	**396**
Bank borrowings	**391,210**	**391,210**	**390,433**
Amount due to non-controlling interests	**5,700**	**5,700**	**5,700**
	497,165	**497,165**	**496,388**

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down or repay bank borrowings.

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

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

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain a gearing ratio below 30%. The gearing ratio was marginally higher than 30% as at 31st December 2010. This was mainly attributable to the increase in loans against trust receipts for purchasing of inventories. In spite of the increase in gearing ratio, the Group still maintain a safe and healthy financial position as at the end of the reporting period.

The gearing ratios at 31st December 2010 and 2009 were as follows:

	2010 **HK$'000**	2009 HK$'000
Total bank borrowings (note 26)	**390,433**	279,515
Total equity	**1,193,022**	1,248,677
Gearing ratio	**32.7%**	22.4%

(c) Fair value estimation

The carrying amounts of the Group's financial assets including bank balances and cash, trade and other receivables; and financial liabilities including trade and other payables, and short term bank borrowings approximate their fair values due to their short maturities. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

The following table presents the carrying values of financial instruments measured at fair values at the end of the reporting period are categorised among the three levels of the fair value hierarchy which are defined as follows:

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

The Group's assets that are measured at fair values at 31st December 2010:

	Level 1 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets			
— listed security	**33,567**	**—**	**33,567**
— unlisted security	**—**	**4,206**	**4,206**
	33,567	**4,206**	**37,773**

The Group's asset that is measured at fair value at 31st December 2009:

	Level 1 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial asset			
— unlisted security	—	4,380	4,380

There were no financial instruments grouped into Level 2 as at 31st December 2009 and 2010.

The movement during the years ended 31st December 2010 and 2009 in the balance of Level 3 fair value measurements is as follows:

	2010 HK$'000	2009 HK$'000
At 1st January	**4,380**	6,581
Change in fair value of available-for-sale financial asset during the year	**(174)**	(2,201)
At 31st December	**4,206**	4,380

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Net realisable value of inventories

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

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 the end of each reporting period.

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

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and business outlook for the investee.

5 REVENUES AND SEGMENT REPORTING

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

	2010 **HK$'000**	2009 HK$'000
Revenues		
Sales of goods	**3,610,302**	2,433,980

(a) Segment information

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

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

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

5 REVENUES AND SEGMENT REPORTING *(Continued)*

(a) Segment information *(Continued)*

The segment information for the reporting segments for the year ended 31st December 2010 is as follows:

	Hong Kong HK$'000	China mainland HK$'000	Total HK$'000
Segment revenues	**3,060,267**	**550,035**	**3,610,302**
Segment results	**63,677**	**5,217**	**68,894**
Other segment expenditure items included in the segment results as follows:			
Cost of inventories sold	**2,918,334**	**528,393**	**3,446,727**
Depreciation of property, plant and equipment	**10,638**	**2,331**	**12,969**
Amortisation of leasehold land	**437**	**363**	**800**
(Reversal of provision)/provision for inventories	**(3,260)**	**788**	**(2,472)**
Provision for impairment of trade receivables	**13**	**688**	**701**
Segment assets	**1,500,217**	**103,905**	**1,604,122**
Segment liabilities	**494,728**	**43,020**	**537,748**

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

	Hong Kong HK$'000	China mainland HK$'000	Total HK$'000
Segment revenues	2,062,529	371,451	2,433,980
Segment results	116,747	5,680	122,427
Other segment expenditure items included in the segment results as follows:			
Cost of inventories sold	1,881,883	348,723	2,230,606
Depreciation of property, plant and equipment (restated)	9,596	2,465	12,061
Amortisation of leasehold land (restated)	520	737	1,257
Reversal of provision for inventories	(18,936)	(921)	(19,857)
Provision for impairment of trade receivables	373	1,796	2,169
Segment assets	1,436,179	107,958	1,544,137
Segment liabilities	369,070	54,702	423,772

5 REVENUES AND SEGMENT REPORTING *(Continued)*

(a) Segment information *(Continued)*

Segment assets and segment liabilities comprise current assets (except for prepayment for leasehold land) and current liabilities respectively.

The total of non-current assets other than financial instruments and deferred income tax assets located in Hong Kong is approximately HK$66,397,000 (2009: HK$71,739,000), and the total of these non-current assets located in China mainland is approximately HK$9,797,000 (2009: HK$54,971,000).

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

	2010 HK$'000	2009 HK$'000
Segment results		
Total segment results	**68,894**	122,427
Other income	**2,948**	3,915
Other gains/(losses), net	**8,305**	(690)
Finance costs	**(6,109)**	(2,451)
Profit before income tax per consolidated income statement	**74,038**	123,201

	2010 HK$'000	2009 HK$'000 (Restated)
Segment assets		
Total segment assets	**1,604,122**	1,544,137
Leasehold land	**16,522**	43,754
Property, plant and equipment	**59,672**	79,885
Deferred income tax assets	**1,225**	174
Available-for-sale financial assets	**37,773**	4,380
Prepayment for leasehold land	**3,148**	3,071
Assets classified as held for sale	**11,279**	—
Total assets per consolidated statement of financial position	**1,733,741**	1,675,401

	2010 HK$'000	2009 HK$'000
Segment liabilities		
Total segment liabilities	**537,748**	423,772
Deferred income tax liabilities	**2,971**	2,952
Total liabilities per consolidated statement of financial position	**540,719**	426,724

6 OTHER INCOME

	2010 HK$'000	2009 HK$'000
Interest income	**2,166**	3,501
Management fee, net of withholding tax	**70**	70
Others	**712**	344
	2,948	3,915

7 EXPENSES BY NATURE

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

	2010 HK$'000	2009 HK$'000 (Restated)
Auditor's remuneration	**1,393**	1,299
Depreciation of property, plant and equipment	**12,969**	12,061
Amortisation of leasehold land	**800**	1,257
Staff costs, including directors' remuneration (note 10)	**50,061**	49,567
Operating lease rentals for land and buildings	**1,692**	2,563
Cost of inventories sold	**3,446,727**	2,230,606
Reversal of provision for inventories	**(2,472)**	(19,857)
Provision for impairment of trade receivables	**701**	2,169
Write back of trade receivables	**—**	(40)

8 OTHER GAINS/(LOSSES), NET

	2010 HK$'000	2009 HK$'000
Gain on disposal and write off of property, plant and equipment	**1,490**	115
Gain on disposal of assets classified as held for sale (note 22)	**311**	—
Loss on disposal of a subsidiary (note 31(b))	**(240)**	—
Gain on metal future trading contracts	**72**	—
Impairment loss of available-for-sale financial asset	**—**	(4,725)
Net exchange gain	**6,672**	3,920
	8,305	(690)

9 FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on		
Loans against trust receipts	**4,140**	1,915
Short-term bank loans	**1,969**	536
	6,109	2,451

10 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2010 HK$'000	2009 HK$'000
Wages, salaries and allowances	**49,026**	45,696
Pension costs — defined contribution	**1,035**	916
Share-based compensation	**—**	2,955
	50,061	49,567

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Name of directors	Fees HK$'000	Salaries and other allowances HK$'000	Bonuses HK$'000	Pension HK$'000	Share-based compensation HK$'000	Total HK$'000
2010						
Mr Chan Pak Chung	**—**	**4,560**	**835**	**12**	**—**	**5,407**
Ms Chan Yuen Shan, Clara	**—**	**1,997**	**1,250**	**12**	**—**	**3,259**
Ms Ma Siu Tao	**—**	**2,160**	**835**	**12**	**—**	**3,007**
Mr William Tasman Wise	**225**	**752**	**81**	**—**	**—**	**1,058**
Mr Chung Wai Kwok, Jimmy	**225**	**—**	**—**	**—**	**—**	**225**
Mr Leung Kwok Keung	**225**	**—**	**—**	**—**	**—**	**225**
Mr Hu Wai Kwok	**225**	**—**	**—**	**—**	**—**	**225**
	900	**9,469**	**3,001**	**36**	**—**	**13,406**
2009						
Mr Chan Pak Chung	—	4,180	1,180	12	633	6,005
Ms Chan Yuen Shan, Clara	—	1,720	1,770	12	369	3,871
Ms Ma Siu Tao	—	1,980	1,180	12	520	3,692
Mr William Tasman Wise	974	—	590	—	—	1,564
Mr Chung Wai Kwok, Jimmy	180	—	—	—	—	180
Mr Leung Kwok Keung	180	—	—	—	—	180
Mr Hu Wai Kwok	180	—	—	—	—	180
	1,514	7,880	4,720	36	1,522	15,672

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

No payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2009: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include three (2009: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: one) of the five highest paid individuals during the year are as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other allowances	**2,552**	1,248
Bonuses	**219**	298
Pension	**24**	12
Share-based compensation	**—**	237
	2,795	1,795

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

	Number of individuals	
	2010	2009
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**1**	1
	2	1

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Income tax on profits arising from operations in China mainland has been calculated on the estimated assessable profit for the year at the rates of income tax prevailing in China mainland in which the Group's entities operate.

	2010 **HK$'000**	2009 HK$'000
Current income tax		
— Hong Kong profits tax	**11,156**	14,373
— China mainland corporate income tax	**1,903**	1,088
Deferred income tax (note 28)	**(1,032)**	767
Over-provision in prior years	**(7)**	(50)
Income tax expense	**12,020**	16,178

12 INCOME TAX EXPENSE *(Continued)*

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

	2010	2009
	HK$'000	HK$'000
Profit before income tax	**74,038**	123,201
Calculated at a tax rate of 16.5% (2009: 16.5%)	**12,216**	20,328
Effect of different income tax rates in other country	**510**	316
Income not subject to income tax	**(1,260)**	(545)
Expenses not deductible for income tax purpose	**1,139**	2,402
Tax losses not recognised	**572**	2,097
Utilisation of previously unrecognised tax losses	**(1,150)**	(8,370)
Over-provision in prior years	**(7)**	(50)
Income tax expense	**12,020**	16,178

13 EARNINGS PER SHARE

(a) Basic

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

	2010	2009
Profit attributable to the equity holders of the Company (HK$'000)	**59,472**	106,940
Number of ordinary shares in issue ('000)	**828,750**	828,750
Basic earnings per share (Hong Kong cents per share)	**7.18**	12.90

(b) Diluted

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

Diluted earnings per share for the years ended 31st December 2010 and 2009 are the same as the basic earnings per share as the outstanding share options for the years ended 31st December 2010 and 2009 are anti-dilutive.

14 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$21,988,000 (2009: HK$94,519,000).

15 DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim dividend paid of HK1 cent (2009: HK1 cent) per ordinary share (note (a))	**8,287**	8,287
Proposed special dividend of HK8 cents per ordinary share (note (b))	**—**	66,300
Proposed final dividend of HK1.5 cents (2009: HK2.5 cents) per ordinary share (note (c))	**12,431**	20,719
	20,718	95,306

Notes:

(a) An interim dividend in respect of 2010 of HK1 cent (2009: HK1 cent) per ordinary share, amounting to a total dividend of HK$8,287,000 (2009: HK$8,287,000) was paid on 7th September 2010.

(b) A special dividend in respect of 2009 of HK8 cents per ordinary share, amounting to a total dividend of HK$66,300,000 was proposed and approved at the annual general meeting on 20th May 2010. The comparative financial statements did not reflect this dividend payable.

(c) A final dividend in respect of 2010 of HK1.5 cents (2009: HK2.5 cents) per ordinary share, amounting to a total dividend of HK$12,431,250 (2009: HK$20,718,750) was proposed for approval at the annual general meeting. The financial statements do not reflect this dividend payable.

16 LEASEHOLD LAND

	2010 HK$'000	2009 HK$'000
At 1st January, as previously reported	**48,412**	45,071
Effect of adoption of HKAS 17 (Amendment) (note 2(a)(i))	**(4,658)**	(4,783)
At 1st January, as restated	**43,754**	40,288
Exchange difference	**123**	61
Additions	**—**	4,662
Amortisation	**(800)**	(1,257)
Disposal of a subsidiary (note 31(b))	**(9,639)**	—
Reclassified as assets classified as held for sale (note 22)	**(16,916)**	—
At 31st December	**16,522**	43,754

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

	31st December 2010 HK$'000	31st December 2009 HK$'000 (Restated)	1st January 2009 HK$'000 (Restated)
Held on leases of between 10 and 50 years			
In Hong Kong	**15,988**	16,425	16,945
Outside Hong Kong	**534**	27,329	23,343
	16,522	43,754	40,288

Leasehold land with an aggregate net book value as at 31st December 2009 of approximately HK$9,766,000 had been pledged to secure short-term bank loan granted to a non-wholly owned subsidiary (note 26). The non-wholly owned subsidiary was disposed of during the year ended 31st December 2010.

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles and yacht HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Computer system HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1st January 2010, as previously reported	—	31,080	31,932	24,935	13,422	4,926	6,485	1,045	113,825
Effect of adoption of HKAS 17 (Amendment)	5,900	—	—	—	—	—	—	—	5,900
At 1st January 2010, as restated	5,900	31,080	31,932	24,935	13,422	4,926	6,485	1,045	119,725
Exchange difference	—	177	8	3	136	14	24	4	366
Additions	—	—	1,395	2,515	1,443	454	334	767	6,908
Disposals	—	—	—	(3,698)	(1)	(11)	(15)	—	(3,725)
Disposal of a subsidiary (note 31(b))	—	(9,731)	(1,310)	(629)	(5,519)	—	(409)	—	(17,598)
Written off	—	—	(1,323)	—	—	—	—	—	(1,323)
Reclassification	—	—	—	—	1,816	—	—	(1,816)	—
At 31st December 2010	5,900	21,526	30,702	23,126	11,297	5,383	6,419	—	104,353
Accumulated depreciation									
At 1st January 2010, as previously reported	—	2,590	9,738	14,719	3,405	2,895	5,251	—	38,598
Effect of adoption of HKAS 17 (Amendment)	1,242	—	—	—	—	—	—	—	1,242
At 1st January 2010, as restated	1,242	2,590	9,738	14,719	3,405	2,895	5,251	—	39,840
Exchange difference	—	20	4	—	30	6	13	—	73
Charge for the year	123	955	6,020	2,730	2,096	565	480	—	12,969
Disposals	—	—	—	(3,698)	(1)	(5)	(1)	—	(3,705)
Disposal of a subsidiary (note 31(b))	—	(841)	(845)	(277)	(981)	—	(229)	—	(3,173)
Written off	—	—	(1,323)	—	—	—	—	—	(1,323)
At 31st December 2010	1,365	2,724	13,594	13,474	4,549	3,461	5,514	—	44,681
Net book value at 31st December 2010	**4,535**	**18,802**	**17,108**	**9,652**	**6,748**	**1,922**	**905**	**—**	**59,672**

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles and yacht HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Computer system HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1st January 2009, as previously reported	—	31,037	25,285	22,416	9,645	4,020	6,186	3,075	101,664
Effect of adoption of HKAS 17 (Amendment)	5,900	—	—	—	—	—	—	—	5,900
At 1st January 2009, as restated	5,900	31,037	25,285	22,416	9,645	4,020	6,186	3,075	107,564
Exchange difference	—	40	4	1	17	1	3	5	71
Additions	—	3	1,646	3,203	1,854	905	296	5,769	13,676
Disposals	—	—	—	(685)	(110)	—	—	—	(795)
Written off	—	—	(791)	—	—	—	—	—	(791)
Reclassification	—	—	5,788	—	2,016	—	—	(7,804)	—
At 31st December 2009, as restated	5,900	31,080	31,932	24,935	13,422	4,926	6,485	1,045	119,725
Accumulated depreciation									
At 1st January 2009, as previously reported	—	1,465	4,755	13,070	1,869	2,378	4,432	—	27,969
Effect of adoption of HKAS 17 (Amendment)	1,117	—	—	—	—	—	—	—	1,117
At 1st January 2009, as restated	1,117	1,465	4,755	13,070	1,869	2,378	4,432	—	29,086
Exchange difference	—	1	1	—	1	1	1	—	5
Charge for the year	125	1,124	5,643	2,245	1,590	516	818	—	12,061
Disposals	—	—	—	(596)	(55)	—	—	—	(651)
Written off	—	—	(661)	—	—	—	—	—	(661)
At 31st December 2009, as restated	1,242	2,590	9,738	14,719	3,405	2,895	5,251	—	39,840
Net book value at 31st December 2009, as restated	4,658	28,490	22,194	10,216	10,017	2,031	1,234	1,045	79,885

Depreciation expense amounted to approximately HK$2,052,000 (2009: HK$2,012,000) was included in "cost of sales", and HK$10,917,000 (2009: HK$10,049,000) in "administrative expenses".

Buildings with an aggregate net book value as at 31st December 2009 of approximately HK$9,178,000 had been pledged to secure short-term bank loan granted to a non-wholly owned subsidiary (note 26). The non-wholly owned subsidiary was disposed of during the year ended 31st December 2010.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 HK$'000	2009 HK$'000
Available-for-sale financial assets		
— equity security, at fair value listed in Hong Kong	33,567	—
— unlisted limited partnership, at fair value	4,206	4,380
	37,773	4,380

The movement for the available-for-sale financial assets during the year is as follows:

	2010 HK$'000	2009 HK$'000
At 1st January	4,380	6,581
Addition	29,996	—
Change in fair values of available-for-sale financial assets	3,397	(2,201)
At 31st December	37,773	4,380

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

19 INVENTORIES

	2010 HK$'000	2009 HK$'000
Raw materials	3,682	7,306
Finished goods	812,679	618,735
	816,361	626,041

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$3,446,727,000 (2009: HK$2,230,606,000).

20 TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade receivables, net of provision	**162,711**	173,724
Prepayments to suppliers	**5,550**	16,121
Deposits	**2,117**	1,165
Other receivables	**14,483**	11,419
	184,861	202,429

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

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

	2010 HK$'000	2009 HK$'000
0 to 30 days	**126,177**	136,308
31 to 60 days	**28,476**	31,331
61 to 90 days	**5,405**	4,410
Over 90 days	**2,653**	1,675
	162,711	173,724

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

	2010 HK$'000	2009 HK$'000
HK dollars	**40,623**	42,066
US dollars	**91,560**	79,839
Renminbi	**30,528**	51,819
	162,711	173,724

20 TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31st December 2010, trade receivables of approximately HK$97,722,000 (2009: HK$110,205,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables, based on due date, is as follows:

	2010 **HK$'000**	2009 HK$'000
1 to 30 days	**83,998**	98,085
31 to 60 days	**11,553**	10,337
61 to 90 days	**1,531**	900
Over 90 days	**640**	883
	97,722	110,205

The Group has made full provision for impairment of trade receivables of approximately HK$4,470,000 (2009: HK$3,769,000) as at 31st December 2010.

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

	2010 **HK$'000**	2009 HK$'000
At 1st January	**3,769**	2,930
Provision for impairment of trade receivables	**701**	2,169
Receivables written off during the year as uncollectible	**—**	(1,290)
Recoverable of impairment provision of trade receivable	**—**	(40)
At 31st December	**4,470**	3,769

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

21 BANK BALANCES AND CASH

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**264,316**	240,118	**24,123**	50,425
Short-term bank deposits	**338,312**	475,269	**267,705**	370,350
	602,628	715,387	**291,828**	420,775

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

	Group		Company	
	2010	2009	**2010**	2009
Short-term bank deposits	**0.01% to 1.35%**	0.005% to 1.85%	**0.01% to 1.24%**	0.01% to 1.80%

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**199,650**	504,389	**131,945**	337,222
US dollars	**244,764**	190,455	**82,383**	83,553
Renminbi	**157,986**	20,419	**77,500**	—
Others	**228**	124	**—**	—
	602,628	715,387	**291,828**	420,775

22 ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a board resolution passed on 9th June 2010, the Group will enter into sales and purchase agreements with an independent third party to dispose of the Group's interest in certain leasehold land in China mainland.

Movements on the assets classified as held for sale are as follows:

	2010	2009
	HK$'000	HK$'000
At 1st January	**—**	—
Reclassified as assets classified as held for sale from leasehold land (note 16)	**16,916**	—
Exchange difference	**260**	—
Disposal	**(5,897)**	—
At 31st December	**11,279**	—

In November 2010, certain leasehold land in China mainland has been disposed of to an independent third party resulting in a gain of approximately HK$311,000 (note 8).

22 ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

The balance of assets classified as held for sale as at 31st December 2010 represented certain leasehold land in China mainland which is expected to be disposed of within twelve months. Accordingly, the relevant leasehold land has been classified as assets classified as held for sale and its carrying amount is presented separately in the consolidated statement of financial position as at 31st December 2010.

23 SHARE CAPITAL

(a) Authorised and issued capital

	Number of shares	Approximate amount HK$'000
Authorised:		
At 31st December 2009 and 31st December 2010	8,000,000,000	800,000
Issued and fully paid — ordinary shares of HK$0.1 each:		
At 31st December 2009 and 31st December 2010	828,750,000	82,875

(b) Share option schemes

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

(i) Pre-IPO Share Option Scheme

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

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

13,925,210 share options issued under the Pre-IPO Share Option Scheme are exercisable as at 31st December 2010 (2009: 20,921,100) in accordance with the above rules.

23 SHARE CAPITAL *(Continued)*

(b) Share option schemes *(Continued)*

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

Details of the options granted under the Pre-IPO Share Option Scheme outstanding as at 31st December 2010 are as follows (2009: 20,921,100 options):

	Date of grant	Exercise price in HK$ per share	Number of shares subject to the options
Directors	15th September 2006	2.136	7,580,174
Senior management	15th September 2006	2.136	3,533,825
Other employees	15th September 2006	2.136	2,811,211
			13,925,210

6,995,890 share options granted under the Pre-IPO Share Option Scheme lapsed during the year (2009: 98,010 options). No share options granted under the Pre-IPO Share Option Scheme were exercised during the year.

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

(ii) ***Share Option Scheme***

No option have been granted under the Share Option Scheme.

24 SHARE PREMIUM AND OTHER RESERVES

Group

		Other reserves								
	Share premium HK$'000	Merger reserve (note (b)) HK$'000	Capital redemption reserve HK$'000	Reserve funds (note (a)) HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2010	495,293	(17,830)	125	490	—	31,117	4,324	627,574	645,800	1,141,093
Profit for the year	—	—	—	—	—	—	—	59,472	59,472	59,472
Exchange difference	—	—	—	—	—	—	853	—	853	853
Release of exchange reserve upon disposal of a subsidiary	—	—	—	—	—	—	(662)	—	(662)	(662)
Change in fair values of available-for-sale financial assets	—	—	—	—	3,397	—	—	—	3,397	3,397
Pre-IPO Share Option Scheme — lapse of share options	—	—	—	—	—	(11,385)	—	11,385	—	—
Dividends paid	—	—	—	—	—	—	—	(95,306)	(95,306)	(95,306)
At 31st December 2010	495,293	(17,830)	125	490	3,397	19,732	4,515	603,125	613,554	1,108,847
Balance after 2010 final dividend proposed	495,293	(17,830)	125	490	3,397	19,732	4,515	590,694	601,123	1,096,416
2010 final dividend proposed	—	—	—	—	—	—	—	12,431	12,431	12,431
	495,293	(17,830)	125	490	3,397	19,732	4,515	603,125	613,554	1,108,847

Notes to the Consolidated Financial Statements

24 SHARE PREMIUM AND OTHER RESERVES *(Continued)*

Group *(Continued)*

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

Notes:

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

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

24 SHARE PREMIUM AND OTHER RESERVES *(Continued)*

Company

		Other reserves					
	Share premium HK$'000	Contributed surplus (note) HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2010	**495,293**	**640,631**	**125**	**31,117**	**88,385**	**760,258**	**1,255,551**
Profit for the year	**—**	**—**	**—**	**—**	**21,988**	**21,988**	**21,988**
Pre-IPO Share Option Scheme							
— lapse of share options	**—**	**—**	**—**	**(11,385)**	**11,385**	**—**	**—**
Dividends paid	**—**	**—**	**—**	**—**	**(95,306)**	**(95,306)**	**(95,306)**
At 31st December 2010	**495,293**	**640,631**	**125**	**19,732**	**26,452**	**686,940**	**1,182,233**
Balance after 2010							
final dividend proposed	**495,293**	**640,631**	**125**	**19,732**	**14,021**	**674,509**	**1,169,802**
2010 final dividend proposed	**—**	**—**	**—**	**—**	**12,431**	**12,431**	**12,431**
	495,293	**640,631**	**125**	**19,732**	**26,452**	**686,940**	**1,182,233**
At 1st January 2009	495,293	640,631	125	28,162	60,166	729,084	1,224,377
Profit for the year	—	—	—	—	94,519	94,519	94,519
Pre-IPO Share Option Scheme							
— value of employee services	—	—	—	2,955	—	2,955	2,955
Dividends paid	—	—	—	—	(66,300)	(66,300)	(66,300)
At 31st December 2009	495,293	640,631	125	31,117	88,385	760,258	1,255,551
Balance after 2009							
final dividend proposed	495,293	640,631	125	31,117	1,366	673,239	1,168,532
2009 final dividend proposed	—	—	—	—	87,019	87,019	87,019
	495,293	640,631	125	31,117	88,385	760,258	1,255,551

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

25 TRADE AND OTHER PAYABLES

	2010 HK$'000	2009 HK$'000
Trade payables		
— third parties	**86,725**	82,527
— a related company	**—**	3,535
	86,725	86,062
Prepayments from customers	**36,704**	20,295
Accrued expenses	**13,134**	18,588
	136,563	124,945

Ageing analysis of trade payables is as follows:

	2010 HK$'000	2009 HK$'000
0 to 30 days	**86,665**	84,342
31 to 60 days	**60**	1,579
61 to 90 days	**—**	5
Over 90 days	**—**	136
	86,725	86,062

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

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

	2010 HK$'000	2009 HK$'000
HK dollars	**244**	4,468
US dollars	**78,178**	72,445
Renminbi	**8,303**	9,149
	86,725	86,062

26 BANK BORROWINGS

	2010 HK$'000	2009 HK$'000
Short-term bank loan — unsecured	**29,312**	28,600
Short-term bank loan — secured	**—**	5,720
Loans against trust receipts — unsecured	**361,121**	245,195
	390,433	279,515

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

	2010 HK$'000	2009 HK$'000
US dollars	**361,121**	245,195
Renminbi	**29,312**	34,320
	390,433	279,515

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

	2010	2009
Short-term bank loans	**5.04% to 7.19%**	5.04% to 5.82%
Loans against trust receipts	**1.06% to 2.04%**	1.05% to 1.83%

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

The short-term bank loan of approximately HK$5,720,000 as at 31st December 2009 was secured by certain leasehold land and buildings of the Group's non-wholly owned subsidiary (notes 16 and 17). The non-wholly owned subsidiary was disposed of during the year ended 31st December 2010.

27 AMOUNT DUE TO NON-CONTROLLING INTERESTS

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

28 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a principal income tax rate of 16.5% (2009: 16.5%).

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

	2010 HK$'000	2009 HK$'000
At 1st January	**2,778**	2,011
(Credited)/charged to income statement (note 12)	**(1,032)**	767
At 31st December	**1,746**	2,778

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	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
At 1st January	**174**	192	**(2,952)**	(2,203)
Deferred income tax credited/(charged) to income statement	**1,051**	(18)	**(19)**	(749)
At 31st December	**1,225**	174	**(2,971)**	(2,952)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$13,752,000 (2009: HK$14,046,000) in respect of losses amounting to approximately HK$61,559,000 (2009: HK$66,940,000) that can be carried forward against future taxable income. Tax losses arising in Hong Kong amounting to approximately HK$19,271,000 (2009: HK$25,254,000) are available with no expiry date to offset against future taxable profits of the companies in which the losses arose. Tax losses arising in China mainland amounting to approximately HK$42,288,000 (2009: HK$41,686,000) will expire within five years.

29 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2010 **HK$'000**	2009 HK$'000
Unlisted shares, at cost	**264,171**	264,171

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

29 INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(Continued)

The following is a list of principal subsidiaries at 31st December 2010:

Company name	Place of incorporation and kind of legal entity	Issued capital/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities and place of operation
Lee City Asia Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding in Hong Kong
Lee Fung Metal Company Limited	Hong Kong, limited liability company	100,000 shares of HK$1 each	100%	Trading of non-ferrous metal in Hong Kong
Lee Kee Group Limited	Hong Kong, limited liability company	1,000 shares of HK$1 each	100%	Investment holding in Hong Kong
# Lee Kee Group (BVI) Limited	British Virgin Islands, limited liability company	2 shares of HK$1 each	100%	Investment holding in British Virgin Islands
Lee Kee Metal Company Limited	Hong Kong, limited liability company	500,000 shares of HK$10 each	100%	Trading of zinc and zinc alloy in Hong Kong
Lee Sing Materials Company Limited	Hong Kong, limited liability company	100,000 shares of HK$1 each	100%	Trading of chemical products in Hong Kong
Lee Yip Metal Products Company Limited	Hong Kong, limited liability company	1,000,000 shares of HK$1 each	70%	Trading of stainless steel in Hong Kong
Standard Glory Management Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Provision of management services in Hong Kong
Toba Company Limited	Hong Kong, limited liability company	10,000 shares of HK$1 each	100%	Property holding in Hong Kong
肇慶市利明金屬資源再生材料有限公司	The People's Republic of China, limited liability company	US$925,100	100%	Property holding in China mainland
LKG Elite (Shenzhen) Co., Ltd.	The People's Republic of China, limited liability company	RMB18,400,000	100%	Distribution of non-ferrous metals in China mainland
LKG Elite (Guangzhou) Co., Ltd.	The People's Republic of China, limited liability company	RMB2,500,000	100%	Distribution of non-ferrous metals in China mainland
LKG Elite (Wuxi) Co., Ltd.	The People's Republic of China, limited liability company	USD1,920,000	100%	Distribution of non-ferrous metals in China mainland

Directly held by the Company

30 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

The Group has a 50% interest in a jointly controlled entity, Genesis Recyclying Technology (BVI) Limited ("GRTL"). GRTL and its wholly owned subsidiaries, Genesis Alloys Limited and Genesis Alloys (Ningbo) Limited (collectively referred to as the "Genesis Group") are engaged in the manufacturing and trading of alloy products in China mainland. The following are the particulars of the jointly controlled entity at 31st December 2010:

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

The following amounts represent the Group's 50% share of the consolidated assets and liabilities of Genesis Group at 31st December 2010, and revenues and results of Genesis Group for the year then ended. They are included in the consolidated statement of financial position and consolidated income statement of the Group:

	2010 **HK$'000**	2009 HK$'000
Leasehold land	**534**	534
Property, plant and equipment	**8,754**	9,269
Inventories	**3,955**	4,481
Trade and other receivables	**6,204**	8,795
Bank balances and cash	**8,192**	5,589
Trade and other payables	**(2,442)**	(1,794)
Bank borrowings	**(29,312)**	(28,601)
Amount due to a joint venturer of a jointly controlled entity	**(396)**	(561)
	(4,511)	(2,288)
Amount due to the Group	**(2,669)**	(2,528)
Net liabilities	**(7,180)**	(4,816)
Revenues	**135,151**	95,562
Cost of sales	**(130,394)**	(90,088)
Gross profit	**4,757**	5,474
Other income	**330**	16
Distribution and selling expenses	**(1,151)**	(2,247)
Administrative expenses	**(2,958)**	(4,756)
Other losses, net	**(1,495)**	(3)
Operating loss	**(517)**	(1,516)
Finance costs	**(1,758)**	(1,870)
Loss before income tax	**(2,275)**	(3,386)
Income tax expense	**—**	—
Loss after income tax	**(2,275)**	(3,386)

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

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 STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash used in operations

	2010 **HK$'000**	2009 HK$'000 (Restated)
Profit before income tax	**74,038**	123,201
Depreciation of property, plant and equipment	**12,969**	12,061
Amortisation of leasehold land	**800**	1,257
Interest income	**(2,166)**	(3,501)
Interest expense	**6,109**	2,451
Gain on disposal and write off of property, plant and equipment	**(1,490)**	(115)
Gain on disposal of assets classified as held for sale	**(311)**	—
Loss on disposal of a subsidiary	**240**	—
Impairment loss of available-for-sale financial asset	**—**	4,725
Pre-IPO Share Option Scheme — value of employee services	**—**	2,955
Operating cash inflow before working capital changes	**90,189**	143,034
Increase in inventories	**(209,367)**	(404,426)
Increase in trade and other receivables	**(16,205)**	(71,141)
Increase in trade and other payables	**31,234**	52,338
Movement in balance with a joint venturer of a jointly controlled entity	**(165)**	269
Net cash used in operations	**(104,314)**	(279,926)

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of a subsidiary

On 5th October 2010, a sale and purchase agreement was entered into between a wholly owned subsidiary of the Company, Golden Knight (Asia) Company Limited ("Golden Knight"), and an independent third party to dispose of Golden Knight's entire equity interests in Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax") at a cash consideration of approximately HK$39 million. Almax was engaged in manufacturing and trading of aluminium alloy in China mainland.

	2010 HK$'000
Net assets disposed of:	
Leasehold land (note 16)	9,639
Property, plant and equipment (note 17)	14,425
Inventories	19,047
Trade and other receivables	33,773
Bank balances and cash	8,366
Trade and other payables	(19,997)
Income tax payable	(102)
	65,151
Non-controlling interest	(26,060)
Release of exchange reserve upon disposal of a subsidiary	(662)
Loss on disposal of a subsidiary (note 8)	(240)
Net consideration	38,189
Satisfied by:	
Cash proceeds	38,900
Capital gain tax on disposal	(381)
Direct costs	(330)
Net consideration	38,189
Analysis of the net cash inflow in respect of disposal of a subsidiary:	
Cash consideration received	38,900
Less: Bank balances and cash disposed of	(8,366)
Direct costs	(330)
Net cash inflow arising on disposal of a subsidiary	30,204

32 CONTINGENT LIABILITIES

At 31st December 2010, the Company had contingent liabilities of approximately HK$1,414 million (2009: HK$1,977 million) in respect of corporate guarantees for credit facilities for certain subsidiaries and a jointly controlled entity amounting to approximately HK$1,358 million (2009: HK$1,448 million), of which approximately HK$390 million (2009: HK$280 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:

	2010 HK$'000	2009 HK$'000
Within one year	**1,094**	666
In the second to fifth years inclusive	**1,144**	292
	2,238	958

(b) Capital commitments

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

	2010 HK$'000	2009 HK$'000
Contracted but not provided for:		
Leasehold land and property, plant and equipment	**4,361**	8,064

No capital commitment was arising from a jointly controlled entity as at 31st December 2010 and 2009.

34 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	2010 HK$'000	2009 HK$'000
Income			
Management fee received from			
Genesis Alloys (Ningbo) Limited ("Genesis Ningbo")	(i)	**78**	78
Expense			
Purchase of goods from Genesis Ningbo	(ii)	**66,028**	53,795
Purchase of raw materials from			
Foshan Nanhai Wanxinglong Metal			
Manufacturing Co., Ltd.	(iii)	**33,739**	83,801
Rental paid to Sonic Gold Limited	(iv)	**480**	480
Management fee paid to Niox Limited	(v)	**625**	956

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

34 RELATED PARTY TRANSACTIONS *(Continued)*

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

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

(iii) The Group purchased goods from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd., a company held by certain directors of a non-wholly owned subsidiary (disposed of during the year), at prices as agreed by both parties for each transaction.

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

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

(b) Personal guarantee given by Mr Poon Man Keung

Banking facilities of approximately HK$139,000,000 (2009: HK$129,000,000) were granted to a subsidiary which jointly and severally was guaranteed by a personal guarantee given by Mr Poon Man Keung, a non-controlling shareholder of the subsidiary and the Company (note 32). Such credit lines have not been utilised as at 31st December 2010 and 2009.

(c) Key management compensation

	2010 **HK$'000**	2009 HK$'000
Salaries and other short term employee benefits	**22,780**	24,050
Post employment benefits — pension	**227**	227
Share-based compensation	**—**	2,346
	23,007	26,623

(d) Balances with related parties

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

35 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lee Kee Holdings Limited (the "Company") will be held at Jordan Room 1, 2/F, Eaton Smart Hong Kong, 380 Nathan Road, Kowloon, Hong Kong on Thursday, 12th May 2011 at 2:00 p.m. for the following purposes:

1. To receive and adopt the audited Consolidated Financial Statements of the Company and its subsidiaries and the Reports of the Directors and the Auditors for the year ended 31st December 2010.

2. To declare final dividend of the Company for the year ended 31st December 2010.

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

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

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

"**THAT**:

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

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

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

(d) for the purposes of this Resolution:

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

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

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

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

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

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

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

"**THAT**:

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

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

(c) for the purposes of this Resolution:

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

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

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

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

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

   "**THAT** conditional upon the Resolutions No. 5 and Resolution No. 6 of this notice being passed, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with any unissued shares of the Company (the "Shares") pursuant to the said Resolution No. 5 be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to the said Resolution No. 6, provided that such extended amount shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue at the time of passing this Resolution."

By Order of the Board
CHEUK Wa Pang
Company Secretary

Hong Kong, 31st March 2011

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

Notes:

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

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

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

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