



SINCE 1947

利記控股有限公司 LEE KEE HOLDINGS LIMITED

(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 2011 年報

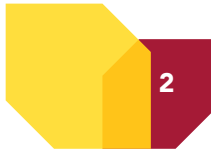


As a leading **metal supply-chain** management specialist with professional expertise and decades of experience, LEE KEE provides customized services to its customers through the processing, sourcing and distribution of quality metals, as well as serving both the import and domestic markets of non-ferrous and ferrous metals and electroplating chemicals.



Contents

- 2** Corporate Information
- 3** Corporate Structure
- 6** Chairman's Statement
- 10** Financial Summary
- 12** Management Discussion and Analysis
- 17** Directors and Senior Management
- 20** Corporate Governance Report
- 23** Report of the Directors
- 31** Independent Auditor's Report
- 33** Consolidated Income Statement
- 34** Consolidated Statement of Comprehensive Income
- 35** Consolidated Statement of Financial Position
- 37** Statement of Financial Position
- 38** Consolidated Statement of Cash Flows
- 39** Consolidated Statement of Changes in Equity
- 40** Notes to the Consolidated Financial Statements
- 96** Notice of Annual General Meeting



Corporate Information

DIRECTORS

Executive Directors

CHAN Pak Chung (*Chairman of the Board*)
CHAN Yuen Shan, Clara
MA Siu Tao
William Tasman WISE (resignation to be effective
from 15th May 2012)

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

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

CHAN Yuen Shan, Clara
CHEUK Wa Pang

REGISTERED OFFICE

P.O. Box 309 GT, Uglan 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:
King & Wood Mallesons
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 31.12.2011)

 **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

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

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

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

* 50% owned



Looking forward, domestic demand will become the primary force that drives China's economic growth, which in turn will generate demand for LEE KEE's products and services. The Group will leverage its existing advantage of being a leading metal supply-chain management specialist, and fully utilise its integrated operations to capitalise on market growth.

VISION
to plan ahead



Chairman's Statement

By leveraging on
"prudence" as the basic motto in its management style, the Group has preserved a strong foothold in the industry despite the current turbulent situation.

Chan Pak Chung
Chairman



DEAR SHAREHOLDERS,

I hereby present the results of LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group" or "we") for the year of 2011. As a result of weaker demand from a sluggish global economy, prices of most industrial metals fell during the year and the performance of the Group was lower than in 2010.

Serious concerns were expressed during the second quarter of 2011 that the US economy could decline into recession, and subsequently a number of countries in the southern part of Europe were considered to be at risk of defaulting on their sovereign debt. The impact of the crisis in the Euro zone was contagious, with China's manufacturing PMI declining from 50.4% in October to 49.0% in November 2011. This was the first time since March 2009 that the index had dropped below the critical level of 50%, indicating a contraction in the manufacturing sector in China. Such decline was seen as a consequence of weaker foreign demand, as well as the softening of domestic demand amid the tight credit conditions that had been imposed to control inflation, and the cooling property sector in China. As such, prices of most industrial metals closed at lower levels in 2011 whilst inventories kept rolling up.

Faced with these unprecedented challenges, the Group devoted additional efforts tapping into China and established a new office in Chengdu. The proportion of revenue contributed from China mainland increased from 15.2% in 2010 to 20.4% for the year ended 31st December 2011. Despite the unfavourable market condition and measures adopted for tightening credit controls, LEE KEE's revenue and tonnage sold in 2011 marginally decreased to approximately HK\$3,520 million and 159,400 metric tonnes respectively, whilst the loss attributable to equity holders of the Company was approximately HK\$31.6 million.

Our profound expertise in professional management was again exhibited by introducing stainless steel into the scope of testing services offered by Promet Metals Testing Laboratory Limited ("Promet"), our wholly-owned subsidiary. Since its establishment, LEE KEE has considered Promet to be the paramount vehicle for integrating upstream and downstream supply chains, in which process LEE KEE can add value from its expertise in manufacturing process flows, and by its knowledge of new and innovative materials as well as the conventional ones.

By the end of the third quarter in 2011, the Group acquired the outstanding 30% of Lee Yip Metal Products Company Limited ("LYMP") for HK\$4.6 million (the "Acquisition"). The Directors considered the stainless steel business of LYMP to be a move to increase the product diversification of the Group, and the processing operation of LYMP also forms a part of the downstream sectors of a metal supply chain. Having considered the potential of this market, the acquisition will further strengthen the ability of the Group to control its pace of development in the stainless steel business.

By leveraging on "prudence" as the basic motto in its management, the Group has preserved a strong foothold in the industry despite the current turbulent situation. Looking ahead, "diversification" will be another motto to be taken by LEE KEE. The Group will diversify its revenue sources through the provision of more products and services. LEE KEE is fully aware that the Group can only retain its existing customers and acquire new customers through the delivery of quality products and services, thereby consolidating and building upon its unrivalled position in the market.

Finally, I would like to take this opportunity to thank the management team, all our staff as well as our business partners for their expertise, hard work and support. I would also like to express our sincere appreciation to customers for their sustained loyalty.

CHAN Pak Chung
Chairman

23rd March 2012

Extension from Experience

LEE KEE invests into its future by enhancing performance in core business whilst simultaneously diversifying into new business segments. We have the financial strength, operating skills and presence across a range of markets to provide the resilience and confidence to move forward through changing and demanding times.







Financial Summary

LEE KEE intends to capture the growth of domestic demand in China mainland, to broaden its customer base and reap benefit from the huge potential of China mainland in terms of future growth opportunities.

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				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenues	3,519,748	3,610,302	2,433,980	4,127,696	6,437,335
(Loss)/profit before income tax	(31,006)	74,038	123,201	(2,298)	(28,565)
Income tax expense	(254)	(12,020)	(16,178)	(3,066)	(6,585)
(Loss)/profit for the year	(31,260)	62,018	107,023	(5,364)	(35,150)
Attributable to:					
Equity holders of the Company	(31,618)	59,472	106,940	60	(37,281)
Minority interests	358	2,546	83	(5,424)	2,131

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st December				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
Total non-current assets	98,426	115,192	131,264	128,923	79,240
Total current assets	1,489,542	1,618,549	1,544,137	1,227,848	1,523,637
Total assets	1,587,968	1,733,741	1,675,401	1,356,771	1,602,877
Total non-current liabilities	2,501	2,971	2,952	2,203	2,019
Total current liabilities	451,813	537,748	423,772	152,810	415,584
Total liabilities	454,314	540,719	426,724	155,013	417,603
Net assets	1,133,654	1,193,022	1,248,677	1,201,758	1,185,274

Note: The summary of the consolidated results of the Group for each of the five financial years ended 31st December 2011 and the consolidated assets and liabilities of the Group as at end for the five financial years ended 31st December 2011 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.

Management Discussion and Analysis

LEE KEE introduced a number of efficiency measures to its business process flow and enhanced both the upstream and downstream operations through a stringent cost control review. Our flexibility was increased through a streamlining exercise and the demands of our customers were fulfilled in a very complete and timely manner.



OVERALL BUSINESS PERFORMANCE

During the first half of 2011, the earthquake and tsunami in northeastern Japan not only shocked the world with its consequential human suffering and economic loss, but also highlighted the need for appropriate controls in the field of nuclear energy. Industries linked to both commodities and energy have experienced changes and fluctuations different to those in recent years. Floods in Thailand had a similar impact later in the year, although smaller in magnitude, given the limited size of the Thai economy. During the second half of 2011, Europe's sovereign debt crisis, together with some encouraging economic signs from the United States, saw the US dollars strengthen against the Euro, reversing a long term trend.

China mainland implemented a series of macroeconomic controls to curb the overheating property market during the first half of 2011, and experienced a slowdown in the growth of exports after the disaster in Japan, where demand for products from the global market weakened considerably. Although exports expanded in November 2011 by 13.8% year on year, it was the most sluggish performance since November 2009. Almost simultaneously, China's manufacturing PMI declined from 50.4% in October to 49.0% in November 2011, which was the first time since March 2009 that the index had dropped below the critical level of 50%, indicating a contraction in the manufacturing sector of the China mainland.

Despite the above scenario of natural disasters and financial market turmoil, LEE KEE managed to almost maintain its tonnage sold of 159,400 metric tonnes in 2011 which was only a slight decrease of 6.2% as compared to 170,000 metric tonnes in 2010, while the revenue of LEE KEE decreased from approximately HK\$3,610 million in 2010 to approximately HK\$3,520 million in 2011, also representing a slight decrease of 2.5% year-on-year.

With the downward price trend of most base metals in 2011, especially in the second half, gross profit of LEE KEE was negatively impacted and fell from approximately HK\$160.2 million in 2010 to approximately HK\$68.2 million in 2011. The closing price of zinc (which is the major product of the Group) on the London Metal Exchange fell from US\$2,470 per metric tonne on 4th January 2011 to US\$2,365 on 30th June 2011, representing a 4.3% decrease and further to US\$1,845 per metric tonne by 30th December 2011 or a further drop of approximately 22% that totalled around a 25% drop for the full year. Nickel, copper and aluminum prices fell approximately 25%, 20% and 18% respectively during 2011.

The selling and distribution expenses has been increased by 33.9% although there is a slightly decrease in revenue and tonnage sold. Such a situation is mainly because of the increase in the proportion of revenue arisen in the China mainland (20.4% in 2011 against 15.2% in 2010), of which selling and distribution expenses is higher than that of Hong Kong.

In October 2011, a well-known metal brokerage firm, MF Global UK Limited ("MF Global"), applied to the High Court in London for special administration and the cash balance of around HK\$22.5 million maintained with MF Global UK by the Group for metal trading has been impaired and recorded in the consolidated financial statements in 2011. The Group took prompt actions including engaging and consulting with legal advisers in London to seek recovery of the funds and closely monitor the situation.

Increases in the interest rate and bank borrowings explain the increase in finance costs. Overall, results attributable to the equity holders of the Company was changed from a profit of approximately HK\$59.5 million in 2010, to a loss of approximately HK\$31.6 million in 2011.



Management Discussion and Analysis

BUSINESS REVIEW

LEE KEE has positioned itself as a leading metal supply-chain management specialist on professional expertise and decades of experience. By capitalizing on its unique integrated value added services, LEE KEE provides customized services to its customers through the processing, sourcing and distribution of quality metals, as well as serving both the import and domestic markets of non-ferrous and ferrous metals and electroplating chemicals.

Leveraging on the prominent position taken by the Group in quality metal supply-chain operations spanning processing, sourcing and distribution of quality metals, LEE KEE's zinc alloy sales volume for 2011 represented approximately 72% of the PRC's total zinc alloy import volume. With a comfortable coverage of customers from different geographical regions and industry segments, LEE KEE enjoys the paramount support of a number of reputable suppliers and serves around 1,280 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia.

During recent years, China mainland has been promoting investment in manufacturing industries in Central and Western China. These industries have a geographical overlap with our potential customers, which are primarily focusing on the manufacturing of commercial products ranging from bathroom fittings, household hardware, toys and home appliances, to fashion accessories and automobile parts. With an office recently set up in Chengdu by the Group in China mainland, our sales and distribution centres now strategically cover key regions in Central and Western China. This allows LEE KEE to capture the growth of domestic demand in China mainland, to broaden its customer base and reap benefit from the huge potential of China mainland in terms of future growth opportunities. Revenue from China mainland rose to approximately HK\$719 million, up 30.8% over 2010 and the proportion of revenue derived in China mainland also increased from 15.2% to 20.4%.

Promet Metals Testing Laboratory Limited ("Promet"), our wholly-owned subsidiary which is accredited by The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"), further exhibited its competence of providing technical support to the Group by expanding its scope of testing services to stainless steel during the year. LEE KEE regards Promet as a vehicle which provides a significant competitive edge over its competitors.

Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned zinc alloy production joint venture, produced approximately 13,680 tonnes of zinc alloy (2010: 14,230 tonnes) and contributed revenue of approximately HK\$51 million (2010: HK\$78 million) to the Group during 2011.

LEE KEE has always been optimistic about the stainless steel development and contributions from Lee Yip Metal Products Company Limited ("Lee Yip"), and for this reason the Group increased its stake from 70% to 100% in September 2011 with a total consideration of HK\$4.6 million. Lee Yip, which enjoys the twin benefits of sharing its location with Tai Po Technology and Logistic Centre and having its operations extended to the PRC, sold 5,063 tonnes (2010: 5,617 tonnes) of stainless steel, contributing revenue of approximately HK\$113 million (2010: HK\$133 million) to the Group in 2011.

Management Discussion and Analysis

Notwithstanding the Group's disappointing results for 2011, LEE KEE introduced a number of efficiencies to its business process flow and enhanced both the upstream and downstream operations through a stringent review of cost control measures. Our flexibility was increased through a streamlining exercise and the demands of our customers were fulfilled in a very timely manner. The Group also secured quality suppliers with new storage and blending capacity.

PROSPECTS

LEE KEE remains cautiously optimistic about the outlook of the global economy in 2012. Europe's sovereign debt crisis will still dominate the downturn of the global economy, whilst elections and political transitions in some key countries may trigger changes and uncertainty. On the other hand, the combination of declining global inflation, accommodative monetary policies and inventory building should expand global industrial output in the short-term, thus ultimately leading to a strengthening of the demand for minerals and metals. Against this background, the Group will recover its revenue from increased tonnage sold.

The economy in China mainland will face challenges in 2012. The moderate slump in exports resulting from the European recession may be mitigated by a change in policy focus from managing inflation to supporting growth. In fact, there have already been two downward revisions of the Required Reserve Ratio by the People's Bank of China. Domestic demand in China mainland will become the primary driving force for economic growth, which in turn will generate more demand for our products and services. LEE KEE will leverage its prevailing advantage of being the leading metal supply-chain management specialist and derive benefits from its integrated operation. We will also keep an eye on other parts in China mainland, and explore any opportunities that may arise in the future.

The global production of stainless steel saw a strong recovery in 2011, rising 23.6% above the prior year. With an increased stake in Lee Yip, it is expected that LEE KEE will benefit from the increased turnover to be generated from Lee Yip in the future.

LEE KEE invests into its future through enhancing performances in core business segments and diversifying into new business segments. We have the financial strength, operating skills and presence across a range of markets to give us the resilience and confidence to move forward through changing and demanding times. It is expected that growth will recommence when the business environment improves, at which time LEE KEE should reach new heights and bring attractive returns to its shareholders.

DIVIDENDS

On 19th August 2011, the Directors declared an interim dividend of HK1 cent per share (2010: HK1 cent per share), amounting to HK\$8,287,500 (2010: HK\$8,287,500) which was paid on 16th September 2011.

The Directors do not recommend the payment of a final dividend (2010: a final dividend of HK1.5 cents per share, amounting to HK\$12,431,250) in respect of 2011.



Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14th May 2012 to Tuesday, 15th May 2012, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming Annual General Meeting, 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 Friday, 11th May 2012.

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 2011, the Group had unrestricted cash and bank balances of approximately HK\$447 million (2010: HK\$603 million) and bank borrowings of approximately HK\$338 million (2010: HK\$390 million). The borrowings, which are short term in nature, were substantially made in Renminbi and Hong Kong dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 31st December 2011 was 29.8% (2010: 32.7%). The Group has a current ratio of 329.7% (2010: 301.0%).

The Company had issued guarantees to the extent of approximately HK\$1,482 million to banks to secure general banking facilities of approximately HK\$1,294 million to certain subsidiaries, of which approximately HK\$338 million had been utilised as of 31st December 2011.

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 2011, the Group had approximately 160 employees (2010: 150 employees) and the Group's 50%-owned joint venture, Genesis Ningbo, had approximately 40 employees (2010: 40 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 2011, staff cost (including directors' emoluments) was approximately HK\$47 million (2010: HK\$50 million).

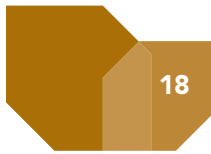
Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 64, is the Chairman of the Board and an Executive Director of the Company and a director of certain subsidiaries of the Company and joint ventures of the Group. 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 45 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 Vice Chairman of Hong Kong Metal Merchants Association, Honorary President of the Professional Validation Council of Hong Kong Industries, Honorary Chairman of the Hong Kong Federation of Innovative Technologies and Manufacturing Industries Limited 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 40, 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 17 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. She is a member of the Trade and Industry Advisory Board, 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 62, is an Executive Director and the Sales Director of the Company and director of certain subsidiaries of the Company. Ms. Ma joined the Group in 1985 and is now responsible for monitoring the overall sales function of the Group, developing strategies, guiding and leading the sales managers in analysing market information, expanding current and exploring future new businesses. Ms. Ma has been working in the non-ferrous metals industry for more than 27 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.



Directors and Senior Management

Mr. William Tasman WISE, aged 68, 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 62, is an independent non-executive Director of the Company appointed in September 2006. Mr. Chung has over 25 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 Fitec 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 48, 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 39, 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 14 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.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. CHEUK Wa Pang, aged 47, 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.

Mr. YAN Cheuk Yam, aged 65, was appointed as an Independent Non-executive Director of the Company in September 2006. He resigned from the directorship in February 2007 and started to take charge of the China operation of the Group since March 2007 as the Head of China Division of the Group. He is also a director of the Group's certain PRC subsidiaries. Prior to this employment, Mr. Yan was a director of a steel pipes company and a consultant of a Dongguan metals factory. Mr. Yan has more than 24 years' experience in steel business and metal trading in the PRC, Taiwan and Hong Kong.

Mr. CHENG Yick Tong, Steven, aged 42, 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 Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. Accordingly, the Company implemented various measures to comply with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during 2011.

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 2011.

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 2011.

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.

Corporate Governance Report

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 2011 after the expiry of the previous term.

REMUNERATION OF DIRECTORS

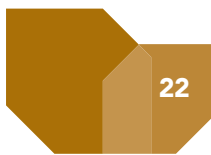
The Company established the Remuneration Committee on 15th September 2006 with written terms of reference. The primary duties of the Remuneration Committee included reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the share option scheme. The Remuneration Committee has three members comprising Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok, Jimmy and Mr. LEUNG Kwok Keung, two of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. LEUNG Kwok Keung. The Remuneration Committee discharged its duties by reviewing the remuneration packages of Executive Directors during 2011.

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, Mr. CHUNG Wai Kwok and Mr. LEUNG Kwok Keung, two of whom are Independent Non-Executive Directors. The Nomination Committee discharged its duties by reviewing of the structure, size and the composition of the Board during 2011.

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.



Corporate Governance Report

During 2011, 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 2011:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. CHAN Pak Chung	8/8	—	1/1	1/1
Ms. CHAN Yuen Shan, Clara	8/8	—	—	—
Ms. MA Siu Tao	8/8	—	—	1/1
Mr. William Tasman WISE	8/8	—	—	—
Mr. CHUNG Wai Kwok, Jimmy	8/8	3/3	1/1	—
Mr. LEUNG Kwok Keung	8/8	3/3	1/1	1/1
Mr. HU Wai Kwok	8/8	3/3	—	—

Note: Mr. CHUNG Wai Kwok, Jimmy was appointed as a member of Nomination Committee in place of Ms. MA Siu Tao with effect from 1st January 2012.

PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for 2011 (the "2011 Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the 2011 Financial Statements in its Independent Auditor's Report of the annual report.

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 2011 was HK\$1,315,000 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\$686,000.

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 2011 covering material financial, operational, compliance and risk controls, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget. Being no material control failures were identified and certain necessary actions is being implemented to improve the internal control of the Group, both the Audit Committee and the Board are satisfied with the results and concluded that the Group's internal control system is effective.

COMMUNICATION WITH SHAREHOLDERS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained sufficient public float for 2011.

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 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are (i) sourcing and distribution of non-ferrous metals, electroplating chemicals, precious metals and stainless steel, and such as silver, gold and rhodium), processing and distribution of stainless steel and (ii) providing related value-added customer services. The activities of the subsidiaries are set out in note 29 to the financial statements.

RESULTS AND APPROPRIATIONS

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

On 19th August 2011, the Directors declared an interim dividend of HK1 cent per share (2010: HK1 cent per share), amounting to HK\$8,287,500 (2010: HK\$8,287,500) which was paid on 16th September 2011.

The Directors do not recommend the payment of a final dividend (2010: a final dividend of HK1.5 cents per share, amounting to HK\$12,431,250) in respect of 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14th May 2012 to Tuesday, 15th May 2012, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming Annual General Meeting, 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 Friday, 11th May 2012.

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

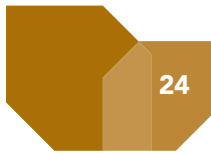
Charitable and other donations made by the Group during the year amounted to approximately HK\$754,000.

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.



Report of the Directors

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2011 amounted to approximately HK\$1,087 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 11.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during 2011.

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 2011 under the Pre-IPO Scheme are set out in note 23 to the consolidated financial statements.

As at 31st December 2011, options to subscribe for a total of 7,026,556 shares were still outstanding under the Pre-IPO Scheme which represents approximately 0.85% of the enlarged issued share capital of the Company.

Report of the Directors

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

	HK\$
<i>Directors</i>	
Mr. CHAN Pak Chung	2,210,355
Ms. MA Siu Tao	1,860,860
Ms. CHAN Yuen Shan, Clara	1,332,438
<i>Others</i>	
Senior management and employees	4,505,597

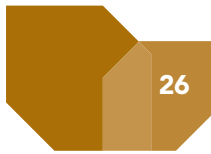
The fair value of options granted during 2006 determined using the binomial model was approximately HK\$31 million. The significant inputs into the model were share price of HK\$2.67 per share as at the grant date, exercise price of HK\$2.136 per share as shown above, volatility of the share of 65%, 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.

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.



Report of the Directors

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 2011.

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 (resignation to be effective from 15th May 2012)

Independent Non-executive Directors

Mr. CHUNG Wai Kwok, Jimmy

Mr. LEUNG Kwok Keung

Mr. HU Wai Kwok

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

DIRECTORS' SERVICE CONTRACTS

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

Report of the Directors

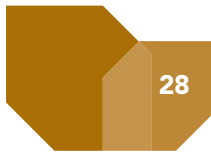
DIRECTORS' INTERESTS IN CONTRACTS

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.

CONNECTED TRANSACTION

The Group has entered into the Sale and Purchase Agreement and the Assignment (collectively the "Agreements") with Mr. Poon Man Keung (the "Vendor") on 21st September 2011 which constituted a connected transaction of the Company under Chapter 14A of the Listing Rules, whose details are set out below:

Transaction and completion date	:	21st September 2011
Parties to the transaction	:	<ol style="list-style-type: none"> 1. Mr. Poon Man Keung, as vendor 2. Lee Yip Metal Products Company (BVI) Limited, an indirect-wholly owned subsidiary of the Company, as purchaser (the "Purchaser")
Description and purpose of the transaction	:	The Purchaser acquired from the Vendor the 300,000 shares (the "Sale Shares") in Lee Yip Metal Products Company Limited ("Lee Yip") and the shareholder's loan of HK\$5.7 million due by Lee Yip to the Vendor (the "Indebtedness") pursuant to the Agreements. After such acquisition, Lee Yip became a wholly-owned subsidiary of the Purchaser.
Consideration	:	HK\$4.6 million in aggregate in relation to the Sale Shares and the Indebtedness, which were determined after arm's length negotiations between the Vendor and the Purchaser, taking into account the net asset value of the Target Company as at 30th June 2011. The consideration was payable in full by the Purchaser upon completion.
Nature and connected person's interest	:	The Vendor was a director of Lee Yip, being a subsidiary of the Company, within the preceding 12 months of the transaction and the then 30% shareholder of Lee Yip who was therefore a connected person to the Company under Rule 14A.11 of the Listing Rules.



Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and the Senior Management are set out on page 17–19 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 2011, 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

Notes:

- 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.
- 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.
- 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.

Report of the Directors

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	1,599,994
	Family interest	Share option	1,313,332
Ms. MA Siu Tao	Beneficial owner	Share option	1,313,332
	Family interest	Share option	1,599,994
Ms. CHAN Yuen Shan, Clara	Beneficial owner	Share option	933,332

Note: As at 31st December 2011, Mr. CHAN Pak Chung and Ms. MA Siu Tao were entitled to the options granted under the Pre-IPO Scheme to subscribe for 1,599,994 Shares and 1,313,332 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.

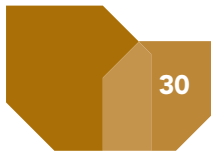
Saved as disclosed above, at no time during the year, the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and 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 2011, 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.



Report of the Directors

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 2011, 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 2011 attributable to the Group's major suppliers is as follows:

Purchases	
— the largest supplier	26.9%
— five largest suppliers combined	69.6%

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.

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, 23rd March 2012

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF LEE KEE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 95, which comprise the consolidated and company statements of financial position as at 31st December 2011, 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.

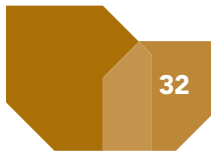
DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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.



Independent Auditor's Report

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 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

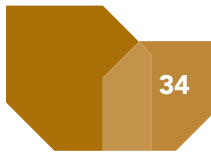
Hong Kong, 23rd March 2012

Consolidated Income Statement

For the year ended 31st December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Revenues	5	3,519,748	3,610,302
Cost of sales	7	(3,451,517)	(3,450,070)
Gross profit		68,231	160,232
Other income	6	4,566	2,948
Distribution and selling expenses	7	(22,272)	(16,637)
Administrative expenses	7	(75,409)	(74,701)
Other gains, net	8	3,832	8,305
Operating (loss)/profit		(21,052)	80,147
Finance costs	9	(9,954)	(6,109)
(Loss)/profit before income tax		(31,006)	74,038
Income tax expense	12	(254)	(12,020)
(Loss)/profit for the year		(31,260)	62,018
(Loss)/profit attributable to:			
Equity holders of the Company	14	(31,618)	59,472
Non-controlling interests		358	2,546
		(31,260)	62,018
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year — basic and diluted (Hong Kong cents)	13	(3.82)	7.18
Dividends	15	8,287	20,718

The notes on pages 40 to 95 are an integral part of these consolidated financial statements.



Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

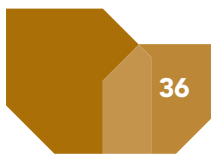
	2011 HK\$'000	2010 HK\$'000
(Loss)/profit for the year	(31,260)	62,018
Other comprehensive income for the year:		
Exchange translation differences	2,153	958
Release of exchange reserve upon disposal of a subsidiary	—	(662)
Movement of available-for-sale financial assets revaluation reserve	(10,643)	3,397
Other comprehensive income for the year, net of tax	(8,490)	3,693
Total comprehensive income for the year	(39,750)	65,711
Total comprehensive income attributable to:		
Equity holders of the Company	(40,108)	63,060
Non-controlling interests	358	2,651
	(39,750)	65,711

The notes on pages 40 to 95 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31st December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Leasehold land	16	16,100	16,522
Property, plant and equipment	17	53,564	59,672
Deferred income tax assets	28	1,950	1,225
Available-for-sale financial assets	18	26,412	37,773
Prepayment for property, plant and equipment		400	—
		98,426	115,192
Current assets			
Inventories	19	829,098	816,361
Trade and other receivables	20	202,573	184,861
Prepayment for leasehold land		—	3,148
Income tax recoverable		9,948	272
Derivative financial instruments		1,344	—
Bank balances and cash	21	446,579	602,628
		1,489,542	1,607,270
Assets classified as held for sale	22	—	11,279
Total current assets		1,489,542	1,618,549
Total assets		1,587,968	1,733,741
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	555,486	601,123
Proposed dividend	24	—	12,431
		1,133,654	1,191,722
Non-controlling interests		—	1,300
Total equity		1,133,654	1,193,022



Consolidated Statement of Financial Position

As at 31st December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Non-current liability			
Deferred income tax liabilities	28	2,501	2,971
Current liabilities			
Trade and other payables	25	111,934	136,563
Amount due to a joint venturer of a jointly controlled entity	30	128	396
Bank borrowings	26	338,194	390,433
Income tax payable		1,109	4,656
Derivative financial instruments		448	—
Amount due to non-controlling interests	27	—	5,700
		451,813	537,748
Total liabilities		454,314	540,719
Total equity and liabilities		1,587,968	1,733,741
Net current assets		1,037,729	1,080,801
Total assets less current liabilities		1,136,155	1,195,993

CHAN Pak Chung

Director

CHAN Yuen Shan, Clara

Director

The notes on pages 40 to 95 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31st December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Non-current asset			
Investment in a subsidiary	29	181,171	264,171
Current assets			
Amounts due from subsidiaries	29	981,992	709,115
Prepayment		172	172
Bank balances and cash	21	6,998	291,828
		989,162	1,001,115
Total assets		1,170,333	1,265,286
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	591,750	674,509
Proposed dividend	24	—	12,431
Total equity		1,169,918	1,265,108
Current liability			
Other payables		415	178
Total equity and liability		1,170,333	1,265,286
Net current assets		988,747	1,000,937
Total assets less current liability		1,169,918	1,265,108

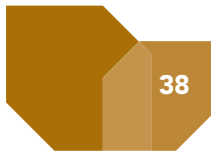
CHAN Pak Chung

Director

CHAN Yuen Shan, Clara

Director

The notes on pages 40 to 95 are an integral part of these consolidated financial statements.



Consolidated Statement of Cash Flows

For the year ended 31st December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Operating activities			
Net cash used in operations	31(a)	(50,680)	(104,314)
Interest paid		(9,954)	(6,109)
Hong Kong profits tax paid		(14,422)	(19,101)
China mainland corporate income tax paid		(250)	(2,236)
Net cash used in operating activities		(75,306)	(131,760)
Investing activities			
Interest received		3,048	2,166
Purchase of and prepayment for property, plant and equipment		(7,763)	(6,908)
Proceeds from disposal and write-off of property, plant and equipment		3	1,510
Proceeds from disposal of assets classified as held for sale		—	6,208
Purchase of available-for-sale financial assets		—	(29,996)
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder	24(c)	(4,600)	—
Net cash inflow arising on disposal of a subsidiary	31(b)	—	30,204
Return of investment in available-for-sale financial assets		718	—
Net cash (used in)/generated from investing activities		(8,594)	3,184
Financing activities			
Net inception/(repayment) of short term bank loans		1,640	(5,008)
Net (repayment)/inception of loans against trust receipts		(53,879)	115,926
Dividends paid		(20,718)	(95,306)
Net cash (used in)/generated from financing activities		(72,957)	15,612
Decrease in cash and cash equivalents		(156,857)	(112,964)
Cash and cash equivalents at 1st January		602,628	715,387
Exchange gains on cash and cash equivalents		808	205
Cash and cash equivalents at 31st December		446,579	602,628
Analysis of balances of cash and cash equivalents			
Bank balances and cash		446,579	602,628

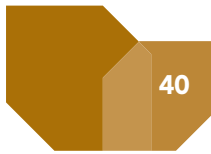
The notes on pages 40 to 95 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

	Attributable to the equity holders of the Company			Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2011	82,875	495,293	613,554	1,300	1,193,022
Loss for the year	—	—	(31,618)	358	(31,260)
Other comprehensive income:					
Exchange translation differences	—	—	2,153	—	2,153
Movement of available-for-sale financial assets revaluation reserve	—	—	(10,643)	—	(10,643)
Total comprehensive income for the year	—	—	(40,108)	358	(39,750)
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder	—	—	2,758	(1,658)	1,100
Dividends paid	—	—	(20,718)	—	(20,718)
At 31st December 2011	82,875	495,293	555,486	—	1,133,654
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

The notes on pages 40 to 95 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 23rd March 2012.

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 and derivative financial instruments, which are carried at fair values.

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 amendments to existing standards effective in 2011 and adopted by the Group*

- Improvements to HKFRSs (2010) were issued in May 2010 by the HKICPA. The improvements comprise 11 amendments across 7 different standards. The adoption of the improvements has had no material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

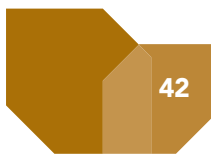
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

The following new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2012 or later periods, but the Group has not early adopted them:

- HKAS 1 (Amendment), "Presentation of Financial Statements" (effective from 1st July 2012): The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group will apply HKAS 1 (Amendment) retrospectively to the presentation of other comprehensive income from 1st January 2013. It is not expected to have a material impact on the Group's consolidated financial statements.
- HKFRS 7 (Amendment), "Disclosures — Transfers of Financial Assets" (effective from 1st July 2011): This amendment promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Group will apply HKFRS 7 (amendment) from 1st January 2012. It is not expected to have a material impact on the Group's consolidated financial statements.
- HKFRS 9, "Financial Instruments" (effective from 1st January 2015): 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 2015. It is not expected to have a material impact on the Group's consolidated financial statements.



Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

- HKFRS 10, "Consolidated Financial Statements" (effective from 1st January 2013): This amendment establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Group will apply HKFRS 10 retrospectively to consolidated financial statements from 1st January 2013. It is not expected to have a material impact on the Group's consolidated financial statements.
- HKFRS 11, "Joint Arrangements" (effective from 1st January 2013): This clarification is more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The proportionate consolidation for the Group's jointly controlled entity is no longer allowed under HKFRS 11. The Group will adopt equity account for its interest in the jointly controlled entity from 1st January 2013.
- HKFRS 12, "Disclosure of Interests in Other Entities" (effective from 1st January 2013): This clarification includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply HKFRS 12 from 1st January 2013. It is not expected to have a material impact on the Group's consolidated financial statements.
- HKFRS 13, "Fair Value Measurements" (effective from 1st January 2013): The standard clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and enhances disclosures about fair value measurement. The Group will apply HKFRS 13 prospectively to the fair value measurement from 1st January 2013. It is not expected to have a material impact on the Group's consolidated financial statements.
- HKAS 28 (2011), "Investments in Associates and Joint Ventures" (effective from 1st January 2013): The revision includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The Group will apply HKAS 28 (2011) from 1st January 2013.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

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

(i) *Subsidiaries*

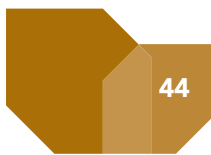
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently 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. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

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.



Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(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.

Notes to the Consolidated Financial Statements

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, net".

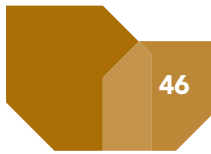
Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences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



Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 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.

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.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Construction in progress is transferred to other items of 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, net", in the income statement.

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

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Other 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.

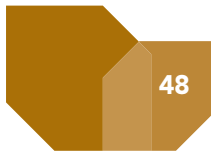
Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements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

(f) **Financial assets**

The Group classifies its financial assets (other than derivative financial instruments in note 2(k)) 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)).



Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) **Financial assets** *(Continued)*

(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.

Notes to the Consolidated Financial Statements

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**

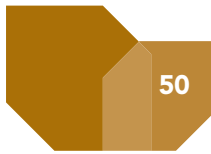
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will 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" or "other gains, net". 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" or "other gains, net" 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.



Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. Changes in the fair value of those derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement within "other gains, net".

(l) Share capital

Ordinary shares are classified as equity.

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

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

(m) Trade and other payables

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

(n) Borrowings

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

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

(o) 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.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

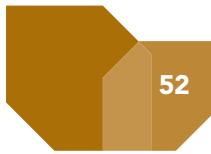
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity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

(p) 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.



Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) **Employee benefits** *(Continued)*

(i) **Pension obligation** *(Continued)*

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.

(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.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Provisions

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

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

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

(r) 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.

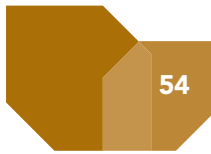
Dividend income is recognised when the right to receive payment is established.

(s) 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 classified as operating leases, are charged to the income statement on a straight-line basis over the period of the lease.

(t) 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.



Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Contingent liabilities and contingent assets

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

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

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

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

(v) 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.

(w) 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.

Notes to the Consolidated Financial Statements

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 and fair value interest rate risks 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.

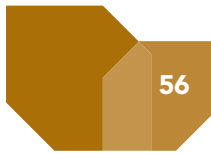
In respect of RMB, at 31st December 2011, if RMB had strengthened/weakened by 5% (2010: 5%) against the HK dollars with all other variables held constant, post-tax loss for the year would have been approximately HK\$12,015,000/HK\$11,442,000 lower/higher (2010: post-tax profit for the year would have been approximately HK\$7,545,000/HK\$7,186,000 higher/lower).

(ii) Cash flow and fair value interest rate risks

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 2011, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK\$146,000 higher/lower (2010: post-tax profit for the year would have been HK\$184,000 lower/higher) as a result of higher/lower (2010: higher/lower) interest expense on bank borrowings.

The Group's bank deposits were at fixed rates and expose the Group to fair value interest risk. As all the Group's bank deposits were short term in nature and any change in the interest rate from time to time is not considered to have significant impact to the Group's performance.



Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(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 2011, 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\$1,143,000 (2010: HK\$1,678,000).

(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 and other counter parties, including outstanding trade and other receivables and committed transactions.

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

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

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:

	2011 HK\$'000	2010 HK\$'000
Rating:		
A1	78,584	215,639
A2	100,068	118,916
A3	82	80
Aa1	178,358	177,082
Aa2	108	108
Aa3	88,622	66,891
Baa1	76	189
Baa2	336	23,279
	446,234	602,184

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Credit risk *(Continued)*

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

The Group has no significant concentration of credit risk, with exposure spread over a number of customers and other counter parties.

(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.

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 2011 are as follows:

	HK\$'000
Bank balances and cash	446,579
Committed credit lines available	1,294,011
Less: Utilised credit lines	(338,194)
Unutilised committed credit lines	955,817

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(v) Liquidity risk *(Continued)*

The following table shows the remaining contractual maturities at the end of the reporting periods of the Group's non-derivative financial liabilities and net-settled derivative financial instruments, 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 2011			
Trade payables and accrued expenses	98,932	98,932	98,932
Amount due to a joint venturer of a jointly controlled entity	128	128	128
Derivative financial instruments	448	448	448
Bank borrowings	339,069	339,069	338,194
	438,577	438,577	437,702
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

Notes to the Consolidated Financial Statements

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.

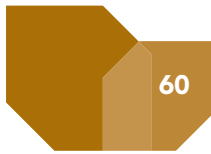
The management of the Group monitors the utilisation of borrowings and ensures full compliance with loan covenants during the year and at the end of each reporting period.

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 2011, the Group's strategy, which was unchanged from 2010, 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.

The gearing ratios at 31st December 2011 and 2010 were as follows:

	2011 HK\$'000	2010 HK\$'000
Total bank borrowings (note 26)	338,194	390,433
Total equity	1,133,654	1,193,022
Gearing ratio	29.8%	32.7%



Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(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.

The Group's assets and liabilities that are measured at fair values at 31st December 2011:

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Derivative financial instruments	—	1,344	—	1,344
Available-for-sale financial assets				
— listed security	22,854	—	—	22,854
— unlisted security	—	—	3,558	3,558
	22,854	1,344	3,558	27,756
Liabilities				
Derivative financial instruments	—	448	—	448

Notes to the Consolidated Financial Statements

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

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

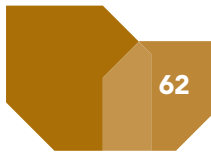
The fair value of listed security is based on quoted market price at the end of the reporting period.

The fair value of derivative financial instruments is determined by using valuation techniques, that reference the market prices as quoted on the London Metal Exchange.

The fair value of unlisted security is estimated by discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate for a similar project according to management's experience at the end of the reporting period.

The movement during the years ended 31st December 2011 and 2010 in the balance of Level 3 fair value measurements is as follows:

	2011 HK\$'000	2010 HK\$'000
At 1st January	4,206	4,380
Return of investment	(718)	—
Change in fair value of available-for-sale financial asset during the year	70	(174)
At 31st December	3,558	4,206



Notes to the Consolidated Financial Statements

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.

(b) Impairment of trade and other receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and other counter parties and current market conditions. It could change as a result of change in the financial positions of customers and other counter parties. Management reassesses the provision at the end of each reporting period.

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

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

If all of the declines in fair value of the listed equity instrument below its cost were considered significant or prolonged, the Group would suffer an additional loss of approximately HK\$7,142,000 in its 2011 consolidated financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial asset to the consolidated income statement.

Notes to the Consolidated Financial Statements

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:

	2011 HK\$'000	2010 HK\$'000
Revenues		
Sales of goods	3,519,748	3,610,302

(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, net and finance costs in the result for each operating segment.

Notes to the Consolidated Financial Statements

5. REVENUES AND SEGMENT REPORTING (Continued)

(a) Segment information (Continued)

The segment information for the reporting segments for the year ended 31st December 2011 is as follows:

	Hong Kong HK\$'000	China mainland HK\$'000	Total HK\$'000
Segment revenues	2,800,528	719,220	3,519,748
Segment results	(23,516)	(5,934)	(29,450)
Other segment expenditure items included in the segment results as follows:			
Cost of inventories sold	2,731,256	706,704	3,437,960
Depreciation of property, plant and equipment	12,727	1,220	13,947
Amortisation of leasehold land	437	14	451
Provision for inventories	6,787	657	7,444
Provision for impairment of trade receivables	—	72	72
Write back of trade receivables	—	(551)	(551)
Segment assets	1,234,939	253,259	1,488,198
Segment liabilities	258,484	192,881	451,365

Notes to the Consolidated Financial Statements

5. REVENUES AND SEGMENT REPORTING *(Continued)*

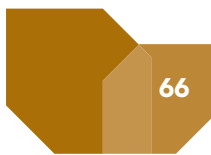
(a) Segment information *(Continued)*

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

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

The total of non-current assets other than financial instruments, prepayment for property, plant and equipment and deferred income tax assets located in Hong Kong is approximately HK\$60,216,000 (2010: HK\$66,397,000), and the total of these non-current assets located in China mainland is approximately HK\$9,448,000 (2010: HK\$9,797,000).



Notes to the Consolidated Financial Statements

5. REVENUES AND SEGMENT REPORTING *(Continued)*

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

	2011	2010
	HK\$'000	HK\$'000
Segment results		
Total segment results	(29,450)	68,894
Other income	4,566	2,948
Other gains, net	3,832	8,305
Finance costs	(9,954)	(6,109)
(Loss)/profit before income tax		
per consolidated income statement	(31,006)	74,038

	2011	2010
	HK\$'000	HK\$'000
Segment assets		
Total segment assets	1,488,198	1,604,122
Leasehold land	16,100	16,522
Property, plant and equipment	53,564	59,672
Deferred income tax assets	1,950	1,225
Available-for-sale financial assets	26,412	37,773
Prepayment for leasehold land	—	3,148
Prepayment for property, plant and equipment	400	—
Assets classified as held for sale	—	11,279
Derivative financial instruments	1,344	—
Total assets per consolidated statement of financial position	1,587,968	1,733,741

Notes to the Consolidated Financial Statements

5. REVENUES AND SEGMENT REPORTING *(Continued)*

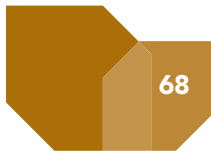
(b) Reconciliation of segment results, segment assets and segment liabilities

(Continued)

	2011 HK\$'000	2010 HK\$'000
Segment liabilities		
Total segment liabilities	451,365	537,748
Deferred income tax liabilities	2,501	2,971
Derivative financial instruments	448	—
Total liabilities per consolidated statement of financial position	454,314	540,719

6. OTHER INCOME

	2011 HK\$'000	2010 HK\$'000
Interest income	3,048	2,166
Management fee, net of withholding tax	70	70
Others	1,448	712
	4,566	2,948



Notes to the Consolidated Financial Statements

7. EXPENSES BY NATURE

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

	2011 HK\$'000	2010 HK\$'000
Auditor's remuneration	1,481	1,393
Depreciation of property, plant and equipment	13,947	12,969
Amortisation of leasehold land	451	800
Staff costs, including directors' remuneration (note 10)	46,842	50,061
Operating lease rentals for land and buildings	2,372	1,692
Cost of inventories sold	3,437,960	3,446,727
Provision/(reversal of provision) for inventories	7,444	(2,472)
Provision for impairment of trade receivables	72	701
Write back of trade receivables	(551)	—

8. OTHER GAINS, NET

	2011 HK\$'000	2010 HK\$'000
(Loss)/gain on disposal and write off of property, plant and equipment	(14)	1,490
Gain on disposal of assets classified as held for sale (note 22)	675	311
Loss on disposal of a subsidiary (note 31(b))	—	(240)
Gain on metal future trading contracts	9,996	72
Net exchange gain	15,710	6,672
Provision for impairment of other receivables (note)	(22,535)	—

Note: In November 2011, the Company announced that it maintained an account for metals and futures trading (the "Account") with MF Global UK Limited which had been put into special administration. The provision for impairment of other receivables was against the amount of cash maintained in the Account.

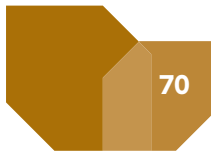
Notes to the Consolidated Financial Statements

9. FINANCE COSTS

	2011 HK\$'000	2010 HK\$'000
Interest on		
Loans against trust receipts	7,419	4,140
Short-term bank loans	2,535	1,969
	9,954	6,109

10. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2011 HK\$'000	2010 HK\$'000
Wages, salaries and allowances	45,784	49,026
Pension costs — defined contribution	1,058	1,035
	46,842	50,061



Notes to the Consolidated Financial Statements

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Name of directors	Salaries and other				Total HK\$'000
	Fees HK\$'000	allowances HK\$'000	Bonuses HK\$'000	Pension HK\$'000	
2011					
Mr. Chan Pak Chung	—	4,560	—	12	4,572
Ms. Chan Yuen Shan, Clara	—	1,920	—	12	1,932
Ms. Ma Siu Tao	—	2,160	—	12	2,172
Mr. William Tasman Wise*	240	739	—	—	979
Mr. Chung Wai Kwok, Jimmy	240	—	—	—	240
Mr. Leung Kwok Keung	240	—	—	—	240
Mr. Hu Wai Kwok	240	—	—	—	240
	960	9,379	—	36	10,375
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

* Mr. William Tasman Wise has tendered his resignation as an executive director of the Company to be effective from 15th May 2012.

No payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2010: Nil).

Notes to the Consolidated Financial Statements

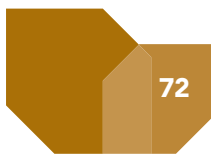
11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)***(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group during the year include three (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) of the five highest paid individuals during the year are as follows:

	2011 HK\$'000	2010 HK\$'000
Salaries and other allowances	2,836	2,552
Bonuses	290	219
Pension	24	24
	3,150	2,795

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

	Number of individuals	
	2011	2010
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	2	2



Notes to the Consolidated Financial Statements

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011 HK\$'000	2010 HK\$'000
Current income tax		
— Hong Kong profits tax	1,815	11,156
— China mainland corporate income tax	142	1,903
Deferred income tax (note 28)	(1,195)	(1,032)
Over-provision in prior years	(508)	(7)
Income tax expense	254	12,020

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

	2011 HK\$'000	2010 HK\$'000
(Loss)/profit before income tax	(31,006)	74,038
Calculated at a tax rate of 16.5% (2010: 16.5%)	(5,116)	12,216
Effect of different income tax rates in other country	(121)	510
Income not subject to income tax	(2,012)	(1,260)
Expenses not deductible for income tax purpose	1,187	1,139
Tax losses not recognised	7,548	572
Utilisation of previously unrecognised tax losses	(724)	(1,150)
Over-provision in prior years	(508)	(7)
Income tax expense	254	12,020

Notes to the Consolidated Financial Statements

13. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2011	2010
(Loss)/profit attributable to the equity holders of the Company (HK\$'000)	(31,618)	59,472
Number of ordinary shares in issue ('000)	828,750	828,750
Basic (loss)/earnings per share (Hong Kong cents per share)	(3.82)	7.18

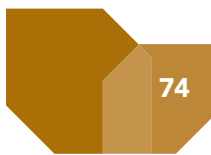
(b) Diluted

Diluted (loss)/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 (loss)/earnings per share for the years ended 31st December 2011 and 2010 are the same as the basic (loss)/earnings per share as the outstanding share options for the years ended 31st December 2011 and 2010 are anti-dilutive.

14. (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK\$74,472,000 (2010: profit of HK\$21,988,000).



Notes to the Consolidated Financial Statements

15. DIVIDENDS

	2011 HK\$'000	2010 HK\$'000
Interim dividend paid of HK1 cent (2010: HK1 cent) per ordinary share (note (a))	8,287	8,287
Proposed final dividend of Nil (2010: HK1.5 cents) per ordinary share (note (b))	—	12,431
	8,287	20,718

Notes:

- (a) An interim dividend in respect of 2011 of HK1 cent (2010: HK1 cent) per ordinary share, amounting to a total dividend of HK\$8,287,000 (2010: HK\$8,287,000) was paid on 16th September 2011.
- (b) The directors did not recommend the payment of a final dividend in respect of 2011 at the board meeting on 23rd March 2012. A final dividend in respect of 2010 of HK1.5 cents per ordinary share, amounting to a total dividend of HK\$12,431,250 was approved at the annual general meeting on 12th May 2011. The comparative financial statements did not reflect this dividend payable.

16. LEASEHOLD LAND

	2011 HK\$'000	2010 HK\$'000
At 1st January	16,522	43,754
Exchange difference	29	123
Amortisation	(451)	(800)
Disposal of a subsidiary (note 31(b))	—	(9,639)
Reclassified as assets classified as held for sale (note 22)	—	(16,916)
At 31st December	16,100	16,522

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

	2011 HK\$'000	2010 HK\$'000
Held on leases of between 10 and 50 years		
In Hong Kong	15,550	15,988
Outside Hong Kong	550	534
	16,100	16,522

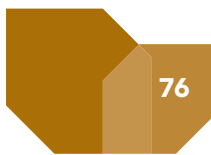
Notes to the Consolidated Financial Statements

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	Total HK\$'000
Cost								
At 1st January 2011	5,900	21,526	30,702	23,126	11,297	5,383	6,419	104,353
Exchange difference	—	310	4	3	280	41	53	691
Additions	—	—	583	5,449	418	286	627	7,363
Disposals	—	—	—	—	—	(58)	—	(58)
Written off	—	—	—	—	—	(9)	—	(9)
At 31st December 2011	5,900	21,836	31,289	28,578	11,995	5,643	7,099	112,340
Accumulated depreciation								
At 1st January 2011	1,365	2,724	13,594	13,474	4,549	3,461	5,514	44,681
Exchange difference	—	52	5	1	85	20	35	198
Charge for the year	125	638	6,415	3,688	1,897	674	510	13,947
Disposals	—	—	—	—	—	(42)	—	(42)
Written off	—	—	—	—	—	(8)	—	(8)
At 31st December 2011	1,490	3,414	20,014	17,163	6,531	4,105	6,059	58,776
Net book value at 31st December 2011	4,410	18,422	11,275	11,415	5,464	1,538	1,040	53,564

	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	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	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

Depreciation expense amounted to approximately HK\$1,657,000 (2010: HK\$2,052,000) was included in "cost of sales", and HK\$12,290,000 (2010: HK\$10,917,000) in "administrative expenses".



Notes to the Consolidated Financial Statements

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK\$'000	2010 HK\$'000
Available-for-sale financial assets		
— equity security, at fair value listed in Hong Kong	22,854	33,567
— unlisted limited partnership, at fair value	3,558	4,206
	26,412	37,773

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

	2011 HK\$'000	2010 HK\$'000
At 1st January	37,773	4,380
Addition	—	29,996
Return of investment	(718)	—
Change in fair values of available-for-sale financial assets	(10,643)	3,397
At 31st December	26,412	37,773

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

	2011 HK\$'000	2010 HK\$'000
Raw materials	620	3,682
Finished goods	828,478	812,679
	829,098	816,361

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK\$3,437,960,000 (2010: HK\$3,446,727,000).

Notes to the Consolidated Financial Statements

20. TRADE AND OTHER RECEIVABLES

	2011 HK\$'000	2010 HK\$'000
Trade receivables, net of provision (note (a))	150,930	162,711
Prepayments to suppliers	6,842	5,550
Deposits	950	2,117
Other receivables (note (b))	43,851	14,483
	202,573	184,861

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

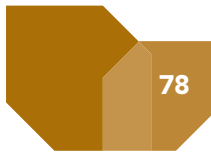
Notes:

- (a) The Group offers credit terms to its customers ranging from cash on delivery to 90 days. The ageing of trade receivables, based on invoice date, is as follows:

	2011 HK\$'000	2010 HK\$'000
0 to 30 day	106,331	126,177
31 to 60 days	26,708	28,476
61 to 90 days	6,677	5,405
Over 90 days	11,214	2,653
	150,930	162,711

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

	2011 HK\$'000	2010 HK\$'000
HK dollars	30,676	40,623
US dollars	78,253	91,560
Renminbi	42,001	30,528
	150,930	162,711



Notes to the Consolidated Financial Statements

20. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

As at 31st December 2011, trade receivables of approximately HK\$107,142,000 (2010: HK\$97,722,000) 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:

	2011 HK\$'000	2010 HK\$'000
1 to 30 days	85,466	83,998
31 to 60 days	12,649	11,553
61 to 90 days	2,832	1,531
Over 90 days	6,195	640
	107,142	97,722

The Group has made full provision for impairment of trade receivables of approximately HK\$3,719,000 (2010: HK\$4,470,000) as at 31st December 2011.

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

	2011 HK\$'000	2010 HK\$'000
At 1st January	4,470	3,769
Provision for impairment of trade receivables	72	701
Receivables written off during the year as uncollectible	(272)	—
Recoverable of impairment provision of trade receivable	(551)	—
At 31st December	3,719	4,470

(b) As at 31st December 2011, other receivables of approximately HK\$15,924,000 (2010: HK\$6,305,000) were past due but not impaired, unsecured and guaranteed by an independent third party. These relate to sales proceeds and other receivable resulting from disposal of and return of prepayment for respectively certain leasehold land in China mainland (note 22). Based on the repayment schedule subsequently agreed with the guarantor on 6th March 2012, HK\$371,000 (equivalent to RMB300,000) of the total overdue balance was settled on 15th March 2012, and the remaining balance is scheduled to be fully settled by August 2012. The overdue balance as at 31st December 2010 was settled in January 2011.

Other receivables of approximately HK\$22,535,000 due from MF Global UK Limited was fully impaired as at 31st December 2011 (note 8).

The creation and release of provision for impaired receivables have been included in "administrative expenses" or "other gains, net" 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.

Notes to the Consolidated Financial Statements

21. BANK BALANCES AND CASH

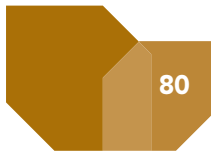
	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and on hand	314,912	264,316	6,998	24,123
Short-term bank deposits	131,667	338,312	—	267,705
	446,579	602,628	6,998	291,828

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

	Group		Company	
	2011	2010	2011	2010
Short-term bank deposits	0.08% to 1.80%	0.01% to 1.35%	0.01% to 0.75%	0.01% to 1.24%

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

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK dollars	51,683	199,650	917	131,945
US dollars	77,736	244,764	6,081	82,383
Renminbi	316,950	157,986	—	77,500
Others	210	228	—	—
	446,579	602,628	6,998	291,828



Notes to the Consolidated Financial Statements

22. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a board resolution passed in June 2010, the Group entered 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:

	2011 HK\$'000	2010 HK\$'000
At 1st January	11,279	—
Reclassified as assets classified as held for sale from leasehold land (note 16)	—	16,916
Exchange difference	647	260
Disposal	(11,926)	(5,897)
At 31st December	—	11,279

During the year, certain leasehold land in China mainland was disposed of to an independent third party resulting in a gain of approximately HK\$675,000 (2010: HK\$311,000) (note 8).

23. SHARE CAPITAL

(a) Authorised and issued capital

	Number of shares	Approximate amount HK\$'000
Authorised:		
At 31st December 2010 and 31st December 2011	8,000,000,000	800,000
Issued and fully paid — ordinary shares of HK\$0.1 each:		
At 31st December 2010 and 31st December 2011	828,750,000	82,875

Notes to the Consolidated Financial Statements

23. SHARE CAPITAL (Continued)

(b) Share option schemes

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

(i) Pre-IPO Share Option Scheme

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

7,026,556 share options issued under the Pre-IPO Share Option Scheme are exercisable as at 31st December 2011 (2010: 13,925,210) in accordance with the above rules.

Details of the options granted under the Pre-IPO Share Option Scheme outstanding as at 31st December 2011 are as follows (2010: 13,925,210 options):

	Date of grant	Exercise price in HK\$ per share	Number of shares subject to the options
Directors	15th September 2006	2.136	3,846,658
Senior management	15th September 2006	2.136	1,793,290
Other employees	15th September 2006	2.136	1,386,608
			7,026,556

Notes to the Consolidated Financial Statements

23. SHARE CAPITAL (Continued)

(b) Share option schemes (Continued)

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

6,898,654 share options granted under the Pre-IPO Share Option Scheme lapsed during the year (2010: 6,995,890 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	Merger reserve	Capital redemption reserve	Reserve funds	Available-for-sale financial assets revaluation reserve	Share-based compensation reserve	Exchange reserve	Retained earnings	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2011	495,293	(17,830)	125	490	3,397	19,732	4,515	603,125	613,554	1,108,847
Loss for the year	—	—	—	—	—	—	—	(31,618)	(31,618)	(31,618)
Exchange difference	—	—	—	—	—	—	2,153	—	2,153	2,153
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder (note (c))	—	—	—	—	—	—	—	2,758	2,758	2,758
Change in fair values of available-for-sale financial assets	—	—	—	—	(10,643)	—	—	—	(10,643)	(10,643)
Pre-IPO Share Option Scheme — lapse of share options	—	—	—	—	—	(9,775)	—	9,775	—	—
Dividends paid	—	—	—	—	—	—	—	(20,718)	(20,718)	(20,718)
At 31st December 2011	495,293	(17,830)	125	490	(7,246)	9,957	6,668	563,322	555,486	1,050,779

Notes to the Consolidated Financial Statements

24. SHARE PREMIUM AND OTHER RESERVES (Continued)

Group (Continued)

	Share premium HK\$'000	Merger reserve (note (b)) HK\$'000	Capital redemption reserve HK\$'000	Reserve funds (note (a)) HK\$'000	Other reserves			Retained earnings HK\$'000	Sub-total HK\$'000	Total HK\$'000
					Available- for-sale financial assets revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Exchange reserve 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:

- (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.
- (c) On 21st September 2011, a wholly owned subsidiary of the Company, Lee Yip Metal Products Company (BVI) Limited ("Lee Yip (BVI)") entered into a sale and purchase agreement with a non-controlling shareholder to acquire the remaining 30% equity interests of a non-wholly owned subsidiary of Lee Yip (BVI) and a shareholder's loan at a total consideration of HK\$4.6 million. Upon completion of this transaction, the non-wholly owned subsidiary became a wholly owned subsidiary of the Company.

Notes to the Consolidated Financial Statements

24. SHARE PREMIUM AND OTHER RESERVES (Continued)

Company

	Other reserves					Sub-total	Total
	Share premium	Contributed surplus (note)	Capital redemption reserve	Share-based compensation reserve	(Accumulated losses)/ retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2011	495,293	640,631	125	19,732	26,452	686,940	1,182,233
Loss for the year	—	—	—	—	(74,472)	(74,472)	(74,472)
Pre-IPO Share Option Scheme							
— lapse of share options	—	—	—	(9,775)	9,775	—	—
Dividends paid	—	—	—	—	(20,718)	(20,718)	(20,718)
At 31st December 2011	495,293	640,631	125	9,957	(58,963)	591,750	1,082,043
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

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 Pak Chung ("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.

Notes to the Consolidated Financial Statements

25. TRADE AND OTHER PAYABLES

	2011 HK\$'000	2010 HK\$'000
Trade payables to third parties	88,516	86,725
Prepayments from customers	13,002	36,704
Accrued expenses	10,416	13,134
	111,934	136,563

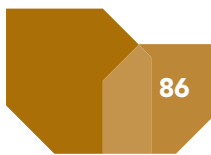
The ageing of trade payables, based on invoice date, is as follows:

	2011 HK\$'000	2010 HK\$'000
0 to 30 days	81,234	86,665
31 to 60 days	6,996	60
Over 90 days	286	—
	88,516	86,725

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:

	2011 HK\$'000	2010 HK\$'000
HK dollars	763	244
US dollars	80,892	78,178
Renminbi	6,803	8,303
Others	58	—
	88,516	86,725



Notes to the Consolidated Financial Statements

26. BANK BORROWINGS

	2011 HK\$'000	2010 HK\$'000
Short-term bank loan — unsecured	30,952	29,312
Loans against trust receipts — unsecured	307,242	361,121
	338,194	390,433

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

	2011 HK\$'000	2010 HK\$'000
HK dollars	307,242	361,121
Renminbi	30,952	29,312
	338,194	390,433

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

	2011	2010
Short-term bank loans	6.50% to 10.50%	5.04% to 7.19%
Loans against trust receipts	1.10% to 2.70%	1.06% to 2.04%

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

27. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount payable was denominated in Hong Kong dollars, unsecured, interest free and had no fixed terms of repayment as at 31st December 2010.

Notes to the Consolidated Financial Statements

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% (2010: 16.5%).

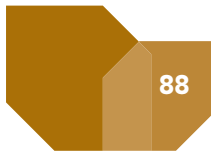
The gross movement on the deferred income tax account is as follows:

	2011 HK\$'000	2010 HK\$'000
At 1st January	1,746	2,778
Credited to income statement (note 12)	(1,195)	(1,032)
At 31st December	551	1,746

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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At 1st January	1,225	174	(2,971)	(2,952)
Deferred income tax credited/ (charged) to income statement	725	1,051	470	(19)
At 31st December	1,950	1,225	(2,501)	(2,971)

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\$18,708,000 (2010: HK\$11,464,000) in respect of losses amounting to approximately HK\$96,000,000 (2010: HK\$53,162,000) that can be carried forward against future taxable income. Tax losses arising in Hong Kong amounting to approximately HK\$62,256,000 (2010: HK\$21,484,000) 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\$33,744,000 (2010: HK\$31,678,000) will expire within five years.



Notes to the Consolidated Financial Statements

29. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	264,171	264,171
Less: Impairment loss	(83,000)	—
	181,171	264,171

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

The following is a list of principal subsidiaries at 31st December 2011:

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	100%	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

Notes to the Consolidated Financial Statements

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

Company name	Place of incorporation and kind of legal entity	Issued capital/ paid-up capital	Percentage of equity interest attributable to the Company	Principal activities and place of operation
Toba Company Limited	Hong Kong, limited liability company	10,000 shares of HK\$1 each	100%	Property holding in Hong Kong
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

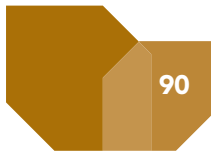
Directly held by the Company

* Became a wholly-owned subsidiary of the Company during the year (2010: 70% equity interests held by the Company)

30. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

The Group has a 50% interest in a jointly controlled entity, Genesis Recycling Technology (BVI) Limited ("GRTL"). GRTL 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 2011:

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



Notes to the Consolidated Financial Statements

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

The following amounts represent the Group's 50% share of the consolidated assets and liabilities of Genesis Group at 31st December 2011, 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:

	2011 HK\$'000	2010 HK\$'000
Leasehold land	550	534
Property, plant and equipment	8,337	8,754
Inventories	2,584	3,955
Trade and other receivables	3,467	6,204
Bank balances and cash	10,721	8,192
Trade and other payables	(748)	(2,442)
Bank borrowings	(30,952)	(29,312)
Amount due to a joint venturer of a jointly controlled entity	(128)	(396)
	(6,169)	(4,511)
Amount due to the Group	(1,456)	(1,335)
Net liabilities	(7,625)	(5,846)
Revenues	131,110	135,151
Cost of sales	(127,033)	(130,394)
Gross profit	4,077	4,757
Other income	546	330
Distribution and selling expenses	(1,511)	(1,151)
Administrative expenses	(2,123)	(2,958)
Other losses, net	(2)	(1,495)
Operating profit/(loss)	987	(517)
Finance costs	(2,535)	(1,758)
Loss before income tax	(1,548)	(2,275)
Income tax expense	—	—
Loss after income tax	(1,548)	(2,275)

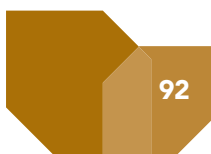
The amount due to a joint venturer of a jointly controlled entity is denominated in US dollars, unsecured, interest free and has no fixed terms of repayment.

Notes to the Consolidated Financial Statements

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011 HK\$'000	2010 HK\$'000
(Loss)/profit before income tax	(31,006)	74,038
Depreciation of property, plant and equipment	13,947	12,969
Amortisation of leasehold land	451	800
Interest income	(3,048)	(2,166)
Interest expense	9,954	6,109
Loss/(gain) on disposal and write off of property, plant and equipment	14	(1,490)
Gain on disposal of assets classified as held for sale	(675)	(311)
Loss on disposal of a subsidiary	—	240
Unrealised gains on derivative financial instruments	(896)	—
Operating cash (outflow)/inflow before working capital changes	(11,259)	90,189
Increase in inventories	(12,737)	(209,367)
Increase in trade and other receivables	(1,787)	(16,205)
(Decrease)/increase in trade and other payables	(24,629)	31,234
Movement in balance with a joint venturer of a jointly controlled entity	(268)	(165)
Net cash used in operations	(50,680)	(104,314)



Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

32. CONTINGENT LIABILITIES

At 31st December 2011, the Company had contingent liabilities of approximately HK\$1,482 million (2010: HK\$1,414 million) in respect of corporate guarantees for credit facilities for certain subsidiaries and a jointly controlled entity amounting to approximately HK\$1,294 million (2010: HK\$1,358 million), of which approximately HK\$338 million (2010: HK\$390 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:

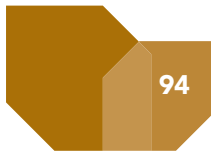
	2011 HK\$'000	2010 HK\$'000
Within one year	1,310	1,094
In the second to fifth years inclusive	790	1,144
	2,100	2,238

(b) Capital commitments

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

	2011 HK\$'000	2010 HK\$'000
Contracted but not provided for: Property, plant and equipment	6,473	4,361

No capital commitment was arising from a jointly controlled entity as at 31st December 2011 and 2010.



Notes to the Consolidated Financial Statements

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	2011 HK\$'000	2010 HK\$'000
Income			
Management fee received from Genesis Alloys (Ningbo) Limited ("Genesis Ningbo")	(i)	78	78
Expense			
Purchase of goods from Genesis Ningbo	(ii)	80,353	66,028
Purchase of raw materials from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd.	(iii)	—	33,739
Rental paid to Sonic Gold Limited	(iv)	480	480
Management fee paid to Niox Limited	(v)	—	625

Notes:

- (i) The Group received a management fee from Genesis Alloys (Ningbo) Limited, a wholly owned subsidiary of the Group's jointly controlled entity, pursuant to the terms of management service agreement entered into with the related company for the provision of operating support services at fixed monthly service fee.
- (ii) The Group 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 former non-wholly owned subsidiary (disposed of during the year ended 31st December 2010), 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, 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 former non-wholly owned subsidiary (disposed of during the year ended 31st December 2010), at fixed sums pursuant to the management services agreement entered into between the Group's subsidiary and Niox Limited.

Notes to the Consolidated Financial Statements

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

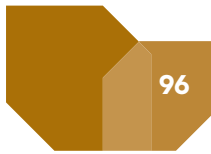
	2011 HK\$'000	2010 HK\$'000
Salaries and other short term employee benefits	19,693	22,780
Post employment benefits — pension	216	227
	19,909	23,007

(c) Balances with related parties

Other than as disclosed in notes 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 Eaton Smart Hong Kong, Diamond Ballroom 8, B1st Floor, 380 Nathan Road, Kowloon, Hong Kong on Tuesday, 15th May 2012 at 2:30 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 2011.
2. To consider the re-election of retiring Directors and to authorise the Board of Directors to fix the Directors' remuneration.
3. To consider the re-appointment of Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

"THAT:

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

Notice of Annual General Meeting

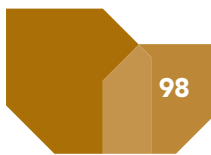
- (c) the aggregate nominal value of the Shares allotted or issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above of this Resolution, otherwise than pursuant 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. 4 and Resolution No. 5 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. 4, 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



Notice of Annual General Meeting

- (e) the authority conferred by this Resolution shall be in substitution for all previous authorities granted to the Directors of the Company, except that it shall be without prejudice to and shall not affect the exercise of the power of the Directors of the Company pursuant to such authorities to allot additional shares of the Company up to and in accordance with the approval therein contained prior to the date of this Resolution.”
5. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to paragraph (b) below of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all powers of the Company to repurchase shares of the Company (the “Shares”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the Shares may be listed and is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities of the Stock Exchange or equivalent rules or regulations of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal value of the Share repurchased by the Company pursuant to the approval in paragraph (a) above of this Resolution during the Relevant Period (as hereinafter defined in this Resolution) shall not exceed 10 per cent. of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this Resolution, and the authority granted pursuant to paragraph (a) above of this Resolution shall be limited accordingly; and
- (c) for the purposes of this Resolution:

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

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association of the Company to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing the authority given to the Directors by this Resolution.”

Notice of Annual General Meeting

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

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

By Order of the Board
CHEUK Wa Pang
Company Secretary



Hong Kong, 13th April 2012

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.

© 2011 Lee Kee Holdings Limited. All rights reserved © 2011 利記控股有限公司 版權所有
 This annual report is printed on environmental paper  此年報以環保紙張印製

Design, Production and Printing: REF Financial Press Limited
設計、製作及印刷：緯豐財經印刷有限公司



Innovating from a Solid Foundation
創 新 源 自 穩 固 根 基