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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the year ended 31st December 2010 together with the comparative figures of the corresponding year ended 31st December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31st December	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Revenues	*3*	**3,610,302**	2,433,980
Cost of sales		**(3,450,070)**	(2,216,534)
Gross profit		**160,232**	217,446
Other income	*4*	**2,948**	3,915
Distribution and selling expenses		**(16,637)**	(13,923)
Administrative expenses		**(74,701)**	(81,096)
Other gains/(losses), net		**8,305**	(690)
Operating profit		**80,147**	125,652
Finance costs	*5*	**(6,109)**	(2,451)
Profit before income tax	*6*	**74,038**	123,201
Income tax expense	*7*	**(12,020)**	(16,178)
Profit for the year		**62,018**	107,023
Profit attributable to:			
Equity holders of the Company		**59,472**	106,940
Non-controlling interests		**2,546**	83
		62,018	107,023
Earnings per share for profit attributable to the equity holders of the Company during the year	*8*		
— basic and diluted (Hong Kong cents)		**7.18**	12.90
Dividends	*9*	**20,718**	95,306

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31st December	
	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**62,018**	107,023
Other comprehensive income for the year:		
Exchange translation differences	**958**	717
Release of exchange reserve upon disposal of a subsidiary	**(662)**	—
Movement of available-for-sale financial asset revaluation reserve	**3,397**	2,524
Other comprehensive income for the year, net of tax	**3,693**	3,241
Total comprehensive income for the year	**65,711**	110,264
Total comprehensive income attributable to:		
Equity holders of the Company	**63,060**	110,122
Non-controlling interests	**2,651**	142
	65,711	110,264

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31st December 2010**	31st December 2009	1st January 2009
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
Non-current assets				
Leasehold land	*10*	**16,522**	43,754	40,288
Property, plant and equipment	*11*	**59,672**	79,885	78,478
Deferred income tax assets		**1,225**	174	192
Available-for-sale financial assets	*12*	**37,773**	4,380	6,581
Prepayment for leasehold land		**—**	3,071	3,063
Prepayment for property, plant and equipment		**—**	—	321
		115,192	131,264	128,923
Current assets				
Inventories		**816,361**	626,041	221,615
Trade and other receivables	*13*	**184,861**	202,429	131,288
Prepayment for leasehold land		**3,148**	—	—
Income tax recoverable		**272**	280	10,798
Bank balances and cash		**602,628**	715,387	864,147
		1,607,270	1,544,137	1,227,848
Assets classified as held for sale	*14*	**11,279**	—	—
Total current assets		**1,618,549**	1,544,137	1,227,848
Total assets		**1,733,741**	1,675,401	1,356,771
Capital and reserves attributable to the equity holders of the Company				
Share capital		**82,875**	82,875	82,875
Share premium		**495,293**	495,293	495,293
Other reserves		**601,123**	558,781	541,010
Proposed dividend		**12,431**	87,019	58,013
		1,191,722	1,223,968	1,177,191
Non-controlling interests		**1,300**	24,709	24,567
Total equity		**1,193,022**	1,248,677	1,201,758

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**31st December 2010** *HK$'000*	31st December 2009 *HK$'000* (Restated)	1st January 2009 *HK$'000* (Restated)
Non-current liability				
Deferred income tax liabilities		**2,971**	2,952	2,203
Current liabilities				
Trade and other payables	*15*	**136,563**	124,945	72,607
Amount due to a joint venturer of a jointly controlled entity		**396**	561	292
Bank borrowings		**390,433**	279,515	74,206
Income tax payable		**4,656**	13,051	5
Amount due to non-controlling interests		**5,700**	5,700	5,700
		537,748	423,772	152,810
Total liabilities		**540,719**	426,724	155,013
Total equity and liabilities		**1,733,741**	1,675,401	1,356,771
Net current assets		**1,080,801**	1,120,365	1,075,038
Total assets less current liabilities		**1,195,993**	1,251,629	1,203,961

Notes

1. BASIS OF PREPARATION

These consolidated income statement for the year ended 31st December 2010 and consolidated statement of financial position as at 31st December 2010 and the related notes 1 to 15 are extracted from the Group's consolidated financial statements for the year ended 31st December 2010. The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (which include Hong Kong Accounting Standards ("HKAS")). These policies have been consistently applied to the two years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following revised standards, amendments and interpretation to existing standards, which are relevant to the Group's operations, are mandatory for the year ended 31st December 2010:

- HKAS 7 (Amendment), "Statement of Cash Flows"
- HKAS 17 (Amendment), "Leases"
- HKAS 27 (Revised), "Consolidated and Separate Financial Statements"
- HKFRS 2 (Amendment), "Group Cash-settled Share-based Payment Transactions"
- HKFRS 3 (Revised), "Business Combinations"
- HK(IFRIC) 17, "Distribution of Non-Cash Assets to Owners"

Apart from the effects of adopting HKAS 17 (Amendment) as stated below, the adoption of these HKFRSs has no material impact on the Group's consolidated financial statements.

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

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

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

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

The Group has not early adopted the new or revised standards, amendments and interpretations to existing standards issued by the HKICPA that are not yet effective for the year ended 31st December 2010, and is in the process of assessing their impact on future accounting periods.

3. REVENUES AND SEGMENT REPORTING

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

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

(a) Segment information

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

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

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

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

	Hong Kong	**China mainland**	**Total**
	HK$'000	***HK$'000***	***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**

3. REVENUES AND SEGMENT REPORTING (CONTINUED)

(a) Segment information (Continued)

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

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

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

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

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

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

3. REVENUES AND SEGMENT REPORTING (CONTINUED)

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

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

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

4. OTHER INCOME

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

5. FINANCE COSTS

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

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived after charging:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Depreciation of property, plant and equipment	**12,969**	12,061
Amortisation of leasehold land	**800**	1,257
Cost of inventories sold	**3,446,727**	2,230,606
Impairment loss of available-for-sale financial asset	**—**	4,725

7. INCOME TAX EXPENSE

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

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

8. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

9. DIVIDENDS

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

Notes:

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

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

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

10. LEASEHOLD LAND

	2010 *HK$'000*	2009 *HK$'000*
At 1st January, as previously reported	**48,412**	45,071
Effect of adoption of HKAS 17 (Amendment) *(note 2)*	**(4,658)**	(4,783)
At 1st January, as restated	**43,754**	40,288
Exchange difference	**123**	61
Additions	**—**	4,662
Amortisation	**(800)**	(1,257)
Disposal of a subsidiary	**(9,639)**	—
Reclassified as assets classified as held for sale *(note 14)*	**(16,916)**	—
At 31st December	**16,522**	43,754

11. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
	HK$'000	*HK$'000*
At 1st January, as previously reported	**75,227**	73,695
Effect of adoption of HKAS 17 (Amendment) *(note 2)*	**4,658**	4,783
At 1st January, as restated	**79,885**	78,478
Exchange difference	**293**	66
Additions	**6,908**	13,676
Depreciation	**(12,969)**	(12,061)
Disposals	**(20)**	(144)
Disposal of a subsidiary	**(14,425)**	—
Written off	**—**	(130)
At 31st December	**59,672**	79,885

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

14. ASSETS CLASSIFIED AS HELD FOR SALE

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

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

	2010	2009
	HK$'000	*HK$'000*
At 1st January	**—**	—
Reclassified as assets classified as held for sale from leasehold land *(note 10)*	**16,916**	—
Exchange difference	**260**	—
Disposal	**(5,897)**	—
At 31st December	**11,279**	—

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

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

15. TRADE AND OTHER PAYABLES

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

Ageing analysis of trade payables is as follows:

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

OVERALL BUSINESS PERFORMANCE

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

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

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

PROSPECTS

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

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

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

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

DIVIDENDS

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

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

CLOSURE OF REGISTER OF MEMBERS

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

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

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

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

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

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

EMPLOYEES

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

To the knowledge of the Directors, they consider that the Company has applied the principles of the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange and to certain extent, of the recommended best practices thereof, and are not aware of any non-compliance with the code provisions of the CG Code during 2010.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS AND SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial statements have been reviewed by the Company's Audit Committee. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2010 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

*As at the date of this announcement, the Directors of the Company are Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan, Clara, Ms. MA Siu Tao, Mr. William Tasman WISE, Mr. CHUNG Wai Kwok, Jimmy**, *Mr. LEUNG Kwok Keung** *and Mr. HU Wai Kwok**.

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 17th March 2011

* *Independent non-executive Directors*