利記控股有限公司
Lee Kee Holdings Ltd.

SINCE 1947

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2006

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the year ended 31st December 2006 together with the comparative figures of the corresponding year ended 31st December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31st December	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**5,522,422**	3,143,009
Cost of sales		**(4,984,775)**	(2,857,850)
Gross profit		**537,647**	285,159
Other income	*4*	**17,536**	3,571
Distribution and selling expenses		**(15,444)**	(16,778)
Administrative expenses		**(67,335)**	(31,979)
Other gains – net		**10,297**	12,473
Operating profit		**482,701**	252,446
Finance costs	*5*	**(11,707)**	(7,906)
Profit before income tax	*6*	**470,994**	244,540
Income tax expense	*7*	**(82,431)**	(42,160)
Profit for the year attributable to the equity holders of the Company		**388,563**	202,380
Earnings per share for profit attributable to the equity holders of the Company during the year	*8*		
– basic		**59.34 cents**	33.73 cents
– diluted		**58.84 cents**	33.73 cents
Dividends	*9*	**99,019**	85,000

CONSOLIDATED BALANCE SHEET

	Note	As at 31st December **2006** *HK$'000*	2005 *HK$'000*
Non-current assets			
Investment properties		**–**	–
Leasehold land		**5,532**	5,156
Property, plant and equipment		**14,391**	8,295
Deferred tax assets		**119**	72
		20,042	13,523
Current assets			
Inventories		**759,070**	351,270
Trade and other receivables	*10*	**244,646**	188,045
Amount due from a related company		**–**	140
Tax recoverable		**28**	1,749
Restricted bank balances		**–**	9,007
Bank balances and cash – unrestricted		**727,554**	70,995
Assets held for sale		**–**	61,441
		1,731,298	682,647
Total assets		**1,751,340**	696,170
Equity attributable to equity holders			
Share capital		**83,000**	–
Share premium		**496,574**	–
Other reserves		**635,771**	351,221
Proposed dividend		**99,019**	–
Total equity		**1,314,364**	351,221
Non-current liability			
Deferred tax liabilities		**2,015**	1,626
Current liabilities			
Trade and other payables	*11*	**125,869**	36,928
Amount due to a joint venturer of a jointly controlled entity		**274**	–
Amounts due to related companies		**146**	14
Amount due to a director of subsidiaries		**–**	9,183
Bank borrowings		**268,214**	186,907
Tax payable		**40,458**	20,625
Dividend payable		**–**	85,000
Liabilities associated with assets held for sale		**–**	4,666
		434,961	343,323
Total liabilities		**436,976**	344,949
Total equity and liabilities		**1,751,340**	696,170
Net current assets		**1,296,337**	339,324
Total assets less current liabilities		**1,316,379**	352,847

Notes

1. **Group reorganisation**

   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. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company became the holding company of the Group. The Company was listed on the Main Board of the Stock Exchange on 4th October 2006. Details of the Reorganisation are disclosed in the Company's prospectus dated 21st September 2006.

2. **Application of merger accounting**

   The consolidated financial statements for the year ended 31st December 2006 (the "Financial Statements") have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The Financial Statements include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1st January 2005, or since their respective dates of incorporation / establishment. Companies acquired from (or disposed of to) a third party during the period were included in (excluded from) the consolidated financial statements of the Group from the date of that acquisition (disposal).

3. **Basis of preparation**

   The Financial Statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. These policies have been consistently applied to the two years presented, unless otherwise stated. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

4. **Revenue and other income**

   The Group is principally engaged in trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy and other electroplating chemical products in Hong Kong which accounts for more than 90 percent of the Group's revenue and trading results and more than 90 percent of the Group's total assets are in Hong Kong. Accordingly, no analysis by business and geographical segments has been prepared. Revenue, which also represents the Group's turnover, and other income recognised during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**5,522,422**	3,143,009
Other income		
Interest income	**16,278**	558
Gross rental income from investment properties	**691**	2,103
Management fee, net of withholding tax	**70**	260
Commission income	**–**	20
Others	**497**	630
	17,536	3,571

5. **Finance costs**

	2006	2005
	HK$'000	*HK$'000*
Interest on		
Bank overdrafts	**1**	3
Loans against trust receipts	**11,706**	7,903
	11,707	7,906

6. Profit before income tax

Profit before income tax is arrived at after charging:

	2006	2005
	HK$'000	*HK$'000*
Depreciation	**3,129**	1,939
Amortisation of leasehold land	**128**	381
Cost of inventories sold	**4,979,678**	2,854,108

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the Mainland China in which the jointly controlled entity operates.

	2006	2005
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**80,957**	40,962
– Mainland China enterprise income tax	**459**	–
Deferred income tax relating to the origination and reversal of temporary differences, including for the disposal group reclassified to liabilities associated with assets held for sale	**1,043**	1,384
Overprovision in prior year	**(28)**	(186)
Income tax expense	**82,431**	42,160

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

	2006	2005
	HK$'000	*HK$'000*
Profit before income tax	**470,994**	244,540
Calculated at an income tax rate of 17.5% (2005: 17.5%)	**82,424**	42,795
Effect of different tax rates in other country	**(151)**	–
Income not subject to income tax	**(3,002)**	(567)
Expenses not deductible for income tax purpose	**3,188**	118
Overprovision in prior year	**(28)**	(186)
Income tax expense	**82,431**	42,160

8. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares for 2005 is based on the assumption that the Reorganisation had been completed on 1st January 2005.

	2006	2005
Profit attributable to equity holders of the Company *(HK$'000)*	**388,563**	202,380
Weighted average number of ordinary shares in issue *('000)*	**654,767**	600,000
Basic earnings per share *(Hong Kong cents per share)*	**59.34**	33.73

(b) *Diluted*

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

	2006
Profit attributable to equity holders of the Company *(HK$'000)*	**388,563**
Weighted average number of ordinary shares in issue *('000)*	**654,767**
Adjustments for share options *('000)*	**5,562**
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**660,329**
Diluted earnings per share *(Hong Kong cents per share)*	**58.84**

As there were no dilutive potential shares outstanding in 2005, the diluted earnings per share for the year ended 31st December 2005 is the same as the basic earnings per share of 33.73 Hong Kong cents.

9. Dividends

	2006 *HK$'000*	2005 *HK$'000*
Dividend declared to the then shareholder (Note a)	**–**	85,000
Proposed special dividend of HK 10 cents per ordinary share (Note b)	**83,000**	–
Proposed final dividend of HK 1.93 cents per ordinary share (Note c)	**16,019**	–
	99,019	85,000

Notes:

(a) A dividend of HK$85,000,000 were declared by Lee Kee Group Limited, a subsidiary of the Company, to its then shareholder prior to the Reorganisation.

(b) A special dividend in respect of 2006 of HK10 cents per share, amounting to HK$83,000,000 is to be proposed at the annual general meeting on 31st May 2007. The Financial Statements do not reflect this dividend payable.

(c) A final dividend in respect of 2006 of HK1.93 cents per share, amounting to HK$16,019,000 is to be proposed at the annual general meeting on 31st May 2007. The Financial Statements do not reflect this dividend payable.

10. Trade and other receivables

	2006 *HK$'000*	2005 *HK$'000*
Trade receivables, net of provision	**191,308**	127,086
Prepayments to suppliers	**39,009**	55,512
Deposits	**9,976**	2,683
Other receivables	**4,353**	2,764
	244,646	188,045

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

	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**173,667**	108,347
31 to 60 days	**16,100**	17,172
61 to 90 days	**1,388**	1,489
Over 90 days	**153**	78
	191,308	127,086

11. Trade and other payables

	2006	2005
	HK$'000	*HK$'000*
Trade payables	**77,664**	19,131
Deposits received	**35,851**	8,005
Accrued expenses	**12,354**	9,792
	125,869	36,928

Ageing analysis of trade payables is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**74,785**	15,825
31 to 60 days	**1**	595
61 to 90 days	**–**	–
Over 90 days	**2,878**	2,711
	77,664	19,131

OVERALL BUSINESS PERFORMANCE

Year 2006 was an encouraging year for the Group. The revenue has jumped 75.7% year-on-year basis to HK$5,522 million and has pushed the compound annual growth rate ("CAGR") of the past 5 years to 47.7%, gross profit margin and net profit margin has also been improved to 9.7% from 9.1%, and to 7.0% from 6.4% respectively. Basic earnings per share and diluted earnings per share were HK59.34 cents and HK58.84 cents respectively, representing a 75.9% and 74.4% year-on-year growth respectively.

With a continual strengthening of distribution channel and a strong metal price environment, the Group continued its robust growth in revenue across all principal business lines. The revenue of zinc alloy and SHG zinc has been increased by 91.7% year-on-year basis to HK$4,396 million (accounts for 79.6% of Group's revenue); nickel and nickel-related products has been increased by 37.6% year-on-year basis to HK$770 million (accounts for 13.9% of Group's revenue); aluminium alloy and aluminium has been increased by 57.6% year-on-year basis to HK$220 million (accounts for 4.0% of Group's revenue). Chinese government has implemented several new measures on export tax rebates and products prohibited from processing for re-exports during the 4th quarter of 2006. The time involved to adopt the measures had rendered some customers, in particular within Pearl River Delta region, to delay their order placing. Moreover, the Group has tightened credit control and hold back certain credit sales in the last quarter in view of the spiralling metal prices that witnessed zinc hitting historical high in November 2006. As a result, the total tonnage sold in 2006 has experienced a slight drop of 4.7% year-on-year basis to 196,000 metric tonnes from 205,000 metric tonnes.

The Group's policy is to continue sourcing reliable metal supplies and identify ways to enrich our value-added services. With the benefit of this policy and the impact of the strong metal price on the strategic level of inventory held by the Group (the inventory turnover days is in a range of 30 to 45 days), we have improved our gross profit margin to 9.7% from 9.1%, and our gross profit to HK$538 million from HK$285 million (a 88.5% year-on-year increment).

Rationalizing of the Group's distribution operation helped us to reduce the distribution and selling expenses by 8.0% year-on-year basis to HK$15.4 million from HK$16.8 million, while the turnover has recorded a 75.7% increment and the tonnage sold has recorded a 4.7% drop. These can further explain the improvement of the net profit margin to 7.0% from 6.4%, and of the net profit attributable to equity holders to HK$389 million from HK$202 million (a 92.0% year-on-year increment).

BUSINESS REVIEW

As a leading non-ferrous metals supply chain management group, LEE KEE specialises in metal processing, sourcing and distribution. The Group sources and distributes non-ferrous metals, primarily die-casting zinc alloy and SHG zinc (special high-grade zinc), nickel and nickel-related products, die-casting aluminium alloy and aluminium, and other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium). It continued to be the largest zinc alloy importer in the PRC in year 2006, with total sales of zinc alloy making up approximately 76% of the total zinc alloy import volume of the country.

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

During the year under review, the Group had around 1,200 customers in the Greater China Region primarily and also in Vietnam, Indonesia, Thailand, Singapore and Malaysia. The majority of the Group's customers are foreign-invested entities located in the Pearl River Delta region. These customers are mainly manufacturers of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts, etc.

The Group engaged in processing of zinc alloy for domestic die-casting factories in the PRC, especially to customers in the Yangtze River Delta region, through the acquisition in September 2006 of 50% effective interest of Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"). The remaining 50% effective interest is owned by Zinifex Limited (one of the world's largest integrated zinc and lead companies and listed on the Australian Stock Exchange Limited). Riding on the experience and market knowledge gained through Genesis Ningbo, the Group will seek to expand into upstream sectors of the non-ferrous metals supply chain and to further expand its distribution ability in the Yangtze River Delta region.

To further complement the cross selling capability with broadened product offering in the metal supply chain, the Group entered into a Call Option Deed for an exclusive option to acquire 70% interest in Lee Yip Metal Products Company Limited ("Lee Yip"), a company engaged in distributing and processing of stainless steel.

The Company was listed on the Stock Exchange in 2006 which strengthened its capital base and further improved the financial position by raising of approximately HK$568 million. The successful listing of the Company also improved the profile of the Group.

PROSPECTS

The Group will embark on three major growth initiatives to strengthen its global metal supply chain: (1) to build up a comprehensive distribution infrastructure in China; (2) to expand upstream and diversify downstream along the metals supply chain; and (3) to enhance value-added services and sourcing of the supply chain.

Our first initiative to develop a broad distribution infrastructure in China aims to capture the immense potentials of Chinese die-casting factories in using premium grade base metals. Traditionally, foreign invested factories, our existing core customer base, are major users of high grade non-ferrous metals because their target export markets generally call for better quality finished products that are best made from high quality raw materials. In the past, Chinese die-casters tended to manufacture low to medium end products for domestic market which are less sophisticated in quality requirements. With the emergence of the middle class and improving living standards, Chinese consumers are willing to spend more on quality products and many of those products contain substantial portion of base metals, including zinc, nickel and aluminium. To this end, LEE KEE will set up distribution and logistics centers in major cities and regions such as Shenzhen, Eastern China, Northern China and Chengdu by 2008. With its Shenzhen center commenced operation in March 2007, and another in the Eastern China is scheduled to be opened in the second quarter in 2007, LEE KEE will be able to better serve both existing and new customers, domestic or foreign.

On upstream expansion, the Group will develop metal processing facilities in China for two key products, zinc alloy and aluminium alloy, to cater for the strong local market demand on high quality alloys. Our plan is to develop zinc alloy processing capacity up to 120,000 tonnes a year and aluminium alloy processing capacity of 90,000 tonnes a year by 2009. Leverage on the experience in Genesis Ningbo, we plan to accelerate the expansion of the zinc alloy processing capacity in 2007. On the aluminium alloy project, we will establish a processing facility in Guangdong, with construction work scheduled in the second half of this year. Similar to our zinc alloy plant, we will develop the aluminium alloy project with an international partner who is experienced in alloy processing, to complement our strength in supply chain distribution. This is a strategic move to tap the robust automobile industry in China where aluminium alloy are key components of auto parts for as much as 120kg per vehicle. The management will also consider speeding up the Group's expansion plan through joint venture partnership or merger and acquisition whenever appropriate opportunities emerge while keeping the objective of ensuring its products and services are of the highest quality.

To expand downstream, the Group will complete in the third quarter of this year the acquisition of Lee Yip under the Call Option Deed. This will immediately provide revenue contribution and expand our product offerings to include stainless steel to complement with our core non-ferrous metals business in our supply chain model.

To enhance its value-added services, the Group will add chemical testing and certification service for metal-related products to its service offerings in 2007. With increasingly strict quality requirements in EU and other overseas markets on metal products such as RoHS compliance, the chemical testing services have become ever more important for our customers, particularly for export markets. The Group is consolidating its logistics functions in Hong Kong and will open a new logistics centre in the Taipo Industrial Estate equipped with a chemical testing laboratory in the second half year of 2007. The new logistics center will form an integral part of our supply chain model and enable the Group to offer more efficient logistics support as well as a comprehensive one-stop value-added services and technical support to customers in the region.

Apart from establishing its own processing facilities, the Group is also committed to broadening its supplier network. Over the years, LEE KEE has established strong and long-term relationships with key international non-ferrous metals suppliers such as Zinifex Limited, Korea Zinc Co., Ltd., Inco, OMG Group Incorporated, Alcan Incorporation and Johnson Matthey plc in countries including Australia, Korea, Canada, the US, South Africa and the UK. In addition, the Group has long-term supply arrangements with two of its largest suppliers Zinifex and Korea Zinc. Recently, it has extended the agreement with Korea Zinc to cover Eastern China under its exclusive distributorship arrangement for zinc alloy. The latest agreement with Korea Zinc will facilitate the Group's expansion in the Yangtze River Delta region in China.

The ultimate goal of LEE KEE is to become a leading international integrated supply chain company in the non-ferrous metals industry capable of providing "one-stop" solution service to customers. The Group will strive to perform the role of a bridge to link international non-ferrous metals producers with industry end-users in China and Southeast Asia.

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 2006, the Group had unrestricted cash and bank balances of approximately HK$728 million (2005: HK$71 million) and bank borrowings of approximately HK$268 million (2005: HK$187 million). The borrowings, which are short term in nature, were substantially made in HK dollars and US dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 31st December 2006 was 20.4% (2005: 53.2%). The Group has a current ratio of 398% (2005: 199%).

The Company had issued guarantees to the extent of approximately HK$680 million to banks to secure general banking facilities of approximately HK$600 million to certain subsidiaries, of which HK$268 million had been utilised as of 31st December 2006.

The Group adopted internal control systems, including hedging policies, to regularly evaluate and monitor the risk exposure in the metals price and formed a risk management committee to evaluate and monitor hedging activities. In order to optimize exposure to the risk of metals prices' fluctuation, the Group placed back-to-back orders with suppliers after receiving orders from customers whenever possible and engaged in hedging activities to control the Group's exposure (inventory level + pre-arrival buy-in volume – pre-dispatch sell-out volume) within a pre-calculated tolerance limit. During the reporting year, the Group has entered into two metal future contracts amounting to HK$5 million to contain the metal price risk.

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

FINAL DIVIDEND

The Board of Directors has recommended dividends of HK11.93 cents per share (including a final dividend of HK1.93 cents for the period from its date of listing to 31st December 2006 and a special dividend of HK10 cents for commemoration of the 60th Anniversary of the Group) for the year to shareholders whose names appeared on the register of members of the Company on 31st May 2007. Subject to the shareholders' approval, the dividend will be paid on or around 8th June 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 25th May 2007 to Thursday, 31st May 2007, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the special and final dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 23rd May 2007.

EMPLOYEES

As at 31st December 2006, the Group had approximately 120 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other benefits include share option granted or to be granted under the share option schemes and training schemes.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, there was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries.

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 since its listing on the Stock Exchange.

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 31 December 2006 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. NG Tze For, Mr. William Tasman WISE*, Mr. CHUNG Wai Kwok, Jimmy** and Mr. LEUNG Kwok Keung**.

By Order of the Board
CHAN Pak Chung
Chairman

* *Non-executive Director*
** *Independent non-executive Directors*

Hong Kong, 27th March 2007

"Please also refer to the published version of this announcement in The Standard."