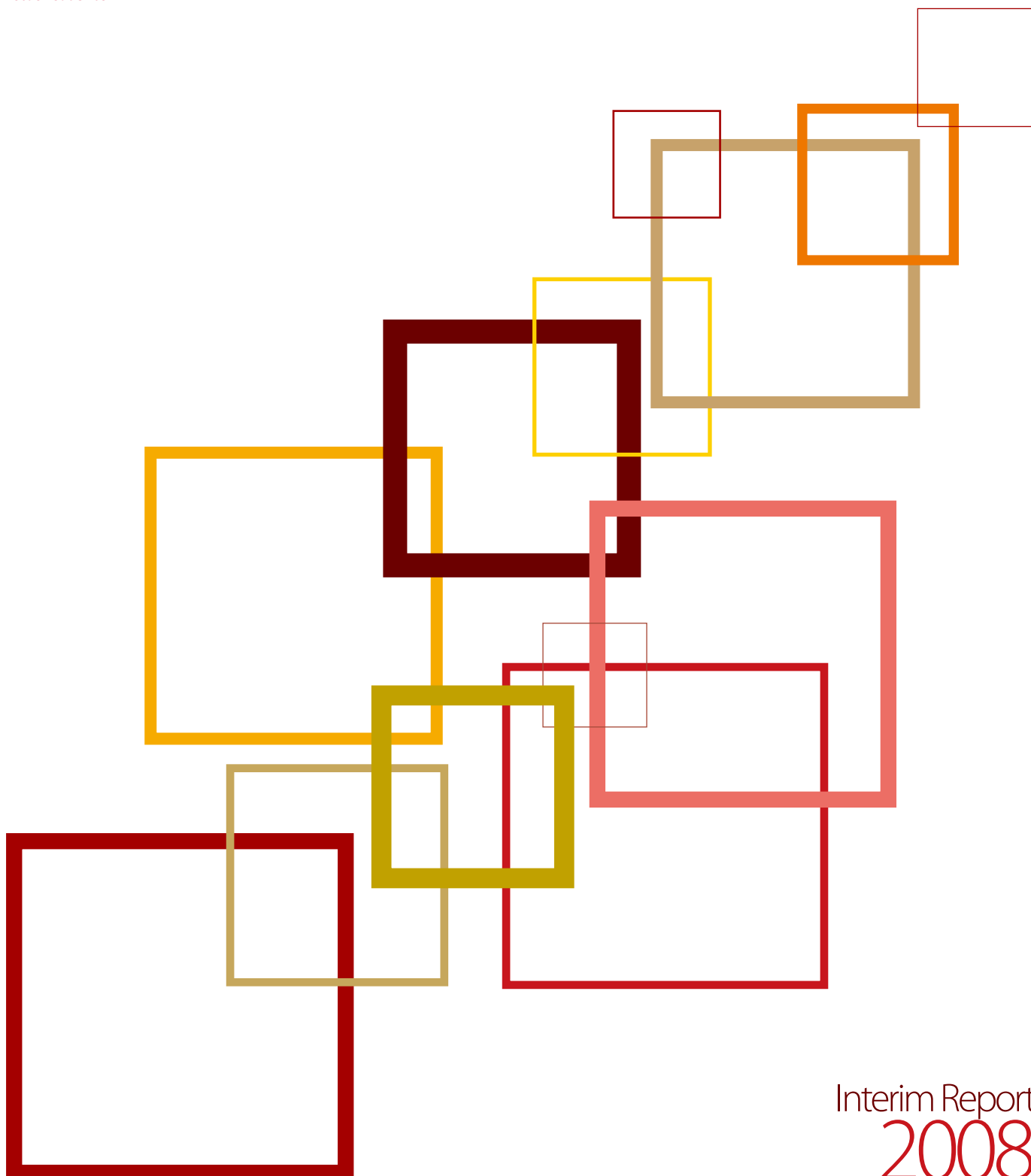




利記控股有限公司 Lee Kee Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 637



Interim Report
2008

CORPORATE INFORMATION

Directors

Executive Directors

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

Independent

Non-executive Directors

CHUNG Wai Kwok, Jimmy
LEUNG Kwok Keung
HU Wai Kwok

Company Secretary

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

Qualified Accountant

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

CHAN Yuen Shan, Clara
CHEUK Wa Pang

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Room 1302-05, 13th Floor
Manulife Provident Funds Place
345 Nathan Road
Yau matei
Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Legal Advisers to the Company

As to Hong Kong Law:

Richards Butler
20th Floor, Alexandra House
16-20 Chater Road, Central
Hong Kong

As to Cayman Islands Law:

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

Auditor

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

Principal Bankers

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

Stock Code

637

Website of the Company

www.leekeegroup.com

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the six months ended 30th June 2008 (the "Interim Period"), together with the comparative figures for the corresponding period ended 30th June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

	Note	Six months ended 30th June	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Restated)
Revenues	4	2,407,162	3,195,626
Cost of sales		(2,345,153)	(3,034,836)
Gross profit		62,009	160,790
Other income		9,728	16,966
Distribution and selling expenses		(9,620)	(8,906)
Administrative expenses		(40,539)	(40,386)
Other losses – net		(635)	(56,393)
Operating profit	5	20,943	72,071
Finance costs	6	(7,256)	(11,054)
Profit before income tax		13,687	61,017
Income tax expense	7	(2,443)	(10,029)
Profit for the period		11,244	50,988
Attributable to:			
Equity holders of the Company		10,787	47,383
Minority interests		457	3,605
		11,244	50,988
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (Hong Kong cents)	8(a)	1.30	5.71
– Diluted (Hong Kong cents)	8(b)	1.30	5.66
Interim dividend	9	8,287	8,300

The notes on pages 7 to 15 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2008

	Note	As at 30th June 2008 HK\$'000 (Unaudited)	As at 31st December 2007 HK\$'000 (Audited)
Non-current assets			
Leasehold land	10	35,872	35,205
Property, plant and equipment	11	47,377	39,056
Deferred income tax assets		155	127
Available-for-sale financial assets		9,105	4,852
		92,509	79,240
Current assets			
Inventories		426,465	596,870
Trade and other receivables	12	279,480	260,499
Income tax recoverable		8,985	9,675
Financial asset at fair value through profit or loss		–	7,853
Amount due from minority interests		4,599	–
Bank balances and cash		797,884	648,740
		1,517,413	1,523,637
Total assets		1,609,922	1,602,877
Capital and reserves attributable to the equity holders of the Company			
Share capital	13	82,875	82,875
Share premium	13	495,293	495,293
Other reserves		611,152	600,136
Proposed dividend		8,287	–
		1,197,607	1,178,304
Minority interests		14,960	6,970
Total equity		1,212,567	1,185,274
Non-current liability			
Deferred income tax liabilities		1,679	2,019
Current liabilities			
Trade and other payables	14	141,838	153,066
Amount due to a joint venturer of a jointly controlled entity		274	392
Bank borrowings		242,644	253,255
Income tax payable		5,220	3,171
Amount due to minority interests		5,700	5,700
		395,676	415,584
Total liabilities		397,355	417,603
Total equity and liabilities		1,609,922	1,602,877
Net current assets		1,121,737	1,108,053
Total assets less current liabilities		1,214,246	1,187,293

The notes on pages 7 to 15 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2008

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Net cash from operating activities	161,879	13,611
Net cash used in investing activities	(3,351)	(118,165)
Net cash (used in)/from financing activities	(11,930)	115,925
Net increase in cash and cash equivalents	146,598	11,371
Exchange gain on cash and cash equivalents	2,546	392
Cash and cash equivalents at 1st January	648,740	728,090
Cash and cash equivalents at 30th June	797,884	739,853
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	797,884	739,853

The notes on pages 7 to 15 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2008

	Attributable to the equity holders of the Company				Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Other reserves HK\$'000 (Unaudited)	Minority interests HK\$'000 (Unaudited)	
At 1st January 2008	82,875	495,293	600,136	6,970	1,185,274
Exchange difference	-	-	3,949	-	3,949
Profit for the period	-	-	10,787	457	11,244
Total recognised income and expense for the period	-	-	14,736	457	15,193
Pre-IPO Share Option Scheme – value of employee services	-	-	4,567	-	4,567
Capital injection	-	-	-	7,533	7,533
At 30th June 2008	82,875	495,293	619,439	14,960	1,212,567
Balance after 2008 interim dividend declared	82,875	495,293	611,152	14,960	1,204,280
2008 interim dividend declared	-	-	8,287	-	8,287
At 30th June 2008	82,875	495,293	619,439	14,960	1,212,567

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30th June 2008

For the six months ended 30th June 2007 (as restated)

	Attributable to the equity holders of the Company			Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000		
At 1st January 2007 – as previously reported	83,000	496,574	635,771	–	1,215,345
Adoption of merger accounting (note 2)	–	–	11,292	4,839	16,131
At 1st January 2007 – as restated	83,000	496,574	647,063	4,839	1,231,476
Exchange difference	–	–	510	–	510
Profit for the period – as restated	–	–	47,383	3,605	50,988
Total recognised income and expense for the period – as restated	–	–	47,893	3,605	51,498
Pre-IPO Share Option Scheme – value of employee services	–	–	8,784	–	8,784
At 30th June 2007 – as restated	83,000	496,574	703,740	8,444	1,291,758
Balance after 2007 interim dividend declared	83,000	496,574	695,440	8,444	1,283,458
2007 interim dividend declared	–	–	8,300	–	8,300
At 30th June 2007	83,000	496,574	703,740	8,444	1,291,758

The notes on pages 7 to 15 are an integral part of these condensed consolidated interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

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

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

These condensed consolidated financial information are presented in units of Hong Kong dollars ("HK dollars") and have been approved for issue by the Board of Directors on 10th September 2008.

2 Basis of preparation

These unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2007.

On 31st August 2007, the Group completed the acquisition of the 70% equity interest in Lee Yip Metal Products Company Limited ("Lee Yip"), a company principally engaged in the trading of stainless steel, from Mr. Chan Pak Chung ("Mr. Chan"), a director and controlling shareholder of the Company, for a cash consideration of approximately HK\$18,530,000 (the "Lee Yip Acquisition"). Since the Company and Lee Yip are both ultimately controlled by Mr. Chan immediately before and after the Lee Yip Acquisition, these condensed consolidated income statement, cash flow statement and statement of changes in equity for the six months ended 30th June 2007 and the notes thereof have been prepared using the principle of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the combination had occurred from the date when the combining activities first come under the control of Mr. Chan.

The following is a reconciliation of the effect arising from the common control combination on the condensed consolidated balance sheet as at 30th June 2007 and the condensed consolidated income statement for the six months then ended.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed consolidated balance sheet as at 30th June 2007:

	As previously reported HK\$'000	Lee Yip HK\$'000	Adjustments (Note) HK\$'000	Condensed consolidated HK\$'000
Non-current assets	54,232	473	–	54,705
Current assets	1,802,941	99,954	–	1,902,895
Total assets	1,857,173	100,427	–	1,957,600
Non-current liabilities	2,134	54	–	2,188
Current liabilities	591,431	72,223	–	663,654
Total liabilities	593,565	72,277	–	665,842
Net assets	1,263,608	28,150	–	1,291,758
Share capital	83,000	1,000	(1,000)	83,000
Share premium	496,574	–	–	496,574
Merger reserve	–	–	700	700
Other reserves	684,034	27,150	(8,144)	703,040
Minority interests	–	–	8,444	8,444
	1,263,608	28,150	–	1,291,758

Condensed consolidated income statement for the six months ended 30th June 2007:

	As previously reported HK\$'000	Lee Yip HK\$'000	Adjustments (Note) HK\$'000	Condensed consolidated HK\$'000
Revenues	3,057,451	138,175	–	3,195,626
Profit before income tax	46,131	14,886	–	61,017
Income tax expense	(7,162)	(2,867)	–	(10,029)
Profit for the period	38,969	12,019	–	50,988
Attributable to:				
Equity holders of the Company	38,969	12,019	(3,605)	47,383
Minority interests	–	–	3,605	3,605
	38,969	12,019	–	50,988

Note: They represent adjustments to reclassify the Group's share of capital of Lee Yip as at 30th June 2007 to merger reserve; and to account for the minority interests in Lee Yip's net assets as at 30th June 2007 and its profit for the six months then ended.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies

The significant accounting policies and method of computation used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2007 except for the adoption of HK(IFRIC)-Int 11 "HKFRS 2 – Group and Treasury Share Transactions" which is relevant and effective for the year ending 31st December 2008. The adoption of this interpretation did not result in substantial changes to the Group's accounting policies.

The following standards, amendments and interpretation have been issued but are not effective for the year ending 31st December 2008 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Financial Instructions: Presentation
HK(IFRIC) – Int 13	Customer Loyalty Programmes

4 Revenues

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

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Revenues		
Sales of goods	2,407,162	3,195,626

5 Operating profit

The following items have been charged/(credited) to the operating profit during the period:

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Amortisation of leasehold land	245	182
Bank interest income	(9,442)	(16,686)
Cost of inventories sold	2,382,505	3,024,127
Depreciation of property, plant and equipment	4,950	1,494
(Gain)/loss on disposal of property, plant and equipment	(26)	27
Loss on metal future trading contracts	–	54,201
(Reversal of provision)/provision for inventories	(40,583)	7,970

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 Finance costs

	Six months ended 30th June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Restated)
Interest on		
Loans against trust receipts	5,638	11,053
Short term bank loans	1,618	–
Bank overdrafts	–	1
	7,256	11,054

7 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Income tax on profits arising from operations in China mainland has been calculated on the estimated assessable profit for the period at the rates of income tax prevailing in the China mainland in which the Group's entities operate.

	Six months ended 30th June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Restated)
Current income tax		
– Hong Kong profits tax	2,724	9,483
– China mainland corporate income tax	87	416
	2,811	9,899
Deferred income tax	(368)	130
Income tax expense	2,443	10,029

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 period.

	Six months ended 30th June	
	2008 (Unaudited)	2007 (Restated)
Profit attributable to the equity holders of the Company (HK\$'000)	10,787	47,383
Weighted average number of ordinary shares in issue ('000)	828,750	830,000
Basic earnings per share (Hong Kong cents per share)	1.30	5.71

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(b) *Diluted*

Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no consideration as if all outstanding share options granted by the Company had been exercised.

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Restated)
Profit attributable to the equity holders of the Company (HK\$'000)	10,787	47,383
Weighted average number of ordinary shares in issue ('000)	828,750	830,000
Adjustments for share options ('000)	-	6,883
Weighted average number of ordinary shares for diluted earnings per share ('000)	828,750	836,883
Diluted earnings per share (Hong Kong cents per share)	1.30	5.66

Diluted earnings per share for the six months ended 30 June 2008 is the same as the basic earnings per share as the potential shares arising from the share options outstanding during the period are anti-dilutive.

9 Interim dividend

On 10th September 2008, the Board of Directors resolved to declare an interim dividend of HK 1 cent per share for the six months ended 30th June 2008 (2007: HK 1 cent per share) to shareholders of the Company whose name appears on the register of members of the Company on 3rd October 2008. The interim dividend will be paid on or around 15th October 2008. This interim dividend, amounting to HK\$8,287,000 (2007: HK\$8,300,000) has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in the shareholders' equity in the year to 31st December 2008.

10 Leasehold land

Six months ended 30th June 2008 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2008	35,205
Amortisation	(245)
Exchange difference	912
Closing net book amount as at 30th June 2008	35,872
Six months ended 30th June 2007 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2007	5,532
Additions	17,700
Amortisation	(182)
Exchange difference	16
Closing net book amount as at 30th June 2007	23,066

The Group's interests in leasehold land represent prepaid operating lease payments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Property, plant and equipment

Six months ended 30th June 2008 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2008	39,056
Additions	12,965
Disposals	(116)
Depreciation	(4,950)
Exchange difference	422
Closing net book amount as at 30th June 2008	47,377
Six months ended 30th June 2007 (Restated)	HK\$'000
Opening net book amount as at 1st January 2007 – as restated	14,839
Additions	18,136
Disposals	(63)
Depreciation	(1,494)
Exchange difference	112
Closing net book amount as at 30th June 2007 – as restated	31,530

12 Trade and other receivables

	As at 30th June 2008 HK\$'000 (Unaudited)	As at 31st December 2007 HK\$'000 (Audited)
Trade receivables, net of provision	247,288	237,069
Prepayments to suppliers	4,353	2,069
Deposits	5,222	5,288
Other receivables	22,617	16,073
	279,480	260,499

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

	As at 30th June 2008 HK\$'000 (Unaudited)	As at 31st December 2007 HK\$'000 (Audited)
0 to 30 days	188,263	194,201
31 to 60 days	41,445	31,857
61 to 90 days	10,603	6,806
Over 90 days	6,977	4,205
	247,288	237,069

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Share capital and share premium

Authorised:	Number of ordinary shares	Nominal amount HK\$'000	
As at 31st December 2007 and 30th June 2008	8,000,000,000	800,000	
	Number of ordinary shares	Share capital HK\$'000	Share premium HK\$'000
Issued and fully paid:			
As at 1st January 2007	830,000,000	83,000	496,574
Repurchase of own shares (note)	(1,250,000)	(125)	(1,281)
As at 31st December 2007 and 30th June 2008	828,750,000	82,875	495,293

Note: In November 2007, 1,250,000 shares were repurchased on the Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK\$1,406,000 before expenses and were cancelled during the year ended 31st December 2007. The nominal value of these shares of HK\$125,000 was credited to capital redemption reserve. The nominal value of these shares of HK\$125,000 and the premium on purchase of approximately HK\$1,281,000 were paid out of the Company's retained earnings and share premium account, respectively.

14 Trade and other payables

	As at 30th June 2008 HK\$'000 (Unaudited)	As at 31st December 2007 HK\$'000 (Audited)
Trade payables	105,851	112,684
Deposit received	28,114	27,631
Accrued expenses	7,873	12,751
	141,838	153,066

The ageing analysis of trade payables is as follows:

	As at 30th June 2008 HK\$'000 (Unaudited)	As at 31st December 2007 HK\$'000 (Audited)
0 to 30 days	95,796	111,414
31 to 60 days	5,387	964
61 to 90 days	3,512	-
Over 90 days	1,156	306
	105,851	112,684

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Commitments

(a) Operating lease commitments – as a lessee

The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 30th June 2008 HK\$'000 (Unaudited)	As at 31st December 2007 HK\$'000 (Audited)
Within one year	2,522	3,739
In the second to fifth years inclusive	515	1,695
	3,037	5,434

(b) Capital commitments

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

	As at 30th June 2008 HK\$'000 (Unaudited)	As at 31st December 2007 HK\$'000 (Audited)
Contracted but not provided for:		
Leasehold land and property, plant and equipment	17,252	21,670
Equity investments	36,247	32,282
	53,499	53,952

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

	As at 30th June 2008 HK\$'000 (Unaudited)	As at 31st December 2007 HK\$'000 (Audited)
Contracted but not provided for:		
Property, plant and equipment	1,123	1,869

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Related party transactions

(a) Transactions with related parties

During the period, the Group had the following related party transactions:

	Note	Six months ended 30th June	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Income			
Management fee received from Genesis Alloys (Ningbo) Limited	(i)	39	39
Expense			
Purchase of goods from Genesis Alloys (Ningbo) Limited	(ii)	15,289	520
Rental paid to Sonic Gold Limited	(iii)	240	–
Rental paid to Modern Wealth Limited	(iv)	313	402
Management fee paid to Niox Limited	(v)	200	–

- (i) The Group received management fee from Genesis Alloys (Ningbo) Limited, a wholly-owned subsidiary of the Group's jointly controlled entity, pursuant to the terms of management services 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 paid rental for directors' quarters to Sonic Gold Limited, of which Ms. Chan Yuen Shan, Clara is a director of Sonic Gold Limited, at fixed sums as agreed by both parties.
- (iv) The Group paid rental for warehouse and car parking spaces to Modern Wealth Limited, of which Mr. Chan is a director, at fixed sums as agreed by both parties.
- (v) The Group paid management fee to Niox Limited whose directors are also the directors of the Group's subsidiary, at fixed sums pursuant to the management services agreement entered into between the Group's subsidiary and Niox Limited.

(b) Key management compensation

	Six months ended 30th June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Restated)
Salaries and other short term employee benefits	9,683	7,232
Post employment benefits – pension	87	81
Share-based payments	3,613	6,949
	13,383	14,262

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business Performance

The first half of 2008 was a challenging time for most companies involved in the metals industry, and Lee Kee was no exception. The period under review felt the global impact of the slowdown in the US economy, the general tightening of credit in the PRC and elsewhere, and a more cautious approach to spending by consumers. Metal prices fell across the board despite reasonable demand from China. In the context of the above gloomy economic environment it was no surprise that during this Interim Period, the manufacturing sector in the PRC received fewer orders from the US than during the corresponding period last year. Despite this depressing influence on Lee Kee's major customer base, the actual tonnage sold by the Group was maintained at a very respectable level, largely due to the diverse market segments and loyal core of customers Lee Kee has built up over many years.

During the reporting period, the Group continued to focus on expanding sales by differentiating itself from competitors through its full range of value-added services and extensive distribution infrastructure. By exercising stringent cost controls, strengthening the Group's logistic arrangements (so that the average inventory level was further reduced from 35 days in the first half of 2007 to 33 days in the first half of 2008), and adjusting the stock-pricing mechanism to be more market responsive, the inventory holding loss expected during a period of falling metals prices was reasonably contained. Benefitting from an extensive customer network built up over several decades, the Group sold approximately 85,180 metric tonnes of zinc and aluminium alloy, an increase of 3.8% over the same period last year. Revenue for the period was approximately HK\$2,407.2 million (first half of 2007: approximately HK\$3,195.6 million), while profit attributable to the equity holders of the Company was HK\$10.79 million (first half of 2007: approximately HK\$47.38 million).

Inheriting the downward trend of year 2007, prices of SHG zinc and zinc alloy, which made up a substantial portion of products supplied by the Group, remained volatile during the reporting period. While the amplitude of price fluctuations of SHG zinc and zinc alloy was smaller than the first half of 2007, prices stayed on a downward trend for a longer period, thereby impacting the profit margins of the industry for a longer time. As a result of this "lower prices for longer" effect, the impact on profit margin was more severe than during the corresponding period last year, despite, the outcome being reasonably well contained. By comparison, the first half of year 2007 actually saw an inventory holding gain, due to a sustained period when zinc prices were on an upward path, despite the overall downward price outcome for the six months. In the period under review the Group recorded a gross profit of approximately HK\$62.0 million compared to approximately HK\$160.8 million in the corresponding period in 2007.

In order to mitigate the impact of the metal price fluctuations, Lee Kee has now taken a more long-term approach by enhancing the market-responsiveness of the Group's logistic arrangements and stock-pricing mechanism, rather than solely relying on financial instruments, which the Group mainly used in the first half of year 2007. While the enhancement of market-responsive logistic arrangements and stock-pricing mechanisms began to bear fruit during the first half of 2008 and some cushioning of price volatility has been observed over the past half year, the management believes that a long-term positive effect will be more apparent towards the end of 2008.

Business Review

As a leading non-ferrous metal supply chain management group, Lee Kee specialises in metal processing, sourcing and distribution. The Group sources and distributes die-casting zinc alloy and SHG zinc, nickel and nickel-related products, die-casting aluminium alloy and aluminium ingot, electroplating chemicals (including chemicals of precious metals such as silver, gold and rhodium) and stainless steel. Lee Kee was accredited with ISO 9001:2000 certification at the beginning of 2008 for a number of its operations, including sales and marketing, shipping and transportation, warehouse management and logistics, in recognition of its achievement of international standards in these categories.

Lee Kee's major market, the PRC, experienced a very tough operating environment during the first half of 2008. Not only was it affected by the slowing U.S. economy, it was also subjected to forces of nature including unprecedented snowstorms and earthquakes, together with changes to government policies on bank credit and labour law, both of which affected the manufacturing sector. Lee Kee's sales to the PRC market were inevitably reduced, though with its well established customer network, total tonnage sold suffered only a slight decrease, and in fact sales of aluminium alloy and ingot actually increased. During the reporting period, Lee Kee maintained its dominant market leadership position in terms of zinc alloy imported into the PRC market, with Lee Kee sales of zinc alloy making up approximately 79% of the PRC's total zinc alloy import volume.

MANAGEMENT DISCUSSION AND ANALYSIS

Lee Kee has over 1,250 customers located in the Greater China Region, Vietnam, Indonesia, Thailand, Singapore and Malaysia. The majority of these customers are foreign-invested entities located in the Pearl River Delta region, being mainly manufacturers of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts. Because of the diversity of its customers, Lee Kee suffered less than its peers as a result of the U.S. economic slowdown.

In light of market competition, Lee Kee has been actively building its marketing and servicing networks in order to maintain and expand its market share. The Group's sales and distribution centre at Wuxi commenced full trading activities in the second quarter this year, after having obtained all relevant government approvals. This is the Group's second sales and distribution centre in the PRC after the Shenzhen sales and distribution centre, and is part of Lee Kee's strategic move to capitalise on the growth potential in the Yangtze River Delta region through the local automotive, electrical appliances and household hardware sectors. The Group is setting up a third sales and distribution centre at Guangzhou, which is currently awaiting government approvals and is expected to commence full trading activities within the second half of 2008.

During the period under review, the Group continued its endeavours to expand its upstream and downstream supply chain activities. Capacity expansion at Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned joint venture in zinc alloy processing, was recently completed and the plant is expected to reach its new capacity of 60,000 tonnes per annum by the end of 2008. During the first half of 2008, Genesis Ningbo produced approximately 11,880 metric tonnes of zinc alloy and contributed a revenue of approximately HK\$98.6 million to the Group.

The Group's new 60%-owned subsidiary, Foshan Nanhai Almax Non-Ferrous Metals Company Limited, which owns and operates the aluminium alloy processing plant in Nanhai, recently completed its initial stage of capital injection.

Production and sales from Lee Yip, a 70%-owned stainless steel processing and distribution operation acquired in August 2007, were smooth and enhanced the Group's cross-selling capabilities. Lee Yip contributed a revenue of HK\$95.5 million to the Group during the reporting period.

The Group's newly established Tai Po logistics and technical centre is currently undergoing its final phase of renovation and is expected to be fully operational in the fourth quarter of 2008. The centre will form a pivotal part of the Group's supply chain and will enable the Group to offer more efficient logistics support and one-stop value-added services to its customers, as well as reducing storage costs for the Group itself.

Prospects

The second half of 2008 will continue to be a challenging period for the Group and for the metals industry as a whole. Although the Beijing Olympic Games may have given a new enthusiasm to the growth of certain sectors, in macro economic terms the growth of the world's economies, including the PRC economy, is expected to remain modest. The Lee Kee management team has great confidence in the future of the Company, but at the same time will continue to take a prudent and careful approach in managing and building the Group's various operations.

Lee Kee's Tai Po logistics and technical centre will enhance services to customers and contain costs during difficult times. The new sales and distribution centres in Shenzhen, Wuxi, and very soon in Guangzhou, will improve Lee Kee's ability in expanding sales and customer coverage in nearby areas. The expanded zinc alloy processing plant at Genesis Ningbo will serve as new growth area for the future.

Lee Kee will continue to develop its core strengths, and maintain its commitment to quality assurance and continued improvement under the ISO 9001:2000 certification; with a view to excelling in the marketplace with its unrivalled customer service.

With a fine team of well-trained employees aligned and committed to the Company strategy of expanding and developing throughout the PRC, Lee Kee is well prepared to face the inevitable challenges of business life and to provide satisfaction to all its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30th June 2008, the Group had unrestricted cash and bank balances of approximately HK\$798 million (31st December 2007: HK\$649 million) and bank borrowings of approximately HK\$243 million (31st December 2007: HK\$253 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 30th June 2008 was 20.0% (31st December 2007: 21.4%). The Group has a current ratio of 383.5% (31st December 2007: 366.6%).

The Company had issued guarantees to the extent of approximately HK\$1,673 million to banks to secure general banking facilities of approximately HK\$1,567 million to certain subsidiaries, of which approximately HK\$243 million had been utilised as of 30th June 2008.

The Group constantly evaluates and monitors the risk exposure to the metals price. The Group has introduced new stock-price mechanisms during this interim period, which in effect can shorten the period between fixing of purchase price (priced-in) and fixing of selling price (priced-out) of the products, in order to enhance the Group's ability to manage the exposure to the metal price fluctuation within an acceptable tolerance limit. This is in addition to placing back-to-back orders with suppliers after receiving orders from customers whenever possible and considering the use of various financial instruments.

The Group's foreign exchange exposure mainly resulted from the translation between Hong Kong dollars and United States dollars. The Group did not engage in any instrument to hedge against the foreign exchange risk.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (first half of 2007: HK1 cent) per share to shareholders of the Company whose names appeared on the register of members of the Company on 3rd October 2008. The dividend will be paid on or around 15th October 2008.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Friday, 3rd October 2008 to Thursday, 9th October 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, 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 2nd October 2008.

EMPLOYEES

As at 30th June 2008, the Group had approximately 300 employees and the Group's 50% owned joint venture, Genesis Ningbo, had approximately 50 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes. For the Interim Period, staff cost (including directors' emoluments) was approximately HK\$23,987,000.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated corporations

At 30th June 2008, 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 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 Divisions 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:

(I) Long Position in Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares in which interested	Approximate percentage of issued Shares
Mr. CHAN Pak Chung (Note 1)	Founder of a discretionary trust	600,000,000	72.40%
Mr. MA Siu Tao (Note 2)	Beneficiary	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.

(II) Long Position in Underlying Shares of the Company

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

Notes:

- Mr. CHAN Pak Chung and Ms. MA Siu Tao were granted options under the Pre-IPO Share Option Scheme to subscribe for 4,705,860 Shares and 3,862,740 Shares respectively. Ms. MA Siu Tao is the spouse of Mr. CHAN Pak Chung. Therefore, pursuant to Part XV of the SFO, Mr. CHAN Pak Chung is deemed to be interested in the share option granted to Ms. MA Siu Tao and Ms. MA Siu Tao is deemed to be interested in the share option granted to Mr. CHAN Pak Chung.
- Mr. NG Tze For's option lapsed after his resignation as a Director on 4th July 2008.

Share options are granted to Directors on 15th September 2006 under the Pre-IPO Share Option Scheme adopted on 15th September 2006 (the "Pre-IPO Share Option Scheme") to subscribe for the Shares at the exercise price of HK\$2.136 per share.

Save as disclosed above, as at 30th June 2008, none of 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.

DISCLOSURE OF INTERESTS

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 30th June 2008, 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.

Name of Shareholder	Capacity	Number of Ordinary 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.

Save as disclosed above, at 30th June 2008, no person, other than the Directors and Chief Executive (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.

Share options

As at 30th June 2008, options granted on 15th September 2006 to 29 participants (including 3 Directors and 1 ex-Director of the Company, 7 Senior Management and 18 other employees of the Group) to subscribe for a total of 21,215,160 Shares of the Company at a subscription price of HK\$2.136 per share were outstanding under the Pre-IPO Share Option Scheme which represents approximately 2.5% of the enlarged issued share capital of the Company. Subject to the terms of Pre-IPO Share Option Scheme, the option for each grantee is exercisable in accordance with the following schedule:

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 4th October 2007 (the "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)

DISCLOSURE OF INTERESTS

The following options under the Pre-IPO Scheme were outstanding during the Interim Period:

Participant	Number of underlying shares		As at 30th June 2008
	As at 1st January 2008	Exercised/ Cancelled/Lapsed during the period	
Directors (including 1 ex-Director) and Chief Executive of the Company	11,509,740	–	11,509,740
Senior Management of the Group	5,862,570	(588,210)	5,274,360
Other employees of the Group	4,587,870	(156,810)	4,431,060
Total	21,960,180	(745,020)	21,215,160

In addition, the Company also adopted the Share Option Scheme on 15th September 2006. No options had been granted under the said Share Option Scheme since the adoption date on 15th September 2006 and up to 30th June 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Interim Period, 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 during the Interim Period.

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 the Interim Period.

On behalf of the Board of Directors

CHAN Pak Chung

Chairman

Hong Kong, 10th September 2008