



利記控股有限公司

LEE KEE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code: 637

股份代號：637

2010

Interim Report 中期報告

Directors

Executive Directors

CHAN Pak Chung

(Chairman of the Board)

CHAN Yuen Shan, Clara

MA Siu Tao

William Tasman WISE

Independent non-executive
Directors

CHUNG Wai Kwok, Jimmy

LEUNG Kwok Keung

HU Wai Kwok

Company Secretary

CHEUK Wa Pang

(CPA (HKICPA), FCCA, ACA)

Audit Committee

CHUNG Wai Kwok, Jimmy

(Chairman of the Audit Committee)

LEUNG Kwok Keung

HU Wai Kwok

Remuneration Committee

CHAN Pak Chung

(Chairman of the Remuneration Committee)

CHUNG Wai Kwok, Jimmy

LEUNG Kwok Keung

Nomination Committee

CHAN Pak Chung

(Chairman of the Nomination Committee)

MA Siu Tao

LEUNG Kwok Keung

Authorised Representatives

CHAN Yuen Shan, Clara

CHEUK Wa Pang

Registered Office

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South Church Street, George Town,
Grand Cayman, Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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New Territories

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

Tricor Investor Services Limited

26th Floor, Tesbury Centre,

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Website of the Company

www.leekeegroup.com

Stock Code

637

Legal Advisers to the Company

As to Hong Kong Law:

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The Landmark

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As to Cayman Islands Law:

Maples and Calder Asia

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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

Interim Results (Unaudited)

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 2010 (the "Interim Period"), together with the comparative figures for the corresponding period ended 30th June 2009 as follows:

Condensed Consolidated Income Statement

For the Six Months Ended 30th June 2010

	Note	Six months ended 30th June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenues	4	1,858,194	979,052
Cost of sales		(1,803,744)	(884,423)
Gross profit		54,450	94,629
Other income		1,271	2,754
Distribution and selling expenses		(8,045)	(6,500)
Administrative expenses		(33,230)	(39,297)
Other gains, net		2,581	476
Operating profit	5	17,027	52,062
Finance costs	6	(2,812)	(1,236)
Profit before income tax		14,215	50,826
Income tax expense	7	(1,538)	(3,028)
Profit for the period		12,677	47,798
Profit/(loss) attributable to:			
Equity holders of the Company		10,119	49,865
Non-controlling interests		2,558	(2,067)
		12,677	47,798
Earnings per share for profit attributable to the equity holders of the Company			
— basic and diluted (Hong Kong cents)	8	1.22	6.02
Interim dividend	9	8,287	8,287

The notes on pages 7 to 16 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30th June 2010

	Six months ended 30th June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Profit for the period	12,677	47,798
Other comprehensive income for the period:		
Exchange translation differences	336	369
Movement of available-for-sale financial asset revaluation reserve	(245)	881
Other comprehensive income for the period, net of tax	91	1,250
Total comprehensive income for the period	12,768	49,048
Total comprehensive income attributable to:		
Equity holders of the Company	10,113	51,017
Non-controlling interests	2,655	(1,969)
	12,768	49,048

The notes on pages 7 to 16 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30th June 2010

	Note	As at 30th June 2010 HK\$'000 (Unaudited)	As at 31st December 2009 HK\$'000 (Audited and Restated) (Note 3)
Non-current assets			
Leasehold land	10	26,427	43,754
Property, plant and equipment	11	77,443	79,885
Deferred income tax assets		998	174
Available-for-sale financial asset	12	4,135	4,380
Prepayment for leasehold land		—	3,071
		109,003	131,264
Current assets			
Inventories		658,094	626,041
Trade and other receivables	13	244,384	202,429
Prepayment for leasehold land		3,083	—
Income tax recoverable		220	280
Bank balances and cash		615,783	715,387
		1,521,564	1,544,137
Assets classified as held for sale	14	16,916	—
Total current assets		1,538,480	1,544,137
Total assets		1,647,483	1,675,401
Capital and reserves attributable to the equity holders of the Company			
Share capital	15	82,875	82,875
Share premium	15	495,293	495,293
Other reserves		560,607	558,781
Proposed dividend		8,287	87,019
		1,147,062	1,223,968
Non-controlling interests		27,364	24,709
Total equity		1,174,426	1,248,677
Non-current liability			
Deferred income tax liabilities		2,437	2,952
Current liabilities			
Trade and other payables	16	149,520	124,945
Amount due to a joint venturer of a jointly controlled entity		531	561
Bank borrowings		300,641	279,515
Income tax payable		14,228	13,051
Amount due to non-controlling interests		5,700	5,700
		470,620	423,772
Total liabilities		473,057	426,724
Total equity and liabilities		1,647,483	1,675,401
Net current assets		1,067,860	1,120,365
Total assets less current liabilities		1,176,863	1,251,629

The notes on pages 7 to 16 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30th June 2010

	Six months ended 30th June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash used in operating activities	(31,503)	(41,915)
Net cash used in investing activities	(2,331)	(9,757)
Net cash used in financing activities	(65,893)	(77,398)
Net decrease in cash and cash equivalents	(99,727)	(129,070)
Exchange gains on cash and cash equivalents	123	145
Cash and cash equivalents at 1st January	715,387	864,147
Cash and cash equivalents at 30th June	615,783	735,222
Analysis of balances of cash and cash equivalents		
Bank balances and cash	615,783	735,222

The notes on pages 7 to 16 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30th June 2010

	Attributable to the equity holders of the Company			Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Other reserves HK\$'000 (Unaudited)		
At 1st January 2010	82,875	495,293	645,800	24,709	1,248,677
Total comprehensive income for the period	—	—	10,113	2,655	12,768
Dividend paid	—	—	(87,019)	—	(87,019)
At 30th June 2010	82,875	495,293	568,894	27,364	1,174,426

	Attributable to the equity holders of the Company			Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Other reserves HK\$'000 (Unaudited)		
At 1st January 2009	82,875	495,293	599,023	24,567	1,201,758
Total comprehensive income for the period	—	—	51,017	(1,969)	49,048
Pre-IPO Share Option Scheme — value of employee services	—	—	1,969	—	1,969
Dividend paid	—	—	(58,013)	—	(58,013)
At 30th June 2009	82,875	495,293	593,996	22,598	1,194,762

The notes on pages 7 to 16 are an integral part of this 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 Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK dollars") and has been approved for issue by the board of directors on 24th August 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 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"). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2009.

3 Accounting policies

The significant accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in preparing the annual financial statements for the year ended 31st December 2009 except for the adoption of the following relevant revised standards, amendments and interpretation to existing standards that are mandatory for the Group's accounting period beginning on 1st January 2010.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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	Distributions of Non-cash Assets to Owners

The following relevant new standard and amendments to existing standards have been issued but are not effective for the year ending 31st December 2010 and have not been early adopted:

HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The amendment to HKAS 17 "Leases", mandatory for accounting periods beginning on or after 1st January 2010, removes the 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 leases using the general principles of HKAS 17. This amendment has been applied retrospectively for annual periods beginning on 1st January 2010. 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 in Hong Kong as finance leases. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases. There has not been an effect on the retained earnings as a result of this amendment.

Notes to the Condensed Consolidated Interim Financial Information

3 Accounting policies (Continued)

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

	As reported HK\$'000	Reclassification HK\$'000	As restated HK\$'000
Consolidated statement of financial position as at 31st December 2009			
Leasehold land	48,412	(4,658)	43,754
Property, plant and equipment	75,227	4,658	79,885

Apart from the amendment to HKAS 17 "Leases", the adoption of the relevant revised standards, amendments and interpretation to existing standards has had no material effect on the interim financial information of the Group.

4 Revenues and segment reporting

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

	Six months ended 30th June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenues		
Sales of goods	1,858,194	979,052

(a) Segment information

	Six months ended 30th June 2010		Six months ended 30th June 2009	
	Revenues HK\$'000 (Unaudited)	Segment results HK\$'000 (Unaudited)	Revenues HK\$'000 (Unaudited)	Segment results HK\$'000 (Unaudited)
Hong Kong	1,584,295	9,293	837,678	49,104
China mainland	273,899	3,882	141,374	(272)
	1,858,194	13,175	979,052	48,832

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

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

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

Segment assets and segment liabilities comprise current assets (except for prepayment for leasehold land and assets classified as held for sale) and current liabilities respectively. Unallocated assets and unallocated liability comprise non-current assets and non-current liability respectively.

Notes to the Condensed Consolidated Interim Financial Information

4 Revenues and segment reporting (Continued)

(a) Segment information (Continued)

An analysis of the Group's segment assets and segment liabilities by operating segment is set out below:

	As at 30th June 2010		
	Hong Kong HK\$'000 (Unaudited)	China mainland HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Assets</i>			
Segment assets	1,394,749	123,732	1,518,481
Unallocated assets			129,002
Total assets			1,647,483
<i>Liabilities</i>			
Segment liabilities	419,181	51,439	470,620
Unallocated liability			2,437
Total liabilities			473,057

	As at 31st December 2009		
	Hong Kong HK\$'000 (Audited)	China mainland HK\$'000 (Audited)	Total HK\$'000 (Audited)
<i>Assets</i>			
Segment assets	1,436,179	107,958	1,544,137
Unallocated assets			131,264
Total assets			1,675,401
<i>Liabilities</i>			
Segment liabilities	369,070	54,702	423,772
Unallocated liability			2,952
Total liabilities			426,724

(b) Reconciliation of segment results

	Six months ended 30th June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Total segment results	13,175	48,832
Other income	1,271	2,754
Other gains, net	2,581	476
Finance costs	(2,812)	(1,236)
Profit before income tax	14,215	50,826

Notes to the Condensed Consolidated Interim Financial Information

5 Operating profit

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

	Six months ended 30th June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Amortisation of leasehold land	517	608
Bank interest income	(854)	(2,466)
Cost of inventories sold	1,782,388	897,763
Depreciation of property, plant and equipment	6,622	5,394
(Gain)/loss on disposal of property, plant and equipment	(900)	78
Provision/(reversal of provision) for inventories	18,994	(15,968)
Provision for impairment of trade receivables	13	3,900

6 Finance costs

	Six months ended 30th June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Interest on		
Loans against trust receipts	1,777	43
Short-term bank loan	1,035	1,193
	2,812	1,236

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 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	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Current income tax		
— Hong Kong profits tax	1,462	2,581
— China mainland corporate income tax	1,415	173
Deferred income tax	(1,339)	274
Income tax expense	1,538	3,028

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 period.

	Six months ended 30th June	
	2010 (Unaudited)	2009 (Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	10,119	49,865
Number of ordinary shares in issue ('000)	828,750	828,750
Basic earnings per share (Hong Kong cents per share)	1.22	6.02

(b) Diluted

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of 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.

Diluted earnings per share for the six months ended 30th June 2010 and 2009 are the same as the basic earnings per share as the outstanding options for the six months ended 30th June 2010 and 2009 are anti-dilutive.

9 Interim dividend

On 24th August 2010, the board of directors resolved to declare an interim dividend of HK1 cent per share for the six months ended 30th June 2010 (2009: HK1 cent per share) to shareholders of the Company whose name appears on the register of members of the Company on 10th September 2010. The interim dividend will be despatched on or around 16th September 2010. This interim dividend, amounting to HK\$8,287,000 (2009: HK\$8,287,000) 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 2010.

Notes to the Condensed Consolidated Interim Financial Information

10 Leasehold land

Six months ended 30th June 2010 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2010 (As previously reported)	48,412
Adoption of HKAS 17 (Amendment) (Note 3)	(4,658)
Opening net book amount as at 1st January 2010 (As restated)	43,754
Exchange difference	106
Reclassified as assets classified as held for sale (Note 14)	(16,916)
Amortisation	(517)
Closing net book amount as at 30th June 2010	26,427
Six months ended 30th June 2009 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2009 (As previously reported)	45,071
Adoption of HKAS 17 (Amendment)	(4,783)
Opening net book amount as at 1st January 2009 (As restated)	40,288
Exchange difference	101
Additions	4,456
Amortisation	(608)
Closing net book amount as at 30th June 2009	44,237

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

11 Property, plant and equipment

Six months ended 30th June 2010 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2010 (As previously reported)	75,227
Adoption of HKAS 17 (Amendment) (Note 3)	4,658
Opening net book amount as at 1st January 2010 (As restated)	79,885
Exchange difference	95
Additions	4,085
Depreciation	(6,622)
Closing net book amount as at 30th June 2010	77,443
Six months ended 30th June 2009 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2009 (As previously reported)	73,695
Adoption of HKAS 17 (Amendment)	4,783
Opening net book amount as at 1st January 2009 (As restated)	78,478
Exchange difference	109
Additions	8,196
Disposals	(186)
Depreciation	(5,394)
Closing net book amount as at 30th June 2009	81,203

Notes to the Condensed Consolidated Interim Financial Information

12 Available-for-sale financial asset

Available-for-sale financial asset at 30th June 2010 is an investment in an unlisted limited partnership formed under the laws of the Cayman Islands and its carrying value is denominated in United Kingdom Pounds.

There was no disposal on the available-for-sale financial asset in 2009 and for the six months ended 30th June 2010.

13 Trade and other receivables

	As at 30th June 2010 HK\$'000 (Unaudited)	As at 31st December 2009 HK\$'000 (Audited)
Trade receivables, net of provision	210,870	173,724
Prepayments to suppliers	16,563	16,121
Deposits	1,366	1,165
Other receivables	15,585	11,419
	244,384	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:

	As at 30th June 2010 HK\$'000 (Unaudited)	As at 31st December 2009 HK\$'000 (Audited)
0 to 30 days	161,820	136,308
31 to 60 days	30,301	31,331
61 to 90 days	11,190	4,410
Over 90 days	7,559	1,675
	210,870	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. The dispose transaction is expected to be completed within twelve months. Accordingly, the relevant leasehold land has been classified as assets held for sale and its carrying amount is presented separately in the condensed consolidated statement of financial position as at 30th June 2010.

Notes to the Condensed Consolidated Interim Financial Information

15 Share capital and share premium

	Number of ordinary shares	Nominal amount HK\$'000	
Authorised:			
As at 31st December 2009 and 30th June 2010	8,000,000,000	800,000	
	Number of ordinary shares	Share capital HK\$'000	Share premium HK\$'000
Issued and fully paid:			
As at 31st December 2009 and 30th June 2010	828,750,000	82,875	495,293

16 Trade and other payables

	As at 30th June 2010 HK\$'000 (Unaudited)	As at 31st December 2009 HK\$'000 (Audited)
Trade payables		
— third parties	105,414	82,527
— a related company	170	3,535
Prepayments from customers	105,584	86,062
Accrued expenses	33,674	20,295
	10,262	18,588
	149,520	124,945

Ageing analysis of trade payables is as follows:

	As at 30th June 2010 HK\$'000 (Unaudited)	As at 31st December 2009 HK\$'000 (Audited)
0 to 30 days	105,352	84,342
31 to 60 days	208	1,579
61 to 90 days	24	5
Over 90 days	—	136
	105,584	86,062

Notes to the Condensed Consolidated Interim Financial Information

17 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 2010 HK\$'000 (Unaudited)	As at 31st December 2009 HK\$'000 (Audited)
Within one year	742	666
In the second to fifth years inclusive	132	292
	874	958

(b) Capital commitments

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

	As at 30th June 2010 HK\$'000 (Unaudited)	As at 31st December 2009 HK\$'000 (Audited)
Contracted but not provided for:		
Leasehold land	—	7,015
Property, plant and equipment	264	1,049
	264	8,064

18 Related party transactions

(a) Transactions with related parties

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

		Six months ended 30th June	
	Note	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Income			
Management fee received from Genesis Alloys (Ningbo) Limited	(i)	39	39
Expense			
Purchases of goods from Genesis Alloys (Ningbo) Limited	(ii)	48,116	15,006
Purchases of raw materials from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd.	(iii)	25,471	33,124
Rental paid to Sonic Gold Limited	(iv)	240	240
Management fee paid to Niox Limited	(v)	417	608

18 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

- (i) The Group received a management fee from Genesis Alloys (Ningbo) Limited, a wholly-owned subsidiary of the Group's jointly controlled entity, pursuant to the terms of management 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 purchased goods from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd., a company held by certain directors of a non-wholly owned subsidiary, at price as agreed by both parties for each transaction.
- (iv) The Group paid rental expenses for directors' quarters to Sonic Gold Limited, at fixed sums as agreed by both parties. The Company's director, Ms Chan Yuen Shan, Clara is a director of Sonic Gold Limited, at fixed sums as agreed by both parties.
- (v) The Group paid a management fee to Niox Limited, a company held by certain directors of a non-wholly owned 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	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short term employee benefits	9,447	8,644
Post employment benefits — pension	114	114
Share-based compensation	—	1,564
	9,561	10,322

Overall Business Performance

Despite steady improvement since the first half of 2009, the pace of economic recovery remained sluggish in some European countries and the US, with high unemployment and low inflation being of concern. Strongest recovery has been seen in developing countries, especially those in Asia. In the first half of 2010, the Chinese economy, saw a stunning 11.1% increase in gross domestic product due to the stimulus spending package by the State. Based on a report released by the International Monetary Fund in July, world economy is expected to grow at the rate of 4.3% in 2011 compared to 4.6% this year, with China forecast at 9.6% and Asia as a whole at 6.8%. By comparison the forecast growth for advanced economies as a whole is 2.4% for 2011.

Riding on China's overall recovery trend, and our continually improving market penetration in domestic markets, LEE KEE has successfully increased tonnage sold to 86,520 metric tonnes from 65,540 metric tonnes for the corresponding period in 2009, representing a 32.0% year-on-year increase, while revenue increased to approximately HK\$1,858 million approximately from HK\$979 million over the same period.

During the first half of 2010, most base metal prices were on a downward trend, in particular SHG (Special High Grade) zinc and zinc alloy, which contributed around 70% of the Group's revenue. The zinc closing price quoted on the London Metal Exchange plunged from USD2,542 per metric tonne on 4 January, 2010 to USD1,759 per metric tonne on 30 June, 2010, a 31% drop over six months. The Group has improved its inventory management to better defend the gross profit margin against a volatile downward metal price environment, but such a hefty fall must inevitably have some adverse impact, especially compared with the same period last year, which was on an upward metal price trend. The gross profit reduced from approximately HK\$94.6 million to approximately HK\$54.5 million, and net profit attributable to the equity holders of the Company reduced from approximately HK\$49.9 million to approximately HK\$10.1 million over the interim period. Aluminium and copper prices have recorded a drop of 12% and 13% respectively. Nickel price on the other hand increased by 4%. In general, base metals were affected by concerns about Europe's debt and banking problems, cutbacks in government stimulus spending, slower growth in manufacturing and declining consumer confidence in the US and Europe.

In terms of efficiency, the Group has constrained the year-on-year increase in distribution and selling expenses to around 23.8%, despite a 32.0% year-on-year increase in tonnage sold, whilst administrative expenses have reduced by 15.4%, year-on-year.

Narrowing metal price differences between the London Metal Exchange and the Shanghai Metal Market, plus impressive growth in the PRC's consumption during the global recession, such as in the country's automotive industry, has confirmed that LEE KEE is excellently positioned to extend sales coverage and benefit from the PRC's huge potential in terms of future opportunities. The impressive growth in tonnage sold during the period under review is confirmation of the Group's ability to take on such a challenge.

Business Review

As a long established leader in metal supply-chain management, we specialise in the processing, sourcing and distribution of quality metals and act as a platform in serving both the import and domestic markets of die-casting zinc alloy and SHG zinc, die-casting aluminium alloy and ingot, nickel and related products, electroplating chemicals (including precious metal chemicals) and stainless steel. Leveraged on our IVAS (integrated value added service) model, we have established a unique one-stop facility to provide tailor-made service for our customers.

Despite concerns about economic growth and the drop in metal prices, our revenue and tonnage sold increased by 89.8% and 32.0% respectively over the corresponding period last year, primarily attributable to contributions from the domestic market and as a result of increased customer services. LEE KEE's zinc alloy sales volume in the Interim Period represented approximately 76% of the PRC's total zinc alloy import volume for the period under review. To meet the demand for a wider range of product specifications, we focused our procurement efforts on new suppliers in the PRC and overseas. In doing so, we also exercised tighter credit control over receivables to carefully select customers with which we are establishing long-term relationships.

Boasting a strong and diverse network of suppliers and quality customers, LEE KEE serves around 1,200 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. Growth in the domestic market has been focused on the manufacture of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts.

Management Discussion and Analysis

The Group has enhanced its creditability and reliability in product assurance by operating a metal testing laboratory through our wholly-owned subsidiary, Promet Metals Testing Laboratory Limited ("Promet"), which has been officially accredited by The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"). Promet yields a number of benefits to the Group by enhancing the efficiency of technical support, assuring quality of incoming materials from suppliers, and monitoring the efficiency of the Group's production plants and OEM subcontractors. In-house testing services provided by Promet reduce testing costs and turnaround time, which culminates in helping customers minimise their production downtime and operating costs. The value-added service initiated by Promet's testing service package through its chemical testing and certification for customers, is a powerful feature in differentiating LEE KEE from its competitors.

With our strategic sales and distribution centres positioned in Wuxi, Shenzhen and Guangzhou, we are poised to capture the consumption growth of China, with already an increase of 119% or HK\$76.1 million over the same period last year in revenue contributions from these centres.

In the first half of 2010, Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned zinc alloy production joint venture, produced approximately 7,240 tonnes of zinc alloy (first half of 2009: 6,230 tonnes) and contributed revenue of approximately HK\$43.8 million (first half of 2009: HK\$32.3 million) to the Group.

The Group's 60%-owned subsidiary, Foshan Nanhai Almax Non-Ferrous Metals Company Limited ("Almax"), which owns and operates an aluminium alloy processing plant in Nanhai, produced about 5,180 tonnes (first half of 2009: 3,470 tonnes) of aluminium alloy from scrap aluminium sourced from both the PRC and overseas suppliers. This contributed approximately HK\$90.4 million (first half of 2009: HK\$45.4 million) in revenue to the Group.

Benefiting from co-location with the Tai Po Technology and Logistic Centre and with operations extended to the PRC, Lee Yip Metal Products Company Limited ("Lee Yip"), a 70%-owned stainless steel processing and distribution operation, further reduced operational costs and was able to implement more market responsive logistic arrangements during the reporting period. Lee Yip sold 2,620 tonnes (first half of 2009: 2,230 tonnes) of stainless steel and contributed revenue of approximately HK\$62.3 million (first half of 2009: HK\$40.4 million) to the Group.

Prospects

Buoyed by the positive growth of the global and China markets, we are well positioned to capitalise on the forecast explosive consumption growth in the domestic market and new developments in product quality and environmental protection. Leveraging on our invaluable experience in the metal industry, vibrant financial setup, professional teamwork and sound operational structure, the Group will continue to fortify its sustainable development.

Supported by Promet's creditability and reliability on product assurance, the Group will continually evaluate its joint venture or partnership strategy in order to speed up the capturing of new production capabilities, and this development will be worked in conjunction with the footprint being established by our sales and distribution centres in Wuxi, Shenzhen and Guangzhou.

The Group will also continue to integrate the competitive edge of Promet in our service offering to capture robust business opportunities created by the development of domestic China markets.

Looking ahead, we plan to excel in the marketplace through innovative action, unrivalled customer service, a prudent approach to encourage both up and downstream developments and provide more comprehensive services to a growing customer base.

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 2010, the Group had unrestricted cash and bank balances of approximately HK\$616 million (31st December 2009: HK\$715 million) and bank borrowings of approximately HK\$301 million (31st December 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, with the gearing ratio (total borrowings to total equity) as at 30th June 2010 being 25.6% (31st December 2009: 22.4%). The Group has a current ratio of 327% (31st December 2009: 364%).

Management Discussion and Analysis

The Company had issued guarantees to the extent of approximately HK\$1,896 million to banks to secure general banking facilities of approximately HK\$1,733 million to certain subsidiaries and a jointly controlled entity, of which approximately HK\$301 million had been utilised as of 30th June 2010.

The Group constantly evaluates and monitors its risk exposure to the metals prices by reference to the market conditions. In order to control the exposure efficiently and to capitalize on price trends, the Group's management will continue to 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. The Group did not hedge against the foreign exchange risk.

Interim Dividend

The Board has resolved to declare an interim dividend of HK1 cent per share (first half of 2009: HK1 cent per share) to shareholders of the Company whose names appeared on the register of members of the Company on 10th September 2010. The dividend will be despatched on or around 16th September 2010.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 8th September 2010 to Friday, 10th September 2010, both days inclusive, during which period no transfers 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, 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 7th September 2010.

Employees

As at 30th June 2010, the Group had approximately 280 employees (first half of 2009: 240 employees) and the Group's 50%-owned joint venture, Genesis Ningbo, had approximately 50 employees (first half of 2009: 50 employees). Their remuneration, promotion and salary review assessments are 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 the Interim Period, staff cost (including directors' emoluments) was approximately HK\$18.07 million (first half of 2009: HK\$19.61 million).

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 2010, the interests and short positions of each Director and Chief Executive in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange under 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%
Ms. MA Siu Tao (Note 2)	Beneficiary	600,000,000	72.40%
Ms. CHAN Yuen Shan, Clara (Note 3)	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.
- Ms. CHAN Yuen Shan, Clara, the daughter of Mr. CHAN Pak Chung and an Executive Director and the Chief Executive Officer, is deemed to be interested in the 600,000,000 Shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.

(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)	Beneficial owner	Share option	4,705,860
	Family interest	Share option	3,862,740
Ms. MA Siu Tao (Note)	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

Note:

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.

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 2010, 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 2010, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Name of Shareholder	Capacity	Number of Ordinary Shares in which interested	Approximate percentage of issued Shares
Gold Alliance Global Service 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 2010, 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 2010, options granted on 15th September 2006 to 26 participants (including 3 Directors and 23 employees of the Group) to subscribe for a total of 20,881,890 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 2.45% 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:

<i>Maximum percentage of option exercisable</i>	<i>Period for exercise of the relevant percentage of the option</i>
33% of the total number of the options granted to any grantee	From the expiry of the first anniversary of 4th October 2006 (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 1st January 2010	Exercised/ Cancelled/ Lapsed during the period	As at 30th June 2010
Directors and Chief Executive of the Company	11,313,690	—	11,313,690
Employees of the Group	9,607,410	39,210	9,568,200
Total	20,921,100	39,210	20,881,890

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 2010.

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 best 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, 24th August 2010

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