

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)

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

Head Office and Principal Place of Business in Hong Kong

16 Dai Fat Street
Tai Po Industrial Estate
New Territories
Hong Kong

Website of the Company

www.leekeegroup.com

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
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Legal Advisers to the Company

As to Hong Kong Law:
Mallesons Stephen Jaques
37th Floor,
Two International Finance Centre
8 Finance Street
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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

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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 2011 (the "Interim Period") together with the comparative figures for the corresponding period ended 30th June 2010 as follows:

Condensed Consolidated Income Statement

For the Six Months Ended 30th June 2011

	Note	Six months ended 30th June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenues	5	1,693,312	1,858,194
Cost of sales		(1,617,539)	(1,803,744)
Gross profit		75,773	54,450
Other income		1,787	1,271
Distribution and selling expenses		(9,681)	(8,045)
Administrative expenses		(35,538)	(33,230)
Other gains, net		4,470	2,581
Operating profit	6	36,811	17,027
Finance costs	7	(4,732)	(2,812)
Profit before income tax		32,079	14,215
Income tax expense	8	(5,489)	(1,538)
Profit for the period		26,590	12,677
Profit attributable to:			
Equity holders of the Company		26,001	10,119
Non-controlling interests		589	2,558
		26,590	12,677
Earnings per share for profit attributable to the equity holders of the Company			
— basic and diluted (Hong Kong cents)	9	3.14	1.22
Interim dividend	10	8,287	8,287

The notes on pages 7 to 18 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30th June 2011

	Six months ended 30th June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Profit for the period	26,590	12,677
Other comprehensive income for the period:		
Exchange translation differences	1,096	336
Movement of available-for-sale financial assets revaluation reserve	2,180	(245)
Other comprehensive income for the period, net of tax	3,276	91
Total comprehensive income for the period	29,866	12,768
Total comprehensive income attributable to:		
Equity holders of the Company	29,277	10,113
Non-controlling interests	589	2,655
	29,866	12,768

The notes on pages 7 to 18 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30th June 2011

	Note	As at 30th June 2011 HK\$'000 (Unaudited)	As at 31st December 2010 HK\$'000 (Audited)
Non-current assets			
Leasehold land	11	16,314	16,522
Property, plant and equipment	12	60,054	59,672
Deferred income tax assets		1,462	1,225
Available-for-sale financial assets	13	39,235	37,773
		117,065	115,192
Current assets			
Inventories		1,017,365	816,361
Trade and other receivables	14	237,596	184,861
Prepayment for leasehold land		3,253	3,148
Income tax recoverable		730	272
Derivative financial instruments		3,942	—
Bank balances and cash		381,339	602,628
		1,644,225	1,607,270
Assets classified as held for sale	15	11,655	11,279
Total current assets		1,655,880	1,618,549
Total assets		1,772,945	1,733,741
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	82,875	82,875
Share premium	16	495,293	495,293
Other reserves		622,113	601,123
Proposed dividend		8,287	12,431
		1,208,568	1,191,722
Non-controlling interests		1,889	1,300
Total equity		1,210,457	1,193,022
Non-current liabilities			
Deferred income tax liabilities		3,312	2,971
Current liabilities			
Trade and other payables	17	182,593	136,563
Amount due to a joint venturer of a jointly controlled entity		412	396
Bank borrowings		367,088	390,433
Income tax payable		1,427	4,656
Derivative financial instruments		1,956	—
Amount due to non-controlling interests		5,700	5,700
		559,176	537,748
Total liabilities		562,488	540,719
Total equity and liabilities		1,772,945	1,733,741
Net current assets		1,096,704	1,080,801
Total assets less current liabilities		1,213,769	1,195,993

The notes on pages 7 to 18 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30th June 2011

	Six months ended 30th June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash used in operating activities	(181,193)	(31,503)
Net cash used in investing activities	(4,616)	(2,331)
Net cash used in financing activities	(35,776)	(65,893)
Net decrease in cash and cash equivalents	(221,585)	(99,727)
Exchange gains on cash and cash equivalents	296	123
Cash and cash equivalents at 1st January	602,628	715,387
Cash and cash equivalents at 30th June	381,339	615,783
Analysis of balances of cash and cash equivalents		
Bank balances and cash	381,339	615,783

The notes on pages 7 to 18 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 2011

	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 2011	82,875	495,293	613,554	1,300	1,193,022
Total comprehensive income for the period	—	—	29,277	589	29,866
Dividend paid	—	—	(12,431)	—	(12,431)
At 30th June 2011	82,875	495,293	630,400	1,889	1,210,457

	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

The notes on pages 7 to 18 are an integral part of this condensed consolidated interim financial information.

Notes to the 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 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 19th August 2011.

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 2011 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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 2010 except for the adoption of the Improvements to HKFRSs (2010) that are mandatory for the Group's accounting period beginning on 1st January 2011. The adoption of the improvements has had no material effect on the interim financial information of the Group.

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

The following relevant new standards and amendment to existing standard have been issued but are not effective for the year ending 31st December 2011 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 13	Fair Value Measurement

Notes to the Condensed Consolidated Interim Financial Information

4 Estimates

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group as at and for the year ended 31st December 2010.

5 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	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenues		
Sales of goods	1,693,312	1,858,194

(a) Segment information

	Six months ended 30th June 2011		Six months ended 30th June 2010	
	Revenues HK\$'000 (Unaudited)	Segment results HK\$'000 (Unaudited)	Revenues HK\$'000 (Unaudited)	Segment results HK\$'000 (Unaudited)
Hong Kong	1,395,679	31,057	1,584,295	9,293
China mainland	297,633	(503)	273,899	3,882
	1,693,312	30,554	1,858,194	13,175

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

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

Notes to the Condensed Consolidated Interim Financial Information

5 Revenues and segment reporting (Continued)

(a) Segment information (Continued)

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.

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

	As at 30th June 2011		
	Hong Kong	China	Total
	HK\$'000	mainland	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
<i>Assets</i>			
Segment assets	1,462,447	178,525	1,640,972
Unallocated assets			131,973
Total assets			1,772,945
<i>Liabilities</i>			
Segment liabilities	417,493	141,683	559,176
Unallocated liabilities			3,312
Total liabilities			562,488

Notes to the Condensed Consolidated Interim Financial Information

5 Revenues and segment reporting (Continued)

(a) Segment information (Continued)

	As at 31st December 2010		
	Hong Kong	China	Total
	HK\$'000	mainland HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
<i>Assets</i>			
Segment assets	1,500,217	103,905	1,604,122
Unallocated assets			129,619
Total assets			1,733,741
<i>Liabilities</i>			
Segment liabilities	494,728	43,020	537,748
Unallocated liabilities			2,971
Total liabilities			540,719

(b) Reconciliation of segment results

	Six months ended	
	30th June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total segment results	30,554	13,175
Other income	1,787	1,271
Other gains, net	4,470	2,581
Finance costs	(4,732)	(2,812)
Profit before income tax	32,079	14,215

Notes to the Condensed Consolidated Interim Financial Information

6 Operating profit

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

	Six months ended 30th June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Amortisation of leasehold land	225	517
Bank interest income	(1,378)	(854)
Cost of inventories sold	1,608,351	1,782,388
Depreciation of property, plant and equipment	6,617	6,622
Loss/(gain) on disposal of property, plant and equipment	14	(900)
Provision for inventories	7,006	18,994
Provision for impairment of trade receivables	—	13

7 Finance costs

	Six months ended 30th June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interest on		
Loans against trust receipts	3,556	1,777
Short-term bank loans	1,176	1,035
	4,732	2,812

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the 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.

Notes to the Condensed Consolidated Interim Financial Information

8 Income tax expense (Continued)

	Six months ended 30th June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Current income tax		
— Hong Kong profits tax	5,257	1,462
— China mainland corporate income tax	128	1,415
Deferred income tax	104	(1,339)
Income tax expense	5,489	1,538

9 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	
	2011 (Unaudited)	2010 (Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	26,001	10,119
Number of ordinary shares in issue ('000)	828,750	828,750
Basic earnings per share (Hong Kong cents per share)	3.14	1.22

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

Diluted earnings per share for the six months ended 30th June 2011 and 2010 are the same as the basic earnings per share as the outstanding options for the six months ended 30th June 2011 and 2010 are anti-dilutive.

Notes to the Condensed Consolidated Interim Financial Information

10 Interim dividend

On 19th August 2011, the board of directors resolved to declare an interim dividend of HK1 cent per share for the six months ended 30th June 2011 (2010: HK1 cent per share) to shareholders of the Company whose name appears on the register of members of the Company on 9th September 2011. This interim dividend will be despatched on or around 16th September 2011. This interim dividend, amounting to HK\$8,287,000 (2010: HK\$8,287,000) has not been recognised as a liability in this condensed consolidated interim financial information.

11 Leasehold land

Six months ended 30th June 2011 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2011	16,522
Exchange difference	17
Amortisation	(225)
Closing net book amount as at 30th June 2011	16,314
Six months ended 30th June 2010 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2010	43,754
Exchange difference	106
Reclassified as assets classified as held for sale (Note 15)	(16,916)
Amortisation	(517)
Closing net book amount as at 30th June 2010	26,427

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

Notes to the Condensed Consolidated Interim Financial Information

12 Property, plant and equipment

Six months ended 30th June 2011 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2011	59,672
Exchange difference	302
Additions	6,713
Depreciation	(6,617)
Disposal	(16)
Closing net book amount as at 30th June 2011	60,054
<hr/>	
Six months ended 30th June 2010 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2010	79,885
Exchange difference	95
Additions	4,085
Depreciation	(6,622)
Closing net book amount as at 30th June 2010	77,443

13 Available-for-sale financial assets

	As at 30th June 2011 HK\$'000 (Unaudited)	As at 31st December 2010 HK\$'000 (Audited)
Available-for-sale financial assets		
— equity securities, at fair value listed in Hong Kong	35,567	33,567
— unlisted limited partnership, at fair value	3,668	4,206
	39,235	37,773

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

Notes to the Condensed Consolidated Interim Financial Information

14 Trade and other receivables

	As at 30th June 2011 HK\$'000 (Unaudited)	As at 31st December 2010 HK\$'000 (Audited)
Trade receivables, net of provision	198,015	162,711
Prepayments to suppliers	22,084	5,550
Deposits	1,499	2,117
Other receivables	15,998	14,483
	237,596	184,861

The Group offers credit terms to its customers ranging from cash on delivery to 90 days. Trade receivables, based on invoice date, are aged as follows:

	As at 30th June 2011 HK\$'000 (Unaudited)	As at 31st December 2010 HK\$'000 (Audited)
0 to 30 days	154,244	126,177
31 to 60 days	32,144	28,476
61 to 90 days	11,267	5,405
Over 90 days	360	2,653
	198,015	162,711

15 Assets classified as held for sale

The balance of assets classified as held for sale as at 30th June 2011 and 31st December 2010 represent certain leasehold land in China mainland which is expected to be disposed of within twelve months. Accordingly, the relevant leasehold land has been classified as assets classified as held for sale and its carrying amount is presented separately in the consolidated statement of financial position as at 30th June 2011 and 31st December 2010.

Notes to the Condensed Consolidated Interim Financial Information

16 Share capital and share premium

	Number of ordinary shares	Nominal amount HK\$'000	
Authorised:			
As at 31st December 2010 and 30th June 2011	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 2010 and 30th June 2011	828,750,000	82,875	495,293

17 Trade and other payables

	As at 30th June 2011 HK\$'000 (Unaudited)	As at 31st December 2010 HK\$'000 (Audited)
Trade payables	154,150	86,725
Prepayments from customers	20,804	36,704
Accrued expenses	7,639	13,134
	182,593	136,563

Trade payables are aged as follows:

	As at 30th June 2011 HK\$'000 (Unaudited)	As at 31st December 2010 HK\$'000 (Audited)
0 to 30 days	152,266	86,665
31 to 60 days	1,742	60
61 to 90 days	1	—
Over 90 days	141	—
	154,150	86,725

Notes to the Condensed Consolidated Interim Financial Information

18 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 2011 HK\$'000 (Unaudited)	As at 31st December 2010 HK\$'000 (Audited)
Within one year	926	1,094
In the second to fifth years inclusive	840	1,144
	1,766	2,238

(b) Capital commitments

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

	As at 30th June 2011 HK\$'000 (Unaudited)	As at 31st December 2010 HK\$'000 (Audited)
Contracted but not provided for: Leasehold land and property, plant and equipment	28	4,361

19 Related party transactions

(a) Transactions with related parties

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

	Note	Six months ended 30th June 2011 HK\$'000 (Unaudited)	2010 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)	85,545	48,116
Purchases of raw materials from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd.	(iii)	—	25,471
Rental paid to Sonic Gold Limited	(iv)	240	240
Management fee paid to Niox Limited	(v)	—	417

Notes to the Condensed Consolidated Interim Financial Information

19 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 former non-wholly owned subsidiary (disposed of during the year ended 31st December 2010), at price as agreed by both parties for each transaction.
- (iv) The Group paid rental expenses for directors' quarters to Sonic Gold Limited, of which the Company's director, Ms Chan Yuen Shan, Clara is a director, at fixed sums as agreed by both parties.
- (v) The Group paid a management fee to Niox Limited, a company held by certain directors of a former non-wholly owned subsidiary (disposed of during the year ended 31st December 2010), at fixed sums pursuant to the management services agreement entered into between the Group's subsidiary and Niox Limited.

(b) Key management compensation

	Six months ended 30th June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Salaries and other short term employee benefits	9,981	9,447
Post employment benefits — pension	108	114
	10,089	9,561

Management Discussion and Analysis

Overall Business Performance

The global economy continued to show signs of volatility during the period under review, with a political standoff in the United States despite an urgent need to lift the debt ceiling, and its slower than expected recovery causing concern around the world. The crisis felt by the exceptional levels of sovereign debt in several European countries was a continuing issue, but the human and economic tragedy triggered by the Japanese earthquake and tsunami in March were totally unexpected. Japan is China's third largest export partner after the European Economic Union and the United States, and post-earthquake data has shown a decline in consumer demand caused by conservation of energy and moderation of consumption in solidarity with disaster victims. The massive destruction of infrastructure including key ports, and the disruptions to production means that Japan has suffered a severe negative impact on its export-oriented manufacturing sectors.

As a consequence exports from China have been adversely affected, with China's manufacturing purchasing managers' index falling from 53.8 points in March to 50.1 points in June, which reflected the overall downward performance in its automobile industry and manufacturing of consumer products such as watches.

In line with the market trends during the Interim Period, revenue reduced to approximately HK\$1,693 million from approximately HK\$1,858 million representing an 8.9% year-on-year decrease while volume sold by LEE KEE tumbled to 76,320 metric tonnes from 86,520 metric tonnes for the corresponding period in 2010, representing an 11.8% year-on-year decrease.

Despite such subdued global economic activity and the resultant drop in revenue, LEE KEE managed to raise its gross profit from approximately HK\$54.5 million to approximately HK\$75.8 million. Profit attributable to the equity holders of the Company substantially improved to approximately HK\$26.0 million over the Interim Period from approximately HK\$10.1 million of the corresponding period in 2010. The improvement was mainly achieved through its effective inventory management.

During the Interim Period, most base metals experienced a modest downward price trend. The closing price of zinc on the London Metal Exchange fell slightly to USD2,365 per metric tonne on 30th June 2011 from USD2,470 per metric tonne on 4th January, 2011, a drop of approximately 4.3%. Zinc's price trend was much more stable than for the same period in 2010, which reported a 31% drop from USD2,542 on 4th January 2010 to USD1,759 on 30th June 2010. Nickel and copper prices fell approximately 6.9% and 1.6% respectively but the aluminium price increased by approximately 1.9% over the six month period.

The gain made by the Group on entering metal futures contracts over this Interim Period was the reason for the increment on the "Other gains, net" whilst increases on the interest rate and bank borrowings explained the increase in finance costs.

Management Discussion and Analysis

Business Review

As a leading metal supply-chain management specialist with professional expertise and decades of experience, LEE KEE has established a unique IVAS (integrated value added services) by providing customized services to its customers through the processing, sourcing and distribution of quality metals, as well as serving both the import and domestic markets of non-ferrous and ferrous metals and electroplating chemicals.

Maintaining the leading position in quality metal supply-chain operations spanning processing, sourcing and distribution of quality metals, LEE KEE's zinc alloy sales volume for the period represented approximately 72% of the PRC's total zinc alloy import volume.

With an extensive base of customers and well established suppliers network, LEE KEE serves around 1,200 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia. The majority are foreign-invested entities in the Pearl River Delta region, primarily focusing on the manufacture of commercial products ranging from bathroom fittings, household hardware, toys and home appliances, to fashion accessories and automobile parts. LEE KEE's strategic sales and distribution centres in Wuxi, Shenzhen and Guangzhou allowed the Company to capture the consumption growth of China, contributing revenue of approximately HK\$270 million to the Group, up 95.7% over the same period last year and the proportion of revenue derived in China also increased from around 15% to 18%. During the Interim Period, the Group established another new office in Chengdu, to help solicit new customers in Western China and broaden the revenue sources of the Group. All such sales and distribution centres provided favourable facilities for LEE KEE to extend sales coverage and reap benefit from the PRC's huge potential in terms of future opportunities. The gloomy business situations during the period allowed the Group to better equip itself for business development, focus on improving its performance by leveraging streamlined upstream and downstream sales and distribution business and maintaining its usual strict cost control.

Accredited by The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"), LEE KEE's wholly-owned subsidiary Promet Metals Testing Laboratory Limited ("Promet"), benefits the Group by the provision of technical support, quality assurance of supplying materials as well as monitoring the efficiency of its production plants and original equipment manufacturer ("OEM") subcontractors. In addition to providing in-house testing services for the Group, Promet also provides other value added services including chemical testing and certification for customers. Rising above its competitors, Promet will continue improving the service scope of LEE KEE.

Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned zinc alloy production joint venture, produced approximately 8,060 tonnes of zinc alloy (first half of 2010: 7,240 tonnes) and contributed revenue of approximately HK\$27.9 million (first half of 2010: HK\$43.8 million) to the Group during the first half of 2011.

Domestic demand for zinc and aluminium alloys from the automobile industry was negatively affected by Japan's earthquake. Nevertheless, by fortifying its upstream development of OEM business in 2011, LEE KEE has successfully developed and approved a number of domestic OEM alloy suppliers to secure the supply of highly competitive quality alloys. To warrant the quality of LEE KEE's products, all OEM suppliers must comply with stringent requirements to attain the international standards in respect of production management, operating processes and quality control under the rigorous monitoring of its technical department.

Management Discussion and Analysis

Buoyed by 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”), LEE KEE’s 70%-owned stainless steel processing and distribution operation, continued to reduce operational costs and was able to adopt more market responsive logistic arrangements during the period. Lee Yip sold 2,550 tonnes (first half of 2010: 2,620 tonnes) of stainless steel, contributing revenue of approximately HK\$56.9 million (first half of 2010: HK\$62.3 million) to the Group.

Prospects

The aftermath of Japan’s earthquake and tsunami was severe, with industrial production suspended in many factories. The manufacturing sector in China suffered from falling exports, particularly during the second quarter of the year as a consequence. Nevertheless, exports to Japan will gradually recover due to the one-off nature of the natural disaster, and will be boosted by anticipated strong demand from rebuilding the stricken areas in Japan.

Riding on China’s burgeoning economic growth driven by domestic consumption, increasing rate of urbanization, and further infrastructure developments to perfect the railway and highway networks, LEE KEE is geared to capture the forecast strong domestic demand for metal processing products.

Priding itself on expertise in the metal industry, a solid financial bedrock, professional teamwork and sound operational structure, the LEE KEE Group will continue to fortify its future development. In addition to its sales and distribution centres in Wuxi, Shenzhen and Guangzhou, a new branch office in Chengdu, Western China, has been established through which the Group will be able to seize business opportunities presented within the district, while continuing to integrate the competitive edge of Promet in its service offerings. LEE KEE will also keep an eye on Eastern China to explore any opportunities that may arise in the future.

Looking ahead, LEE KEE is poised to rekindle its growth momentum once the global economy shows signs of resurgence, and will do so with the same vigour, devotion and vision with which LEE KEE developed its current unrivalled customer services, market intelligence, technical support, global sourcing ability and diversified group of loyal customers.

Liquidity, Financial Resources and Commodity Price Risk

The Group primarily finances its operation through internal resources, borrowings from banks and capital contributions from its shareholders. As at 30th June 2011, the Group had unrestricted cash and bank balances of approximately HK\$381 million (31st December 2010: HK\$603 million) and bank borrowings of approximately HK\$367 million (31st December 2010: HK\$390 million). The borrowings, which are short term in nature, were substantially made in Renminbi and United States dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 30th June 2011 was 30.3% (31st December 2010: 32.7%). The Group has a current ratio (current assets to current liabilities) of 296% (31st December 2010: 301%).

The Company had issued guarantees to the extent of approximately HK\$1,480 million to banks to secure general banking facilities of approximately HK\$1,406 million to certain subsidiaries, of which approximately HK\$367 million had been utilised as of 30th June 2011.

Management Discussion and Analysis

The Group constantly evaluates and monitors its risk exposure to the metals prices with reference to the market conditions. In order to control the exposure efficiently and to capitalize on price trends, the Group's management will employ appropriate operating strategies and set inventory levels accordingly. The inventory level was increased during the Interim Period which was mainly financed through internal resources. Accordingly, the inventories were increased with a similar extent of decrease in bank balances and cash.

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

Dividend

The Board has resolved to declare an interim dividend of HK1 cent per share (first half of 2010: HK1 cent per share) to shareholders of the Company whose names appeared on the register of members of the Company on 9th September 2011. The dividend will be paid on or around 16th September 2011.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 7th September 2011 to Friday, 9th September 2011, 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 6th September 2011.

Employees

As at 30th June 2011, the Group had approximately 160 employees and the Group's 50%-owned joint venture, Genesis Ningbo, had approximately 40 employees. Employees' remuneration, promotion and salary review are assessed on job responsibilities, work performance, professional experience 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 costs (including directors' emoluments) were approximately HK\$20.8 million (first half of 2010: HK\$19.6 million).

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 2011, the interests and short positions of each Director and Chief Executive in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the 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:

1. 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.
2. 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.
3. 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.

Disclosure of Interests

(II) Long Position in Underlying Shares of the Company

<u>Name of Director</u>	<u>Capacity</u>	<u>Description of equity derivatives</u>	<u>Number of underlying Shares</u>
Mr. CHAN Pak Chung (Note)	Beneficial owner	Share option	3,152,927
	Family interest	Share option	2,588,036
Ms. MA Siu Tao (Note)	Beneficial owner	Share option	2,588,036
	Family interest	Share option	3,152,927
Ms. CHAN Yuen Shan, Clara	Beneficial owner	Share option	1,839,211

Note:

Mr. CHAN Pak Chung and Ms. MA Siu Tao were granted options under the Pre-IPO Share Option Scheme to subscribe for 3,152,927 Shares and 2,588,036 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 2011, 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 2011, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

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 2011, 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 2011, options granted on 15th September 2006 to 24 participants (including 3 Directors and 21 employees of the Group) to subscribe for a total of 13,885,814 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 1.65% 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 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 2011	Exercised/ Cancelled/ Lapsed during the period	As at 30th June 2011
Directors and Chief Executive of the Company	7,580,174	—	7,580,174
Employees of the Group	6,345,036	39,396	6,305,640
Total	13,925,210	39,396	13,885,814

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 2011.

Purchase, Sale or Redemption of Shares

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

Corporate Governance

To the knowledge and belief of the Directors, 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 a certain extent, 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, 19th August 2011