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利記控股有限公司 Lee Kee Holdings Limited

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

CONNECTED TRANSACTION IN RELATION TO THE EXERCISE OF AN OPTION TO ACQUIRE 70% INTEREST IN LEE YIP METAL PRODUCTS COMPANY LIMITED

Independent financial adviser



CIMB

CIMB-GK Securities (HK) Limited

As disclosed in the Prospectus, pursuant to the Call Option Deed, Mr. Chan has granted to the Company an exclusive option for the Company to acquire up to all the equity interest in Lee Yip held by Mr. Chan at the time of the exercise of the Call Option. The Directors resolved to (subject to the approval of the Independent Shareholders being obtained at the Extraordinary General Meeting) exercise the Call Option to require Mr. Chan to sell to the Group the Option Equity, representing 70% of the issued share capital of Lee Yip.

Pursuant to the Call Option Deed, the purchase price of the Option Equity shall be the sum of the net asset value attributable to the Option Equity and all indebtedness owed by Lee Yip to Mr. Chan as at the Completion Accounts Date, which sum amounts to approximately HK\$33.4 million based on the unaudited accounts of Lee Yip as at 31 May 2007. The consideration shall be fully satisfied in cash.

Lee Yip is engaged in the distribution and processing of stainless steel. For the year ended 31 December 2006, Lee Yip recorded a turnover and a net profit attributable to shareholders of approximately HK\$178.0 million and HK\$16.8 million respectively.

Mr. Chan, as the settler of the P.C. Chan Family Trust, is deemed to be interested in approximately 72.29% of the issued share capital of the Company as at the date of this announcement and is therefore a connected person of the Company within the meaning of the Listing Rules. As such, the exercise of the Call Option constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements, by way of poll at the Extraordinary General Meeting, as set out in the relevant provisions of Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the exercise of the Call Option. CIMB-GK has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the exercise of the Call Option. A circular containing, among other things, further information on the exercise of the Call Option, further information of Lee Yip, the advice of CIMB-GK, the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the exercise of the Call Option, the notice convening the Extraordinary General Meeting and a proxy form will be despatched to the Shareholders in accordance with the provisions of the Listing Rules.

Mr. Chan and his associates will abstain from voting at the Extraordinary General Meeting.

BACKGROUND

As disclosed in the Prospectus, the Company and Mr. Chan entered in the Call Option Deed prior to the Listing Date pursuant to which Mr. Chan granted to the Company an exclusive option for the Company to acquire up to all the equity interest in Lee Yip held by Mr. Chan at the time of the exercise of the Call Option. Principal terms of the Call Option Deed are summarized below.

Principal terms of the Call Option Deed

- Date: 15 September 2006
- Parties: (1) Grantor : Mr. Chan
(2) Grantee : the Company
- Option Equity: 700,000 ordinary shares of HK\$1.00 each, representing 70% of the issued share capital of Lee Yip as at the date of this announcement.
- Exercise Period: Any time within one year from the Listing Date
- Purchase Price: The purchase price for the exercise of the Call Option shall be the higher of (i) Mr. Chan's original investment costs in Lee Yip, being HK\$14 million plus interest at 1.25% above HIBOR accruing from the period commencing on the respective dates of payment of such investment; and (ii) the sum equal to the net asset value attributable to the Option Equity and all indebtedness owed by Lee Yip to Mr. Chan, which sum is approximately HK\$33.4 million based on the unaudited accounts of Lee Yip as at 31 May 2007. The Purchase Price shall be fully satisfied in cash.
- Conditions: Exercise of the Call Option is conditional upon:
- i. the Shares having first commenced dealings on the Stock Exchange;
 - ii. compliance by the Company with all relevant provisions of the Listing Rules and its articles of association in respect of the exercise of the Call Option;
 - iii. all necessary consents for the exercise of the Call Option and the transfer of the Option Equity having been granted by third parties; and

- iv. Mr. Chan having complied in all material respects with the shareholders' agreement dated 16 November 2005, entered into among Mr. Chan, Lee Yip and another shareholder who is an independent third party and that Mr. Chan having performed in all material respects all of the covenants and agreements required to be performed by him under such shareholders' agreement.

Completion: Completion shall take place on or before the fifth day following the date on which the conditions mentioned above have been fulfilled or waived by the Company.

EXERCISE OF THE CALL OPTION

The Directors resolved to (subject to the approval of the Independent Shareholders being obtained at the Extraordinary General Meeting) exercise the Call Option to require Mr. Chan to sell to the Group the Option Equity.

Based on the unaudited accounts of Lee Yip as at 31 May 2007, the sum of the net asset value attributable to the Option Equity of approximately HK\$20.1 million and all indebtedness owed by Lee Yip to Mr. Chan of approximately HK\$13.3 million amounted to approximately HK\$33.4 million, which is higher than Mr. Chan's original investment costs in Lee Yip of approximately HK\$14 million. Accordingly, the purchase price of the Option Equity pursuant to the Call Option Deed shall be the sum of the net asset value attributable to the Option Equity and all indebtedness owed by Lee Yip to Mr. Chan of approximately as at the Completion Accounts Date. The purchase price of the Option Equity as calculated based on the unaudited accounts of Lee Yip as at 31 May 2007 represents a price earnings multiple of approximately 2.84 times of the audited net profit after taxation of Lee Yip for the year ended 31 December 2006.

INFORMATION OF LEE YIP

Lee Yip was incorporated in May 2005 and is principally engaged in the distribution and processing of stainless steel.

Set out below is the financial information of Lee Yip based on general accepted accounting principles adopted in Hong Kong for the period from 21 May 2005 (date of incorporation) to 31 December 2005 and the year ended 31 December 2006:

	For the year ended 31 December 2006 (Audited) HK\$'000	For the period from 21 May 2005 (date of incorporation) to 31 December 2005 (Audited) HK\$'000
Turnover	178,029	52,893
Profit before taxation	20,385	1,579
Profit after taxation	16,830	1,302
Net assets as at 31 December 2006 and 2005	16,131	2,302

Lee Yip was only established in May 2005. For the period from May to December 2005, Lee Yip recorded a turnover of approximately HK\$52.9 million. As production began to ramp up after the initial set up stage, Lee Yip recorded a significant increase in turnover in 2006, reporting a turnover of approximately HK\$178.0 million.

Upon Completion, Lee Yip will be owned as to 70% by the Company and will be accounted for as a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE EXERCISE OF THE CALL OPTION

The Group is principally engaged in the sourcing and distribution of non-ferrous metals, primarily zinc alloy and zinc, nickel and nickel-related products, aluminium alloy and aluminium, and other electroplating chemicals. The Group also provides related value-added and ancillary services from procurement of raw metal materials to after-sales services.

The Directors consider that the stainless steel business of Lee Yip forms part of the downstream sectors of a metal supply chain and therefore the acquisition of Lee Yip would enable the Group to expand its product offerings and enhance its cross selling capabilities. The Directors are also of the view that the acquisition of Lee Yip would not only allow the Group to benefit from synergy between the Group's existing business and that of Lee Yip but also enhance the Group's strategy of becoming an integrated supply chain company.

The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of CIMB-GK) also consider that the terms of the exercise of the Call Option (including the purchase price for the exercise of the Call Option) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole as Lee Yip is at an early stage of development, applying investment cost or net asset value as the basis for determining the purchase price is more relevant and is fair and reasonable. However, for reference purpose only, the implied price earnings multiple of the consideration is approximately 2.84 times of 2006 profits as for the exercise of the Call Option.

GENERAL

Mr. Chan, as the settler of the P.C. Chan Family Trust, is deemed to be interested in approximately 72.29% of the issued share capital of the Company as at the date of this announcement and is therefore a connected person of the Company within the meaning of the Listing Rules. As such, the exercise of the Call Option constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements, by way of poll at the Extraordinary General Meeting, as set out in the relevant provisions of Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the exercise of the Call Option. CIMB-GK has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the exercise of the Call Option Deed. A circular containing, among other things, further information on the exercise of the Call Option, further information of Lee Yip, the advice of CIMB-GK, the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the exercise of the Call Option, the notice convening the Extraordinary General Meeting and a proxy form will be despatched to the Shareholders in accordance with the provisions of the Listing Rules.

Mr. Chan and his associates will abstain from voting at the Extraordinary General Meeting.

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Call Option”	an exclusive option for the Company to acquire up to all the equity interest in Lee Yip held by Mr. Chan at the time of the exercise of such option
“Call Option Deed”	the call option deed dated 15 September 2006 entered into between the Company and Mr. Chan pursuant to which Mr. Chan has granted to the Company the Call Option
“CIMB-GK”	CIMB-GK Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities & Futures Ordinance
“Company”	Lee Kee Holdings Limited, an exempted company incorporated in the Cayman Islands and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the exercise of the Call Option
“Completion Accounts Date”	31 July 2007 (or such other date as the parties may agree), being the date on which the audited financial statements of Lee Yip are to be made up to for the purpose of Completion
“Director(s)”	director(s) of the Company as at the date of this announcement
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the exercise of the Call Option
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Chan, P.C. Chan Family Trust and their respective associates
“Lee Yip”	Lee Yip Metal Products Company Limited, a company incorporated in Hong Kong with limited liability, with its shareholding owned as to 70% by Mr. Chan and as to 30% by an independent third party
“Listing Date”	4 October 2006, being the date on which the Shares first commenced trading on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Chan”	Mr. Chan Pak Chung, the chairman of the Board and an executive Director
“Option Equity”	700,000 ordinary shares of HK\$1.00 each in Lee Yip, representing 70% of the issued share capital of Lee Yip, which are beneficially owned by Mr. Chan as at the date of this announcement
“P.C. Chan Family Trust”	an irrevocable discretionary trust set up by Mr. Chan as settler and HSBC International Trustee Limited as trustee which holds the entire issued share capital of Gold Alliance International Management Limited which in turn holds the entire issued share capital of Gold Alliance Global Services Limited which hold approximately 72.29% of the issued share capital of the Company as at the date of this announcement
“Prospectus”	the prospectus of the Company dated 21 September 2006
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board of
Lee Kee Holdings Limited
CHAN Yuen Shan, Clara
Executive Director

Hong Kong, 29 June 2007

As at the date of this announcement, the executive Directors are Mr. Chan Pak Chung, Ms. Chan Yuen Shan, Clara, Ms. Ma Siu Tao and Mr. Ng Tze For, the non-executive Director is Mr. William Tasman Wise and the independent non-executive Directors are Mr. Chung Wai Kwok, Jimmy, Mr. Leung Kwok Keung and Mr. Hu Wai Kwok.