

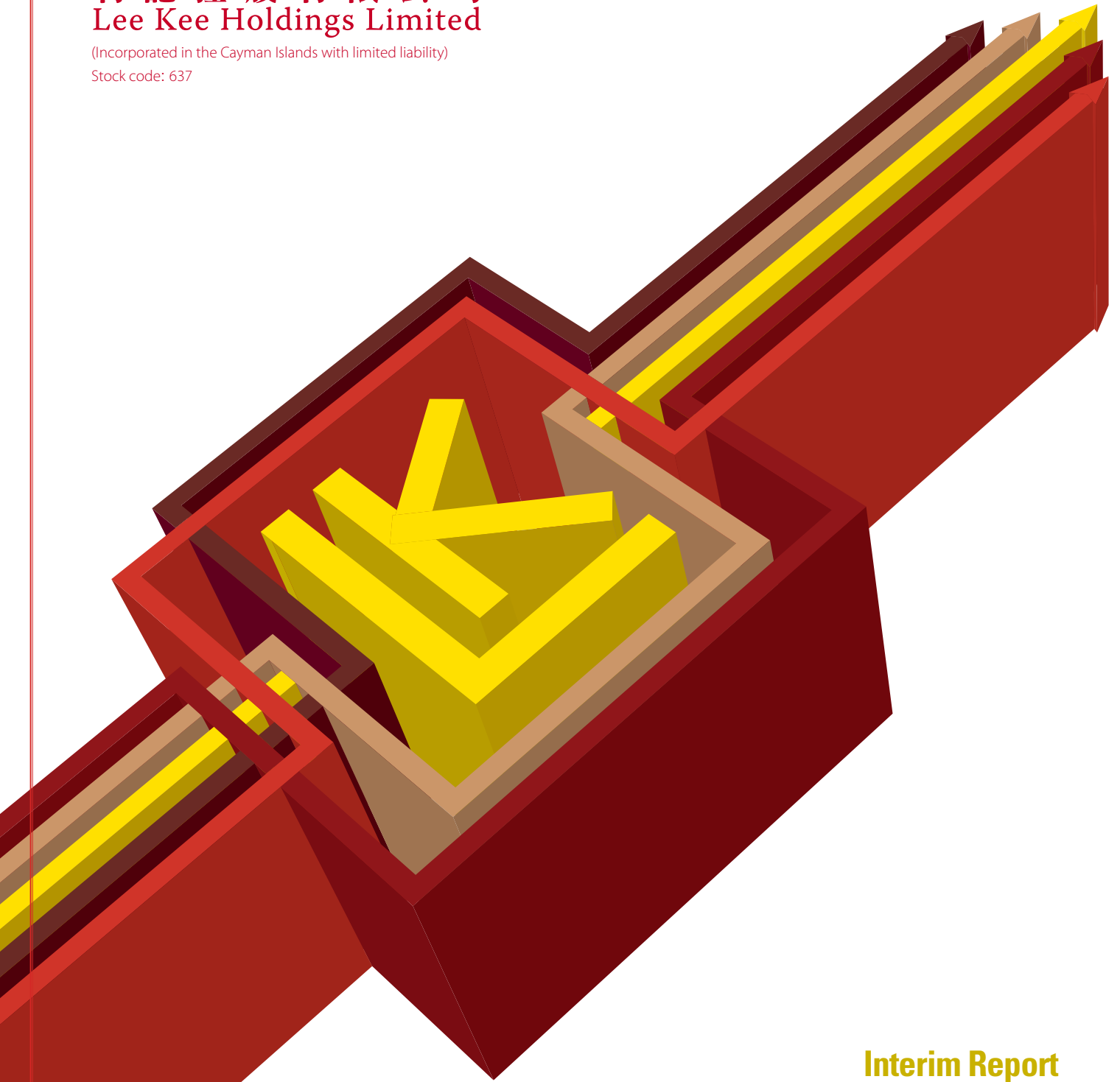


SINCE 1947

利記控股有限公司
Lee Kee Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 637



Interim Report
2009

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, Ugland 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

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, Hong Kong

Website of the Company

www.leekeegroup.com

Stock Code

637

Legal Advisers to the Company

As to Hong Kong Law:

Richards Butler

20th Floor, Alexandra House

16-20 Chater Road, Central

Hong Kong

As to Cayman Islands Law:

Maples and Calder Asia

1504 One International Finance Centre

1 Harbour View Street

Central

Hong Kong

Auditor

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor, Prince's Building

Central

Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking

Corporation Limited

Hang Seng Bank Limited

BNP Paribas Hong Kong Branch

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China

(Asia) Limited

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

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 2009 (the "Interim Period"), together with the comparative figures for the corresponding period ended 30th June 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2009

	Note	Six months ended 30th June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenues	4	979,052	2,407,162
Cost of sales		(884,423)	(2,345,153)
Gross profit		94,629	62,009
Other income		2,754	9,728
Distribution and selling expenses		(6,500)	(9,620)
Administrative expenses		(39,297)	(40,539)
Other gains/(losses), net		476	(635)
Operating profit	5	52,062	20,943
Finance costs	6	(1,236)	(7,256)
Profit before income tax		50,826	13,687
Income tax expense	7	(3,028)	(2,443)
Profit for the period		47,798	11,244
Profit attributable to:			
Equity holders of the Company		49,865	10,787
Minority interests		(2,067)	457
		47,798	11,244
Earnings per share for profit attributable to the equity holders of the Company			
– basic (Hong Kong cents)	8(a)	6.02	1.30
– diluted (Hong Kong cents)	8(b)	6.02	1.30
Interim dividend	9	8,287	8,287

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2009

	Six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	47,798	11,244
Other comprehensive income for the period:		
Exchange translation differences	369	3,949
Change in fair value of available-for-sale financial asset	881	–
Other comprehensive income for the period, net of tax	1,250	3,949
Total comprehensive income for the period	49,048	15,193
Total comprehensive income attributable to:		
Equity holders of the Company	51,017	14,736
Minority interests	(1,969)	457
	49,048	15,193

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2009

	Note	As at 30th June 2009 HK\$'000 (Unaudited)	As at 31st December 2008 HK\$'000 (Audited)
Non-current assets			
Leasehold lands	10	48,958	45,071
Property, plant and equipment	11	76,482	73,695
Deferred income tax assets		185	192
Available-for-sale financial asset	12	7,462	6,581
Prepayment for leasehold land		3,076	3,063
Prepayment for property, plant and equipment		-	321
		136,163	128,923
Current assets			
Inventories		331,775	221,615
Trade and other receivables	13	148,512	131,288
Income tax recoverable		2,581	10,798
Bank balances and cash		735,222	864,147
		1,218,090	1,227,848
Total assets		1,354,253	1,356,771
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	82,875	82,875
Share premium	14	495,293	495,293
Other reserves		585,709	541,010
Proposed dividend		8,287	58,013
		1,172,164	1,177,191
Minority interests		22,598	24,567
Total equity		1,194,762	1,201,758
Non-current liability			
Deferred income tax liabilities		2,471	2,203
Current liabilities			
Trade and other payables	15	95,003	72,607
Amount due to a joint venturer of a jointly controlled entity		310	292
Bank borrowings		54,821	74,206
Income tax payable		1,186	5
Amount due to minority interests		5,700	5,700
		157,020	152,810
Total liabilities		159,491	155,013
Total equity and liabilities		1,354,253	1,356,771
Net current assets		1,061,070	1,075,038
Total assets less current liabilities		1,197,233	1,203,961

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2009

	Six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/from operating activities	(41,915)	161,879
Net cash used in investing activities	(9,757)	(3,351)
Net cash used in financing activities	(77,398)	(11,930)
Net (decrease)/increase in cash and cash equivalents	(129,070)	146,598
Exchange gains on cash and cash equivalents	145	2,546
Cash and cash equivalents at 1st January	864,147	648,740
Cash and cash equivalents at 30th June	735,222	797,884
Analysis of balances of cash and cash equivalents		
Bank balances and cash	735,222	797,884

The notes on pages 7 to 15 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 2009

	Attributable to the equity holders of the Company				
	Share capital	Share premium	Other reserves	Minority interests	Total equity
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1st January 2009	82,875	495,293	599,023	24,567	1,201,758
Profit for the period	-	-	49,865	(2,067)	47,798
Other comprehensive income:					
Exchange translation differences	-	-	271	98	369
Change in fair value of available-for-sale financial asset	-	-	881	-	881
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

	Attributable to the equity holders of the Company				
	Share capital	Share premium	Other reserves	Minority interests	Total equity
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1st January 2008	82,875	495,293	600,136	6,970	1,185,274
Profit for the period	-	-	10,787	457	11,244
Other comprehensive income:					
Exchange translation differences	-	-	3,949	-	3,949
Total comprehensive income for the period	-	-	14,736	457	15,193
Pre-IPO Share Option Scheme – value of employee services	-	-	4,567	-	4,567
Capital injection by minority shareholder	-	-	-	7,533	7,533
At 30th June 2008	82,875	495,293	619,439	14,960	1,212,567

The notes on pages 7 to 15 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 activity of the Company and its subsidiaries (the "Group") is trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy, stainless steel and other electroplating chemical products in Hong Kong and China mainland.

The Company's shares were 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 26th August 2009.

2. Basis of preparation

This unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 2008.

3. Accounting policies

The significant accounting policies and method of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2008 except for the following relevant new or revised standards and amendment to existing standards that are mandatory for the Group's accounting period beginning on 1st January 2009:

- HKAS 1 (Revised), "Presentation of Financial Statements": The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements. This condensed consolidated interim financial information has been prepared under the revised disclosure requirements. This change in presentation has no effect on reported profit, total income and expenses or net assets for either period presented.
- HKFRS 8, "Operating Segments": HKFRS 8 replaces HKAS 14, "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group's most senior executive management that makes strategic decisions. The directors consider that the operating segments identified in accordance with HKFRS 8 do not differ materially from those previously disclosed under HKAS 14.
- HKFRS 7 (Amendment), "Financial Instruments: Disclosures": The amendment increases the disclosure requirements about fair value measurement and amends disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its consolidated financial statements for the year ending 31st December 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies (continued)

The following relevant new or revised standard and amendments to existing standards have been issued but are not effective for the year ending 31st December 2009 and have not been early adopted:

HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 31 (Amendment)	Interests in Joint Ventures
HKFRS 2 (Amendment)	Share-based Payments
HKFRS 3 (Revised)	Business Combinations
HKFRS 8 (Amendment)	Operating Segments

4. Revenues and segment reporting

The Group is principally engaged in 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. Revenues recognised during the period are as follows:

	Six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenues		
Sales of goods	979,052	2,407,162

(a) Segment information

	Six months ended		Six months ended	
	30th June 2009		30th June 2008	
	Revenues	Segment	Revenues	Segment
	HK\$'000	results	HK\$'000	results
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	837,678	49,104	2,232,514	15,767
China mainland	141,374	(272)	174,648	(3,917)
	979,052	48,832	2,407,162	11,850

Segment assets and segment liabilities comprise current assets and current liabilities respectively. Unallocated assets and unallocated liability comprise non-current assets and non-current liability respectively.

The segment information provided to chief operating decision-maker is measured in a manner consistent with that in the interim financial information.

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 are set out below:

	As at 30th June 2009		
	Hong Kong HK\$'000 (Unaudited)	China mainland HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Assets			
Segment assets	1,104,972	113,118	1,218,090
Unallocated assets			136,163
Total assets			1,354,253
Liabilities			
Segment liabilities	115,248	41,772	157,020
Unallocated liability			2,471
Total liabilities			159,491

As at 31st December 2008

	Hong Kong	China mainland	Total
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
Assets			
Segment assets	1,110,601	117,247	1,227,848
Unallocated assets			128,923
Total assets			1,356,771
Liabilities			
Segment liabilities	101,002	51,808	152,810
Unallocated liability			2,203
Total liabilities			155,013

(b) Reconciliation of segment results

	Six months ended 30th June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Total segment results	48,832	11,850
Other income	2,754	9,728
Other gains/(losses), net	476	(635)
Finance costs	(1,236)	(7,256)
Profit before income tax	50,826	13,687

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	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of leasehold lands	670	245
Bank interest income	(2,466)	(9,442)
Cost of inventories sold	897,763	2,382,505
Depreciation of property, plant and equipment	5,332	4,950
Loss/(gain) on disposal of property, plant and equipment	78	(26)
Reversal of provision for inventories	(15,968)	(40,583)
Provision for impairment of trade receivables	3,900	–

6. Finance costs

	Six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on		
Loans against trust receipts	43	5,638
Short-term bank loan	1,193	1,618
	1,236	7,256

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	2,581	2,724
– China mainland corporate income tax	173	87
Deferred income tax	274	(368)
Income tax expense	3,028	2,443

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	49,865	10,787
Weighted average number of ordinary shares in issue ('000)	828,750	828,750
Basic earnings per share (Hong Kong cents per share)	6.02	1.30

(b) Diluted

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

Diluted earnings per share for the six months ended 30th June 2009 and 2008 is the same as the basic earnings per share as there was no dilutive potential shares for the six months ended 30th June 2009 and 2008.

9. Interim dividend

On 26th August 2009, the board of directors resolved to declare an interim dividend of HK1 cent per share for the six months ended 30th June 2009 (2008: HK1 cent per share) to shareholders of the Company whose name appears on the register of members of the Company on 18th September 2009. The interim dividend will be paid on or around 30th September 2009. This interim dividend, amounting to HK\$8,287,000 (2008: 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 2009.

10. Leasehold lands

Six months ended 30th June 2009 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2009	45,071
Exchange difference	101
Additions	4,456
Amortisation	(670)
Closing net book amount as at 30th June 2009	48,958
Six months ended 30th June 2008 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2008	35,205
Exchange difference	912
Amortisation	(245)
Closing net book amount as at 30th June 2008	35,872

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. Property, plant and equipment

Six months ended 30th June 2009 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2009	73,695
Exchange difference	109
Additions	8,196
Disposals	(186)
Depreciation	(5,332)
Closing net book amount as at 30th June 2009	76,482
Six months ended 30th June 2008 (Unaudited)	HK\$'000
Opening net book amount as at 1st January 2008	39,056
Exchange difference	422
Additions	12,965
Disposals	(116)
Depreciation	(4,950)
Closing net book amount as at 30th June 2008	47,377

12. Available-for-sale financial asset

Available-for-sale financial asset at 30th June 2009 is an investment in an unlisted limited partnership incorporated in the Cayman Islands and its carrying value is denominated in United Kingdom Pounds.

There was no disposal or impairment on the available-for-sale financial asset in 2008 and for the six months ended 30th June 2009.

13. Trade and other receivables

	As at 30th June 2009 HK\$'000 (Unaudited)	As at 31st December 2008 HK\$'000 (Audited)
Trade receivables, net of provision	113,517	108,831
Prepayments to suppliers	19,054	7,191
Deposits	1,757	1,857
Other receivables	14,184	13,409
	148,512	131,288

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. Trade and other receivables (continued)

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 2009 HK\$'000 (Unaudited)	As at 31st December 2008 HK\$'000 (Audited)
0 to 30 days	92,174	57,503
31 to 60 days	12,394	20,504
61 to 90 days	4,866	15,648
Over 90 days	4,083	15,176
	113,517	108,831

14. Share capital and share premium

	Number of ordinary shares	Nominal amount HK\$'000	
Authorised:			
As at 31st December 2008 and 30th June 2009	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 2008 and 30th June 2009	828,750,000	82,875	495,293

15. Trade and other payables

	As at 30th June 2009 HK\$'000 (Unaudited)	As at 31st December 2008 HK\$'000 (Audited)
Trade payables		
– third parties	65,646	43,173
– a related company	1,132	1,300
	66,778	44,473
Deposits received	19,812	19,105
Accrued expenses	8,413	9,029
	95,003	72,607

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. Trade and other payables (continued)

Ageing analysis of trade payables is as follows:

	As at 30th June 2009 HK\$'000 (Unaudited)	As at 31st December 2008 HK\$'000 (Audited)
0 to 30 days	64,734	43,634
31 to 60 days	1,909	622
61 to 90 days	52	–
Over 90 days	83	217
	66,778	44,473

16. 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 2009 HK\$'000 (Unaudited)	As at 31st December 2008 HK\$'000 (Audited)
Within one year	454	1,972
In the second to fifth years inclusive	27	184
	481	2,156

(b) Capital commitments

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

	As at 30th June 2009 HK\$'000 (Unaudited)	As at 31st December 2008 HK\$'000 (Audited)
Contracted but not provided for:		
Leasehold lands and property, plant and equipment	7,322	13,500

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

	As at 30th June 2009 HK\$'000 (Unaudited)	As at 31st December 2008 HK\$'000 (Audited)
Contracted but not provided for:		
Property, plant and equipment	27	372

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. Related party transactions

(a) Transactions with related parties

During the period, the Group has the following significant related party transactions:

	Note	Six months ended 30th June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Income			
Management fee received from Genesis Alloys (Ningbo) Limited	(i)	39	39
Expense			
Purchase of goods from Genesis Alloys (Ningbo) Limited	(ii)	15,006	15,289
Purchase of raw materials from Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd.	(iii)	33,124	–
Rental paid to Sonic Gold Limited	(iv)	240	240
Rental paid to Modern Wealth Limited	(v)	–	313
Management fee paid to Niox Limited	(vi)	608	200

- (i) The Group received management fee from Genesis Alloys (Ningbo) Limited, a wholly-owned subsidiary of the Group's jointly controlled entity, pursuant to the terms of management services agreement entered into with the related company for the provision of operating support services at fixed monthly service fee.
- (ii) The Group purchased goods from Genesis Alloys (Ningbo) Limited at prices as agreed by both parties for each transaction.
- (iii) The Group 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, 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 rental expenses for warehouse and car parking spaces to Modern Wealth Limited, of which the Company's director, Mr Chan Pak Chung is a director, at fixed sums as agreed by both parties.
- (vi) The Group paid 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	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Salaries and other short term employee benefits	8,644	9,683
Post employment benefits – pension	114	87
Share-based payment	1,564	3,613
	10,322	13,383

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business Performance

The first half of 2009 was extremely challenging for the global economy in general and the business sector in particular. A deepening of the economic downturn since the latter part of last year has led to a severe economic recession. The slowdown in global consumer demand hit China mainland exports hard. After a significant drop in 2008, metal prices in general started to recover during the first half of 2009 but a large gap still remained when comparing to the first half of 2008.

During the reporting period, LEE KEE's tonnage sold shrank in line with market trends. The Group sold 61,330 metric tonnes of zinc and aluminium alloy, a 26.5% decrease compared with the same period last year. This lower volume, coupled with metal prices well below the corresponding period of 2008, meant that revenues of approximately HK\$979.05 million for the period under review fell short of approximately HK\$2,407.16 million generated during the first half of 2008 by 59.3%.

After the continual falling in 2008, base metal prices maintained an overall upward trend in the first half of 2009. Despite the subdued economic activity during the Interim Period, the Group still managed to increase its gross profit by 52.6% to approximately HK\$94.63 million from approximately HK\$62.01 million for the corresponding period in 2008. The net profit attributable to the equity holders of the Company increased by 3.6 times to approximately HK\$49.87 million from approximately HK\$10.79 million for the corresponding period in 2008. This result is principally attributable to improved inventory management, which enabled the Group to benefit more from inventory holding on rising metal prices and continual cost control. These have been strengths of the Group's management during recent times and will remain significant features of LEE KEE.

A relatively low interest rate during the period under review was the main reason for the reduction in interest income. In addition, a lower level of external financing for working capital, as a result of the reduction in metal prices and tonnage sold, further explains the reduction in interest expense.

Narrowing metal price differences between the LME and SMM, impressive growth in China consumption expenditure during the global recession, in particular the growth in the country's automotive industry, has confirmed that the Group has positioned itself correctly to extend its sales coverage in China to benefit from China's huge potential in terms of future domestic opportunities.

Business Review

LEE KEE is a long established leader in non-ferrous metal supply-chain management, specialising in the processing, sourcing and distribution of metal. The Group sources and distributes diecasting zinc alloy and SHG zinc, along with diecasting aluminium alloy and ingot, nickel and nickel-related products, electroplating chemicals (including precious metal chemicals such as silver, gold and rhodium) and stainless steel.

Along with the slowdown in global consumer demand and lower year-on-year metal prices, LEE KEE's total revenue and tonnage sold decreased by 59.3% and 26.9% respectively compared with the same period last year. However, by diversifying into new markets and differentiating from competitors through the provision of value-added services, extensive and enhanced distribution infrastructure to focus on customer service and superior delivery, LEE KEE maintained market leadership, with zinc alloy sales volume representing approximately 75% of the PRC's total zinc alloy import volume for the period under review.

With a diverse network of established suppliers, LEE KEE serves around 1,250 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 ("PRD") region, predominantly focused on the manufacture of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts.

To maintain competitive leadership, LEE KEE further enhanced its new marketing and servicing networks to boost market share and sales. For example, the Group's sales and distribution centres in Guangzhou, Wuxi and Shenzhen began to extend their presences in the domestic market to capitalise on domestic business growth and so contributed revenue of approximately HK\$63.72 million to the Group and continued to attract new customers.

In the first half of 2009, the Group continued to strengthen both upstream and downstream supply-chain activities. Genesis Alloys (Ningbo) Ltd. ("Genesis Ningbo"), the Group's 50%-owned zinc alloy production joint venture, produced approximately 6,230 tonnes of zinc alloy and contributed revenue of approximately HK\$32.27 million to the Group. The Group has been rationalising Genesis Ningbo's operations and optimising its financial structure.

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, was benefited from growth in the automotive industry and produced around 3,470 tons of aluminium alloy, contributing revenue approximately HK\$45.37 million to the Group during the Interim Period.

Lee Yip Metal Products Company Limited ("Lee Yip"), a 70%-owned stainless steel processing and distribution operation, whose operation was fully integrated into the Group, sold 2,230 tonnes of stainless steel and contributed revenue of approximately HK\$40.39 million to the Group during the period under review. The advantage of being under one roof at the Tai Po Technology and Logistic Center enabled Lee Yip to reduce operational costs and increase competitiveness by capitalising on cross-selling opportunities and implementing more market-responsive logistical arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Although the second half of 2009 will probably remain constrained, LEE KEE is well positioned to pursue growth and explore business opportunities. With well-trained personnel and a robust financial framework forming a sound operational bedrock, the Group has confidence in the future and the Company's ability to build prudently on its many strengths.

LEE KEE's Tai Po Technology and Logistic Center has enhanced and expanded customer service and reduced costs during these challenging times. The sales and distribution centres in Shenzhen, Wuxi and Guangzhou will expand LEE KEE's sales footprint and be benefitted from domestic market growth, especially in the Yangtze River Delta region.

Despite an uncertain market environment, LEE KEE will continue to develop core strengths and maintain a commitment to quality and continuous improvement, in line with the Group's ISO 9001:2000 certification.

The Group will continue to explore business opportunities presented by integration with Lee Yip and will optimize Almax's production efficiency to capitalise on opportunities in the automotive industry.

Looking ahead, LEE KEE plans to excel in the marketplace through unrivalled customer service, a prudent approach to upstream and downstream developments and by preparing to perform with renewed vigour when the global economy emerges from its current malaise.

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 2009, the Group had unrestricted cash and bank balances of approximately HK\$735.22 million (31st December 2008: HK\$864.15 million) and bank borrowings of approximately HK\$54.82 million (31st December 2008: HK\$74.21 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 2009 was 4.6% (31st December 2008: 6.2%). The Group has a current ratio of 775.8% (31st December 2008: 803.5%).

The Company had issued guarantees to the extent of approximately HK\$1,905.47 million to banks to secure general banking facilities of approximately HK\$1,669.52 million to certain subsidiaries and a jointly controlled entity, of which approximately HK\$54.82 million had been utilised as of 30th June 2009 (31st December 2008: HK\$74.21 million).

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 direction of price trends, the Group's management will 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 engage in any instrument to hedge against the foreign exchange risk.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (first half of 2008: HK1 cent) per share for the Interim Period to shareholders of the Company whose names appeared on the register of members of the Company on 18th September 2009. The dividend will be paid on or around 30th September 2009.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Friday, 18th September 2009 to Wednesday, 23rd September 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, 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 17th September 2009.

EMPLOYEES

As at 30th June 2009, the Group had approximately 150 employees and the Group's 50% owned joint venture, Genesis Ningbo, had approximately 50 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes. For the Interim Period, staff cost (including directors' emoluments) was approximately HK\$19.61 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 2009, 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 of a trust	600,000,000	72.40%

Notes:

- The 600,000,000 shares are held by Gold Alliance Global Services Limited ("GAGSL") whose entire share capital is held by Gold Alliance International Management Limited ("GAIML"), which is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung. Mr. CHAN Pak Chung is the settlor of the P.C. CHAN Family Trust and is deemed to be interested in the 600,000,000 shares held by GAGSL under the SFO.
- Ms. MA Siu Tao, the spouse of Mr. CHAN Pak Chung and an Executive Director, is deemed to be interested in the 600,000,000 shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.

(II) Long Position in Underlying Shares of the Company

Name of Director	Capacity	Description of equity derivatives	Number of underlying shares
Mr. CHAN Pak Chung (Note)	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 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 2009, 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 2009, 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 2009, 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 2009, options granted on 15th September 2006 to 28 participants (including 3 Directors and 25 employees of the Group) to subscribe for a total of 21,019,110 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 2.47% 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 the listing date on 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 Share Option Scheme were outstanding during the Interim Period:

Participant	Number of underlying shares		
	As at 1st January 2009	Exercised/ Cancelled/Lapsed during the period	As at 30th June 2009
Directors and Chief Executive of the Company	11,313,690	–	11,313,690
Employees of the Group	9,705,420	–	9,705,420
Total	21,019,110	–	21,019,110

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 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

To the knowledge of the Directors, they consider that the Company has applied the principles of the Code of Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange and to certain extent, of the recommended best practices thereof and are not aware of any non-compliance with the code provisions of the CG Code during the Interim Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the Model Code by the Directors during the Interim Period.

On behalf of the Board of Directors

CHAN Pak Chung

Chairman

Hong Kong, 26th August 2009