利記控股有限公司
Lee Kee Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2007

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 2007 (the "Interim Period"), together with the comparative figures for the corresponding period ended 30th June 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2007

		Six months ended 30th June	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**3,057,451**	2,405,654
Cost of sales		**(2,917,114)**	(2,047,323)
Gross profit		**140,337**	358,331
Other income		**16,967**	1,718
Distribution and selling expenses		**(7,854)**	(6,696)
Administrative expenses		**(37,479)**	(20,774)
Other (losses)/gains – net		**(56,197)**	7,110
Operating profit	*4*	**55,774**	339,689
Finance costs		**(9,643)**	(3,929)
Profit before income tax		**46,131**	335,760
Income tax expense	*5*	**(7,162)**	(59,412)
Profit for the period attributable to the equity holders of the Company		**38,969**	276,348
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (Hong Kong cents)	*6(a)*	**4.70**	46.06
– Diluted (Hong Kong cents)	*6(b)*	**4.66**	46.06
Interim dividend	*7*	**8,300**	–

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 30th June 2007

	Note	**As at 30th June 2007** ***HK$'000***	As at 31st December 2006 *HK$'000* (Audited)
Non-current assets			
Leasehold land		**23,066**	5,532
Property, plant and equipment		**31,057**	14,391
Deferred income tax assets		**109**	119
		54,232	20,042
Current assets			
Inventories		**761,368**	759,070
Trade and other receivables	*8*	**303,365**	244,646
Income tax recoverable		**–**	28
Bank balances and cash – unrestricted		**738,208**	727,554
		1,802,941	1,731,298
Total assets		**1,857,173**	1,751,340
Capital and reserves			
Share capital		**83,000**	83,000
Share premium		**496,574**	496,574
Other reserves		**675,734**	635,771
Proposed dividend		**8,300**	99,019
Total equity		**1,263,608**	1,314,364
Non-current liability			
Deferred income tax liabilities		**2,134**	2,015
Current liabilities			
Trade and other payables	*9*	**159,126**	126,143
Amount due to a related company		**–**	146
Bank borrowings		**385,049**	268,214
Income tax payable		**46,826**	40,458
Derivative financial instruments		**430**	–
		591,431	434,961
Total liabilities		**593,565**	436,976
Total equity and liabilities		**1,857,173**	1,751,340
Net current assets		**1,211,510**	1,296,337
Total assets less current liabilities		**1,265,742**	1,316,379

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated balance sheet as at 30th June 2007 and unaudited condensed consolidated income statement for the six months then ended and the related notes 1 to 9 are extracted from the Group's unaudited condensed consolidated interim financial statements for the six months ended 30th June 2007. These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("Main Board Listing Rules"). These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2006.

The unaudited condensed consolidated income statement for the six months ended 30th June 2006 of the Group and the notes thereof have been prepared using the principles of merger accounting as if the reorganisation undergone by the Group in preparation for the listing of the Company's shares had been completed since the beginning of the period.

2. ACCOUNTING POLICIES

The significant accounting policies and method of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2006 except for the adoption of interpretations which are relevant and effective for the year ending 31st December 2007 as set out below:

HK(IFRIC) – Int 8,	Scope of HKFRS 2
HK(IFRIC) – Int 9,	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10,	Interim Financial Reporting and Impairment

The adoption of the above interpretations did not result in substantial changes to the Group's accounting policies.

The following new standards and interpretations have been issued but are not effective for the year ending 31st December 2007 and have not been early adopted:

HKFRS 8,	Operating Segment
HK(IFRIC) – Int 11,	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12,	Service Concession Arrangements

3. REVENUE

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

	Six months ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**3,057,451**	2,405,654

4. OPERATING PROFIT

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

	Six months ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Amortisation of leasehold land	**182**	62
Bank interest income	**(16,699)**	(444)
Cost of inventories sold	**2,908,316**	2,045,198
Depreciation of property, plant and equipment	**1,440**	1,006
Loss/(gain) on disposal of property, plant and equipment	**27**	(266)
Loss on metal future trading contracts	**54,201**	385
Operating lease rental for land and buildings	**1,409**	1,949
Provision for inventories	**6,470**	–
Staff costs, including directors' emoluments	**23,808**	8,090

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Income tax on profits arising from operations in the Mainland China has been calculated on the estimated assessable profit for the period at the rates of income tax prevailing in the Mainland China.

	Six months ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**6,616**	58,361
– Mainland China enterprise income tax	**416**	–
– Over-provision in prior years	**–**	(56)
	7,032	58,305
Deferred income tax relating to the origination and reversal of temporary differences	**130**	1,107
Income tax expense	**7,162**	59,412

6. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the period ended 30th June 2007 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.

Basic earnings per share for the period ended 30th June 2006 is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares assuming the 599,999,999 shares of the Company issued on 15th September 2006, by way of the capitalisation issue, had been issued on 1st January 2006.

	Six months ended 30th June	
	2007	2006
Profit attributable to the equity holders of the Company (HK$'000)	**38,969**	276,348
Weighted average number of ordinary shares in issue ('000)	**830,000**	600,000
Basic earnings per share (Hong Kong cents)	**4.70**	46.06

(b) Diluted

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

	Six months ended 30th June 2007
Profit attributable to the equity holders of the Company (HK$'000)	38,969
Weighted average number of ordinary shares in issue ('000)	830,000
Adjustments for share options ('000)	6,883
Weighted average number of ordinary shares for diluted earnings per share ('000)	836,883
Diluted earnings per share (Hong Kong cents)	4.66

As there were no dilutive potential ordinary shares outstanding as at 30th June 2006, the diluted earnings per share for the six months ended 30th June 2006 is the same as the basic earnings per share of HK 46.06 cents.

7. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent per share (2006: Nil) for the six months ended 30th June 2007 to shareholders whose name appears on the register of members of the Company on 12th September 2007. The interim dividend will be paid on or around 18th September 2007.

8. TRADE AND OTHER RECEIVABLES

	As at 30th June 2007	As at 31st December 2006
	HK$'000	*HK$'000* (Audited)
Trade receivables, net of provision	**245,070**	191,308
Prepayments to suppliers	**45,496**	39,009
Deposits	**7,276**	9,976
Other receivables	**5,523**	4,353
	303,365	244,646

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

	As at 30th June 2007 HK$'000	As at 31st December 2006 HK$'000 (Audited)
0 to 30 days	**212,157**	173,667
31 to 60 days	**30,204**	16,100
61 to 90 days	**2,318**	1,388
Over 90 days	**391**	153
	245,070	191,308

9. TRADE AND OTHER PAYABLES

	As at 30th June 2007 HK$'000	As at 31st December 2006 HK$'000 (Audited)
Trade payables	**127,081**	77,664
Deposit received	**27,622**	35,851
Accrued expenses	**4,274**	12,354
Amount due to a joint venturer of a jointly controlled entity	**145**	274
Dividend payable	**4**	–
	159,126	126,143

The ageing analysis of trade payables is as follows:

	As at 30th June 2007 HK$'000	As at 31st December 2006 HK$'000 (Audited)
0 to 30 days	**126,726**	74,785
31 to 60 days	**309**	1
61 to 90 days	**44**	–
Over 90 days	**2**	2,878
	127,081	77,664

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business Performance

The first half of 2007 is proven to be a particularly challenging period for the Group owing to intense competitions from non-ferrous metal suppliers and producers in China. The volatile non-ferrous metal price, in particular prices of SHG zinc and zinc alloy which contributes around 76.3% of the Group's revenue, with an overall downward trend during the period has rendered significant drop of gain in inventory holding when compared to years 2005 and 2006. In order to mitigate the impact of the price volatility, the Group has also entered into metal futures and forward contracts during the period and as a result some of the holding gain was also hedged out. Under our existing hedging mechanism and Hong Kong Accounting Standards, loss incurred on such activities is recorded as "Other (losses)/gains-net" in the income statement.

Despite the adverse operating environment, the Group managed to grow its revenue to approximately HK$3,057.5 million for the first six months of 2007, a 27.1% increase over the corresponding period of 2006 (first half of 2006: approximately HK$2,405.7 million). The Group recorded gross profit of approximately HK$140.3 million and profit attributable to the equity holders of approximately HK$39 million, representing a decline of 60.8% and 85.9% respectively over the corresponding period of 2006. The Group also recorded an effective gross profit of approximately HK$86.1 million (first half of 2006: approximately HK$357.9 million) after taking into account the loss incurred on hedging activities of approximately HK$54.2 million (first half of 2006: approximately HK$0.4 million). Accordingly, the effective gross profit margin fell to 2.8% for the Interim Period.

The decrease was primarily due to the fact that the Group did not make any material gain in inventory holding with respect to non-ferrous metal products supplied by the Group (mainly SHG zinc and zinc alloy) during the first half of 2007. The Group normally maintains a strategic level of inventory with turnover of around 35 to 45 days. This practice had, in the past, enabled the Group to realise higher margins from its products under first-in first-out accounting treatment when worldwide non-ferrous metal prices increase. That explained the higher gross profit margins in the years 2005 and 2006. In the first half of 2007, the Group did not make any material net inventory holding gains as prices for SHG zinc and zinc alloy, which made up a substantial portion of products supplied by the Group, were highly volatile and on an overall downward trend. The price pressure arising from the keen competition in the PRC market further explained the decrease recorded in the effective gross profit margin.

Administrative expenses rose by 80.4% mainly due to the share-based payment of the share options for the first half of 2007, together with an increase in manpower especially in the area on project development.

Business Review

As a leading non-ferrous metal supply chain management group, LEE KEE specialises in metal processing, sourcing and distribution. The Group sources and distributes non-ferrous metals, primarily die-casting zinc alloy and SHG zinc, nickel and nickel-related products, die-casting aluminium alloy and aluminium ingot, and other electroplating chemicals. During the Interim Period, total tonnage sold by the Group fell by about 16.6% to around 85,000 metric tonnes during the first half of 2007 (first half of 2006: 102,000 metric tonnes) amongst the competitive environment in China. The decision by the Group to continue its tight credit control policy since the last quarter of 2006, amidst the relatively high metal price environment, also further explained the reduction in tonnage sold. In fact, the total tonnage of zinc alloy imports into China had dropped in the first half of 2007 due to the fact that some Chinese customers who were unable to absorb the high London Metal Exchange prices had switched to use lower-price domestic alloys.

Despite such unfavorable business environment, the Group has strengthened its leading market position in imported zinc alloy into China with our sales of zinc alloy making up approximately 83.4% of the total zinc alloy import volume of the country, higher than the 73.5% posted in the first half of 2006.

After an exceptional run up in 2006, zinc prices experienced significant volatility but were generally on the down trend during the first half of 2007. To counter this condition, the Group undertook several risk-management measures including placing back-to-back orders with suppliers once orders were made by customers and entering into futures and forward contracts in order to further reducing the time lag between transactions and mitigating the impact of volatile prices. The Group also took a series of internal measures in relation to monitoring and evaluating risk exposure to hedge against material price movements.

In addition to fluctuations of prices of non-ferrous metals, intense competition in China also posed challenges. Immediate measures taken by the management to address this issue included a thorough review of the Group's corresponding business strategies. The Group decided to speed up implementing three main growth initiatives: i) develop a comprehensive distribution network in China; ii) expand upstream and diversify downstream the metals supply chain; and iii) enhance value-added services and sourcing on the supply chain.

To broaden the Group's infrastructure for distribution in China, LEE KEE opened a sales and distribution centre in Shenzhen in March 2007 to cover markets in southern China. During the period, the Group has been resolving various administrative and operation bottlenecks and is on the way to smoothen the operations. The Group is currently awaiting approval for setting up a sales and distribution centre in Wuxi to capitalise on the growth potential in the Yangtze River Delta region. These moves will go towards realising LEE KEE's objective of capturing the immense opportunities that China's die-casting factories offer.

To expand upstream, the Group has initiated plans to boost its zinc alloy and aluminium alloy processing capacities. Its 50%-owned joint venture, Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), has decided to ram up its existing production capacity of 22,000 metric tonnes per annum to over 40,000 metric tonnes per annum by the fourth quarter of 2007. This will allow LEE KEE to better serve existing and new customers in the Yangtze River Delta region. For the aluminium alloy project, the Group has been actively identifying joint venture partnership and merger and acquisition opportunities. In the second quarter of 2007, the Group entered into agreements to acquire two pieces of land in Zhaoqing, Guangdong, with approximately 51,400 square metres, for establishing its own aluminium alloy processing facility. Construction work is scheduled for the second half of 2007. The production capacity of this plant is expected to reach 50,000 metric tonnes per annum.

To further enhance our Integrated Value Added Services, the Group has purchased analytical equipments which strengthen our technical support capability and offer better customer service in providing analytical services for various types of materials including zinc alloy, aluminium alloy and stainless steel.

During the period under review, the Group has begun setting up a logistics centre equipped with a chemical testing laboratory in Tai Po, which is expected to be opened by the fourth quarter of 2007. The new logistics centre will form an integral part of our supply chain model and enable the Group to offer more efficient logistics support as well as a comprehensive one-stop value-added services and technical support to customers in the region. On the supplier front, the Group obtained more favourable payment term from our suppliers. These solid relationships guaranteed stable and quality supply of non-ferrous metals to LEE KEE.

Prospects

China expansion initiatives that the Group has embarked on to strengthen its metal supply chain model will be the key growth driver going forward. With all the measures taken in the period under review to continue in the second half of 2007, a more substantial contribution from the Group's China operations is expected in 2008.

The operations in our Shenzhen centre will be gearing up to full swing toward the last quarter of 2007, and the opening of the sales and distribution centre in Wuxi by the end of 2007 will mark the broadening of the Group's distribution infrastructure. Towards this same objective, the Group is investigating the feasibility of establishing an office in western part of China, such as Chengdu, and should the plan proceed, it would be opened either by the fourth quarter of 2007 or first half of 2008.

Aiding the Group's upstream expansion, Genesis Ningbo will raise production capacity by the fourth quarter of 2007 to accommodate growing demand in the Yangtze River Delta region. The Group also expects to conclude examination of a merger and acquisition opportunity that would bolster aluminium alloy processing in the fourth quarter of 2007. Also, construction of the Zhaoqing aluminium alloy processing plant is expected to be completed by 2009. In fact, the price of aluminium is comparatively less volatile than those of many other non-ferrous metals whilst its demand has been increasing rapidly, the Group will seek to diversify its sales mix to include more aluminium and aluminium alloys to accommodate the economic dynamics.

On downstream expansion, the Company has obtained the shareholders' approval on 10th August 2007 to exercise the option to acquire 70% interest in Lee Yip Metal Products Company Limited, a company engaged in distribution and processing of stainless steel. The acquisition is expected to be completed in August 2007 which will immediately provide revenue contribution and expand the Group's product offerings complementing its core non-ferrous metals business. As demand for stainless steel products and processing continue to grow robustly in China, the Group is studying various opportunities and proposals to expand this business area.

For achieving more efficient logistics support, the Group's Tai Po logistics centre will be opened in the fourth quarter of 2007. An integral part of the Group's supply chain model, the centre features a chemical testing laboratory which will go towards providing comprehensive, one-stop value-added services and technical support to customers.

To enhance LEE KEE's supplier network, the management will continue to seek for new suppliers, both domestic and foreign, that are able to deliver quality products and present exclusive distribution rights in the Greater China region. With a strong commitment to its customers, the Group will strive at all times to be their preferred supplier of the highest value-add metal products and associated services.

With a flexible and strengthened distribution network in China and the new projects gradually coming in place in the year ahead, the management expects 2008 to be a more rewarding year for the Group. LEE KEE will continue to bolster its infrastructure to ensure it has the ability to capture the enormous opportunities ahead.

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 2007, the Group had unrestricted cash and bank balances of approximately HK$738.2 million (31st December 2006: HK$727.6 million) and bank borrowings of approximately HK$385.0 million (31st December 2006: HK$268.2 million). The borrowings, which are short term in nature, were substantially made in HK dollars and US dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 30th June 2007 was 30.5% (31st December 2006: 20.4%). The Group has a current ratio of 304.8% (31st December 2006: 398.0%).

The Group's capital expenditure as at 30th June 2007 but not yet incurred was approximately HK$24.1 million. The Company had issued guarantees to the extent of approximately HK$878.8 million to banks to secure general banking facilities of approximately HK$816.9 million to certain subsidiaries, of which approximately HK$385.0 million had been utilised as of 30th June 2007.

The Group adopted internal control systems, including hedging policies, to regularly evaluate and monitor the risk exposure in the metals price and formed a risk management committee to evaluate and monitor hedging activities. In order to minimise exposure to the risk of metals prices' fluctuation, the Group placed back-to-back orders with suppliers after receiving orders from customers whenever possible and engaged in hedging activities to control the Group's exposure (inventory level + pre-arrival buy-in volume – pre-dispatch sell-out volume) within a tolerance limit.

The Group's foreign exchange exposure was 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 per share to shareholders of the Company whose names appeared on the register of members of the Company on 12th September 2007. The dividend will be paid on or around 18th September 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 7th September 2007 to Wednesday, 12th September 2007, 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 Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 6th September 2007.

HUMAN RESOURCES

As at 30th June 2007, the Group had approximately 90 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, qualification, 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, the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share option granted or to be granted under the share option schemes and training schemes.

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 Main Board Listing Rules 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.

REVIEW OF UNAUDITED CONDENSED COSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the six months ended 30th June 2007 have been reviewed by the Company's Audit Committee, and PricewaterhouseCoopers, the Company's Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

*As at the date of this announcement, the Directors of the Company are Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan, Clara, Ms. MA Siu Tao, Mr. NG Tze For, Mr. William Tasman WISE, Mr. CHUNG Wai Kwok, Jimmy**, Mr. LEUNG Kwok Keung* and Mr. HU Wai Kwok*.*

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 22nd August 2007

* *Independent non-executive Directors*