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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)**

## CONTINUING CONNECTED TRANSACTION

On 20th March 2008, the Purchaser and the Supplier entered into the Raw Materials Supply Agreement in connection with the provision of raw materials (being scrap aluminum) by the Supplier to the Purchaser for a period from 1st May 2008 to 31st December 2010.

As at the date of this announcement, the Company holds 60% of the equity interest in the Purchaser through a wholly-owned subsidiary, namely Golden Knight, and the Supplier is an associate of the other substantial shareholder (as defined under the Listing Rules) of the Purchaser, namely 佛山市南海區萬興隆有色金屬有限公司 (Foshan Nanhai Wanxinglong Non-Ferrous Metals Company Limited) which holds 40% of the equity interest in the Purchaser. Each of the Supplier and the said substantial shareholder of the Purchaser is held as to 55% by Mr. He Jie Zhao and as to 45% by Mr. Zheng Yao Liang. The Supplier and the said substantial shareholder of the Purchaser are fellow subsidiaries. Accordingly, the Supplier is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules and the Transaction constitutes a continuing connected transaction for the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profit ratio) calculated in accordance with Chapter 14A of the Listing Rules in respect of the purchase price payable under the Raw Materials Supply Agreement is, on an annual basis, more than 2.5% and the maximum purchase price payable under the Raw Materials Supply Agreement is, on an annual basis, more than HK\$10,000,000, the Transaction is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee comprising the independent non-executive Directors has been established to consider and advise the independent Shareholders as to whether the terms of the Transaction are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in this respect.

So far as is known to the Directors, an associate of Mr. He Jie Zhao is interested in 380,000 Shares, representing approximately 0.046% of total issued share capital of the Company as at the date of this Announcement. Such associate of Mr. He Jie Zhao will, therefore, abstain from voting at the EGM in accordance with Rule 14A.18 of the Listing Rules.

A circular containing, among other things, details of the Raw Materials Supply Agreement and the Transaction, a letter of recommendation from the independent board committee to the independent Shareholders, a letter of advice from an independent financial adviser to the independent board committee and the independent Shareholders on the terms of the Raw Materials Supply Agreement, and a notice of the EGM, will be despatched to the Shareholders pursuant to the Listing Rules as soon as practicable.

On 20th March 2008, the Purchaser and the Supplier entered into the Raw Materials Supply Agreement in connection with the provision of raw materials (being scrap aluminum) by the Supplier to the Purchaser for a period from 1st May 2008 to 31st December 2010, details of which are as follows:

### **THE RAW MATERIALS SUPPLY AGREEMENT**

Date: 20th March 2008

Effective Period: From 1st May 2008 to 31st December 2010

Party A: The Supplier

Party B: The Purchaser, an indirect non-wholly owned subsidiary of the Company

Nature of Transaction: The Supplier will provide raw materials (being scrap aluminum) to the Purchaser

Conditions precedent: The Raw Materials Supply Agreement is conditional upon, among other things, the independent Shareholders' having approved the Raw Materials Supply Agreement and the Transaction in accordance with the Listing Rules

### **THE CONNECTED RELATIONSHIP BETWEEN THE PARTIES**

As at the date of this announcement, the Company holds 60% of the equity interest in the Purchaser through a wholly-owned subsidiary, namely Golden Knight, and the Supplier is an associate of the other substantial shareholder (as defined under the Listing Rules) of the Purchaser, namely 佛山市南海區萬興隆有色金屬有限公司 (Foshan Nanhai Wanxinglong Non-Ferrous Metals Company Limited) which holds 40% of the equity interest in the Purchaser. Each of the Supplier and the said substantial shareholder of the Purchaser is held as to 55% by Mr. He Jie Zhao and as to 45% by Mr. Zheng Yao Liang. The Supplier and the said substantial shareholder of the Purchaser are fellow subsidiaries. Accordingly, the Supplier is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules and the Transaction constitutes a continuing connected transaction for the Company under the Listing Rules.

### **ANNUAL CAPS AND BASIS OF DETERMINING THE ANNUAL CAPS**

It was agreed between the Supplier and the Purchaser that the prices of the raw materials to be provided by the Supplier under the Raw Materials Supply Agreement shall be determined in accordance with the prevailing market prices published and updated daily by an independent metal information provider that are widely referred to by the industry players in Guangdong Province, the PRC. Such independent metal information provider was established in 1995 and is one of China's premier providers of non-ferrous scrap metals information and provides scrap metal prices to its subscribers via internet at its website. The

quantities of the raw materials to be purchased by the Purchaser depend on the actual production needs of the Purchaser with reference to the sales forecast and production capacity of the Purchaser.

Pursuant to the Raw Materials Supply Agreement, the purchase price of the scrap aluminium shall be settled by the Purchaser within five days upon receipt of the scrap aluminium from the Supplier by way of bank transfer or tele-transfer.

In considering the annual caps for the Transaction, the Directors have considered a number of factors including: (i) the estimated quantities of scrap aluminum to be purchased during the period from 1st May 2008 to 31st December 2010; (ii) the existing scale of the Purchaser's operations and the anticipated growth of the Group; (iii) the general market forecast of aluminum in the next three years; and (iv) the recent increase in the prices of aluminum. In determining the annual cap for 2009, the Company has taken into account the pro rata factor and the fact that 2008 is the first year of operation of the Purchaser and expects a lower utilisation rate in the early stage. After the first year of operation, the Purchaser is estimated to have an increase of production in 2009, which in turn will affect the demand of the Group for scrap aluminium. Having considered the above factors, the Directors propose that the annual cap for the Transaction for each of the three years ending 31st December 2010 shall be approximately as follows:

#### **Annual cap for the Transaction**

For the year ending 31st December 2008	RMB217 million net tax
For the year ending 31st December 2009	RMB408 million net tax
For the year ending 31st December 2010	RMB413 million net tax

#### **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be sent to the Shareholders) consider that the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, the annual caps stated in this announcement are fair and reasonable, and the terms of the Raw Materials Supply Agreement and the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

The Purchaser was established in February 2008 to principally engage in the manufacturing of aluminum alloy. Scrap aluminium is one of the major raw materials used in manufacturing aluminum alloy. The Directors decided to purchase scrap aluminium from the Supplier pursuant to the Raw Materials Supply Agreement after considering the market standing, capabilities and experience of the Supplier. The Supplier was established in 1999 and has been focusing on the recycling of scrap metals since then. Both its management team and technical team are experienced in the industry. It, being one of the principal scrap metal suppliers at Foshan in Guangdong Province of the PRC, supplies scrap metals to many enterprises in Guangdong Province and other provinces in the PRC.

The Supplier was admitted as a qualified scrap metal processing company approved by the Ministry of National Environmental Protection (國家環保局核定七類定點加工資源再生利用企業) in the PRC and can process up to 100,000 tonnes of scrap metals annually.

## **GENERAL**

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 principal business activity of the Purchaser is manufacturing of aluminum alloy.

The Supplier is focusing on recycling of scrap metals and is principally engaged in the business of processing of scrap metals.

The Transaction involves the provision of goods which is carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and constitutes a continuing connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios (other than the profit ratio) calculated in accordance with Chapter 14A of the Listing Rules in respect of the purchase price payable under the Raw Materials Supply Agreement is, on an annual basis, more than 2.5% and the maximum purchase price payable under the Raw Materials Supply Agreement is, on an annual basis, more than HK\$10,000,000, the Transaction is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate value of the Transaction exceeds the relevant cap during each of the three years ending 31st December 2010, or when the Raw Materials Supply Agreement is renewed or where there are material changes to the terms of the Raw Materials Supply Agreement. The Company will also comply with the requirements under Rules 14A.37 to 14A.41 of the Listing Rules in relation to the Transaction.

An independent board committee comprising the independent non-executive Directors has been established to consider and advise the independent Shareholders as to whether the terms of the Transaction are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in this respect.

So far as is known to the Directors, an associate of Mr. He Jie Zhao is interested in 380,000 Shares, representing approximately 0.046% of total issued share capital of the Company as at the date of this Announcement. Such associate of Mr. He Jie Zhao will, therefore, abstain from voting at the EGM in accordance with Rule 14A.18 of the Listing Rules.

A circular containing, among other things, details of the Raw Materials Supply Agreement and the Transaction, a letter of recommendation from the independent board committee to the independent Shareholders, a letter of advice from an independent financial adviser to the independent board committee and the independent Shareholders on the terms of the Raw Materials Supply Agreement, and a notice of the EGM, will be despatched to the Shareholders pursuant to the Listing Rules as soon as practicable.

## DEFINITIONS

For the purposes of this announcement, capitalised terms appearing herein shall, unless the context otherwise admits, have the meanings set out below:

“Board”	the board of Directors
“Company”	Lee Kee Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 637)
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Raw Materials Supply Agreement and the Transaction
“Golden Knight”	GOLDEN KNIGHT (ASIA) COMPANY LIMITED, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	People’s Republic of China, for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	佛山市南海區利采隆有色金屬有限公司 (Foshan Nanhai Almax Non-Ferrous Metals Company Limited), a company incorporated in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, it is owned as to 60% by the Company through Golden Knight and as to 40% by an associate of the Supplier
“Raw Materials Supply Agreement”	an agreement dated 20th March 2008 entered into between the Supplier and the Purchaser in respect of the provision of raw materials (being scrap aluminium) to the Purchaser by the Supplier
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplier”

佛山市南海區萬興隆製品金屬有限公司 (Foshan Nanhai Wanxinglong Metal Manufacturing Co., Ltd.), a company incorporated in the PRC with limited liability. The shareholders and directors of the Supplier, namely Mr. He Jie Zhao and Mr. Zheng Yao Liang, are also directors of the Purchaser

“Transaction”

the provision of raw materials (being scrap aluminum) to the Purchaser by the Supplier pursuant to the Raw Materials Supply Agreement

By Order of the Board  
**CHAN Pak Chung**  
*Chairman*

Hong Kong, 20th March 2008

*As at the date of this announcement, the Executive Directors are Mr. Chan Pak Chung, Ms. Chan Yuen Shan, Clara, Ms. Ma Siu Tao, Mr. Ng Tze For and 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.*