利記控股有限公司
Lee Kee Holdings Limited

SINCE 1947

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2008

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 2008 (the "Interim Period"), together with the comparative figures for the corresponding period ended 30th June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June 2008

	Note	Six months ended 30th June **2008** ***HK$'000*** **(Unaudited)**	 2007 *HK$'000* (Restated)
Revenues	*3*	**2,407,162**	3,195,626
Cost of sales		**(2,345,153)**	(3,034,836)
Gross profit		**62,009**	160,790
Other income		**9,728**	16,966
Distribution and selling expenses		**(9,620)**	(8,906)
Administrative expenses		**(40,539)**	(40,386)
Other losses – net		**(635)**	(56,393)
Operating profit	*4*	**20,943**	72,071
Finance costs		**(7,256)**	(11,054)
Profit before income tax		**13,687**	61,017
Income tax expense	*5*	**(2,443)**	(10,029)
Profit for the period		**11,244**	50,988
Attributable to:			
Equity holders of the Company		**10,787**	47,383
Minority interests		**457**	3,605
		11,244	50,988
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (Hong Kong cents)	*6*	**1.30**	5.71
– Diluted (Hong Kong cents)	*6*	**1.30**	5.66
Interim dividend	*7*	**8,287**	8,300

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30th June 2008

	Note	**As at 30th June 2008** *HK$'000* **(Unaudited)**	As at 31st December 2007 *HK$'000* (Audited)
Non-current assets			
Leasehold land		**35,872**	35,205
Property, plant and equipment		**47,377**	39,056
Deferred income tax assets		**155**	127
Available-for-sale financial assets		**9,105**	4,852
		92,509	79,240
Current assets			
Inventories		**426,465**	596,870
Trade and other receivables	8	**279,480**	260,499
Income tax recoverable		**8,985**	9,675
Financial asset at fair value through profit or loss		**–**	7,853
Amount due from minority interests		**4,599**	–
Bank balances and cash		**797,884**	648,740
		1,517,413	1,523,637
Total assets		**1,609,922**	1,602,877
Capital and reserves attributable to the equity holders of the Company			
Share capital		**82,875**	82,875
Share premium		**495,293**	495,293
Other reserves		**611,152**	600,136
Proposed dividend		**8,287**	–
		1,197,607	1,178,304
Minority interests		**14,960**	6,970
Total equity		**1,212,567**	1,185,274
Non-current liability			
Deferred income tax liabilities		**1,679**	2,019
Current liabilities			
Trade and other payables	9	**141,838**	153,066
Amount due to a joint venturer of a jointly controlled entity		**274**	392
Bank borrowings		**242,644**	253,255
Income tax payable		**5,220**	3,171
Amount due to minority interests		**5,700**	5,700
		395,676	415,584
Total liabilities		**397,355**	417,603
Total equity and liabilities		**1,609,922**	1,602,877
Net current assets		**1,121,737**	1,108,053
Total assets less current liabilities		**1,214,246**	1,187,293

1 BASIS OF PREPARATION

These condensed consolidated interim balance sheet as at 30th June 2008 and condensed consolidated income statement for the six months ended 30th June 2008 and the related notes 1 to 9 are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2008. 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 unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2007.

On 31st August 2007, the Group completed the acquisition of the 70% equity interest in Lee Yip Metal Products Company Limited ("Lee Yip"), a company principally engaged in the trading of stainless steel, from Mr. Chan Pak Chung ("Mr. Chan"), a director and controlling shareholder of the Company, for a cash consideration of approximately HK$18,530,000 (the "Lee Yip Acquisition"). Since the Company and Lee Yip are both ultimately controlled by Mr. Chan immediately before and after the Lee Yip Acquisition, this condensed consolidated income statement for the six months ended 30th June 2007 of the Group and the notes thereof have been prepared using the principle of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the combination had occurred from the date when the combining activities first come under the control of Mr. Chan.

2 ACCOUNTING POLICIES

The significant accounting policies and method of computation used in the preparation of these unaudited condensed consolidated interim financial information is consistent with those used in the annual financial statements for the year ended 31st December 2007 except for the adoption of HK(IFRIC)-Int 11 "HKFRS 2 – Group and Treasury Share Transactions" which is relevant and effective for the year ending 31st December 2008. The adoption of this interpretation did not result in substantial changes to the Group's accounting policies.

The following standards, amendments and interpretation have been issued but are not effective for the year ending 31st December 2008 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Financial Instruments: Presentation
HK(IFRIC) – Int 13	Customer Loyalty Programmes

3 REVENUES

The Group is principally engaged in trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy, other electroplating chemical products and stainless steel in Hong Kong which accounts for more than 90 percent of the Group's revenues 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. Revenues recognised during the period are as follows:

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Revenues		
Sales of goods	**2,407,162**	3,195,626

4 OPERATING PROFIT

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

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Amortisation of leasehold land	**245**	182
Bank interest income	**(9,442)**	(16,686)
Cost of inventories sold	**2,382,505**	3,024,127
Depreciation of property, plant and equipment	**4,950**	1,494
(Gain)/loss on disposal of property, plant and equipment	**(26)**	27
Loss on metal future trading contracts	**–**	54,201
(Reversal of provision)/provision for inventories	**(40,583)**	7,970

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Income tax on profits arising from operations in the 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	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Current income tax		
– Hong Kong profits tax	**2,724**	9,483
– China mainland corporate income tax	**87**	416
	2,811	9,899
Deferred income tax relating to the origination and reversal of temporary differences	**(368)**	130
Income tax expense	**2,443**	10,029

6 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the period ended 30th June 2008 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	
	2008	2007
	(Unaudited)	(Restated)
Profit attributable to the equity holders of the Company (HK$'000)	**10,787**	47,383
Weighted average number of ordinary shares in issue ('000)	**828,750**	830,000
Basic earnings per share (Hong Kong cents)	**1.30**	5.71

(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 consideration as if all outstanding share options granted by the Company had been exercised.

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Restated)
Profit attributable to the equity holders of the Company (HK$'000)	**10,787**	47,383
Weighted average number of ordinary shares in issue ('000)	**828,750**	830,000
Adjustments for share options ('000)	**–**	6,883
Weighted average number of ordinary shares for diluted earnings per share ('000)	**828,750**	836,883
Diluted earnings per share (Hong Kong cents)	**1.3**	5.66

Diluted earnings per share for the six months ended 30th June 2008 is the same as the basic earnings per share as the potential shares arising from the share options outstanding during the period are anti-dilutive.

7 INTERIM DIVIDEND

On 10th September 2008, the Board resolved to declare an interim dividend of HK1 cent per share for the six months ended 30th June 2008 (2007: HK1 cent per share) to shareholders of the Company whose name appears on the register of members of the Company on 3rd October 2008. The interim dividend will be paid on or around 15th October 2008. This interim dividend, amounting to HK$8,287,000 (2007: HK$8,300,000) has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year to 31st December 2008.

8 TRADE AND OTHER RECEIVABLES

	As at 30th June 2008 *HK$'000* (Unaudited)	As at 31st December 2007 *HK$'000* (Audited)
Trade receivables, net of provision	**247,288**	237,069
Prepayments to suppliers	**4,353**	2,069
Deposits	**5,222**	5,288
Other receivables	**22,617**	16,073
	279,480	260,499

The Group generally offers 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 2008 *HK$'000* (Unaudited)	As at 31st December 2007 *HK$'000* (Audited)
0 to 30 days	**188,263**	194,201
31 to 60 days	**41,445**	31,857
61 to 90 days	**10,603**	6,806
Over 90 days	**6,977**	4,205
	247,288	237,069

9 TRADE AND OTHER PAYABLES

	As at 30th June 2008 *HK$'000* (Unaudited)	As at 31st December 2007 *HK$'000* (Audited)
Trade payables	**105,851**	112,684
Deposit received	**28,114**	27,631
Accrued expenses	**7,873**	12,751
	141,838	153,066

The ageing analysis of trade payables is as follows:

	As at 30th June 2008 *HK$'000* (Unaudited)	As at 31st December 2007 *HK$'000* (Audited)
0 to 30 days	**95,796**	111,414
31 to 60 days	**5,387**	964
61 to 90 days	**3,512**	–
Over 90 days	**1,156**	306
	105,851	112,684

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business Performance

The first half of 2008 was a challenging time for most companies involved in the metals industry, and Lee Kee was no exception. The period under review felt the global impact of the slowdown in the US economy, the general tightening of credit in the PRC and elsewhere, and a more cautious approach to spending by consumers. Metal prices fell across the board despite reasonable demand from China. In the context of the above gloomy economic environment it was no surprise that during this Interim Period, the manufacturing sector in the PRC received fewer orders from the US than during the corresponding period last year. Despite this depressing influence on Lee Kee's major customer base, the actual tonnage sold by the Group was maintained at a very respectable level, largely due to the diverse market segments and loyal core of customers Lee Kee has built up over many years.

During the reporting period, the Group continued to focus on expanding sales by differentiating itself from competitors through its full range of value-added services and extensive distribution infrastructure. By exercising stringent cost controls, strengthening the Group's logistic arrangements (so that the average inventory level was further reduced from 35 days in the first half of 2007 to 33 days in the first half of 2008), and adjusting the stock-pricing mechanism to be more market responsive, the inventory holding loss expected during a period of falling metals prices was reasonably contained. Benefitting from an extensive customer network built up over several decades, the Group sold approximately 85,180 metric tonnes of zinc and aluminium alloy, an increase of 3.8% over the same period last year. Revenue for the period was approximately HK$2,407.2 million (first half of 2007: approximately HK$3,195.6 million), while profit attributable to the equity holders of the Company was HK$10.79 million (first half of 2007: approximately HK$47.38 million).

Inheriting the downward trend of year 2007, prices of SHG zinc and zinc alloy, which made up a substantial portion of products supplied by the Group, remained volatile during the reporting period. While the amplitude of price fluctuations of SHG zinc and zinc alloy was smaller than the first half of 2007, prices stayed on a downward trend for a longer period, thereby impacting the profit margins of the industry for a longer time. As a result of this "lower prices for longer" effect, the impact on profit margin was more severe than during the corresponding period last year, despite, the outcome being reasonably well contained. By comparison, the first half of year 2007 actually saw an inventory holding gain, due to a sustained period when zinc prices were on an upward path, despite the overall downward price outcome for the six months. In the period under review the Group recorded a gross profit of approximately HK$62.0 million compared to approximately HK$160.8 million in the corresponding period in 2007.

In order to mitigate the impact of the metal price fluctuations, Lee Kee has now taken a more long-term approach by enhancing the market-responsiveness of the Group's logistic arrangements and stock-pricing mechanism, rather than solely relying on financial instruments, which the Group mainly used in the first half of year 2007. While the enhancement of market-responsive logistic arrangements and stock-pricing mechanisms began to bear fruit during the first half of 2008 and some cushioning of price volatility has been observed over the past half year, the management believes that a long-term positive effect will be more apparent towards the end of 2008.

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 die-casting zinc alloy and SHG zinc, nickel and nickel-related products, die-casting aluminium alloy and aluminium ingot, electroplating chemicals (including chemicals of precious metals such as silver, gold and rhodium) and stainless steel. Lee Kee was accredited with ISO 9001:2000 certification at the beginning of 2008 for a number of its operations, including sales and marketing, shipping and transportation, warehouse management and logistics, in recognition of its achievement of international standards in these categories.

Lee Kee's major market, the PRC, experienced a very tough operating environment during the first half of 2008. Not only was it affected by the slowing U.S. economy, it was also subjected to forces of nature including unprecedented snowstorms and earthquakes, together with changes to government policies on bank credit and labour law, both of which affected the manufacturing sector. Lee Kee's sales to the PRC market were inevitably reduced, though with its well established customer network, total tonnage sold suffered only a slight decrease, and in fact sales of aluminium alloy and ingot actually increased. During the reporting period, Lee Kee maintained its dominant market leadership position in terms of zinc alloy imported into the PRC market, with Lee Kee sales of zinc alloy making up approximately 79% of the PRC's total zinc alloy import volume.

Lee Kee has over 1,250 customers located in the Greater China Region, Vietnam, Indonesia, Thailand, Singapore and Malaysia. The majority of these customers are foreign-invested entities located in the Pearl River Delta region, being mainly manufacturers of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts. Because of the diversity of its customers, Lee Kee suffered less than its peers as a result of the U.S. economic slowdown.

In light of market competition, Lee Kee has been actively building its marketing and servicing networks in order to maintain and expand its market share. The Group's sales and distribution centre at Wuxi commenced full trading activities in the second quarter this year, after having obtained all relevant government approvals. This is the Group's second sales and distribution centre in the PRC after the Shenzhen sales and distribution centre, and is part of Lee Kee's strategic move to capitalise on the growth potential in the Yangtze River Delta region through the local automotive, electrical appliances and household hardware sectors. The Group is setting up a third sales and distribution centre at Guangzhou, which is currently awaiting government approvals and is expected to commence full trading activities within the second half of 2008.

During the period under review, the Group continued its endeavours to expand its upstream and downstream supply chain activities. Capacity expansion at Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"), the Group's 50%-owned joint venture in zinc alloy processing, was recently completed and the plant is expected to reach its new capacity of 60,000 tonnes per annum by the end of 2008. During the first half of 2008, Genesis Ningbo produced approximately 11,880 metric tonnes of zinc alloy and contributed a revenue of approximately HK$98.6 million to the Group.

The Group's new 60%-owned subsidiary, Foshan Nanhai Almax Non-Ferrous Metals Company Limited, which owns and operates the aluminium alloy processing plant in Nanhai, recently completed its initial stage of capital injection.

Production and sales from Lee Yip, a 70%-owned stainless steel processing and distribution operation acquired in August 2007, were smooth and enhanced the Group's cross-selling capabilities. Lee Yip contributed a revenue of HK$95.5 million to the Group during the reporting period.

The Group's newly established Tai Po logistics and technical centre is currently undergoing its final phase of renovation and is expected to be fully operational in the fourth quarter of 2008. The centre will form a pivotal part of the Group's supply chain and will enable the Group to offer more efficient logistics support and one-stop value-added services to its customers, as well as reducing storage costs for the Group itself.

Prospects

The second half of 2008 will continue to be a challenging period for the Group and for the metals industry as a whole. Although the Beijing Olympic Games may have given a new enthusiasm to the growth of certain sectors, in macro economic terms the growth of the world's economies, including the PRC economy, is expected to remain modest. The Lee Kee management team has great confidence in the future of the Company, but at the same time will continue to take a prudent and careful approach in managing and building the Group's various operations.

Lee Kee's Tai Po logistics and technical centre will enhance services to customers and contain costs during difficult times. The new sales and distribution centres in Shenzhen, Wuxi, and very soon in Guangzhou, will improve Lee Kee's ability in expanding sales and customer coverage in nearby areas. The expanded zinc alloy processing plant at Genesis Ningbo will serve as new growth area for the future.

Lee Kee will continue to develop its core strengths, and maintain its commitment to quality assurance and continued improvement under the ISO 9001:2000 certification; with a view to excelling in the marketplace with its unrivalled customer service.

With a fine team of well-trained employees aligned and committed to the Company strategy of expanding and developing throughout the PRC, Lee Kee is well prepared to face the inevitable challenges of business life and to provide satisfaction to all its shareholders.

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 2008, the Group had unrestricted cash and bank balances of approximately HK$798 million (31st December 2007: HK$649 million) and bank borrowings of approximately HK$243 million (31st December 2007: HK$253 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 2008 was 20.0% (31st December 2007: 21.4%). The Group has a current ratio of 383.5% (31st December 2007: 366.6%).

The Company had issued guarantees to the extent of approximately HK$1,673 million to banks to secure general banking facilities of approximately HK$1,567 million to certain subsidiaries, of which approximately HK$243 million had been utilised as of 30th June 2008.

The Group constantly evaluates and monitors the risk exposure to the metals price. The Group has introduced new stock-price mechanisms during this interim period, which in effect can shorten the period between fixing of purchase price (priced-in) and fixing of selling price (priced-out) of the products, in order to enhance the Group's ability to manage the exposure to the metal price fluctuation within an acceptable tolerance limit. This is in addition to placing back-to-back orders with suppliers after receiving orders from customers whenever possible and considering the use of various financial instruments.

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 2007: HK1 cent) per share to shareholders of the Company whose names appeared on the register of members of the Company on 3rd October 2008. The dividend will be paid on or around 15th October 2008.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Friday, 3rd October 2008 to Thursday, 9th October 2008, 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, 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 4:30 p.m. on 2nd October 2008.

EMPLOYEES

As at 30th June 2008, the Group had approximately 300 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$23,987,000.

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.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2008 has been reviewed by the Company's Audit Committee and PricewaterhouseCoopers, the Company's Auditor.

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. William Tasman WISE, Mr. CHUNG Wai Kwok, Jimmy, Mr. LEUNG Kwok Keung* and Mr. HU Wai Kwok*.*

* *Independent non-executive Directors*

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 10th September 2008