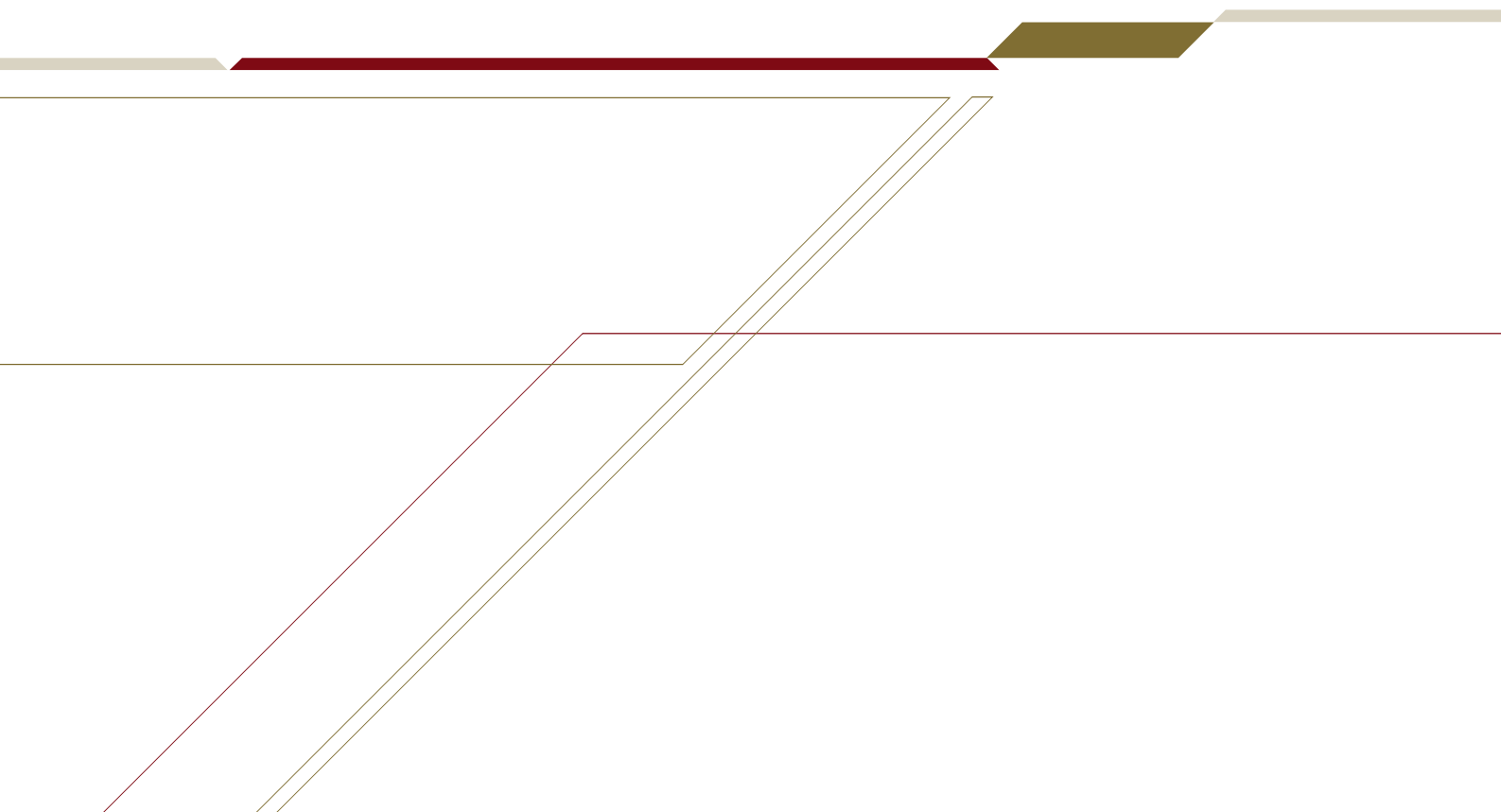


Our unique supply chain model incorporates tailor-made “IVAS” that include metal processing, quality control and inventory services, market intelligence, technical research and support, and after sales services to support customers’ wide-ranging business requirements. Our IVAS ensure that customers can enjoy one-stop, multi-dimensional support that ultimately enhance production efficiency, reduce costs and streamline their production process.

我們獨有的供應鏈模式結合了專為客戶而設的綜合增值服務，包括金屬熔煉、品質監控及存貨服務、市場資訊、技術研究及支援與售後服務，以滿足客戶之多方面需求。本集團之綜合增值服務確保客戶享有一站式及全方位支援，從而提升生產效益、減低成本及精簡生產程序。





Management
Discussion and Analysis

管理層
討論及分析

Management Discussion and Analysis 管理層討論及分析

Overall Business Performance

Year 2006 was an encouraging year for LEE KEE. The revenue has jumped 75.7% year-on-year basis to HK\$5,522 million and has pushed the compound annual growth rate ("CAGR") of the past 5 years to 47.7%, gross profit margin and net profit margin has also been improved to 9.7% from 9.1%, and to 7.0% from 6.4% respectively. Basic earnings per share and diluted earnings per share were HK59.34 cents and HK58.84 cents respectively, representing a 75.9% and 74.4% year-on-year growth respectively.

整體業務表現

利記於二零零六年的業績令人鼓舞。收益按年上升75.7%至5,522,000,000港元，令過去五年的複合年增長率上升至47.7%，而毛利率及淨利率則分別由9.1%改善至9.7%及由6.4%改善至7.0%。每股基本盈利及攤薄盈利分別為59.34港仙及58.84港仙，分別按年增長75.9%及74.4%。

Year 2006 was an encouraging year for LEE KEE. The Group was listed in the Stock Exchange and has achieved record revenues and net profits for five straight years successively.

二零零六年為利記值得鼓舞的一年。本集團於聯交所成功上市，而收益及純利亦連續五年創新高。



Chan Yuen Shan, Clara

陳婉珊

Chief Executive Officer
行政總裁

With a continual strengthening of distribution channel and a favourable metal price environment, the Group continued its robust growth in revenue across all principal business lines. The revenue of zinc alloy and special high-grade zinc (“SHG zinc”) has increased by 91.7% year-on-year to HK\$4,396 million (accounts for 79.6% of the Group’s revenue); nickel and nickel-related products has increased by 37.6% year-on-year to HK\$770 million (accounts for 13.9% of the Group’s revenue); aluminium alloy and aluminium ingot has increased by 57.6% year-on-year to HK\$220 million (accounts for 4.0% of the Group’s revenue). The Chinese government has implemented several new measures on export tax rebates and products prohibited from processing for re-exports during the 4th quarter of 2006. The time involved to adopt the measures had rendered some customers, in particular within the Pearl River Delta region, to delay their order placing. Moreover, the Group has tightened credit control and hold back certain credit sales in the last quarter in view of the spiralling metal prices that witnessed zinc hitting historical high in November 2006. As a result, the total tonnage sold in 2006 has experienced a slight drop of 4.7% year-on-year to 196,000 metric tonnes from 205,000 metric tonnes.

The Group’s policy is to continue sourcing reliable metal supplies and identify ways to enrich our integrated value-added services. With the benefit of this policy and the impact of the strong metal price on the strategic level of inventory held by the Group (the inventory turnover days is in a range of 30 to 45 days), we have improved our gross profit margin to 9.7% from 9.1%, and our gross profit increased to HK\$538 million from HK\$285 million (a 88.5% year-on-year increment).

Streamlining of the Group’s distribution operation helped us reduce the distribution and selling expenses by 8.0% year-on-year to HK\$15.4 million from HK\$16.8 million, while the revenue has recorded a 75.7% increment, the tonnage sold has recorded a 4.7% drop. These can further explain of the improvement of the net profit margin to 7.0% from 6.4%, and of the net profit attributable to equity holders to HK\$389 million from HK\$202 million (a 92.0% year-on-year increment).

由於分銷渠道持續加強及金屬價格向好的環境，本集團的所有主要業務的收益均繼續錄得強勁增長。鋅合金及特高級純鋅（「特高級純鋅」）的收益按年上升91.7%至4,396,000,000港元（佔本集團收益的79.6%）、鎳及鎳相關產品的收益按年上升37.6%至770,000,000港元（佔本集團收益的13.9%）、鋁合金及純鋁錠的收益則按年上升57.6%至220,000,000港元（佔本集團收益的4.0%）。中國政府於二零零六年第四季實施若干有關出口退稅及禁止加工以作轉口的產品的新措施。新措施涉及的適應時間導致一些客戶（特別是於珠江三角洲內）延遲發出訂單。此外，由於金屬價格不斷攀升，鋅的價格更於二零零六年十一月創下歷史新高，本集團已於第四季收緊信貸控制及暫緩部份信貸銷售。因此，二零零六年售出的總噸數從205,000公噸按年微跌4.7%至196,000公噸。

本集團的政策是繼續採購可靠的金屬供應，並尋求方法提升我們的綜合增值服務。受惠於此政策及強勁金屬價格對本集團所維持的策略性存貨水平的影響（存貨週轉日數介乎30至45日），我們的毛利率從9.1%上升至9.7%，而毛利則從2.85億港元增加至5.38億港元（按年上升88.5%）。

本集團精簡其分銷營運有助集團把分銷及銷售開支從16,800,000港元減低至15,400,000港元，按年減幅達8.0%。收益錄得75.7%的增長，而售出噸數則下跌4.7%，此可進一步解釋本集團的淨利率從6.4%上升至7.0%，而股權持有人應佔溢利則從2.02億港元上升至3.89億港元（按年升幅為92.0%）。

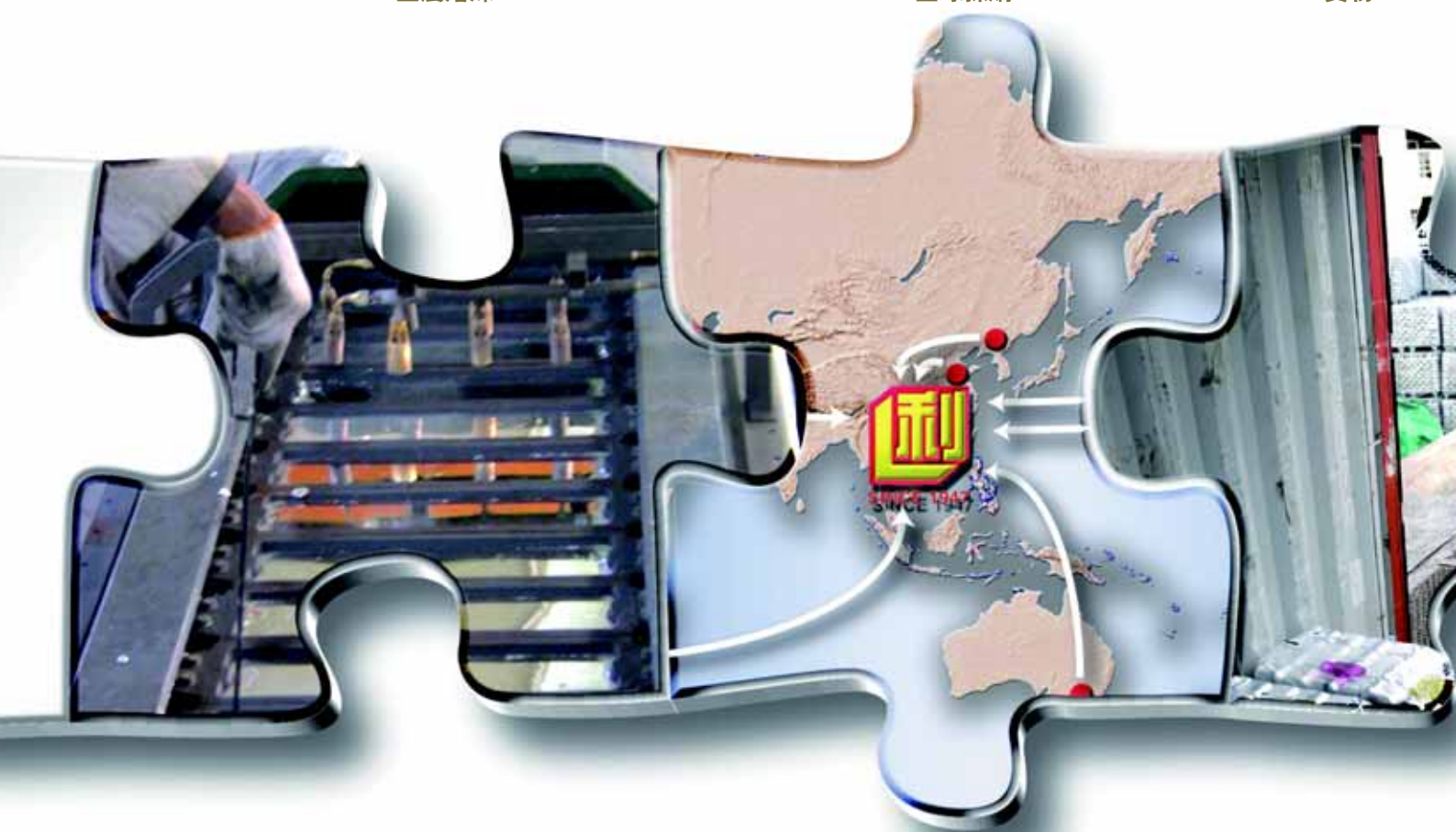
INTEGRATED VALUE ADDED SERVICES

綜合增值服務

Metal Processing
金屬熔煉

Global Sourcing
全球採購

Shipping
貨物



Business Review

As a leading non-ferrous metals 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 (including chemicals of precious metals, such as silver, gold and rhodium). It continued to be the largest zinc alloy importer in the PRC in year 2006, with total sales of zinc alloy making up approximately 76% of the total zinc alloy import volume of the country.

業務回顧

利記作為具領導地位之有色金屬供應鏈管理集團，專注金屬熔煉、採購及分銷業務。本集團採購及分銷之有色金屬主要為壓鑄鋅合金、特高級純鋅、鎳及鎳相關產品、壓鑄鋁合金及鋁錠以及其他電鍍化工原料（包括貴金屬化工原料，如銀、金及銻）。於二零零六年，本集團繼續為中國最大之鋅合金進口商，其鋅合金之總銷售佔國家鋅合金進口量約76%。

Transportation
運輸

Inventory Management
倉儲管理

Customer Services
客戶服務



In addition to sourcing and distribution, the Group also provides customers with a full range of value-added services including transportation and insurance arrangement, inventory management, quality control, market information update, technical consultancy service as well as before and after sales support. With a comprehensive one-stop service, LEE KEE has been a crucial bridge linking international non-ferrous metals suppliers with end-users, giving better services to the fragmented and diversified die-casting industry.

本集團除了採購及分銷業務外，亦為客戶提供一系列之增值服務，包括運輸及投保安排、存貨管理、品質控制、最新市場資訊、技術諮詢服務以及售前與售後支援。憑藉利記所提供之全面一站式服務，利記一直為聯繫國際有色金屬供應商與最終用戶之間的重要橋樑，為分散及多元化之壓鑄業提供更佳服務。

During the year under review, the Group had around 1,200 customers in the Greater China Region primarily and also in Vietnam, Indonesia, Thailand, Singapore and Malaysia. The majority of the Group's customers are foreign-invested entities located in the Pearl River Delta region. These customers are mainly manufacturers of commercial products such as bathroom fittings, household hardware, toys, home appliances, fashion accessories and automobile parts, etc.

The Group engaged in processing of zinc alloy for domestic die-casting factories in the PRC, especially to customers in the Yangtze River Delta region, through the acquisition in September 2006 of 50% effective interest of Genesis Alloys (Ningbo) Limited ("Genesis Ningbo"). The remaining 50% effective interest is owned by Zinifex Limited (one of the world's largest integrated zinc and lead companies and listed on the Australian Stock Exchange Limited). Riding on the experience and market knowledge gained through Genesis Ningbo, the Group will seek to expand into upstream sectors of the non-ferrous metals supply chain and to further expand its distribution ability in the Yangtze River Delta region.

To further complement the cross selling capability with broadened product offering in the metal supply chain, the Group entered into a Call Option Deed for an exclusive option to acquire 70% interest in Lee Yip Metal Products Company Limited ("Lee Yip"), a company engaged in distributing and processing of stainless steel.

The Company was listed on the Stock Exchange in 2006 which strengthened its capital base and further improved the financial position by raising of approximately HK\$568 million (after deduction of the underwriting fee and related expenses). The successful listing of the Company also improved the profile of the Group.

Prospects

The Group will embark on three major growth initiatives to strengthen its global metal supply chain: (1) to build up a comprehensive distribution infrastructure in China; (2) to expand upstream and diversify downstream along the metals supply chain; and (3) to enhance value-added services and sourcing of the supply chain.

於回顧年度，本集團擁有約1,200名客戶，主要集中於大中華地區，亦遍及越南、印尼、泰國、新加坡及馬來西亞。本集團客戶大部份為位於珠江三角洲地區的外商投資實體。該等客戶主要為商業產品製造商，例如浴室設備、家居五金器具、玩具、家居電器、時裝配飾及汽車零件等。

透過於二零零六年九月收購金利合金製造工業（寧波）有限公司（「寧波金利」）之50%實益權益，本集團涉足生產壓鑄鋅合金予國內本土的壓鑄工廠，特別是長江三角洲地區之客戶，而寧波金利之餘下50%實益權益則由Zinifex Limited（其中一家全球最大之綜合鋅鉛公司，並於澳洲證券交易所上市）持有。透過寧波金利之豐富經驗及市場知識，本集團將尋求擴展至有色金屬供應鏈之上游業務，並進一步增加於長江三角洲地區之分銷能力。

為進一步加強向客戶提供交叉銷售之能力，本集團訂立了一認購期權契據，以獨家期權收購利業金屬有限公司（「利業」）之70%權益，該公司從事不銹鋼分銷及加工業務。

本公司於二零零六年在聯交所上市，籌得資金約5.68億港元（扣除包銷費用及其他相關開支），藉此加強資本基礎及改善財務狀況。本公司成功上市亦有助提升本集團形象。

展望

本集團將致力於三項主要發展方案，以加強其全球金屬供應鏈：—(1)於中國設立全面之分銷基礎設施；(2)擴展金屬供應鏈之上游業務及多元化發展其下游業務；及(3)增加供應鏈之增值服務及採購。

Our first initiative to develop a broad distribution infrastructure in China aims to capture the immense potentials of Chinese die-casting factories in using premium grade base metals. Traditionally, foreign invested factories, our existing core customer base, are major users of high grade non-ferrous metals because their target export markets generally call for better quality finished products that are best made from high quality raw materials. In the past, Chinese die-casters tended to manufacture low to medium end products for domestic market which were less sophisticated in quality requirements. With the emergence of the middle class and improving living standards, Chinese consumers are willing to spend more on quality products and many of those products contain substantial portion of base metals, including zinc, nickel and aluminium. To this end, LEE KEE will set up distribution and logistics centers in major cities and regions such as Shenzhen, Eastern China, Northern China and Chengdu by 2008. With its Shenzhen center commenced operation in March 2007, and another in the Eastern China is scheduled to be opened in the second quarter in 2007, LEE KEE will be able to better serve both existing and new customers, domestic or foreign.

On upstream expansion, the Group will develop metal processing facilities in China for two key products, zinc alloy and aluminium alloy, to cater for the strong local market demand on high quality alloys. Our plan is to develop zinc alloy processing capacity up to 120,000 metric tonnes a year and aluminium alloy processing capacity of 90,000 metric tonnes a year by 2009. Leverage on the experience in Genesis Ningbo, we plan to accelerate the expansion of the zinc alloy processing capacity in 2007. On the aluminium alloy project, we will establish a processing facility in Guangdong, with construction work scheduled in the second half of this year. Similar to our zinc alloy plant, we will develop the aluminium alloy project with an international partner who is experienced in alloy processing, to complement our strength in supply chain distribution. This is a strategic move to tap the robust automobile industry in China where aluminium alloy are key components of auto parts for as much as 120kg per vehicle. The management will also consider speeding up the Group's expansion plan through joint venture partnership or merger and acquisition whenever appropriate opportunities emerge while keeping the objective of ensuring its products and services are of the highest quality.

本集團之首個方案為於中國發展龐大之分銷基建，以掌握中國壓鑄工廠對特級基本金屬之需求所帶來之無限發展潛力。傳統上，外商投資之工廠（即本集團之現有核心客戶群）為高級有色金屬之主要用戶，乃由於彼等之目標出口市場普遍要求較佳品質之製成品，因而增加對優質原材料之需求。過往，中國壓鑄商偏向製造低至中檔產品予國內市場，因此毋需精確之品質要求。隨著中產階層日漸富裕及為改善生活質素，中國消費者願意購買具品質之產品，而該等產品大部份包含鋅、鎳及鋁等基本金屬。因此，利記將於二零零八年之前在深圳、華東、華北及成都等主要城市及地區設立銷售及代表辦事處和分銷及物流中心。隨著深圳之中心已於二零零七年三月開始運作及位於華東之中心計劃於二零零七年第二季投入服務，利記將可為現有及新增之國內或海外客戶提供更佳服務。

為發展有色金屬供應鏈之上游業務，本集團將為兩項主要產品於中國發展金屬熔煉設施，分別為鋅合金及鋁合金，以迎合地區市場對優質合金之強勁需求。本集團計劃於二零零九年之前將鋅合金加工產能增加至每年120,000公噸，而鋁合金加工產能則增加至每年90,000公噸。憑藉在寧波金利之現有經驗，本集團計劃於二零零七年將加快擴展鋅合金加工產能。在鋁合金項目方面，本集團將於廣東省設立加工設施，預計建造工程將於本年度下半年開始。與本集團之鋅合金工廠相似，本集團將與於合金加工方面擁有豐富經驗之國際夥伴合作發展鋁合金項目，以加強本集團之供應鏈分銷能力，此策略有助本集團於中國強勁發展之汽車行業盡享優勢，因為鋁合金為汽車零件之主要部份，一輛汽車需要120千克鋁合金。管理層亦將考慮於合適商機出現時透過合營夥伴或購併以加快擴展計劃，並同時可確保繼續提供最佳品質之產品及服務。

To expand downstream, the Group will complete in the third quarter of this year the acquisition of Lee Yip under the Call Option Deed. This will immediately provide revenue contribution and expand our product offerings to include stainless steel to complement with our core non-ferrous metals business in our supply chain model.

To enhance its integrated value-added services, the Group will add chemical testing and certification service for metal-related products to its service offerings in 2007. With increasingly strict quality requirements in EU and other overseas markets on metal products such as RoHS compliance, the chemical testing services have become increasingly more important for our customers, particularly for export markets. The Group is consolidating its logistics functions in Hong Kong and will open a new logistics centre in the Taipo Industrial Estate equipped with a chemical testing laboratory in the second half of 2007. The new logistics center 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.

Apart from establishing its own processing facilities, the Group is also committed to broadening its supplier network. Over the years, LEE KEE has established strong and long-term relationships with key international non-ferrous metals suppliers such as Zinifex Limited, Korea Zinc Co., Ltd., Inco, OMG Group Incorporated, Alcan Incorporation and Johnson Matthey plc in countries such as Australia, Korea, Canada, the US, South Africa and the UK. In addition, the Group has long-term supply arrangements with two of our largest suppliers Zinifex and Korea Zinc. Recently, we have extended the agreement with Korea Zinc to cover Eastern China under its exclusive distributorship arrangement for zinc alloy. The latest agreement with Korea Zinc will facilitate the Group's expansion in the Yangtze River Delta region in China.

為擴展下游業務，本集團將於本年度第三季根據認購期權契據完成收購利業，此舉可即時為本集團帶來收益貢獻及將所提供之產品種類增加至不銹鋼，於供應鏈模式內與本集團之核心有色金屬業務產生相輔相成之效。

為增強綜合增值服務，本集團將於二零零七年提供金屬相關產品化工檢測服務。由於歐盟及其他海外市場對金屬產品之品質要求日益嚴謹，例如RoHS指令，化工檢測服務對客戶而言更加重要，尤其是出口市場。本集團正在整合其於香港之物流業務，並將於二零零七年下半年在大埔工業邨開設新物流中心，當中設有化工檢測實驗室。新物流中心將組成本集團供應鏈模式之主要部份，並有助本集團為客戶提供更有效之物流支援及全面之一站式增值服務及技術支援。

除成立本身之生產設施外，本集團亦致力壯大其供應商網絡。於過去數年，利記與主要國際有色金屬供應商建立穩建及長遠之業務關係，例如位於澳洲、韓國、加拿大、美國、南非及英國之Zinifex Limited、Korea Zinc Co. Ltd.、Inco、OMG Group Incorporated、Alcan Incorporation及Johnson Matthey plc。此外，本集團與其兩家最大供應商Zinifex及Korea Zinc訂立長期供應安排。近期，本集團已與Korea Zinc協議，擴大其獨家分銷安排至華東地區提供鋅合金。本集團與供應商所建立之深厚關係有助本集團確保為客戶取得穩定之產品供應，而最近與Korea Zinc訂立之協議將有助本集團於長江三角洲之業務發展。

The ultimate goal of LEE KEE is to become a leading international integrated supply chain group in the non-ferrous metals industry capable of providing “one-stop” solution service to customers. The Group will strive to perform the role of a bridge to link international non-ferrous metals producers with industry end-users in China and Southeast Asia.

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 31st December 2006, the Group had unrestricted cash and bank balances of approximately HK\$728 million (2005: HK\$71 million) and bank borrowings of approximately HK\$268 million (2005: HK\$187 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 31st December 2006 was 20.4% (2005: 53.2%). The Group has a current ratio of 398% (2005: 199%).

The Company had issued guarantees to the extent of approximately HK\$680 million to banks to secure general banking facilities of approximately HK\$600 million to certain subsidiaries, of which HK\$268 million had been utilised as of 31st December 2006.

利記之最終目標是於有色金屬行業成為一家能為客戶提供「一站式」解決方案服務之著名國際綜合供應鏈集團。本集團將致力肩負為國際有色金屬生產商與中國及東南亞行業最終用戶提供聯繫之角色。

流動資金、 財務資源及商品價格風險

本集團主要透過內部資源、銀行借貸及股東出資為其營運提供資金。於二零零六年十二月三十一日，本集團擁有無限制現金及銀行結餘約7.28億港元（二零零五年：71,000,000港元），銀行借款則約為2.68億港元（二零零五年：1.87億港元）。有關借款為短期性質，而大部份為以港元及美元借款，並按市場利率計息。於二零零六年十二月三十一日，本集團的資本負債率（總借款相對於總權益）為20.4%（二零零五年：53.2%）。本集團之流動比率為398%（二零零五年：199%）。

本公司就其若干附屬公司獲取約6億港元之一般銀行融資向銀行提供約6.8億港元之公司擔保。於二零零六年十二月三十一日，該銀行融資額中的2.68億港元經已被動用。

The Group adopted internal control system, 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 optimise 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 pre-calculated tolerance limit. During the reporting year, the Group has entered into two metal future contracts amounting to HK\$5 million to contain its metal price risk.

The Group's foreign exchange exposure was mainly resulted from the translation between HK dollars and US dollars.

Dividends

The Board of Directors has recommended dividends of HK11.93 cents per share (including a final dividend of HK1.93 cents for the period from the date of listing to 31st December 2006 and a special dividend of HK10 cents for commemoration of the 60th Anniversary of the Group) for the year to shareholders whose names appeared on the register of members of the Company on 31st May 2007. Subject to the shareholders' approval, the dividend will be paid on or around 8th June 2007.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 25th May 2007 to Thursday, 31st May 2007, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the special and final dividends, 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 4:30 p.m. on 23rd May 2007.

本集團已採納內部監控系統，包括對沖政策，以定期評估及監控就金屬價格所承擔之風險，並成立風險管理委員會以評估及監控對沖活動。為減低金屬價格波動所帶來之風險，本集團盡量於收取客戶訂單後與供應商作背對背訂購，並進行對沖，以控制本集團的風險（存貨水平 + 送抵前購入數額 – 發送前售出數額）在預先計算的可承受水平。於報告年度，本集團已訂立兩張價值5,000,000港元的金屬期貨合約，以控制金屬價格的風險。

本集團的外幣匯兌風險主要來自港元與美元之間之兌換所引致。

股息

董事會建議向於二零零七年五月三十一日名列本公司股東名冊的股東派付股息每股11.93港仙（包括由上市日期起至二零零六年十二月三十一日止期間的末期股息1.93港仙，以及為慶祝本集團六十週年紀念而派付的特別股息10港仙）。待股東批准後，股息將於或約於二零零七年六月八日派付。

暫停過戶

本公司將自二零零七年五月二十五日（星期五）起至二零零七年五月三十一日（星期四）（包括首尾兩日）期間暫停辦理股份過戶。為符合獲派特別股息及末期股息之資格，所有過戶文件連同有關股票，必須於二零零七年五月二十三日下午四時三十分前送交本公司之股份過戶登記處香港分處香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716室。

Corporate Social Responsibility

As a good corporate citizen, LEE KEE believes it has an obligation to aid the betterment of the society. It honors this obligation through various means including donation, setting up scholarships and encouraging staff participation in charitable activities. During 2006, the Company donated to various charitable organisations, such as the Community Chest, Orbis and UNICEF to support their social welfare activities and granted scholarships and donations to local universities and HKIVE to support education of the next generation. The Group's staff also actively participate in charitable programmes, such as "Walks for Million". In recognition of the Group's active involvement in social and community activities, the Group was named a "Caring Company" by the Hong Kong Council of Social Service.

Employees

As at 31st December 2006, the Group had approximately 120 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other benefits include share option granted or to be granted under the share option schemes and training schemes.

企業社會責任

作為良好的企業公民，利記相信其有責任回饋社會，因此，本集團透過各種途徑，包括捐款、成立獎學金及鼓勵員工參與慈善活動，以履行企業社會之責任。在二零零六年，本公司曾向公益金、奧比斯及聯合國兒童基金會等多家慈善組織捐款，為社會福利活動提供支援。此外，本公司亦向本地大學及香港專業教育學院頒授獎學金及捐款，以推動下一代的教育發展。本集團的僱員亦積極參與慈善活動，例如：「公益金百萬行」。本集團並獲香港社會服務聯會嘉許為「商界展關懷」企業，以表揚本集團積極參與社會及社區活動。

僱員

於二零零六年十二月三十一日，本集團僱用約120名僱員。該等僱員的薪酬、升遷及薪金考核乃根據其職責、工作表現、專業經驗及現行行業常規作出評估。香港僱員參與強制性公積金計劃。其他福利包括根據購股權計劃授出或將予授出的購股權，以及培訓計劃。