



利記控股有限公司 LEE KEE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號 : 637

Interim Report 2017
中期報告 2017



We Create
Value Solutions
for Metals

CORPORATE INFORMATION

Directors

Executive Directors

CHAN Pak Chung
(Chairman of the Board)

CHAN Yuen Shan Clara
*(Vice Chairman of the Board
& CEO)*

CHAN Ka Chun Patrick
OKUSAKO CHAN Pui Shan Lillian

Independent non-executive Directors

CHUNG Wai Kwok Jimmy
HU Wai Kwok
HO Kwai Ching Mark

Company Secretary

CHEUK Wa Pang
(CPA (HKICPA), FCCA, ACA)

Audit Committee

CHUNG Wai Kwok Jimmy
(Chairman of the Audit Committee)
HU Wai Kwok
HO Kwai Ching Mark

Remuneration Committee

Ho Kwai Ching Mark
*(Chairman of
the Remuneration Committee)*
CHAN Pak Chung
CHUNG Wai Kwok Jimmy

Nomination Committee

CHAN Pak Chung
*(Chairman of
the Nomination Committee)*
CHUNG Wai Kwok Jimmy
HU Wai Kwok

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

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Legal Advisers to the Company

As to Hong Kong Law:
Kwok Yih & Chan
Suites 2013-05, 21st Floor
9 Queen's 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

KPMG
Certified Public Accountants
8/F., Prince's Building
10 Chater Road
Central
Hong Kong

Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank
(Hong Kong) Limited
Bank of China (Hong Kong) Limited

Website of the Company

www.leekeegroup.com

Stock Code

637

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	Six months ended 30 September	
		2017 \$'000	2016 \$'000
Revenue	4	1,407,072	981,355
Cost of sales		(1,295,735)	(915,888)
Gross profit		111,337	65,467
Other income		4,080	2,088
Distribution and selling expenses		(13,317)	(10,816)
Administrative expenses		(50,728)	(40,451)
Other net gains/(losses)		8,333	(2,363)
Profit from operations		59,705	13,925
Finance income		292	129
Finance costs		(3,170)	(1,276)
Net finance costs	5(a)	(2,878)	(1,147)
Profit before taxation	5	56,827	12,778
Income tax	6	(1,452)	(1,104)
Profit for the period attributable to equity shareholders of the Company		55,375	11,674
Earnings per share			
Basic and diluted (Hong Kong cents)	8	6.68	1.41

The notes on pages 8 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017 – unaudited
(Expressed in Hong Kong dollars unless otherwise indicated)

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Profit for the period	55,375	11,674
Other comprehensive income for the period: <i>Items that may be reclassified subsequently to profit or loss, net of nil tax:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	5,770	(5,024)
Change in fair value of available-for-sale financial assets	(2,862)	5,340
Reclassification adjustment for amounts transferred to profit or loss upon disposal of available-for-sale financial assets	(4,833)	–
Other comprehensive income for the period	(1,925)	316
Total comprehensive income for the period attributable to equity shareholders of the Company	53,450	11,990

The notes on pages 8 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Non-current assets			
Interests in leasehold land held for own use			
under operating leases		18,831	19,080
Property, plant and equipment	9	87,041	89,251
Available-for-sale financial assets	10	18,416	29,015
Deferred tax assets		2,920	2,888
		127,208	140,234
Current assets			
Inventories	11	745,957	675,183
Trade and other receivables	12	246,883	215,339
Tax recoverable		388	388
Derivative financial instruments		995	8
Cash held on behalf of customers		602	3,009
Cash and cash equivalents	13	275,661	237,851
		1,270,486	1,131,778
Current liabilities			
Trade and other payables	14	82,323	39,616
Bank borrowings	15	213,230	163,384
Tax payable		1,039	983
Derivative financial instruments		936	31
		297,528	204,014
Net current assets		972,958	927,764
Total assets less current liabilities		1,100,166	1,067,998

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2017 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Non-current liabilities			
Bank borrowings	15	14,900	15,462
Employee retirement benefit obligations		2,305	2,305
Deferred tax liabilities		1,965	1,965
		19,170	19,732
NET ASSETS			
		1,080,996	1,048,266
CAPITAL AND RESERVES			
Share capital	16	82,875	82,875
Reserves		998,121	965,391
TOTAL EQUITY			
		1,080,996	1,048,266

The notes on pages 8 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

Note	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Capital redemption reserve \$'000	Reserve fund \$'000	Available-for-sale financial assets revaluation reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 April 2016	82,875	470,429	(17,830)	125	1,358	11,332	2,324	456,780	1,007,393
Changes in equity for the six months ended 30 September 2016:									
Profit for the period	-	-	-	-	-	-	-	11,674	11,674
Other comprehensive income	-	-	-	-	-	5,340	(5,024)	-	316
Total comprehensive income	-	-	-	-	-	5,340	(5,024)	11,674	11,990
Balance at 30 September 2016	82,875	470,429	(17,830)	125	1,358	16,672	(2,700)	468,454	1,019,383
Balance at 1 April 2017	82,875	470,429	(17,830)	125	2,352	19,707	(6,674)	497,282	1,048,266
Changes in equity for the six months ended 30 September 2017:									
Profit for the period	-	-	-	-	-	-	-	55,375	55,375
Other comprehensive income	-	-	-	-	-	(7,695)	5,770	-	(1,925)
Total comprehensive income	-	-	-	-	-	(7,695)	5,770	55,375	53,450
Dividends approved in respect of the previous year	7(b)	(20,720)	-	-	-	-	-	-	(20,720)
Balance at 30 September 2017	82,875	449,709	(17,830)	125	2,352	12,012	(904)	552,657	1,080,996

The notes on pages 8 to 24 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017 – unaudited
(Expressed in Hong Kong dollars unless otherwise indicated)

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Operating activities		
Cash generated from operations	4,151	13,054
Interest paid on other bank borrowings	(2,994)	(1,103)
Mainland China Corporate Income Tax paid	(1,423)	(1,010)
Net cash (used in)/generated from operating activities	(266)	10,941
Investing activities		
Interest received	292	129
Proceeds from disposal of property, plant and equipment	288	235
Proceeds from disposal of available-for-sale financial assets	7,737	–
Acquisition of property, plant and equipment	(2,082)	(3,019)
Net cash generated from/(used in) investing activities	6,235	(2,655)
Financing activities		
Dividends paid	(20,720)	–
Proceeds from new bank borrowings	634,538	377,232
Repayment of bank borrowings	(585,254)	(360,891)
Interest paid on mortgage loan	(176)	(173)
Net cash generated from financing activities	28,388	16,168
Net increase in cash and cash equivalents	34,357	24,454
Cash and cash equivalents at the beginning of the period	237,851	162,278
Effect of foreign exchanges rates changes	3,453	(2,115)
Cash and cash equivalents at the end of the period	275,661	184,617

The notes on pages 8 to 24 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

The Company was incorporated in the Cayman Islands on 11 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 activities of the Company and its subsidiaries (together, "the Group") are trading of zinc, zinc alloy, nickel, nickel-related products, aluminum, aluminum alloy, stainless steel and other electroplating chemical products in Hong Kong and Mainland China.

The Company's shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 23 November 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016/17 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017/18 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016/17 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Basis of preparation (Continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 25.

The financial information relating to the financial year ended 31 March 2017 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

3 Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue and segment reporting

The Group is principally engaged in the trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy, stainless steel and other electroplating chemical products. Revenue recognised during the period are as follows:

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Revenue		
Sales of goods	1,407,072	981,355

The chief operating decision-maker has been identified as the Group's most senior executive management, including executive directors, chief executive officer, chief operation officer and chief financial officer, who collectively review the Group's internal reporting in order to assess performance, allocate resources and make strategic decisions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Revenue and segment reporting (Continued)

The chief operating decision-maker reviews the performance of the Group mainly from a geographical perspective which reflects the principal place of operation of the Group's entities. The Group is organised into two operating segments, namely (i) Hong Kong and (ii) Mainland China. Both operating segments represent trading of different types of metal products.

(a) Segment revenue and results

The chief operating decision-maker assesses the performance of the operating segments based on a measure of operating results (before income tax) of each segment, which excludes the effects of other income, other net gains/losses and net finance costs.

	Six months ended 30 September			
	2017		2016	
	Revenue \$'000	Segment results \$'000	Revenue \$'000	Segment results \$'000
Hong Kong	864,422	37,516	636,637	7,149
Mainland China	542,650	9,776	344,718	7,051
	1,407,072	47,292	981,355	14,200

An analysis of the Group's segment assets and segment liabilities by reporting segment is set out below:

	At 30 September 2017		
	Hong Kong \$'000	Mainland China \$'000	Total \$'000
Segment assets	1,055,902	341,792	1,397,694
Segment liabilities	177,144	139,554	316,698

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Revenue and segment reporting (Continued)

(a) Segment revenue and results (Continued)

	At 31 March 2017		Total \$'000
	Hong Kong \$'000	Mainland China \$'000	
Segment assets	972,634	299,378	1,272,012
Segment liabilities	97,419	126,327	223,746

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Total segment results	47,292	14,200
Other income	4,080	2,088
Other net gains/(losses)	8,333	(2,363)
Net finance costs	(2,878)	(1,147)
Profit before taxation	56,827	12,778

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
(a) Net finance costs		
Interest income	(292)	(129)
Interest on short-term bank borrowings	2,994	1,103
Interest on mortgage loan	176	173
	2,878	1,147
(b) Other items		
Depreciation of property, plant and equipment	4,521	4,819
Amortisation of leasehold land	284	285
Operating lease charges: minimum lease payments – property rentals	1,473	1,381
Cost of inventories sold	1,295,681	933,562
Gain on disposal of available-for-sale financial assets	(4,833)	–
Gain on disposal of property, plant and equipment	(144)	(48)
Realised loss on metal future trading contracts and foreign exchange forward contracts	1,148	826
Unrealised (gain)/loss on metal future trading contracts and foreign exchange forward contracts	(57)	928
Staff costs (including directors' remuneration)	39,400	28,543
Recognition/(reversal) of write-down of inventories	54	(17,674)
Net foreign exchange (gain)/loss	(4,422)	568

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Income tax

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Current tax		
– Hong Kong Profits Tax	153	158
– Mainland China Corporate Income Tax	1,835	1,159
Over-provision in prior years	(504)	–
	1,484	1,317
Deferred tax	(32)	(213)
	1,452	1,104

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2016: 16.5%) to the six months ended 30 September 2017. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (six months ended 30 September 2016: 25%) to the six months ended 30 September 2017.

7 Dividends

(a) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Interim dividend proposed of \$0.015 (six months ended 30 September 2016: Nil) per ordinary share	12,432	–

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Dividends (Continued)

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Final dividend in respect of the previous financial year of \$0.015 (six months ended 30 September 2016: Nil) per ordinary share	12,432	–
Special dividend in respect of the previous financial year of \$0.01 (six months ended 30 September 2016: Nil) per ordinary share	8,288	–
	20,720	–

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$55,375,000 (six months ended 30 September 2016: \$11,674,000) and the weighted average number of 828,750,000 (six months ended 30 September 2016: 828,750,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 September 2017 and 2016 are the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Property, plant and equipment

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Net book value as at the beginning of the period	89,251	96,885
Exchange difference	373	(428)
Additions	2,082	3,019
Disposals	(144)	(283)
Depreciation	(4,521)	(4,819)
Net book value as at the end of the period	87,041	94,374

10 Available-for-sale financial assets

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
	Available-for-sale financial assets	
– equity securities listed in Hong Kong at fair value	18,416	29,015
– unlisted limited partnership at fair value	–	–
	18,416	29,015

The investment in equity securities listed in Hong Kong is denominated in Hong Kong dollars while the investment in an unlisted limited partnership is denominated in United Kingdom Pounds.

As at 30 September 2017 and 31 March 2017, the investment in the unlisted limited partnership of \$7,046,000 was fully impaired in previous years as management assessed that the amount is expected to be irrecoverable as a result of the financial difficulties experienced by the investee.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Inventories

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Finished goods	764,913	694,073
Less: Write-down of inventories	(18,956)	(18,890)
	745,957	675,183

The cost of inventories recognised as expense and included in “cost of sales” amounted to \$1,295,681,000 (six months ended 30 September 2016: \$933,562,000) during the six months ended 30 September 2017.

12 Trade and other receivables

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Trade receivables, net of allowance for doubtful debts	194,306	158,217
Prepayments to suppliers	26,794	30,877
Deposits	2,967	2,900
Other receivables	22,816	23,345
	246,883	215,339

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Trade and other receivables (Continued)

The Group grants credit terms to its customers ranging from cash on delivery to 90 days. At the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Within 1 month	160,630	139,368
Over 1 but within 2 months	21,393	13,927
Over 2 but within 3 months	5,296	3,846
Over 3 months	6,987	1,076
	194,306	158,217

13 Cash and cash equivalents

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Cash at bank and on hand	275,661	237,851

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Trade and other payables

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Trade payables	38,807	5,062
Prepayments from customers	18,048	8,512
Accrued expenses and other payables	25,468	26,042
	82,323	39,616

At the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Within 1 month	36,017	5,041
Over 1 but within 2 months	359	–
Over 2 but within 3 months	104	21
Over 3 months	2,327	–
	38,807	5,062

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Bank borrowings

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Non-current liabilities		
Mortgage loan	14,900	15,462
Current liabilities		
Short-term bank borrowings	212,109	162,275
Mortgage loan	1,121	1,109
	213,230	163,384
	228,130	178,846

At the end of the reporting period, the bank borrowings were repayable as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Within 1 year or on demand	213,230	163,384
After 1 year but within 2 years	1,145	1,133
After 2 years but within 5 years	3,596	3,559
After 5 years	10,159	10,770
	14,900	15,462
	228,130	178,846

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Bank borrowings (Continued)

Mortgage loan of \$16,021,000 (31 March 2017: \$16,571,000) was secured by property, plant and equipment with carrying value of \$48,140,000 (31 March 2017: \$48,638,000) as at 30 September 2017.

The effective interest rates (per annum) at the end of the reporting period were as follows:

	At 30 September 2017	At 31 March 2017
Short-term bank borrowings	2.82%	2.60%
Mortgage loan	2.20%	2.19%

16 Share capital

	Number of ordinary shares '000	Nominal amount \$'000
Authorised:		
<i>Ordinary shares of \$0.1 each</i>		
As at 31 March 2017, 1 April 2017 and 30 September 2017	8,000,000	800,000
Issued and fully paid:		
<i>Ordinary shares of \$0.1 each</i>		
As at 31 March 2017, 1 April 2017 and 30 September 2017	828,750	82,875

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 September 2017 \$'000	Fair value measurements as at 30 September 2017 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	18,416	18,416	-	-
Derivative financial instruments	995	-	995	-
	19,411	18,416	995	-
Financial liabilities:				
Derivative financial instruments	936	-	936	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Fair value measurement of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

	Fair value at	Fair value measurements as at		
	31 March 2017 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	29,015	29,015	–	–
Derivative financial instruments	8	–	8	–
	29,023	29,015	8	–
Financial liabilities:				
Derivative financial instruments	31	–	31	–

During the six months ended 30 September 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2016: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 September 2017 and 31 March 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 Operating lease commitments

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Within one year	1,559	1,339
After one year but within five years	1,004	1,334
	2,563	2,673

19 Capital commitments

As at 30 September 2017, the Group had outstanding capital commitments relating to purchases of certain motor vehicles not provided in the interim financial report of \$3,354,000 (31 March 2017: Nil).

20 Material related party transactions

In addition to those disclosed elsewhere in the interim financial report, the Group had the following material related party transactions:

(a) Key management personnel remuneration

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Salaries and other short-term employee benefits	7,590	8,656
Post employment benefits – pension	45	53
	7,635	8,709

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Material related party transactions (Continued)

(b) Transactions with related companies

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Rental expenses paid to Sonic Gold Limited (note)	300	270

Note: The Group paid rental expenses for a director's quarter to Sonic Gold Limited, a company controlled by Ms. Chan Yuen Shan Clara, an executive director of the Company, at fixed sums as agreed by both parties.

(c) Balances with related companies

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
	Other payables to related companies	
Sonic Gold Limited	50	–

Amounts due to related companies are unsecured, interest-free and repayable on demand.

INDEPENDENT REVIEW REPORT



Review report to the board of directors of Lee Kee Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 2 to 24 which comprises the consolidated statement of financial position of Lee Kee Holdings Limited as of 30 September 2017 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 November 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS PERFORMANCE

Financial performance

LEE KEE performed well financially during the Interim Period. Global zinc prices (LEE KEE's main product) reached a decade high during the period, while nickel prices increased stably for most of the Interim Period, supporting the Group's margins and financial performance.

The Group's revenue for the Interim Period was HK\$1,407 million, an increase of 43.4% compared to the Comparative Period. Tonnage sold rose 8.1% because of the improvement in confidence among Chinese manufacturers, as well as the Group's effective sales and marketing strategy in other markets, including Southeast Asia.

The Group's gross profit for the Interim Period rose 70.1% to HK\$111 million and it recorded a gross profit margin of 7.9%, compared to the gross profit of HK\$65.5 million in the Comparative Period. The Group recorded a profit attributable to equity shareholders of the Company of HK\$55.4 million for the Interim Period, compared to HK\$11.7 million for the Comparative Period.

The improvement in profitability was mainly due to an increase in metal prices (particularly zinc) during the Interim Period, a higher contribution from the Group's alloying, testing and consultancy services, gains from the disposal of listed securities and foreign exchange difference.

The rally in the global zinc and metal markets took place in the second half of the Interim Period and was part of the broader rise of base metal prices in response to solid global economic growth and other factors. However, the growth in zinc prices outpaced most other commodities, with rising global demand outstripping supply levels following earlier decisions made by major miners to cut zinc production.

As a result of the global metal rally, zinc prices reached US\$3,156 per tonne as of 30th September 2017 from US\$2,833 per tonne in April 2017, while nickel prices reached US\$10,175 per tonne as of 30th September 2017 from US\$9,935 per tonne in April 2017.

Distribution and selling expenses for the Interim Period was HK\$13.3 million, increased by 23.1% compared to the Comparative Period. The increase was primarily attributed to higher sales proportion in the PRC which incurred higher delivery costs.

The Group's administrative expenses in the Interim Period increased 25.4% to HK\$50.7 million compared to the Comparative Period. Administrative expenses rose mainly due to the increment in staff costs, certain portion of which is variable in nature and proportionate to the Group's performance.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group generated other income of HK\$4.1 million during the Interim Period, an increase of 95.4% compared to the Comparative Period. In particular, revenues from fees earned from the metal testing and consultancy services provided by the Group's wholly-owned metals testing subsidiary, Promet Metals Testing Laboratory Limited ("Promet") grew significantly on percentage compared to the Comparative Period.

The Group made other net gains of HK\$8.3 million during the Interim Period, compared to other net losses of HK\$2.4 million during the Comparative Period. The net gains were mainly due to gains from the disposal of listed securities and foreign exchange difference.

The Group's finance costs for the Interim Period rose 148% to HK\$3.2 million. The increment in finance costs was mainly due to the increase in purchase cost which was the result of increasing metal price and increase in general market interest rate compared to the Comparative Period.

The Group continues to retain a healthy financial position, with HK\$276 million bank balances and cash on hand as of 30th September 2017.

Business Review

A leading solutions provider for metals

Since LEE KEE's founding more than 70 years ago, it has built an unparalleled reputation based on quality, innovation, professionalism and its wide network across all facets of the global metals industry.

Securing its rank among the world's premier metal players, LEE KEE was the first company in Hong Kong to be admitted as a Category 5 Associate Trade Member of the London Metal Exchange ("LME"). The Group's membership of this exclusive industry body was a milestone for its ongoing strategy of "Creating Value" for the end users of metals. In early 2016, Promet became an approved LME listed Sampler and Assayer, raising Promet's international profile in the area of metals testing and certification.

LEE KEE's capability in uncovering and taking advantage of growth opportunities has been, and continues to be, essential to securing the Group's long-term competitiveness. Therefore, in addition to its traditional metals trading and production business, the Group has been a forerunner in introducing a range of value-added services, including research and development, alloy customisation, metals testing and risk management. LEE KEE's strategic direction of expanding the scope of its business in order to help its customers excel in the market has proven to be correct and rewarding.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Growing revenue from metal testing and consultancy services

Promet's reliable and efficient services continued to gain more recognition in the industry as the Group further enlarged its service capacity to cater for increasing orders, particularly from Hong Kong's booming construction industry. As a result, the level of revenue attributable to Promet grew significantly during the Interim Period.

Throughout the Interim Period, Promet's experienced technical team continued to provide value-adding consultancy services in the fields of materials engineering, productivity enhancement, process optimisation, sustainable design, quality control and failure analysis. This allowed Promet to further build its reputation as a metal expert and diversify its customer base into a broader range of industries.

A complete range of services for metal companies

In addition to Promet and its traditional metal services (see 'Focus on R&D and expanding range of specialty alloys' below), LEE KEE continued to offer a full range of value-added services to its customers through its wholly-owned futures brokerage subsidiary, Horizon Commodities and Futures Company Limited ("HCF").

HCF offers brokerage services for global index futures, LME and U.S.-listed metal futures, agricultural futures, energy futures, foreign exchange futures and interest rate futures – making LEE KEE one of the few metals companies with both physical metal services and financial services.

Focus on R&D and expanding range of specialty alloys

LEE KEE continued to strengthen its research and development team throughout the Interim Period to introduce specialty alloys for different industries such as auto parts and electronics, among others, at a fast time to market. Speed and professionalism are especially important to the Group's customers, who are increasingly requiring customised alloys in order to compete in a global manufacturing sector that is being upended by technological advancements.

The Group's customers are mostly end-users of metals, including brand owners, manufacturers and die-casters, to which the Group offers a choice of high-quality imported and domestically produced products including zinc, aluminium, nickel, copper as well as zinc alloys, aluminium alloys, stainless steel and electroplating chemicals.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Growing contribution from customers outside of Greater China

LEE KEE further grew its sales and marketing presence outside of Greater China as more and more manufacturers relocate manufacturing capacity to more cost effective locations in Southeast Asia in response to rising labour costs and government policies, such as the Belt and Road Initiative.

In particular, the Group continued to expand its business network in the ASEAN region during the Interim Period, including Malaysia, Indonesia, India, Thailand, Vietnam and Singapore, leveraging on its recently opened Southeast Asia sales office in Singapore.

Prospects

Supplier decisions and high-tech industries influencing metal prices

Zinc and nickel remained some of the best performing commodity markets during the Interim Period. While it is difficult to make predictions, the price of both metals could continue to be supported by global economic growth, supply-side reforms in the PRC and supply discipline among major mining companies.

In particular, future price movements in the global zinc market will be heavily influenced by how quickly major suppliers re-introduce supply back on to the market.

The outlook for the global nickel market is somewhat clearer, with the growing electric vehicle industry likely to positively influence prices as battery makers increase nickel usage to boost the power storage capabilities of their products.

The Group will continue to closely monitor the global zinc and nickel markets and will modify its business strategy accordingly.

Ongoing shift of manufacturing activity from the PRC to cost-effective markets

The growth of manufacturing activity in the PRC continued to moderate during the Interim Period as manufacturing and industrial firms face pressure from rising wages and increasingly tough pollution regulations. While the government's ongoing commitment to economic growth and infrastructure investment means that the PRC will remain LEE KEE's biggest market for the foreseeable future, future growth for the Group's metals products will likely originate from more cost effective locations in Southeast Asia.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Continued development of LEE KEE's global business network and R&D capabilities

The opening of LEE KEE's sales office in Singapore in early 2017 was the first step in the Group's strategy to grow and strengthen its business and sales networks, both geographically and in terms of service reach. Starting with the Southeast Asia region (which is expected to become a major market for the Group in the coming years), LEE KEE will continue to ramp up its outreach to overseas manufacturers to grow its global market share.

Driving future sales and growth, the Group will also continue to focus on research and development in order to develop more specialty alloys that cater for the changing and increasingly complex needs of manufacturers. It will also invest further in Promet to enhance its service quality and extend the scope of its business, as well as in HCF to provide customers with commodities brokerage and risk management services.

Stringent controls on costs and purchases

Given the uncertain global economic environment, the Group will continue to take steps to streamline its operations and metal-purchasing protocols to contain costs and protect its margins.

The Group's management, assisted by its team of experts, will also prudently explore high-potential investment opportunities and new business streams in order to retain LEE KEE's market status, take advantage of new growth opportunities and deliver long-term returns to shareholders.

Interim Dividend

The Board has resolved to declare an interim dividend of HK1.5 cents per share (Comparative Period: Nil) to shareholders of the Company whose names appeared on the register of members of the Company on 12th December 2017. The interim dividend will be paid on or around 21st December 2017.

Closure of Register

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the Register of Members of the Company be closed from Friday, 8th December 2017 to Tuesday, 12th December 2017, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for dividends, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7th December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity, Financial Resources and Commodity Price Risk

The Group primarily financed its operation through internal resources and borrowings from banks. As at 30th September 2017, the Group had unrestricted cash and bank balances of approximately HK\$276 million (as at 31st March 2017: HK\$238 million) and bank borrowings of approximately HK\$228 million (as at 31st March 2017: HK\$179 million). In March 2015, the Group obtained a Hong Kong dollar denominated mortgage loan of HK\$18.7 million, which bore annual interest at the lower of one month Hong Kong Inter-bank Offered Rate (“HIBOR”) plus 1.75% and Hong Kong dollar Prime Rate less 3.1%. As at 30th September 2017, the outstanding borrowing of this facility amounted to HK\$16 million (as at 31st March 2017: HK\$16.6 million). The remaining borrowings, which are short term in nature, were substantially made in United States dollars and Hong Kong dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 30th September 2017 was 21.1% (as at 31st March 2017: 17.1%). The Group has a current ratio of 427% as at 30th September 2017 (as at 31st March 2017: 555%).

The Company had issued guarantees to the extent of approximately HK\$652 million to banks to secure general banking facilities of approximately HK\$599 million to certain subsidiaries, of which approximately HK\$228 million had been utilised as of 30th September 2017.

The Group constantly evaluates and monitors its risk exposure to metals prices with reference to the market conditions. In order to control the exposure efficiently and to capitalise 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 exchange rate between Hong Kong dollars against United States dollars and Renminbi.

Employees

As at 30th September 2017, the Group had approximately 190 employees (Comparative Period: 190 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 bonuses 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. During the Interim Period, staff costs (including directors’ emoluments) were approximately HK\$39.4 million (Comparative Period: HK\$28.5 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 September 2017, 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 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:

Long Position in Shares of the Company

Name of Director	Capacity	Number of 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. CHAN Yuen Shan Clara (Note 2)	Beneficiary of a trust	600,000,000	72.40
Mr. CHAN Ka Chun Patrick (Note 2)	Beneficiary of a trust	600,000,000	72.40
Ms. OKUSAKO CHAN Pui Shan Lillian (Note 2)	Beneficiary of a trust	600,000,000	72.40
Mr. HO Kwai Ching Mark (Note 3)	Interest held by spouse	50,000	0.006

Notes:

1. 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 the spouse and 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.
2. Ms. CHAN Yuen Shan Clara, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian (all of them being family members of Mr. CHAN Pak Chung and Executive Directors) are deemed to be interested in the 600,000,000 Shares held by GAGSL as they are one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.
3. Mr. HO Kwai Ching Mark is deemed to be interested in the 50,000 shares held by his spouse.

Save as disclosed above, as at 30th September 2017, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in or short position in the shares or underlying shares in, or debentures of, of the Company and its associated corporations required to be disclosed pursuant to the SFO.

DISCLOSURE OF INTERESTS (CONTINUED)

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 September 2017, 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
Ms. MA Siu Tao (Note a)	Family interest	600,000,000	72.40%
Gold Alliance Global Service Limited (Note b)	Registered owner	600,000,000	72.40%
Gold Alliance International Management Limited (Note b)	Interest of controlled corporation	600,000,000	72.40%
HSBC International Trustee Limited (Note b)	Trustee	600,000,000	72.40%

Notes:

- Ms. MA Siu Tao, the spouse of Mr. CHAN Pak Chung and one of the discretionary objects under the P.C. CHAN Family Trust, is deemed to be interested in the 600,000,000 Shares held by GAGSL under the SFO.
- 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 the spouse and family members of Mr. CHAN Pak Chung.

Save as disclosed above, at 30th September 2017, 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

The Company's Pre-IPO share option scheme (the "Pre-IPO Scheme") and the share option scheme (the "Share Option Scheme") adopted pursuant to the written resolutions of the shareholder of the Company passed on 15th September 2006 were lapsed. Share options granted under the Pre-IPO Scheme were all lapsed in prior years. No options have been granted under the Share Option Scheme since the adoption date on 15th September 2006 and up to the lapse of the scheme. There are no adoption of other share option schemes.

DISCLOSURE OF INTERESTS (CONTINUED)

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 and belief of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Listing Rules 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, 23rd November 2017

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