SINCE 1947

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 中期報告
2018

We Create
Value
Solutions
for Metals

CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAN Pak Chung
(Chairman of the Board)
CHAN Yuen Shan Clara, *MH*
(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, *MH*
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:
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Suites 2103-05, 21st Floor
9 Queen's Road
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As to Cayman Islands Law:
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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 2018 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2018	2017
	Note	**$'000**	$'000
Revenue	4	**1,288,324**	1,407,072
Cost of sales		**(1,281,347)**	(1,295,735)
Gross profit		**6,977**	111,337
Other income		**3,017**	4,080
Distribution and selling expenses		**(13,585)**	(13,317)
Administrative expenses		**(43,927)**	(50,728)
Other net (losses)/gains		**(2,319)**	8,333
(Loss)/profit from operations		**(49,837)**	59,705
Finance income		**641**	292
Finance costs		**(5,745)**	(3,170)
Net finance costs	5(a)	**(5,104)**	(2,878)
(Loss)/profit before taxation	5	**(54,941)**	56,827
Income tax	6	**(2,294)**	(1,452)
(Loss)/profit for the period		**(57,235)**	55,375
Attributable to:			
Equity shareholders of the Company		**(57,225)**	55,375
Non-controlling interests		**(10)**	–
(Loss)/profit for the period		**(57,235)**	55,375
(Loss)/earnings per share	8		
Basic and diluted (Hong Kong cents)		**(6.90)**	6.68

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated. See note 3.

The notes on pages 9 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
	$'000	$'000
(Loss)/profit for the period	**(57,235)**	55,375
Other comprehensive income for the period:		
Items that will not be reclassified to profit or loss, net of nil tax:		
Revaluation of financial assets at fair value through other comprehensive income	**(1,590)**	–
Items that may be reclassified subsequently to profit or loss, net of nil tax:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(16,832)**	5,770
Change in fair value of available-for-sale financial assets*	**–**	(2,862)
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	**(18,422)**	(1,925)
Total comprehensive income for the period	**(75,657)**	53,450
Attributable to:		
Equity shareholders of the Company	**(75,647)**	53,450
Non-controlling interests	**(10)**	–
Total comprehensive income for the period	**(75,657)**	53,450

* These amounts arose under the accounting policies prior to 1 April 2018. As part of the opening balance adjustments as at 1 April 2018, the balance of this reserve has been reclassified to fair value reserve and will not be reclassified to profit or loss in future periods. See note 3.

The notes on pages 9 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
Non-current assets			
Interests in leasehold land held for own use under operating leases		**18,238**	18,604
Property, plant and equipment	9	**82,497**	86,316
Prepayment for property, plant and equipment		**1,048**	–
Available-for-sale financial assets		**–**	16,174
Financial assets at fair value through other comprehensive income		**14,215**	–
Deferred tax assets		**2,663**	2,209
		118,661	123,303
Current assets			
Inventories	10	**559,087**	822,380
Trade and other receivables	11	**229,663**	215,679
Tax recoverable		**26**	150
Derivative financial instruments		**5,799**	544
Cash held on behalf of customers		**10,895**	7,144
Cash and cash equivalents	12	**363,939**	300,364
		1,169,409	1,346,261
Current liabilities			
Trade and other payables	13	**63,604**	88,240
Bank borrowings	14	**181,701**	250,459
Tax payable		**1,372**	612
Derivative financial instruments		**1,751**	1,892
		248,428	341,203
Net current assets		**920,981**	1,005,058
Total assets less current liabilities		**1,039,642**	1,128,361

At 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
Non-current liabilities			
Bank borrowings	14	**13,754**	14,329
Employee retirement benefit obligations		**1,142**	1,142
Deferred tax liabilities		**2,365**	2,659
		17,261	18,130
NET ASSETS		**1,022,381**	1,110,231
CAPITAL AND RESERVES			
Share capital	15	**82,875**	82,875
Reserves		**939,277**	1,027,356
Total equity attributable to equity shareholders of the Company		**1,022,152**	1,110,231
Non-controlling interests		**229**	–
TOTAL EQUITY		**1,022,381**	1,110,231

The notes on pages 9 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	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	Non-controlling interests $'000	Total $'000
Balance at 1 April 2017		82,875	470,429	(17,830)	125	2,352	19,707	(6,674)	497,282	1,048,266	–	1,048,266
Changes in equity for the six months ended 30 September 2017:												
Profit for the period		–	–	–	–	–	–	–	55,375	55,375	–	55,375
Other comprehensive income		–	–	–	–	–	(7,695)	5,770	–	(1,925)	–	(1,925)
Total comprehensive income		–	–	–	–	–	(7,695)	5,770	55,375	53,450	–	53,450
Dividends approved in respect of the previous year	7(b)	–	(20,720)	–	–	–	–	–	–	(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	–	1,080,996

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company											
		Share capital $'000	Share premium $'000	Merger reserve $'000	Capital redemption reserve $'000	Reserve fund $'000	Available-for-sale financial assets revaluation reserve $'000	Fair value reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total Equity $'000
Balance at 1 April 2018		82,875	437,277	(17,830)	125	3,667	9,770	–	8,227	586,120	1,110,231	–	1,110,231
Impact on initial application of HKFRS 9	3(b)	–	–	–	–	–	(9,770)	9,770	–	–	–	–	–
		82,875	437,277	(17,830)	125	3,667	–	9,770	8,227	586,120	1,110,231	–	1,110,231
Changes in equity for the six months ended 30 September 2018:													
Loss for the period		–	–	–	–	–	–	–	–	(57,225)	(57,225)	(10)	(57,235)
Other comprehensive income		–	–	–	–	–	–	(1,779)	(16,832)	189	(18,422)	–	(18,422)
Total comprehensive income		–	–	–	–	–	–	(1,779)	(16,832)	(57,036)	(75,647)	(10)	(75,657)
Contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	–	239	239
Dividends approved in respect of the previous year	7(b)	–	(12,432)	–	–	–	–	–	–	–	(12,432)	–	(12,432)
Balance at 30 September 2018		82,875	424,845	(17,830)	125	3,667	–	7,991	(8,605)	529,084	1,022,152	229	1,022,381

The notes on pages 9 to 31 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Operating activities		
Cash generated from operations	**156,469**	4,151
Interest paid on other bank borrowings	**(5,581)**	(2,994)
Mainland China Corporate Income Tax paid	**(2,128)**	(1,423)
Net cash generated from/(used in) operating activities	**148,760**	(266)
Investing activities		
Interest received	**641**	292
Proceeds from disposal of property, plant and equipment	**34**	288
Proceeds from disposal of available-for-sale financial assets	**–**	7,737
Proceeds from disposal of financial assets at fair value through other comprehensive income	**369**	–
Payment for acquisition of property, plant and equipment	**(3,870)**	(2,082)
Net cash (used in)/generated from investing activities	**(2,826)**	6,235
Financing activities		
Dividends paid	**(12,432)**	(20,720)
Proceeds from new bank borrowings	**565,312**	634,538
Repayment of bank borrowings	**(634,645)**	(585,254)
Interest paid on mortgage loan	**(164)**	(176)
Contributions from non-controlling interests	**239**	–
Net cash (used in)/generated from financing activities	**(81,690)**	28,388
Net increase in cash and cash equivalents	**64,244**	34,357
Cash and cash equivalents at the beginning of the period	**300,364**	237,851
Effect of foreign exchanges rates changes	**(669)**	3,453
Cash and cash equivalents at the end of the period	**363,939**	275,661

The notes on pages 9 to 31 form part of this 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, 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 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017/18 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018/19 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 2017/18 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").

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 32.

The financial information relating to the financial year ended 31 March 2018 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

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 9, *Financial instruments*

– HKFRS 15, *Revenue from contracts with customers*

– HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated.

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments (Continued)

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The impacts to transition to HKFRS 9 to the Group in respect of the classification of financial assets are as follows:

– available-for-sale financial assets of $16,174,000 at 31 March 2018 were classified as financial assets at FVOCI at 1 April 2018; and

– available-for-sale financial assets revaluation reserve of $9,770,000 was transferred to fair value reserve at 1 April 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments (Continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, cash held on behalf of customers and trade and other receivables).

Financial assets measured at fair value, including equity securities measured at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments (Continued)

(ii) Credit losses (Continued)

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

There has been no impact on the Group as a result of this change in accounting policy.

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments (Continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Any difference in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 is recognised in reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of investments in equity instruments not held for trading to be classified as at FVOCI.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for revenue from construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

3 Changes in accounting policies (Continued)

(c) HKFRS 15, Revenue from contracts with customers (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and rendering of services.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

There has been no impact on the Group as a result of this change in policy.

3 Changes in accounting policies (Continued)

(c) HKFRS 15, Revenue from contracts with customers (Continued)

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Contract balances were presented as "Prepayment from customers" included in trade and other payables. There has been no impact on the Group as a result of the change in policy.

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

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	
	2018	2017
	$'000	$'000
Revenue		
Sales of goods (recognised at point in time)	**1,288,324**	1,407,072

4 Revenue and segment reporting (Continued)

(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			
	2018		2017	
	Revenue $'000	**Segment results $'000**	Revenue $'000	Segment results $'000
Hong Kong	**781,865**	**(62,156)**	864,422	37,516
Mainland China	**506,459**	**11,621**	542,650	9,776
	1,288,324	**(50,535)**	1,407,072	47,292

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

	At 30 September 2018		
	Hong Kong $'000	**Mainland China $'000**	**Total $'000**
Segment assets	**925,121**	**362,949**	**1,288,070**
Segment liabilities	**111,584**	**154,105**	**265,689**

4 Revenue and segment reporting (Continued)

(a) Segment revenue and results (Continued)

	At 31 March 2018		
	Hong Kong $'000	Mainland China $'000	Total $'000
Segment assets	1,131,297	338,267	1,469,564
Segment liabilities	225,588	133,745	359,333

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2018 **$'000**	2017 $'000
Total segment results	**(50,535)**	47,292
Other income	**3,017**	4,080
Other net (losses)/gains	**(2,319)**	8,333
Net finance costs	**(5,104)**	(2,878)
(Loss)/profit before taxation	**(54,941)**	56,827

5 (Loss)/profit before taxation

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

	Six months ended 30 September	
	2018	2017
	$'000	$'000
(a) Net finance costs		
Interest income	**(641)**	(292)
Interest on short-term bank borrowings	**5,581**	2,994
Interest on mortgage loan	**164**	176
	5,104	2,878
(b) Other items		
Depreciation of property, plant and equipment	**5,023**	4,521
Amortisation of leasehold land	**284**	284
Operating lease charges: minimum lease payments – property rentals	**1,541**	1,473
Cost of inventories sold	**1,261,053**	1,295,681
Gain on disposal of available-for-sale financial assets	**–**	(4,833)
Loss/(gain) on disposal of property, plant and equipment	**765**	(144)
Realised (gain)/loss on metal future trading contracts and foreign exchange forward contracts	**(155)**	1,148
Unrealised gain on metal future trading contracts and foreign exchange forward contracts	**(280)**	(57)
Staff costs (including directors' remuneration)	**31,736**	39,400
Recognition of write-down of inventories	**20,294**	54
Net foreign exchange loss/(gain)	**1,988**	(4,422)

6 Income tax

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Current tax		
– Hong Kong Profits Tax	**354**	153
– Mainland China Corporate Income Tax	**2,688**	1,835
Over-provision in prior years	**–**	(504)
	3,042	1,484
Deferred tax	**(748)**	(32)
	2,294	1,452

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 2017: 16.5%) to the six months ended 30 September 2018. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (six months ended 30 September 2017: 25%) to the six months ended 30 September 2018.

7 Dividends

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

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Interim dividend proposed of $Nil (six months ended 30 September 2017: $0.015) per ordinary share	**–**	12,432

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2018.

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.

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	
	2018	2017
	$'000	$'000
Final dividend in respect of the previous financial year of $0.015 (six months ended 30 September 2017: $0.015) per ordinary share	**12,432**	12,432
Special dividend in respect of the previous financial year of $Nil (six months ended 30 September 2017: $0.01) per ordinary share	**–**	8,288
	12,432	20,720

8 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $57,225,000 (six months ended 30 September 2017: profit of $55,375,000) and the weighted average number of 828,750,000 (six months ended 30 September 2017: 828,750,000) ordinary shares in issue during the interim period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 September 2018 and 2017 are the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

9 Property, plant and equipment

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Net book value as at the beginning of the period	**86,316**	89,251
Exchange difference	**(819)**	373
Additions	**2,822**	2,082
Disposals	**(799)**	(144)
Depreciation	**(5,023)**	(4,521)
Net book value as at the end of the period	**82,497**	87,041

10 Inventories

	At 30 September 2018 $'000	At 31 March 2018 $'000
Finished goods	**596,348**	839,349
Less: Write-down of inventories	**(37,261)**	(16,969)
	559,087	822,380

The cost of inventories recognised as expense and included in "cost of sales" amounted to $1,261,053,000 (six months ended 30 September 2017: $1,295,681,000) during the six months ended 30 September 2018.

11 Trade and other receivables

	At 30 September 2018 $'000	At 31 March 2018 $'000
Trade receivables, net of allowance for doubtful debts	**173,000**	176,444
Prepayments to suppliers	**34,325**	13,119
Deposits	**3,141**	2,934
Other receivables	**19,197**	23,182
	229,663	215,679

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 2018 $'000	At 31 March 2018 $'000
Within 1 month	**157,401**	162,094
Over 1 but within 2 months	**11,227**	8,484
Over 2 but within 3 months	**2,667**	2,046
Over 3 months	**1,705**	3,820
	173,000	176,444

12 Cash and cash equivalents

	At 30 September 2018 $'000	At 31 March 2018 $'000
Short-term bank deposits	**71,365**	25,325
Cash at bank and on hand	**292,574**	275,039
	363,939	300,364

13 Trade and other payables

	At 30 September 2018 $'000	At 31 March 2018 $'000
Trade payables	**18,579**	42,585
Prepayments from customers	**21,196**	10,782
Accrued expenses and other payables	**23,829**	34,873
	63,604	88,240

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

	At 30 September 2018 $'000	At 31 March 2018 $'000
Within 1 month	**18,379**	42,524
Over 2 but within 3 months	**–**	61
Over 3 months	**200**	–
	18,579	42,585

14 Bank borrowings

	At 30 September 2018 $'000	At 31 March 2018 $'000
Non-current liabilities		
Mortgage loan	**13,754**	14,329
Current liabilities		
Short-term bank borrowings	**180,556**	249,326
Mortgage loan	**1,145**	1,133
	181,701	250,459
	195,455	264,788

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

	At 30 September 2018 $'000	At 31 March 2018 $'000
Within 1 year or on demand	**181,701**	250,459
After 1 year but within 2 years	**1,175**	1,158
After 2 years but within 5 years	**3,682**	3,626
After 5 years	**8,897**	9,545
	13,754	14,329
	195,455	264,788

Mortgage loan of $14,899,000 (31 March 2018: $15,462,000) was secured by property, plant and equipment with carrying value of $47,144,000 (31 March 2018: $47,642,000) as at 30 September 2018.

14 Bank borrowings (Continued)

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

	At 30 September 2018	At 31 March 2018
Short-term bank borrowings	**3.56%**	2.73%
Mortgage loan	**2.15%**	2.74%

15 Share capital

	Number of ordinary shares '000	**Nominal amount** $'000
Authorised:		
Ordinary shares of $0.1 each		
As at 31 March 2018, 1 April 2018 and 30 September 2018	8,000,000	800,000
Issued and fully paid:		
Ordinary shares of $0.1 each		
As at 31 March 2018, 1 April 2018 and 30 September 2018	828,750	82,875

16 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 2018	Fair value measurements as at 30 September 2018 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Financial assets:				
Financial assets at FVOCI	14,215	14,215	–	–
Derivative financial instruments	5,799	–	5,799	–
	20,014	14,215	5,799	–
Financial liabilities:				
Derivative financial instruments	1,751	–	1,751	–

16 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 31 March 2018 $'000	Fair value measurements as at 31 March 2018 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets (note)	16,174	16,174	–	–
Derivative financial instruments	544	–	544	–
	16,718	16,174	544	–
Financial liabilities:				
Derivative financial instruments	1,892	–	1,892	–

Note: Available-for-sale financial assets were reclassified to financial assets at FVOCI upon the adoption of HKFRS 9 at 1 April 2018 (see note 3(b)(i)).

During the six months ended 30 September 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2017: 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 2018 and 31 March 2018.

17 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 2018 $'000	At 31 March 2018 $'000
Within one year	**1,661**	1,880
After one year but within five years	**318**	1,039
	1,979	2,919

18 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	
	2018 $'000	2017 $'000
Salaries and other short term employee benefits	**6,677**	7,590
Post employment benefits – pension	**45**	45
	6,722	7,635

18 Material related party transactions (Continued)

(b) Transactions with related companies

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Rental expenses paid to Sonic Gold Limited (note)	**318**	300

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

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 31 which comprises the consolidated statement of financial position of Lee Kee Holdings Limited as of 30 September 2018 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 2018 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 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS PERFORMANCE

Financial performance

The Group faced significant headwinds during the Interim Period resulting from falling global metal prices during most of the Interim Period – particularly the price for zinc (LEE KEE's main product), as well as from the unfavourable global macro-economic environment.

The Group's revenue for the Interim Period was HK$1,288 million, a decline of 8.44% compared to the Comparative Period. Tonnage sold by the Group during the Interim Period was around 50,800 tonnes, compared to 59,800 tonnes in the Comparative Period.

The Group recorded a gross profit of HK$7 million and a gross profit margin of 0.54% for the Interim Period, compared to a gross profit of HK$111 million for the Comparative Period. The Group recorded a loss attributable to equity shareholders of the Company of HK$57.2 million during the Interim Period, compared to a profit of HK$55.4 million during the Comparative Period.

The loss was mostly attributable to falling metal prices during most of the Interim Period, particularly for zinc, which lowered the overall gross profit of the sales transactions made during most of the Interim Period. Despite zinc prices recovering somewhat towards the end of the Interim Period (i.e. after 18th September 2018, see below), the Group still made a significant stock provision on the inventory held as at 30th September 2018. The Group's financial performance was also adversely impacted by the global macro-economic environment, particularly the growing trade dispute between the U.S. and the PRC and its impact on the confidence of the Group's customers, who are mostly SME manufacturers.

Global zinc prices fluctuated between US$3,250 and US$3,000 a tonne during the first half of the Interim Period, after correcting from a recent years' high earlier in the year in response to a growing number of zinc mining and production project announcements that are expected to restore global supply levels. On 15th June 2018, the price of zinc started falling sharply after the U.S. and PRC governments announced plans to impose tariffs on each other's imports. Zinc prices hit a low of US$2,287 per tonne on 18th September 2018 before rebounding to US$2,552 per tonne as of 30th September 2018.

Global nickel prices, while highly volatile, continued its upward trajectory during the first half of the Interim Period, supported by environmental production cuts in the PRC, falling inventories, strong steel prices and continued bullishness about the development of the electric vehicle market. This upward trend was reversed in June 2018 in response to the U.S.-PRC trade dispute, falling to a low of US$12,205 per tonne on 11th September 2018 and trading at US$12,620 per tonne as of 30th September 2018.

Distribution and selling expenses for the Interim Period was HK$13.6 million, a slight increase compared to the Comparative Period.

The Group's administrative expenses in the Interim Period fell by 13.4% to HK$43.9 million compared to the Comparative Period. The fall in administrative expenses was mainly due to the decrease in staff costs, a certain portion of which is variable in nature and proportionate to the Group's performance.

The Group recorded other net losses of HK$2.3 million during the Interim Period, compared to net gains of HK$8.3 million during the Comparative Period. This was mainly due to the absence of, during the Interim Period, gain from disposal of shares in a listed company that was recognised in the Comparative Period as well as foreign exchange losses incurred during the period.

The Group's finance costs for the Interim Period increased by 81.2% to HK$5.7 million due to higher general market interest rates compared to the Comparative Period.

The Group continues to retain a healthy financial position, with HK$364 million bank balances and cash on hand as of 30th September 2018.

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 Metals Testing Laboratory Limited ("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 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.

Continued expansion of Southeast Asia business

The Group's business in Southeast Asia, which covers Malaysia, Thailand, Vietnam and Singapore, continued to grow during the Interim Period. This growth was underpinned by the shift of certain manufacturing capacity from the PRC to Southeast Asia, as well as government initiatives such as Belt and Road Initiative and continued economic growth in most countries in the region.

The Group's customer mix in the region, who are catered to by its sales and distribution office in Singapore, includes both long-standing customers whose relationship with LEE KEE originated in Hong Kong or other parts of the PRC, as well as local manufacturers. Attracting more business from this latter group of new clients continues to be one of the Group's main goals.

Creating speciality alloys to cater for the changing PRC market

The PRC continues to be the largest market for the Group's metal products and services. Its customers are mostly the end-users of metals, namely die-casters, manufacturers and brand owners. Over the last few years, many of these end-users have been shifting from low-value-added activities to higher-value ones – a trend that could be accelerated further by the current global trade frictions, with the PRC prioritising boosting domestic demand and developing home-grown advanced technologies.

Leveraging on its strong manufacturing as well as its research and development capabilities, LEE KEE continued to serve the changing needs of customers. Throughout the Interim Period, the Group continued to source, supply and develop a wide choice of high-quality imported standard products. On the other hand, sales of Genesis Alloys (Ningbo) Limited continued to grow. Its quality and reliability have been widely recognised in the PRC. The Group also continued to promote new specialty alloys specifically geared for the manufacture of automobile parts (including for electric vehicles) and electronics, among others, at a short time to market. This capability ensured that the Group was able to protect and grow its market share and remain the partner of choice to major brands and manufacturers.

Continued development of consultancy services for technical and risk management

Promet continued to gain recognition for its range of value-adding consultancy services, which includes factory audits, composition and defect analysis, process optimisation, mould design and flow simulation. These services are uniquely positioned to help companies produce better quality products and achieve greater cost-effectiveness and competitiveness – outcomes that will be more and more important in the toughening global macro-economic environment. Promet will continue to expand its scope of testing services and build its reputation.

The Group continued to support its wholly-owned futures brokerage subsidiary, Horizon Commodities and Futures Company Limited ("HCF") during the Interim Period. HCF offers brokerage services for Hong Kong and global index futures, LME and U.S. – listed metal futures, agricultural futures, energy futures, foreign exchange futures and interest rate futures. More and more companies realise a need to manage their inventory and treasury risk exposures – a proposition that is increasingly important given the current volatility in financial markets. LEE KEE is one of the few metals companies that offer both physical metal services and financial services.

Prospects

Uncertain macro-economic environment

The United States' implementation of tariffs on numerous categories of PRC exports has undermined confidence in the global trading system and impacted the confidence of the Group's customers. It has also accelerated the cyclic decline of metal prices at a much faster pace than expected. Both of these factors are likely to impact LEE KEE's financial performance in the second half of the year and the Group will monitor both events closely.

Supply-side decisions and new technology development will also affect metal prices

Global zinc and nickel prices have both been pulled down by an overall downturn of metal prices caused by current geopolitical tensions. However, the fundamentals influencing the pricing of each metal are different and could result in a divergence in price trends over the medium-to-long term.

The effect of the supply-side deficit that helped pushed zinc prices to a record high in early 2018 is being offset by mine re-openings, expansions and new supply entering the market. As a result, the prospect of supply-demand balance will continue to pressure prices, in addition to macro-economic pressures. On the other hand, as the world's largest zinc producer, the PRC's tightening environmental policy could be another influential factor to the price.

Meanwhile, global nickel prices will continue to be positively influenced by the booming electric vehicle industry. However, an emerging global glut of stainless steel capacity in the PRC and Indonesia (of which nickel is a major component) may constrain prices.

The Group will continue to closely monitor the global zinc and nickel markets.

The Belt and Road Initiative supports long-term prospects in Southeast Asia and the PRC

Manufacturing activities in Asia will continue to diverge as markets in Southeast Asia with clear labour-cost advantages and with improving infrastructure become important producers of goods and commodities. Low-cost, labour-intensive manufacturing industries will continue to shift their operations from the PRC to Southeast Asia to take advantage of these conditions. The Group will cater to this growing cluster of manufacturers in Southeast Asia through its network of sales offices in the region.

At the same time, new economic development strategies in the PRC is leading to a resurgence of manufacturing activity, particularly in higher-value-added sectors such as electronics, electric vehicles and other technology-led industries. These industries will require highly specialised materials, alloys and services, which the Group is in a unique position to provide. The Group will continue to invest in R&D and in strengthening its business network to take full advantage of this trend.

Stringent controls on costs and purchases

The Group will continue to take steps to streamline its operations and metal-purchasing protocols to contain costs and protect its margins, an outcome that will be challenging in the short-term given current market volatility and sudden changes in long-standing trade policies.

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.

DIVIDEND

The Board does not recommend an interim dividend (Comparative Period: HK1.5 cents per share) to shareholders of the Company for the Interim Period.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 30th September 2018, the Group had unrestricted cash and bank balances of approximately HK$364 million (as at 31st March 2018: HK$300 million) and bank borrowings of approximately HK$195 million (as at 31st March 2018: HK$265 million). As at 30th September 2018, the outstanding borrowing of mortgage loan amounted to HK$14.9 million (as at 31st March 2018: HK$15.5 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 2018 was 19.1% (as at 31st March 2018: 23.8%). The Group has a current ratio of 471% as at 30th September 2018 (as at 31st March 2018: 395%).

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 2018, the Group had approximately 200 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). During the Interim Period, staff costs (including directors' emoluments) were approximately HK$31.7 million (Comparative Period: HK$39.4 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 2018, 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 the shares of the Company (the "Shares")

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, *MH* (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, *MH*, 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 2018, 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.

Substantial Shareholders' Interests and/or Short Positions in the Shares and 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 2018, 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.

Long Position in the Shares of the Company

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:

a. 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.

b. 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 2018, 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.

OTHER INFORMATION

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.

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 Rules Governing the Listing of Securities on the Stock Exchange 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 2018

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