



# 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



## Creating Value

Interim Report  
中期報告

# 2016

# CORPORATE INFORMATION

## Directors

### Executive Directors

CHAN Pak Chung  
*(Chairman of the Board)*  
CHAN Yuen Shan, Clara  
*(Vice Chairman of  
the Board & CEO)*  
MA Siu Tao

### 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, Uglan 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 2103-05, 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  
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](http://www.leekeegroup.com)

## Stock Code

637

The Board of Directors (the “Board”) of Lee Kee Holdings Limited (the “Company”) hereby presents the unaudited interim financial report of the Company and its subsidiaries (collectively “LEE KEE” or the “Group”) for the six months ended 30th September 2016 (the “Interim Period” or “6-month Period”) together with the comparative figures for the six months ended 30th September 2015 (the “Comparative Period”) as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	Six months ended 30 September	
		2016 \$'000	2015 \$'000
<b>Revenue</b>	4	<b>981,355</b>	1,272,548
Cost of sales		<b>(915,888)</b>	(1,304,885)
<b>Gross profit/(loss)</b>		<b>65,467</b>	(32,337)
Other income		<b>2,088</b>	1,356
Distribution and selling expenses		<b>(10,816)</b>	(13,087)
Administrative expenses		<b>(40,451)</b>	(39,967)
Other net losses		<b>(2,363)</b>	(5,462)
<b>Profit/(loss) from operations</b>		<b>13,925</b>	(89,497)
Finance income		<b>129</b>	225
Finance costs		<b>(1,276)</b>	(3,200)
Net finance costs	5(a)	<b>(1,147)</b>	(2,975)
<b>Profit/(loss) before taxation</b>	5	<b>12,778</b>	(92,472)
Income tax	6	<b>(1,104)</b>	(1,668)
<b>Profit/(loss) for the period attributable to equity shareholders of the Company</b>		<b>11,674</b>	(94,140)
<b>Earnings/(loss) per share</b>			
Basic and diluted (Hong Kong cents)	8	<b>1.41</b>	(11.36)

The notes on pages 8 to 23 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016 – unaudited  
(Expressed in Hong Kong dollars unless otherwise indicated)

	Six months ended 30 September	
	2016 \$'000	2015 \$'000
<b>Profit/(loss) for the period</b>	<b>11,674</b>	(94,140)
<b>Other comprehensive income for the period:</b>		
<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	<b>(5,024)</b>	(3,985)
Change in fair value of available-for-sale financial assets	<b>5,340</b>	(1,432)
<b>Other comprehensive income for the period</b>	<b>316</b>	(5,417)
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>	<b>11,990</b>	(99,557)

The notes on pages 8 to 23 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2016 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	At 30 September 2016 \$'000	At 31 March 2016 \$'000
<b>Non-current assets</b>			
Interests in leasehold land held for own use			
under operating leases		19,391	19,712
Property, plant and equipment	9	94,374	96,885
Available-for-sale financial assets	10	29,747	24,407
Deferred tax assets		2,857	2,627
		<b>146,369</b>	143,631
<b>Current assets</b>			
Inventories		707,341	728,367
Trade and other receivables	11	182,705	130,036
Tax recoverable		564	564
Derivative financial instruments		–	125
Cash held on behalf of customers		1,540	1,620
Cash and cash equivalents	12	184,617	162,278
		<b>1,076,767</b>	1,022,990
<b>Current liabilities</b>			
Trade and other payables	13	71,986	44,803
Bank borrowings	14	109,613	92,719
Tax Payable		845	583
Derivative financial instruments		859	182
		<b>183,303</b>	138,287
<b>Net current assets</b>		<b>893,464</b>	884,703
<b>Total assets less current liabilities</b>		<b>1,039,833</b>	1,028,334

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 September 2016 – unaudited

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	At 30 September 2016 \$'000	At 31 March 2016 \$'000
<b>Non-current liabilities</b>			
Bank borrowings	14	16,013	16,566
Employee retirement benefit obligations		2,305	2,305
Deferred tax liabilities		2,132	2,070
		<b>20,450</b>	20,941
<b>NET ASSETS</b>			
		<b>1,019,383</b>	1,007,393
<b>CAPITAL AND RESERVES</b>			
Share capital	15	82,875	82,875
Reserves		936,508	924,518
<b>TOTAL EQUITY</b>			
		<b>1,019,383</b>	1,007,393

The notes on pages 8 to 23 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016 – 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
<b>Balance at 1 April 2015</b>	82,875	478,717	(17,830)	125	1,090	14,835	8,299	574,025	1,142,136
<b>Changes in equity for the six months ended 30 September 2015:</b>									
Loss for the period	-	-	-	-	-	-	-	(94,140)	(94,140)
Other comprehensive income	-	-	-	-	-	(1,432)	(3,985)	-	(5,417)
Total comprehensive income	-	-	-	-	-	(1,432)	(3,985)	(94,140)	(99,557)
Dividends approved in respect of the previous year	7	(8,288)	-	-	-	-	-	-	(8,288)
<b>Balance at 30 September 2015</b>	82,875	470,429	(17,830)	125	1,090	13,403	4,314	479,885	1,034,291
<b>Balance at 1 April 2016</b>	82,875	470,429	(17,830)	125	1,358	11,332	2,324	456,780	1,007,393
<b>Changes in equity for the six months ended 30 September 2016:</b>									
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
<b>Balance at 30 September 2016</b>	82,875	470,429	(17,830)	125	1,358	16,672	(2,700)	468,454	1,019,383

The notes on pages 8 to 23 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2016 – unaudited  
(Expressed in Hong Kong dollars unless otherwise indicated)

	Six months ended 30 September	
	2016 \$'000	2015 \$'000
<b>Operating activities</b>		
Cash generated from operations	13,054	209,762
Interest paid on other bank borrowings	(1,103)	(3,031)
Mainland China Corporate Income Tax paid	(1,010)	(805)
<b>Net cash generated from operating activities</b>	<b>10,941</b>	205,926
<b>Investing activities</b>		
Interest received	129	226
Proceeds from disposal of property, plant and equipment	235	104
Proceeds from disposal of available-for-sale financial assets	–	10,435
Acquisition of property, plant and equipment	(3,019)	(2,126)
Acquisition of investment properties	–	(37,390)
<b>Net cash used in investing activities</b>	<b>(2,655)</b>	(28,751)
<b>Financing activities</b>		
Dividends paid	–	(8,288)
Proceeds from new bank borrowings	377,232	657,253
Repayment of bank borrowings	(360,891)	(804,826)
Interest paid on mortgage loan	(173)	(169)
<b>Net cash generated from/(used in) financing activities</b>	<b>16,168</b>	(156,030)
<b>Net increase in cash and cash equivalents</b>	<b>24,454</b>	21,145
<b>Cash and cash equivalents at the beginning of the period</b>	<b>162,278</b>	131,058
<b>Effect of foreign exchanges rates changes</b>	<b>(2,115)</b>	(2,197)
<b>Cash and cash equivalents at the end of the period</b>	<b>184,617</b>	150,006

The notes on pages 8 to 23 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, aluminium, aluminium 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 25 November 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015/16 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016/17 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 2015/16 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 24.

The financial information relating to the financial year ended 31 March 2016 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

## 4 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	
	2016 \$'000	2015 \$'000
<b>Revenue</b>		
Sales of goods	<b>981,355</b>	1,272,548

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 Segment reporting (Continued)

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.

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 losses and net finance costs.

	Six months ended 30 September			
	2016		2015	
	Revenue \$'000	Segment results \$'000	Revenue \$'000	Segment results \$'000
Hong Kong	636,637	7,149	896,607	(91,422)
Mainland China	344,718	7,051	375,941	6,031
	<b>981,355</b>	<b>14,200</b>	1,272,548	(85,391)

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 Segment reporting (Continued)

### (a) Segment revenue and results (Continued)

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

	As at 30 September 2016		
	Hong Kong \$'000	Mainland China \$'000	Total \$'000
Segment assets	1,008,772	214,364	1,223,136
Segment liabilities	140,306	63,447	203,753

  

	As at 31 March 2016		
	Hong Kong \$'000	Mainland China \$'000	Total \$'000
Segment assets	951,779	214,842	1,166,621
Segment liabilities	94,486	64,742	159,228

### (b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2016 \$'000	2015 \$'000
Total segment results	14,200	(85,391)
Other income	2,088	1,356
Other net losses	(2,363)	(5,462)
Net finance costs	(1,147)	(2,975)
Profit/(loss) before taxation	12,778	(92,472)

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 Profit/(loss) before taxation

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

	Six months ended 30 September	
	2016 \$'000	2015 \$'000
<b>(a) Net finance costs</b>		
Interest income	(129)	(225)
Interest on short-term bank borrowings	1,103	3,031
Interest on mortgage loan	173	169
	<b>1,147</b>	2,975
<b>(b) Other items</b>		
Depreciation of property, plant and equipment	4,819	4,539
Amortisation of leasehold land	285	285
Operating lease charges: minimum lease payments – property rentals	1,381	1,496
Cost of inventories sold	933,562	1,254,094
Gain on disposal of available-for-sale financial assets	–	(6,393)
Gain on disposal of property, plant and equipment	(48)	(100)
Realised loss on metal future trading contracts	826	11,496
Unrealised loss/(gain) on metal future trading contracts	928	(1,944)
Staff costs (including directors' remuneration)	28,543	28,394
(Reversal of)/write-down of inventories	(17,674)	50,791
Net foreign exchange loss	568	2,877

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 Income tax

	Six months ended 30 September	
	2016 \$'000	2015 \$'000
Current tax – Hong Kong Profits Tax	158	54
Current tax – Mainland China Corporate Income Tax	1,159	1,214
Deferred taxation	(213)	400
	<b>1,104</b>	1,668

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 2015: 16.5%) to the six months ended 30 September 2016. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (six months ended 30 September 2015: 25%) to the six months ended 30 September 2016.

## 7 Dividend

A final dividend totalling \$8,288,000 (\$0.01 per ordinary share) in respect of the year ended 31 March 2015 was approved and paid during the six months ended 30 September 2015. The Directors did not recommend the payment of a final dividend for the year ended 31 March 2016 during the six months ended 30 September 2016.

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

## 8 Earnings/(loss) per share

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of \$11,674,000 (six months ended 30 September 2015: loss of \$94,140,000) and the weighted average number of 828,750,000 (six months ended 30 September 2015: 828,750,000) ordinary shares in issue during the interim period.

### (b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the interim period.

# 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	
	2016 \$'000	2015 \$'000
Net book value as at the beginning of the period	96,885	52,283
Exchange difference	(428)	(342)
Additions	3,019	3,187
Disposals	(283)	(4)
Depreciation	(4,819)	(4,539)
Net book value as at the end of the period	94,374	50,585

## 10 Available-for-sale financial assets

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
	Available-for-sale financial assets	
– equity securities listed in Hong Kong at fair value	29,747	24,407
– unlisted limited partnership at fair value	–	–
	29,747	24,407

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 2016 and 31 March 2016, 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 Trade and other receivables

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Trade receivables, net of allowance for doubtful debts	<b>132,508</b>	94,159
Prepayments to suppliers	<b>32,616</b>	15,663
Deposits	<b>3,308</b>	2,907
Other receivables	<b>14,273</b>	17,307
	<b>182,705</b>	130,036

The Group grants credit terms to its customers ranging from cash on delivery to 90 days. As of 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:

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Within 1 month	<b>82,955</b>	72,693
Over 1 but within 2 months	<b>36,457</b>	17,213
Over 2 but within 3 months	<b>8,253</b>	3,763
Over 3 months	<b>4,843</b>	490
	<b>132,508</b>	94,159

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Cash and cash equivalents

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Deposits with banks	–	17,054
Cash at bank and in hand	<b>184,617</b>	145,224
	<b>184,617</b>	162,278

## 13 Trade and other payables

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Trade payables	<b>54,844</b>	23,437
Prepayments from customers	<b>6,819</b>	10,423
Accrued expenses and other payables	<b>10,278</b>	10,860
Other payables to related companies	<b>45</b>	83
	<b>71,986</b>	44,803

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 Trade and other payables (Continued)

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

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Within 1 month	47,769	23,417
Over 1 but within 3 months	4,811	–
Over 3 months	2,264	20
	<b>54,844</b>	23,437

## 14 Bank borrowings

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
<b>Non-current liabilities</b>		
Mortgage loan	16,013	16,566
<b>Current liabilities</b>		
Short-term bank borrowings	108,507	91,620
Mortgage loan	1,106	1,099
	<b>109,613</b>	92,719
	<b>125,626</b>	109,285

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 Bank borrowings (Continued)

At 30 September 2016, the bank borrowings were repayable as follows:

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Within 1 year or on demand	109,613	92,719
After 1 year but within 2 years	1,224	1,121
After 2 years but within 5 years	3,431	3,498
After 5 years	11,358	11,947
	16,013	16,566
	125,626	109,285

Mortgage loan of \$17,119,000 (31 March 2016: \$17,665,000) was secured by property, plant and equipment with carrying value of \$49,136,000 (31 March 2016: \$49,634,000) as at 30 September 2016.

The effective interest rates at the end of the reporting period were as follows:

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Short-term bank borrowings	2.30%	1.72%
Mortgage loan	2.03%	1.90%

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 Share capital

	Number of ordinary shares	Nominal amount \$'000
<b>Authorised:</b>		
<i>Ordinary shares of \$0.1 each</i>		
As at 31 March 2016, 1 April 2016 and 30 September 2016	8,000,000,000	800,000
<b>Issued and fully paid:</b>		
<i>Ordinary shares of \$0.1 each</i>		
As at 31 March 2016, 1 April 2016 and 30 September 2016	828,750,000	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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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	Fair value measurements as at		
	30 September	30 September 2016 categorised into		
	2016	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	29,747	29,747	–	–
Financial liabilities:				
Derivative financial instruments	859	–	859	–

	Fair value at	Fair value measurements as at		
	31 March	31 March 2016 categorised into		
	2016	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale financial assets				
– Equity securities listed in Hong Kong	24,407	24,407	–	–
Derivative financial instruments	125	–	125	–
Financial liabilities:				
Derivative financial instruments	182	–	182	–

During the six months ended 30 September 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2015: 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 Fair value measurement of financial instruments (Continued)

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

#### (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 2016 and 31 March 2016.

## 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:

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
Within one year	<b>1,643</b>	994
After one year but within five years	<b>1,537</b>	–
	<b>3,180</b>	994

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 Material related party transactions

### (a) Key management personnel remuneration

	Six months ended 30 September	
	2016 \$'000	2015 \$'000
Short term employee benefits	8,656	9,051
Post employment benefits	53	63
	<b>8,709</b>	9,114

### (b) Transactions with related companies

	Six months ended 30 September	
	2016 \$'000	2015 \$'000
Rental expenses paid to Sonic Gold Limited (note)	270	270

Note: The Group paid rental expenses for directors' 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 Material related party transactions (Continued)

### (c) Balances with related companies

	<b>At 30 September 2016 \$'000</b>	At 31 March 2016 \$'000
<b>Other payables to related companies</b>		
Modern Wealth Limited (note)	–	38
Sonic Gold Limited	45	45

Note: Modern Wealth Limited (“MWL”) is a company controlled by Mr Chan Pak Chung, an executive director of the Company. The balance as at 31 March 2016 represented reimbursement of expenses paid by MWL on behalf of the Group.

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 Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 2 to 23 which comprises the consolidated statement of financial position of Lee Kee Holdings Limited as of 30 September 2016 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six months 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 2016 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

25 November 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overall Business Performance

### Financial performance

LEE KEE experienced a mixed operating environment during the Interim Period. The rally in the global zinc (LEE KEE's main product) and nickel markets had a marked impact on the Group's margins especially when compared to the exceptional downturn in these metal markets during the Comparative Period. Meanwhile, industrial overcapacity and the slowing manufacturing sector in China impacted demand for the Group's metal products.

The Group's revenue for the Interim Period was HK\$981 million, down 22.9% compared to the Comparative Period of last year. Tonnage sold declined 15.8% to 55,370 tonnes during the Interim Period, compared to the Comparative Period.

However, the Group recorded a gross profit of HK\$65.5 million and a gross profit margin of 6.67% for the 6-month Period, compared to a gross loss of HK\$32.3 million and a gross loss margin of 2.54% in the Comparative Period. The Group recorded a profit attributed to equity shareholders of the Company of HK\$11.7 million for the Interim Period, compared to a loss of HK\$94.1 million for the Comparative Period.

The improvement in profitability was mainly due to an increase in metal prices, particularly zinc, during the Interim Period, against the exceptionally adverse conditions in the metal market that affected the Group's performance during the Comparative Period.

The global price for zinc and nickel rose 32% and 27% respectively during the Interim Period. The LME price of zinc rose steadily throughout the Interim Period, from US\$1,792 to reach US\$2,354 per tonne at the end of the Interim Period. This compared starkly to the performance of the global zinc market in the Comparative Period of last year, where prices were highly volatile – rising 16.2% during April 2015 to early May 2015, before falling 31.1% between early May 2015 and the end of September 2015.

The LME price for nickel during the Interim Period was slightly more volatile in comparison, rising from US\$8,280 per tonne to US\$9,555 per tonne from the beginning of April 2016 to the beginning of May 2016, before dipping to US\$8,325 per tonne by the beginning of June 2016. An environmental crackdown on nickel mines launched by the new government in the Philippines pushed prices up to US\$10,900 per tonne by early August 2016, with prices then fluctuating sharply to eventually reach a price of US\$10,530 per tonne as of 30th September 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Distribution and selling expenses for the 6-month Period was HK\$10.8 million, down 17.4% compared to the Comparative Period of last year. The fall was primarily attributed to the lower tonnage sold during the Interim Period, compared to the Comparative Period.

The Group's administrative expenses in the 6-month Period rose 1.2% to HK\$40.4 million compared to the Comparative Period of last year. The Group recognised other income of HK\$2.09 million, up 54.0% compared to the Comparative Period of last year. This was primarily due to higher fees earned from the Group's wholly-owned metals testing subsidiary, Promet Metals Testing Laboratory Limited ("Promet").

The Group also incurred other net losses of HK\$2.36 million during the Interim Period, down from a loss of HK\$5.46 million during the Comparative Period. This result was achieved despite the absence of a one-off gain of HK\$6.39 million resulting from the Group's decision to dispose of part of the interest in shares in a listed company during the Comparative Period. The reduced loss was mostly attributed to the Group's ability to reduce its losses related to metal future contracts and currency devaluations.

The Group's finance costs for the 6-month Period fell 60.1% to HK\$1.28 million due to the lower level of bank loans held by the Group as a result of its destocking strategy.

The Group continues to retain a healthy financial position, with HK\$185 million bank balances and cash on hand as of 30th September 2016.

### **Business Review**

#### **A leading solutions provider for metals**

LEE KEE is a leading solutions provider for the metals industry, which specialises in providing quality metal materials and value-added solutions to its customers. Since its founding more than 60 years ago, it has built a strong 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. One of the benefits of this membership was seen in early 2016 when LEE KEE's metals testing subsidiary, Promet Metals Testing Laboratory Limited ("Promet"), became an approved LME listed Sampler and Assayer, raising Promet's international profile.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

While the Group benefited from the rally in global zinc and nickel prices during the Interim Period, it also remained focused on securing its long-term competitiveness by further expanding its range of technical and consulting services and its branded metal product offerings. This has helped LEE KEE better meet the needs of its customers, which hail from more than 20 industries in the Greater China and ASEAN regions.

### **Growing contribution from value-added services**

Promet and the Group's wholly-owned futures brokerage subsidiary, Horizon Commodities and Futures Company Limited ("HCF") continued to contribute to overall income during the Interim Period.

Promet's efficient and reliable metal testing services is experiencing rapid growth, especially in the construction sector. Its experienced engineering team offers professional consultancy services, as well as customized solutions in the fields of materials engineering, productivity enhancement, process optimisation, sustainable design, quality control and failure analysis.

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 – providing customers with greater flexibility and closeness to market.

The increasing contribution from both businesses is a sign of the progress LEE KEE is making in implementing its long-term strategy of moving up the value-chain by offering a growing suite of value-added metal solutions and services to its customers. This strategy is integral to safeguarding the Group's future competitiveness and its market share, as metal end-users increasingly seek holistic solutions providers that can help them address an increasingly complex metals market and export market.

### **Expanding range of quality metal products**

The Group continued to expand its range of high-quality metal products and speciality alloys, a strategy that is enabling LEE KEE to expand into new markets and create value for different market segments. Key areas of focus include developing a range of 'green' metals and alloys that can help end users meet tightening regulation around metal quality and environmental standards while achieving specific performance requirements of various applications.

### **Strengthening the value of its services**

Throughout the Interim Period, LEE KEE continued to strengthen the value that its services provided to its customers during every stage of the manufacturing process. These services included market intelligence, technical consultancy, alloy customisation, quality support and supply chain management – ensuring that the Group remained the partner of choice for brand owners, manufacturers, die-casters and other end-users of metals.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Prospects

#### Government policy and supplier decisions to drive metal markets

The global zinc market has been one of the best performing commodity markets this year, with prices being driven by recent supply shortfalls after some major producers, such as Glencore, decided to cut production. It remains to be seen whether the bull market for zinc will continue, as higher prices may encourage these producers to restart idle mining operations, putting pressure on prices.

The unknown volume of metals held outside of the LME warehouse system also makes the future supply situation difficult to forecast.

The global price for nickel could continue to be supported by recent mine closures in the Philippines, following a recent government-led environmental crackdown. The lower resulting exports from this major producer could compound the ongoing effect of Indonesia's tightening ban on raw material exports.

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

#### Stagnating manufacturing activity in the PRC to continue affecting demand for metals

Manufacturing activity in the PRC continues to be highly influenced by the weak global economic environment, excess capacity and pricing competition from other manufacturing locations. It may take some time for some of the Group's customers to adjust their operations and strategies. This is likely to impact demand for the Group's metals products in the short to medium term.

#### Ongoing focus on adding value and providing innovative solutions

The Group will continue to innovate in order to align with the increasingly complex metal services and customisation requirements being demanded by its customers. This includes toughening regulation around product safety, metal quality and environmental standards, to which the Group is already expanding its range of 'green' products and services in order to attract new customers and increase market share.

Other challenges that customers are facing include the need to upgrade their operation's efficiency and properly managing volatile metal prices – areas where the Group's subsidiaries, Promet and HCF can add significant value. The Group will also focus on developing its business in growth markets, such as South East Asia and Taiwan, in order to further expand our market scope while catering the needs of quality materials generated by the customers who are shifting production out of the PRC.

#### 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 expert advisors, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Interim Dividend

The Directors do not recommend the payment of an interim dividend 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 2016, the Group had unrestricted cash and bank balances of approximately HK\$185 million (as at 31st March 2016: HK\$162 million) and bank borrowings of approximately HK\$126 million (as at 31st March 2016: HK\$109 million). In March 2015, the Group obtained a HK\$ 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 HK\$ Prime Rate less 3.1%. As at 30th September 2016, the outstanding borrowing of this facility amounted to HK\$17.1 million (as at 31st March 2016: HK\$17.7 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 2016 was 12.3% (as at 31st March 2016: 10.9%). The Group has a current ratio of 587% as at 30th September 2016 (as at 31st March 2016: 740%).

The Company had issued guarantees to the extent of approximately HK\$810 million to banks to secure general banking facilities of approximately HK\$785 million to certain subsidiaries, of which approximately HK\$126 million had been utilised as of 30th September 2016.

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 2016, the Group had approximately 190 employees (Comparative Period: 200 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\$28.5 million (Comparative Period: HK\$28.4 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 2016, 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 issues Shares
Mr. CHAN Pak Chung (Note 1)	Founder of a discretionary trust	600,000,000	72.40%
Ms. MA Siu Tao (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Ms. CHAN Yuen, Shan, Clara (Note 3)	Beneficiary of a trust	600,000,000	72.40%
Mr. HO Kwai Ching, Mark (Note 4)	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 Ms. MA Siu Tao and the other 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. MA Siu Tao, the spouse of Mr. CHAN Pak Chung and an Executive Director, is deemed to be interested in the 600,000,000 Shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.
3. Ms. CHAN Yuen Shan, Clara, the daughter of Mr. CHAN Pak Chung and an Executive Director and Chief Executive Officer, is deemed to be interested in the 600,000,000 Shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.
4. 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 2016, 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 2016, 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
Gold Alliance Global Service Limited	Registered owner	600,000,000	72.40%
Gold Alliance International Management Limited	Interest of controlled corporation	600,000,000	72.40%
HSBC International Trustee Limited	Trustee	600,000,000	72.40%

Note:

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 Ms. MA Siu Tao, Ms. CHAN Yuen Shan, Clara and other family members of Mr. CHAN Pak Chung.

Save as disclosed above, at 30th September 2016, 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 adopted the Pre-IPO Share Option Plan and Share Option Scheme (the "Share Option Scheme") on 15th September 2006 which were lapsed. No options had been granted under the Share Option Scheme since the adoption date on 15th September 2006 and up to 30th September 2016.

## 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 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, 25th November 2016

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