



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

We Create
VALUE SOLUTIONS
BEYOND Metals
引領金屬發展
共創**增值方案**

2022 Interim Report
中期報告

CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAN Pak Chung (*Chairman of the Board*)
CHAN Yuen Shan Clara (*Vice Chairman of the Board and CEO*)
CHAN Ka Chun Patrick
OKUSAKO CHAN Pui Shan Lillian

Non-executive Director

CHUNG Wai Kwok Jimmy

Independent Non-executive Directors

HO Kwai Ching Mark
TAI Lun Paul
WONG Kam Fai William

AUDIT COMMITTEE

HO Kwai Ching Mark (*Chairman of the Audit Committee*)
TAI Lun Paul
WONG Kam Fai William

REMUNERATION COMMITTEE

HO Kwai Ching Mark (*Chairman of the Remuneration Committee*)
CHAN Pak Chung
TAI Lun Paul

NOMINATION COMMITTEE

CHAN Pak Chung (*Chairman of the Nomination Committee*)
TAI Lun Paul
Wong Kam Fai William

COMPANY SECRETARY

LEE King On

AUTHORISED REPRESENTATIVES

CHAN Yuen Shan Clara
LEE King On

REGISTERED OFFICE

P.O. Box 309, Uglad House,
Grand Cayman, KY1-1104, 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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:

Kwok Yih & Chan
Suite 1501, 15th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

As to Cayman Islands Law:

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with
the Accounting and Financial Reporting Council Ordinance
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

STOCK CODE

637

WEBSITE OF THE COMPANY

www.leekeegroup.com

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2022 \$'000	2021 \$'000
Revenue	4	1,304,497	1,243,843
Cost of sales		(1,251,511)	(1,179,442)
Gross profit		52,986	64,401
Other income		6,567	3,848
Distribution and selling expenses		(15,406)	(13,922)
Administrative expenses		(42,544)	(39,826)
Other net losses		(1,954)	(1,556)
(Loss)/profit from operations		(351)	12,945
Finance income		358	377
Finance costs		(3,446)	(1,172)
Net finance costs	5(a)	(3,088)	(795)
(Loss)/profit before taxation	5	(3,439)	12,150
Income tax	6	(3,771)	(4,183)
(Loss)/profit for the period		(7,210)	7,967
Attributable to:			
Equity shareholders of the Company		(7,008)	8,041
Non-controlling interests		(202)	(74)
(Loss)/profit for the period		(7,210)	7,967
(Loss)/earnings per share	8		
Basic and diluted (Hong Kong cents)		(0.85)	0.97

The notes on pages 9 to 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
(Loss)/profit for the period	(7,210)	7,967
Other comprehensive income for the period:		
<i>Items that will not be reclassified to profit or loss, net of nil tax:</i>		
Revaluation of financial assets at fair value through other comprehensive income	(3,352)	2,556
<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	(26,626)	3,380
Other comprehensive income for the period	(29,978)	5,936
Total comprehensive income for the period	(37,188)	13,903
Attributable to:		
Equity shareholders of the Company	(36,986)	13,977
Non-controlling interests	(202)	(74)
Total comprehensive income for the period	(37,188)	13,903

The notes on pages 9 to 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022 – unaudited
(Expressed in Hong Kong dollars)

		At 30 September 2022 \$'000	At 31 March 2022 \$'000
	Note		
Non-current assets			
Investment properties	9	104,600	104,900
Other property, plant and equipment	10	41,161	44,639
Intangible assets		2,430	2,430
Financial assets at fair value through other comprehensive income		7,877	11,229
Prepayments	12	6,278	382
Deferred tax assets		2,752	2,724
		165,098	166,304
Current assets			
Inventories	11	296,752	411,003
Trade and other receivables	12	251,105	330,404
Tax recoverable		25	28
Derivative financial instruments		19,168	662
Cash and cash equivalents	13	309,033	208,750
		876,083	950,847
Current liabilities			
Trade and other payables and contract liabilities	14	21,707	33,265
Bank borrowings	15	122,449	140,705
Lease liabilities		2,075	2,265
Tax payable		1,216	2,878
Derivative financial instruments		3,827	1,839
		151,274	180,952
Net current assets		724,809	769,895
Total assets less current liabilities		889,907	936,199

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Non-current liabilities			
Employee retirement benefit obligations		1,500	1,500
Lease liabilities		6,517	7,603
Deferred tax liabilities		4,137	3,867
		12,154	12,970
NET ASSETS			
		877,753	923,229
CAPITAL AND RESERVES			
Share capital	16	82,875	82,875
Reserves		795,114	840,388
Total equity attributable to equity shareholders of the Company			
		877,989	923,263
Non-controlling interests		(236)	(34)
TOTAL EQUITY			
		877,753	923,229

The notes on pages 9 to 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022 – unaudited
(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Capital redemption reserve \$'000	Reserve fund \$'000	Fair value reserve (non-recycling) \$'000	Exchange reserve \$'000	Hedge reserve \$'000	Property revaluation reserve \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total Equity \$'000
Balance at 1 April 2021	82,875	424,845	(17,830)	125	6,003	7,500	(4,085)	(317)	15,358	387,380	901,854	84	901,938
Changes in equity for the six months ended 30 September 2021:													
Profit for the period	-	-	-	-	-	-	-	-	-	8,041	8,041	(74)	7,967
Other comprehensive income	-	-	-	-	-	2,556	3,380	-	-	-	5,936	-	5,936
Total comprehensive income	-	-	-	-	-	2,556	3,380	-	-	8,041	13,977	(74)	13,903
Dividend approved in respect of the previous year (note 7)	-	(8,288)	-	-	-	-	-	-	-	-	(8,288)	-	(8,288)
Balance at 30 September 2021 and 1 October 2021	82,875	416,557	(17,830)	125	6,003	10,056	(705)	(317)	15,358	395,421	907,543	10	907,553
Changes in equity for the six months ended 31 March 2022:													
Profit for the period	-	-	-	-	-	-	-	-	-	10,616	10,616	(44)	10,572
Other comprehensive income	-	-	-	-	-	(3,855)	8,642	317	-	-	5,104	-	5,104
Total comprehensive income	-	-	-	-	-	(3,855)	8,642	317	-	10,616	15,720	(44)	15,676
Transfer to reserve fund	-	-	-	-	955	-	-	-	-	(955)	-	-	-
Balance at 31 March 2022	82,875	416,557	(17,830)	125	6,958	6,201	7,937	-	15,358	405,082	923,263	(34)	923,229

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Capital redemption reserve \$'000	Reserve fund \$'000	Fair value reserve (non-recycling) \$'000	Exchange reserve \$'000	Property revaluation reserve \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total Equity \$'000
Balance at 1 April 2022	82,875	416,557	(17,830)	125	6,958	6,201	7,937	15,358	405,082	923,263	(34)	923,229
Changes in equity for the six months ended 30 September 2022:												
Loss for the period	-	-	-	-	-	-	-	-	(7,008)	(7,008)	(202)	(7,210)
Other comprehensive income	-	-	-	-	-	(3,352)	(26,626)	-	-	(29,978)	-	(29,978)
Total comprehensive income	-	-	-	-	-	(3,352)	(26,626)	-	(7,008)	(36,986)	(202)	(37,188)
Dividend paid in respect of the previous year (note 7)	-	(8,288)	-	-	-	-	-	-	-	(8,288)	-	(8,288)
Balance at 30 September 2022	82,875	408,269	(17,830)	125	6,958	2,849	(18,689)	15,358	398,074	877,989	(236)	877,753

The notes on pages 9 to 20 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Operating activities		
Cash generated from/(used in) operations	156,928	(85,840)
Interest paid on other bank borrowings	(3,283)	(1,152)
Hong Kong Profits Tax refunded	–	724
Mainland China Corporate Income Tax paid	(5,076)	(3,850)
Net cash generated from/(used in) operating activities	148,569	(90,118)
Investing activities		
Interest received	358	377
Proceeds from disposal of property, plant and equipment	49	552
Payment for acquisition of property, plant and equipment	(8,218)	(6,217)
Payment for acquisition of investment property	–	(38,050)
Net cash used in investing activities	(7,811)	(43,338)
Financing activities		
Proceeds from new bank borrowings	416,401	503,672
Repayment of bank borrowings	(434,657)	(475,393)
Dividend paid	(8,288)	(8,288)
Capital element of lease rentals paid	(1,092)	(977)
Interest element of lease rentals paid	(163)	(20)
Net cash (used in)/generated from financing activities	(27,799)	18,994
Net increase/(decrease) in cash and cash equivalents	112,959	(114,462)
Cash and cash equivalents at the beginning of the period	208,750	288,218
Effect of foreign exchanges rates changes	(12,676)	1,020
Cash and cash equivalents at the end of the period	309,033	174,776

The notes on pages 9 to 20 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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, 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, provision of metal testing and consultancy services as well as alloy production 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 10 November 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021/22 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022/23 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 2021/22 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 pages 21 and 22.

The financial information relating to the financial year ended 31 March 2022 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 Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKFRS 16, *Property, Plant and Equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities, and contingent assets: Onerous contracts – cost of fulfilling a contract*

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

4 REVENUE AND SEGMENT REPORTING

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

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Revenue		
Sales of goods (recognised at point in time)	1,304,497	1,243,843

(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			
	2022		2021	
	Revenue \$'000	Segment results \$'000	Revenue \$'000	Segment results \$'000
Hong Kong	594,898	(15,531)	596,425	(4,743)
Mainland China	709,599	10,567	647,418	15,396
	1,304,497	(4,964)	1,243,843	10,653

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

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

	At 30 September 2022		
	Hong Kong \$'000	Mainland China \$'000	Total \$'000
Segment assets	588,754	452,427	1,041,181
Segment liabilities	100,087	63,341	163,428

	At 31 March 2022		
	Hong Kong \$'000	Mainland China \$'000	Total \$'000
Segment assets	670,740	446,411	1,117,151
Segment liabilities	119,935	73,987	193,922

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Total segment results	(4,964)	10,653
Other income	6,567	3,848
Other net losses	(1,954)	(1,556)
Net finance costs	(3,088)	(795)
(Loss)/profit before taxation	(3,439)	12,150

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 (LOSS)/PROFIT BEFORE TAXATION

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

		Six months ended 30 September	
		2022	2021
		\$'000	\$'000
(a)	Net finance costs		
	Interest income	(358)	(377)
	Interest on lease liabilities	163	20
	Interest on bank borrowings	3,283	1,152
		3,088	795
(b)	Other items		
	Depreciation of property, plant and equipment	3,395	3,179
	Depreciation of right-of-use assets	1,251	958
	Short-term lease payments not included in the measurement of lease liabilities – land and buildings	572	495
	Cost of inventories sold	1,246,076	1,181,579
	Gain on disposal of property, plant and equipment	–	(550)
	Change in fair value of investment properties	300	2,736
	Realised loss on metal future trading contracts and foreign exchange forward contracts	–	206
	Unrealised (gain)/loss on metal future trading contracts and foreign exchange forward contracts	(738)	210
	Staff costs (including directors' remuneration)	30,819	28,911
	Provision for/(reversal of) write-down of inventories	5,435	(2,137)
	Net foreign exchange loss/(gain)	2,394	(1,046)
	(Reversal of)/provision for credit loss of trade receivables	(575)	992

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Current tax		
– Hong Kong Profits Tax	314	318
– Mainland China Corporate Income Tax	3,260	3,742
Over-provision in prior years	(92)	–
	3,482	4,060
Deferred tax	289	123
	3,771	4,183

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 2021: 16.5%) to the six months ended 30 September 2022. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (six months ended 30 September 2021: 25%) to the six months ended 30 September 2022.

7 DIVIDENDS

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

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: \$Nil).

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

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of \$0.01 per ordinary share (six months ended 30 September 2021: \$0.01 per ordinary share)	8,288	8,288

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 \$7,008,000 (six months ended 30 September 2021: profit of \$8,041,000) and the weighted average number of 828,750,000 (six months ended 30 September 2021: 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 2022 and 2021 are the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

9 INVESTMENT PROPERTIES

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Net book value as at 1 April	104,900	63,600
Additions	–	44,036
Fair value change	(300)	(2,736)
Net book value as at 30 September	104,600	104,900

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 OTHER PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Net book value as at 1 April	44,639	32,744
Exchange difference	(1,105)	186
Additions	2,322	8,730
Disposals	(49)	(2)
Depreciation	(4,646)	(4,137)
Net book value as at 30 September	41,161	37,521

11 INVENTORIES

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
	Finished goods	311,723
Less: write-down of inventories	(14,971)	(9,637)
	296,752	411,003

The cost of inventories recognised as expense and included in "cost of sales" amounted to \$1,246,076,000 (six months ended 30 September 2021: \$1,181,579,000) during the six months ended 30 September 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	6,278	382
Current portion		
Trade receivables, net of loss allowance	196,092	277,598
Prepayments to suppliers	39,125	40,388
Deposits	1,571	1,669
Other receivables	14,317	10,749
	251,105	330,404
	257,383	330,786

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 loss allowance, is as follows:

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Within 1 month	159,198	227,469
Over 1 but within 2 months	30,474	36,548
Over 2 but within 3 months	6,359	13,405
Over 3 months	61	176
	196,092	277,598

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 CASH AND CASH EQUIVALENTS

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Short-term bank deposits	7,923	–
Cash at bank and on hand	301,110	208,750
	309,033	208,750

14 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Trade and other payables		
Trade payables	3,632	4,565
Accrued expenses and other payables	10,407	21,243
	14,039	25,808
Contract liabilities	7,668	7,457
	21,707	33,265

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

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Within 1 month	3,616	4,545
Over 3 months	16	20
	3,632	4,565

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 BANK BORROWINGS

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Current liabilities		
Bank borrowings	122,449	140,705

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

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Within 1 year or on demand	122,449	140,705

None of the banking facilities as at 30 September 2022 and 31 March 2022 is subject to the fulfilment of covenant.

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

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Bank borrowings	4.29%	2.02%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 SHARE CAPITAL

	Number of ordinary shares '000	Nominal amount \$'000
Authorised:		
<i>Ordinary shares of \$0.1 each</i>		
As at 31 March 2022, 1 April 2022 and 30 September 2022	8,000,000	800,000
Issued and fully paid:		
<i>Ordinary shares of \$0.1 each</i>		
As at 31 March 2022, 1 April 2022 and 30 September 2022	828,750	82,875

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at	Fair value measurements as at		
	30 September 2022 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Financial assets:				
Financial assets at fair value through other comprehensive income ("FVOCI")	7,877	7,877	–	–
Derivative financial instruments	19,168	–	19,168	–
	27,045	7,877	19,168	–
Financial liabilities:				
Derivative financial instruments	3,827	–	3,827	–
	Fair value at	Fair value measurements as at		
	31 March 2022 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Financial assets:				
Financial assets at FVOCI	11,229	11,229	–	–
Derivative financial instruments	662	–	662	–
	11,891	11,229	662	–
Financial liabilities:				
Derivative financial instruments	1,839	–	1,839	–

During the six months ended 30 September 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2021: 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)

17 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 2022 and 31 March 2022.

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	
	2022 \$'000	2021 \$'000
Salaries and other short term employee benefits	8,474	9,770
Post employment benefits – pension	63	63
	8,537	9,833

(b) Transactions with related companies

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Rental expenses paid to Sonic Gold Limited (note)	300	318

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

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 20 which comprises the consolidated statement of financial position of Lee Kee Holdings Limited as of 30 September 2022 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.

INDEPENDENT REVIEW REPORT

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 2022 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

10 November 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS PERFORMANCE

Financial Review

Recurring lockdowns and ongoing supply chain disruptions continued to impact the Group's operation during the Interim Period. As a result, these persistent challenges have affected the Group's performance in the first half of the financial year 2022/2023.

The Group's revenue for the Interim Period recorded a 4.9% increase to HK\$1,304 million, compared to HK\$1,244 million in the Comparative Period. Tonnage sold by the Group was affected by worsening global macro-economic environment, lockdowns and supply chain disruption and decreased 10.9% to approximately 44,730 tonnes compared to 50,200 tonnes in the same period last year.

The Group recorded a gross profit of HK\$53.0 million and a gross profit margin of 4.1% for the Interim Period, compared with a gross profit of HK\$64.4 million and a gross profit margin of 5.2% for the Comparative Period.

The Group recorded a loss attributable to equity shareholders of the Company of around HK\$7.0 million during the Interim Period, compared to a profit of HK\$8.0 million during the Comparative Period.

The loss for the Interim Period was attributable to the decline in metal prices and rising logistic costs during the Period. However, our proactive efforts in optimizing product and service mix and geographic diversification helped mitigate the adverse impact.

Global zinc prices retreated throughout most of the Interim Period amid a slowdown in global industrial demand, surging energy prices and supply chain disruptions. Zinc prices peaked in mid-April 2022, reaching around US\$4,500 per metric ton. Prices then fell steadily, with brief rallies at the end of May 2022 and the first half of August 2022, before closing at around US\$2,800 per ton at the end of September 2022. Overall, the difference between the high point and the low point of zinc prices during the Interim Period was approximately 37%.

During the Interim Period, the selling and distribution expenses increased by 10.7% to HK\$15.4 million compared to the Comparative Period. The general and administrative expenses increased by 6.8% to HK\$42.5 million compared to the Comparative Period.

The Group recorded other net losses of HK\$2.0 million during the Interim Period, compared to HK\$1.6 million during the Comparative Period. The increase in other net losses was mainly attributed to unfavorable foreign exchanges in the Interim Period.

The Group's finance costs for the Interim Period were HK\$3.4 million compared to HK\$1.2 million in the Comparative Period. The Group continues to retain a healthy financial position and with HK\$309 million bank balances and cash on hand as of 30 September 2022.

Business Review

LEE KEE's steady navigation of business helped weather volatility and uncertainties

The first half of the year saw several unpredictable circumstances that left the global economy fraught with tension and uncertainty. This brought with it scattered lockdowns and ongoing supply chain disruptions during the Interim Period, which to some extent impacted the Group's operation.

To facilitate its development, the Group continued to strive for high quality, professionalism, innovation and leveraged digitalized operation to further penetrate its target markets of Greater China and Southeast Asia, while achieving a steady performance. At the same time, it continued to ensure the health and well-being of its employees by adhering to the latest COVID regulations to maintain a safe work environment during the Interim Period.

Expansion into Southeast Asia further optimises product mix with geographic diversification

The Group has continued to optimise its product mix to enhance competitiveness. During the Interim Period, the Group marketed its range of specialized alloys targeting the critical industrial sectors in Asia, which have high reliance on metal usages. As geographical diversity and product mix optimisation are also the pillars of furthering growth, the Group continued to invest in new geographical areas and build its agile operation across Asia to deepen customer engagement, efficiently managing inventory and resources.

Geographical diversity and product mix optimisation enabled prospective opportunities to pursue continuous expansion. As the implementation of The Belt and Road Initiative brings further growth opportunities in Greater China and Southeast Asia, Lee Kee has made available its consultancy services and quality assurance on metal in all its operations across the Asia region during the Interim Period. Introducing these value-added offerings facilitated the Group to tap into the growing economies.

Innovative metal solutions supporting critical industrial sectors

The Group has continued to improve its market positioning by increasing the customised alloys in its product mix. Its reputation in providing quality metals has strategically positioned the Group to develop specialty alloys catering to the specifications of new technological sectors and other key traditional industries.

The continuous investment into digitization emphasizes the use of automation, digital platforms, and data analytics. All of this has enabled continual improvements in operational efficiencies while further cultivating the Group's regional innovative capabilities to provide metal solutions for clients across Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

Transparent ESG disclosure enables customers' ESG supply chain management

Disclosing validated carbon emissions data of the Group's branded zinc alloy products makes it easier for its customers to manage their supply chain and set broader carbon emission targets beyond scope 1 and 2. With an increasing number of multinational companies announcing their ambition to achieve carbon neutrality in their operations and across their supply chains, Lee Kee is also evaluating the prospects of providing data that enable customers to assess their scope 3 emissions. The Group's management recognized the inevitable trend for all businesses to set targets beyond their operations into their supply chain. Therefore, the Group differentiated itself by providing more carbon emission and other ESG data, and ultimately enabling its customers to manage their ESG supply chain better.

Furthermore, the Group has continued to mitigate the adverse environmental impact of its business operations by reducing carbon emission, improving resources efficiency and utilising alternative energy. It installed solar panels to generate renewable energy and extend the use of reusable packaging for its deliveries according to the 5R principles — Refuse, Reduce, Reuse, Repurpose, Recycle. It also strives to develop new methods in order to fulfil its sustainability targets and reduce carbon emissions and mitigate the impact on the environment.

The Group is committed to occupational health and safety. At the same time, it has maintained the ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. In addition, Lee Kee has also participated in the CarbonCare, Business Environment Council (BEC), Low Carbon Charter, and the Aluminium Stewardship initiatives. The Group will continuously identify new areas to foster sustainable development.

Prospects

Looking forward to the latter half of this financial year, the Group expects external business challenges and market uncertainties to persist. Global energy challenges, supply chain constraints and temporary production curbs are examples of hurdles that could negatively affect the Group's customers' manufacturing activity and end-user demand.

Nevertheless, benefiting from a relatively robust Asian economy and continuous infrastructure investment in Southeast Asia, Lee Kee's broadened geographical coverage will position itself well to capture future business opportunities. The Group remains positive on the demand outlook for zinc alloys and aluminium alloys, and it will strive to capture wider business opportunities and respond to market needs.

The specification of new alloys required for greener manufacturing, smart devices, electric transportation and fleets will generate more customised solutions for metal testing and advisory services. With the broadening of the Group's consultancy capabilities and service scopes, the Group will continue to diversify its revenue sources. Leveraging its market position in construction and manufacturing metal testing, the Group will also explore opportunities to expand Promet Laboratory's business scope.

MANAGEMENT DISCUSSION AND ANALYSIS

On ESG, the Group will focus its efforts on decarbonisation, resource efficiency, and responsible supply chains. As there is an ever-increasing demand for companies to be aware of the implications of ESG, all these efforts will further support the desire of the customers' to participate in a responsible supply chain. The Group's management, with a devoted team, will continue to develop sustainable business streams and capture new growth trends to create long-term value for its shareholders.

DIVIDEND

The Board of Directors of the Company does not recommend the payment of 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 30 September 2022, the Group had unrestricted cash and bank balances of approximately HK\$309 million (31 March 2022: HK\$209 million) and bank borrowings of approximately HK\$122 million (31 March 2022: HK\$141 million).

The borrowings, which are short term in nature, were made in United States dollars with interest chargeable at market rates. The gearing ratio (total borrowings and lease liabilities to total equity) as at 30 September 2022 was 14.9% (31 March 2022: 16.3%). The Group has a current ratio of 579% as at 30 September 2022 (31 March 2022: 525%).

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 30 September 2022, the Group had approximately 180 employees (as at 30 September 2021: 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\$30.8 million (for the six months ended 30 September 2021: HK\$28.9 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 30 September 2022, the interests and short positions of each Director and Chief Executive in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long Position in Shares of the Company

Name of Director	Capacity	Number of Shares in which interested	Approximate percentage of issued Shares
Mr. CHAN Pak Chung (Note 1)	Founder of a discretionary trust	600,000,000	72.40%
Ms. CHAN Yuen Shan Clara (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Mr. CHAN Ka Chun Patrick (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Ms. OKUSAKO CHAN Pui Shan Lillian (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Mr. HO Kwai Ching Mark (Note 3)	Interest held by spouse	50,000	0.006%

Notes:

1. The 600,000,000 Shares are held by Gold Alliance Global Services Limited ("GAGSL") whose entire share capital is held by Gold Alliance International Management Limited ("GAIML"), which is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6 March 2006. The discretionary objects of which include the spouse and family members of Mr. CHAN Pak Chung. Mr. CHAN Pak Chung is the settlor of the P.C. CHAN Family Trust and is deemed to be interested in the 600,000,000 Shares held by GAGSL under the SFO.
2. Ms. CHAN Yuen Shan Clara, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian (all of them being family members of Mr. CHAN Pak Chung and Executive Directors) are deemed to be interested in the 600,000,000 Shares held by GAGSL as they are one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.
3. Mr. HO Kwai Ching Mark is deemed to be interested in the 50,000 shares held by his spouse.

Save as disclosed above, as at 30 September 2022, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest or short positions 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 30 September 2022, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Name of Shareholder	Capacity	Number of Ordinary Shares in which interested	Approximate percentage of issued Shares
Ms. MA Siu Tao (Note a)	Family interest	600,000,000	72.40%
Gold Alliance Global Services 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 6 March 2006. The discretionary objects of which include the spouse and family members of Mr. CHAN Pak Chung.

Save as disclosed above, as at 30 September 2022, 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

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

LEE KEE HOLDINGS LIMITED

CHAN Pak Chung

Chairman

Hong Kong, 10 November 2022

We Create Value Solutions Beyond Metals
引領金屬發展 共創增值方案



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