



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

2021

Interim Report 中期報告

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

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

CHUNG Wai Kwok Jimmy
HO Kwai Ching Mark
TAI Lun Paul

COMPANY SECRETARY

LEE King On

AUDIT COMMITTEE

CHUNG Wai Kwok Jimmy
(Chairman of the Audit Committee)
HO Kwai Ching Mark
TAI Lun Paul

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
TAI Lun Paul

AUTHORISED REPRESENTATIVES

CHAN Yuen Shan Clara
CHEUK Wa Pang

REGISTERED OFFICE

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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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
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Gardenia Court
Grand Cayman KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:
Kwok Yih & Chan
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Bank of America Tower
12 Harcourt Road
Central
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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 Financial Reporting
Council Ordinance*
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

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

WEBSITE OF THE COMPANY

www.leekeegroup.com

STOCK CODE

637

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2021 \$'000	2020 \$'000
Revenue	4	1,243,843	864,043
Cost of sales		(1,179,442)	(815,980)
Gross profit		64,401	48,063
Other income		3,848	6,829
Distribution and selling expenses		(13,922)	(11,989)
Administrative expenses		(39,826)	(34,589)
Other net losses		(1,556)	(335)
Profit from operations		12,945	7,979
Finance income		377	530
Finance costs		(1,172)	(825)
Net finance costs	5(a)	(795)	(295)
Profit before taxation	5	12,150	7,684
Income tax	6	(4,183)	(2,265)
Profit for the period		7,967	5,419
Attributable to:			
Equity shareholders of the Company		8,041	5,397
Non-controlling interests		(74)	22
Profit for the period		7,967	5,419
Earnings per share	8		
Basic and diluted (Hong Kong cents)		0.97	0.65

The notes on pages 9 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
Profit for the period	7,967	5,419
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	2,556	3,101
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	3,380	7,255
Cash flow hedges: net movement in the hedging reserve	–	(554)
Other comprehensive income for the period	5,936	9,802
Total comprehensive income for the period	13,903	15,221
Attributable to:		
Equity shareholders of the Company	13,977	15,199
Non-controlling interests	(74)	22
Total comprehensive income for the period	13,903	15,221

The notes on pages 9 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Non-current assets			
Investment properties	9	104,900	63,600
Other property, plant and equipment	10	37,521	32,744
Financial assets at fair value through other comprehensive income		15,084	12,528
Prepayments	12	552	7,795
Deferred tax assets		2,664	2,751
		160,721	119,418
Current assets			
Inventories	11	452,820	386,698
Trade and other receivables	12	285,420	239,750
Tax recoverable		403	1,150
Derivative financial instruments		124	828
Cash and cash equivalents	13	174,776	288,218
		913,543	916,644
Current liabilities			
Trade and other payables and contract liabilities	14	39,906	36,285
Bank borrowings	15	116,838	88,559
Lease liabilities		1,125	1,406
Tax payable		1,204	993
Derivative financial instruments		1,655	1,523
		160,728	128,766
Net current assets		752,815	787,878
Total assets less current liabilities		913,536	907,296

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Non-current liabilities			
Employee retirement benefit obligations		1,344	1,344
Lease liabilities		597	9
Deferred tax liabilities		4,042	4,005
		5,983	5,358
NET ASSETS			
		907,553	901,938
CAPITAL AND RESERVES			
Share capital	16	82,875	82,875
Reserves		824,668	818,979
Total equity attributable to equity shareholders of the Company			
		907,543	901,854
Non-controlling interests		10	84
TOTAL EQUITY			
		907,553	901,938

The notes on pages 9 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company												Total Equity \$'000
	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Capital redemption reserve \$'000	Reserve fund \$'000	Fair value reserve		Hedge reserve \$'000	Property revaluation reserve \$'000	Retained profits \$'000	Total	Non- controlling interests \$'000	
						(non- recycling)	Exchange reserve \$'000						
						\$'000	\$'000						
Balance at 1 April 2020	82,875	424,845	(17,830)	125	5,653	(377)	(18,808)	-	15,358	370,848	862,689	124	862,813
Changes in equity for the six months ended 30 September 2020													
Profit for the period	-	-	-	-	-	-	-	-	-	5,397	5,397	22	5,419
Other comprehensive income	-	-	-	-	-	3,101	7,255	(554)	-	-	9,802	-	9,802
Total comprehensive income	-	-	-	-	-	3,101	7,255	(554)	-	5,397	15,199	22	15,221
Balance at 30 September 2020 and 1 October 2020	82,875	424,845	(17,830)	125	5,653	2,724	(11,553)	(554)	15,358	376,245	877,888	146	878,034
Changes in equity for the six months ended 31 March 2021													
Profit for the period	-	-	-	-	-	-	-	-	-	11,485	11,485	(62)	11,423
Other comprehensive income	-	-	-	-	-	4,776	7,468	237	-	-	12,481	-	12,481
Total comprehensive income	-	-	-	-	-	4,776	7,468	237	-	11,485	23,966	(62)	23,904
Transfer to reserve fund	-	-	-	-	350	-	-	-	-	(350)	-	-	-
Balance at 31 March 2021	82,875	424,845	(17,830)	125	6,003	7,500	(4,085)	(317)	15,358	387,380	901,854	84	901,938

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company												Total Equity \$'000
	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Capital		Fair value			Property		Retained profits \$'000	Non- controlling Total interests \$'000	
				redemption	Reserve	reserve	Exchange	Hedge	revaluation				
				reserve	fund	(non- recycling)	reserve	reserve	reserve				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	82,875	424,845	(17,830)	125	6,003	10,056	(705)	(317)	15,358	387,133	907,543	10	907,553

The notes on pages 9 to 21 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
Operating activities		
Cash (used in)/generated from operations	(85,840)	140,043
Interest paid on other bank borrowings	(1,152)	(639)
Hong Kong Profits Tax refunded	724	–
Mainland China Corporate Income Tax paid	(3,850)	(1,953)
Net cash (used in)/generated from operating activities	(90,118)	137,451
Investing activities		
Interest received	377	530
Proceeds from disposal of property, plant and equipment	552	62
Payment for acquisition of property, plant and equipment	(6,217)	(905)
Payment for acquisition of investment property	(38,050)	–
Net cash used in investing activities	(43,338)	(313)
Financing activities		
Proceeds from new bank borrowings	503,672	126,761
Repayment of bank borrowings	(475,393)	(180,188)
Dividend paid	(8,288)	–
Interest paid on mortgage loan	–	(136)
Capital element of lease rentals paid	(977)	(763)
Interest element of lease rentals paid	(20)	(50)
Net cash generated from/(used in) financing activities	18,994	(54,376)
Net (decrease)/increase in cash and cash equivalents	(114,462)	82,762
Cash and cash equivalents at the beginning of the period	288,218	306,115
Effect of foreign exchanges rates changes	1,020	(2,049)
Cash and cash equivalents at the end of the period	174,776	386,828

The notes on pages 9 to 21 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 November 2005 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. The address of the Company's registered office is Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are trading of zinc, zinc alloy, nickel, nickel-related products, aluminum, aluminum alloy, stainless steel and other electroplating chemical products, 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, 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 9 November 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020/21 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021/22 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 2020/21 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 22 and 23.

The financial information relating to the financial year ended 31 March 2021 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:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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	
	2021 \$'000	2020 \$'000
Revenue		
Sales of goods (recognised at point in time)	1,243,843	864,043

(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			
	2021		2020	
	Revenue \$'000	Segment results \$'000	Revenue \$'000	Segment results \$'000
Hong Kong	596,425	(4,743)	431,365	(6,073)
Mainland China	647,418	15,396	432,678	7,558
	1,243,843	10,653	864,043	1,485

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 2021		
	Hong Kong \$'000	Mainland China \$'000	Total \$'000
Segment assets	672,144	402,120	1,074,264
Segment liabilities	102,861	63,850	166,711

	At 31 March 2021		
	Hong Kong \$'000	Mainland China \$'000	Total \$'000
Segment assets	678,593	357,469	1,036,062
Segment liabilities	70,693	63,431	134,124

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
Total segment results	10,653	1,485
Other income	3,848	6,829
Other net losses	(1,556)	(335)
Net finance costs	(795)	(295)
Profit before taxation	12,150	7,684

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
(a) Net finance costs		
Interest income	(377)	(530)
Interest on lease liabilities	20	50
Interest on short-term bank borrowings	1,152	640
Interest on mortgage loan	–	135
	795	295
(b) Other items		
Depreciation of property, plant and equipment	3,179	2,594
Depreciation of right-of-use assets	958	1,169
Short-term lease payments not included in the measurement of lease liabilities – land and buildings	495	433
Cost of inventories sold	1,181,579	859,239
Gain on disposal of property, plant and equipment	(550)	(62)
Change in fair value of investment properties	2,736	–
Realised loss on metal future trading contracts and foreign exchange forward contracts	206	1,098
Unrealised loss on metal future trading contracts and foreign exchange forward contracts	210	803
Staff costs (including directors' remuneration)	28,911	26,527
Reversal of write-down of inventories	(2,137)	(43,259)
Net foreign exchange gain	(1,046)	(1,505)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
Current tax		
– Hong Kong Profits Tax	318	59
– Mainland China Corporate Income Tax	3,742	2,187
	4,060	2,246
Deferred tax	123	19
	4,183	2,265

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 2020: 16.5%) to the six months ended 30 September 2021. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (six months ended 30 September 2020: 25%) to the six months ended 30 September 2021.

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 2021 (six months ended 30 September 2020: \$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	
	2021 \$'000	2020 \$'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 2020: \$Nil)	8,288	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$8,041,000 (six months ended 30 September 2020: \$5,397,000) and the weighted average number of 828,750,000 (six months ended 30 September 2020: 828,750,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 September 2021 and 2020 are the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

9 INVESTMENT PROPERTIES

The Group entered into an agreement with an independent third party on 29 January 2021 and agreed to purchase an investment property at a consideration of \$42,000,000. The acquisition was completed on 5 May 2021.

The valuations of investment properties carried at fair value were updated at 30 September 2021 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2021 valuations, which resulted in a valuation loss of \$2,736,000 (six months ended 30 September 2020: \$Nil) recognised in profit or loss for the interim period.

10 OTHER PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
Net book value as at the beginning of the period	32,744	36,703
Exchange difference	186	1,939
Additions	8,730	1,552
Disposals	(2)	(600)
Depreciation	(4,137)	(3,763)
Net book value as at the end of the period	37,521	35,831

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVENTORIES

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Finished goods	462,653	398,728
Less: write-down of inventories	(9,833)	(12,030)
	452,820	386,698

The cost of inventories recognised as expense and included in "cost of sales" amounted to \$1,181,579,000 (six months ended 30 September 2020: \$859,239,000) during the six months ended 30 September 2021.

12 TRADE AND OTHER RECEIVABLES

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	552	1,808
Prepayments for purchase of investment property	–	5,987
	552	7,795
Current portion		
Trade receivables, net of loss allowance	218,561	176,483
Prepayments to suppliers	49,964	41,993
Deposits	1,496	1,516
Other receivables	15,399	19,758
	285,420	239,750
	285,972	247,545

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (Continued)

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

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Within 1 month	163,429	146,208
Over 1 but within 2 months	43,843	15,758
Over 2 but within 3 months	10,557	11,636
Over 3 months	732	2,881
	218,561	176,483

13 CASH AND CASH EQUIVALENTS

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Short-term bank deposits	20,681	90,546
Cash at bank and on hand	154,095	197,672
	174,776	288,218

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Trade and other payables		
Trade payables	20,457	10,461
Accrued expenses and other payables	9,994	16,008
	30,451	26,469
Contract liabilities	9,455	9,816
	39,906	36,285

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

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Within 1 month	20,149	10,167
Over 1 but within 3 months	289	17
Over 3 months	19	277
	20,457	10,461

15 BANK BORROWINGS

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Current liabilities		
Short-term bank borrowings	116,838	88,559

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 BANK BORROWINGS (Continued)

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

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Within 1 year or on demand	116,838	88,559

None of the banking facilities as at 30 September 2021 and 31 March 2021 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 2021	At 31 March 2021
Short-term bank borrowings	1.87%	1.73%

16 SHARE CAPITAL

	Number of ordinary shares '000	Nominal amount \$'000
Authorised:		
<i>Ordinary shares of \$0.1 each</i>		
As at 31 March 2021, 1 April 2021 and 30 September 2021	8,000,000	800,000
Issued and fully paid:		
<i>Ordinary shares of \$0.1 each</i>		
As at 31 March 2021, 1 April 2021 and 30 September 2021	828,750	82,875

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

	Fair value at	Fair value measurements as at		
	30 September 2021 \$'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")	15,084	15,084	–	–
Derivative financial instruments	124	–	124	–
	15,208	15,084	124	–
Financial liabilities:				
Derivative financial instruments	1,655	–	1,655	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at	Fair value measurements as at		
	31 March 2021	31 March 2021 categorised into		
		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurement				
Financial assets:				
Financial assets at FVOCI	12,528	12,528	–	–
Derivative financial instruments	828	–	828	–
	13,356	12,528	828	–
Financial liabilities:				
Derivative financial instruments	1,523	–	1,523	–

During the six months ended 30 September 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2020: \$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 September 2021 and 31 March 2021.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2021 \$'000	2020 \$'000
Salaries and other short term employee benefits	9,770	6,259
Post employment benefits – pension	63	72
	9,833	6,331

(b) Transactions with related companies

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
Rental expenses paid to Sonic Gold Limited (note)	318	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 21 which comprises the consolidated statement of financial position of Lee Kee Holdings Limited as of 30 September 2021 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 (CONTINUED)

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 2021 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

9 November 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS PERFORMANCE

Financial Review

Despite considerable external challenges during the Interim Period, the Group continued to deliver stable revenue thanks to our ongoing efforts in digitalization, diversification and commitment to sustainability. The Group achieved this within the context of a challenging operating environment marked by supply chain disruptions and delays, rising logistics costs, and scattered COVID-19 outbreaks in different parts of Asia.

The Group's revenue for the Interim Period recorded a 44% increase to HK\$1,244 million, compared to the Comparative Period. Tonnage sold by the Group continued to be robust. During the Interim Period, tonnage sold increased around 6% to approximately 50,200 tonnes, compared to 47,100 tonnes in the Comparative Period.

The Group recorded a gross profit of HK\$64.4 million and a gross profit margin of 5.2% for the Interim Period, compared with a gross profit of HK\$48 million and a gross profit margin of 5.6% for the Comparative Period. The Group recorded a profit attributable to equity holders of the Company of around HK\$8.0 million during the Interim Period, compared to a profit of HK\$5.4 million during the Comparative Period. This represents two consecutive financial periods of profit recovery since the outbreak of the pandemic.

The profit was attributable to the positive effects of product and service mix, geographic diversification and increased metal prices during the Interim Period.

Global zinc prices were volatile for much of the first half of the Interim Period, after reaching a recent low at the end of March 2021. When a resurgence of new COVID-19 variants began to affect supply chains, the zinc price then resumed its upward trend amidst signs of strong but uneven economic recovery across China and export markets overseas.

Global nickel prices traded at the lower bound during the first half of the Interim Period, before a steady rise throughout the Interim Period due to favorable policies announced by various countries to accelerate the adoption of the Electric Vehicle ("EV"), and the overall demand recovery from steel producers.

With higher tonnage sold and the increase in logistics costs during the Interim Period, the selling and distribution expenses grew 16.1% to HK\$13.9 million, compared to the Comparative Period, while the general and administrative expenses were up 15.1% to HK\$39.8 million compared to the Comparative Period.

The Group recorded other net losses of HK\$1.6 million during the Interim Period, compared to other net losses of HK\$0.3 million during the Comparative Period. The increase in other net losses was mainly attributed to the changes in the fair value of investment properties in the Interim Period.

The Group's finance costs for the Interim Period were HK\$1.2 million compared to HK\$0.8 million in the Comparative Period.

The Group continues to retain a healthy financial position, with HK\$175 million bank balances and cash on hand as of 30 September 2021.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review

LEE KEE's resilient business operations helped capture new opportunities while overcoming challenges

Ongoing supply chain disruptions and scattered lockdowns in different regions have impacted the Group's operation throughout the Interim Period. Despite returning to profit, many manufacturers continued to confront low order visibility in the context of uneven recovery and ongoing uncertainty.

At the same time, there has been an ongoing shift of demand towards more sustainable products and services in the global consumer markets. In response to this shift, more and more Group's customers began to enhance their manufacturing processes, requiring more advanced and customised alloys to meet different standards.

During the Interim Period, the Group continued to focus on operational excellence. Building upon its unparalleled reputation for quality, professionalism, and innovation, the Group helped its customers adapt to green supply chains, advanced manufacturing and sustainable sourcing of materials.

To ensure the operations across the Greater China and Southeast Asia were effectively run amidst several lockdowns, the Group continued to invest in digital technologies enabling contactless delivery in its supply chain while ensuring work safety during the Interim Period. The Group commits to be a sustainable and reliable metal supplier, as it continues to prioritize its employees' safety and wellbeing with a COVID-safe work environment.

Ongoing digitalisation journey

With these structural shifts catering to sustainability, the Group's long-term competitiveness rests on its enterprise-wide ability to adopt a digital transformation. By promoting continuous innovation and sustainability within its business, the Group can tap growing business opportunities arising from the digitalisation journey.

The Group's investment in digital technologies has proved invaluable in lessening the disruptions in logistics and the effects of component shortages during the Interim Period. By enabling real-time communication, our agile and digitalised operation allowed LEE KEE to optimise customer engagement, offer value-added solutions, and efficiently manage inventory and resources.

Since the launch of its new initiatives leveraging the use of automation, digital platform, and data analytics, the group has realised quality improvements, operational efficiencies. With further digitalisation, the Group will identify more opportunities to streamline its processes and strengthen its commercial operations.

Metal solutions that cater for new industrial applications

The Group's operating environment is undergoing a considerable change as the pandemic accelerated the development of various emerging industrial applications. The Group has been diversifying its business and expanding its product range to meet the market's changing needs swiftly. It offers brand metals and customised alloys catered to specifications for Electric Vehicles, connected home, smart devices and other new innovations. The Group also introduced other valued added offerings, including consultancy services, technical training, green products, quality assurance on metal, construction materials, and water testing to expand its offerings.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Continuous efforts on sustainability

During the Interim Period, the Group has continued to refine measures to mitigate the adverse environmental impact of its business operations, from emission reduction to use of alternative energy, resource conservation to waste management, such as water mist system and dross recycle machine. On responsible sourcing, we are accredited by Green Council, and bestowed as an established member of the Sustainable Procurement Charter.

In addition, the Group maintained the ISO 14001 Environmental Management System[#] and ISO 45001[#], demonstrating its commitment to occupational health and safety. LEE KEE also participated in the CarbonCare, Business Environment Council (BEC), Low Carbon Charter, and the Aluminium Stewardship initiatives. The Group continued to identify other areas to further its sustainability commitment and raised awareness within the industries in response to the market demand.

Prospects

Looking forward to the second half, the Group expects the uneven recovery to persist as various external challenges have not yet subsided. Supply chain constraints, temporary production curbs, global energy challenge are examples of external factors that will continue to affect our customers' manufacturing activity and end-user demand.

Nevertheless, the Group still believes the long-term prospect for the metal industry, particularly the demand outlook for zinc, nickel and aluminium alloy. The Group will strive to navigate the uneven recovery to capture wider business opportunities.

On-going digitalisation efforts has already supported the Group in mitigating logistical challenges and managed its offshore sales operations during the pandemic. The Group will continue to expand the internal smart ordering platform. Leveraging on data analytics, the Group plans to identify more areas for efficiency enhancement and precise inventory planning to reduce the impact of supply disruptions.

The specification of new alloy materials required for greener manufacturing, smart devices and electric vehicles will generate more customised solutions for metal testing and advisory services. With the broadening of the Group's Promet Laboratory's technical capabilities and services scope, the Group will continue to diversify its revenue sources. Leveraging its market position in construction and manufacturing metal testing, the Group will continue to explore opportunity to expand the scope of Promet Laboratory.

On ESG, the Group will focus its efforts in the areas of decarbonisation, recycling and responsible supply chains. In the past few years, the Group has gradually raised the bar on energy efficiency and usage of renewable energy. All these efforts will further support the Group's customers to participate in a responsible supply chain. The Group's management, assisted by its team of experts, will continue to explore sustainable business streams, capture new growth trends to create long-term value to its shareholders.

[#] The scope and number of group companies certified with the ISO standard are listed on the Company's website.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2021, the Group had unrestricted cash and bank balances of approximately HK\$175 million (as at 31 March 2021: HK\$288 million) and bank borrowings of approximately HK\$117 million (as at 31 March 2021: HK\$88.6 million).

The remaining borrowings, which are short term in nature, were substantially made in United States dollars and Hong Kong dollars with interest chargeable at market rates. The gearing ratio (total borrowings and lease liabilities to total equity) as at 30 September 2021 was 13.1% (as at 31 March 2021: 10.0%). The Group has a current ratio of 568% as at 30 September 2021 (as at 31 March 2021: 712%).

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 2021, the Group had approximately 190 employees (2020: 180 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\$28.9 million for the six months ended 30 September 2021 (for the six months ended 30 September 2020: HK\$26.5 million).

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2021, 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. CHAN Yuen Shan Clara (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Mr. CHAN Ka Chun Patrick (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Ms. OKUSAKO CHAN Pui Shan Lillian (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Mr. HO Kwai Ching Mark (Note 3)	Interest held by spouse	50,000	0.006%

Notes:

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

Save as disclosed above, as at 30 September 2021, 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

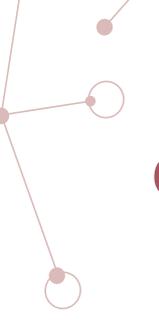
The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2021, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Name of Shareholder	Capacity	Number of Ordinary Shares in which interested	Approximate percentage of issued Shares
Ms. MA Siu Tao (Note a)	Family interest	600,000,000	72.40%
Gold Alliance Global Service Limited (Note b)	Registered owner	600,000,000	72.40%
Gold Alliance International Management Limited (Note b)	Interest of controlled corporation	600,000,000	72.40%
HSBC International Trustee Limited (Note b)	Trustee	600,000,000	72.40%

Notes:

- Ms. MA Siu Tao, the spouse of Mr. CHAN Pak Chung and one of the discretionary objects under the P.C. CHAN Family Trust, is deemed to be interested in the 600,000,000 Shares held by GAGSL under the SFO.
- The entire share capital of GAGSL is held by GAIML, which is in turn held by HSBC Trustee acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6 March 2006. The discretionary objects of which include the spouse and family members of Mr. CHAN Pak Chung.

Save as disclosed above, at 30 September 2021, no person, other than the Directors and Chief Executive (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying shares of the Company recorded in the register to be kept under section 336 of the SFO.



OTHER INFORMATION

SHARE OPTIONS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Interim Period, there was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

To the knowledge and belief of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The Directors 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, 9 November 2021

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引領金屬發展 共創增值方案



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