利記控股有限公司
LEE KEE HOLDINGS LIMITED
SINCE 1947

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2015

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the six months ended 30th September 2015 (the "Interim Period" or "6-month Period") together with the comparative figures for the six months ended 30th September 2014 (the "Comparative Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September	
		2015	2014
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenues	*4*	**1,272,548**	1,273,378
Cost of sales		**(1,304,885)**	(1,182,715)
Gross (loss)/profit		**(32,337)**	90,663
Other income		**1,356**	587
Distribution and selling expenses		**(13,087)**	(9,928)
Administrative expenses		**(39,967)**	(36,895)
Other (losses)/gains, net		**(5,462)**	4,055
Operating (loss)/profit	*5*	**(89,497)**	48,482
Finance income		**225**	2,176
Finance costs		**(3,200)**	(2,603)
Finance costs, net	*6*	**(2,975)**	(427)
Share of profit of a joint venture		**—**	875

	Note	Six months ended 30th September 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
(Loss)/profit before income tax		**(92,472)**	48,930
Income tax expense	*7*	**(1,668)**	(7,888)
(Loss)/profit for the period		**(94,140)**	41,042
(Loss)/profit attributable to:			
Equity holders of the Company		**(94,140)**	41,042
(Loss)/earnings per share attributable to equity holders of the Company during the period			
— basic (Hong Kong cents)	*8*	**(11.36)**	4.95
— diluted (Hong Kong cents)	*8*	**(11.36)**	4.95

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th September 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
(Loss)/profit for the period	**(94,140)**	41,042
Other comprehensive (loss)/income for the period:		
Items that have been reclassified or may be subsequently reclassified to income statement		
Exchange translation differences	**(3,985)**	1,059
Share of other comprehensive income of a joint venture	**—**	235
Movement of available-for-sale financial assets revaluation reserve	**(1,432)**	18,569
Other comprehensive (loss)/income for the period, net of tax	**(5,417)**	19,863
Total comprehensive (loss)/income for the period	**(99,557)**	60,905
Total comprehensive (loss)/income attributable to equity holders of the Company	**(99,557)**	60,905

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30th September 2015 HK$'000 (Unaudited)	As at 31st March 2015 HK$'000 (Audited)
Non-current assets			
Leasehold land	10	**20,018**	20,330
Property, plant and equipment	11	**50,585**	52,283
Investment properties	12	**50,419**	—
Deferred income tax assets		**2,552**	2,770
Available-for-sale financial assets	13	**26,477**	31,951
Prepayment for investment properties		**—**	13,029
Prepayment for property, plant and equipment		**111**	1,172
		150,162	121,535
Current assets			
Inventories		**834,202**	1,144,633
Trade and other receivables	14	**190,361**	195,473
Income tax recoverable		**828**	867
Derivative financial instruments		**2,923**	2,296
Bank balances and cash		**150,006**	131,058
		1,178,320	1,474,327
Total assets		**1,328,482**	1,595,862
Capital and reserves attributable to equity holders of the Company			
Share capital		**82,875**	82,875
Share premium		**470,429**	478,717
Other reserves		**480,987**	580,544
Total equity		**1,034,291**	1,142,136
Non-current liabilities			
Deferred income tax liabilities		**2,287**	2,106
Other non-current liabilities		**2,842**	1,679
		5,129	3,785

	Note	As at 30th September 2015 HK$'000 (Unaudited)	As at 31st March 2015 HK$'000 (Audited)
Current liabilities			
Trade and other payables	*15*	**25,969**	38,222
Bank borrowings		**257,614**	405,187
Income tax payable		**923**	496
Derivative financial instruments		**4,556**	6,036
		289,062	449,941
Total liabilities		**294,191**	453,726
Total equity and liabilities		**1,328,482**	1,595,862
Net current assets		**889,258**	1,024,386
Total assets less current liabilities		**1,039,420**	1,145,921

NOTES:

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy, stainless steel and other electroplating chemical products in Hong Kong and Mainland China.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 26th November 2015.

This condensed consolidated interim financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th September 2015 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its cash generated from its operations and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current resources and facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st March 2015, as described in those annual financial statements. The accounting policy for investment property which is relevant to this condensed consolidated interim financial information is as follows:

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "Other (losses)/gains, net".

Amendments to HKFRSs effective for the financial year ending 31st March 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this Interim Period that could be expected to have a material impact on this Group.

3. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2015.

4. REVENUES 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. Revenues recognised during the period are as follows:

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenues		
Sales of goods	**1,272,548**	1,273,378

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

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

(a) Segment information

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

	Six months ended 30th September 2015		Six months ended 30th September 2014	
	Revenues	**Segment results**	Revenues	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Hong Kong and Taiwan	**896,607**	**(91,422)**	973,602	34,571
Mainland China	**375,941**	**6,031**	299,776	9,269
	1,272,548	**(85,391)**	1,273,378	43,840

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

	As at 30th September 2015		
	Hong Kong and Taiwan	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment assets	**1,088,279**	**240,203**	**1,328,482**
Segment liabilities	**195,391**	**98,800**	**294,191**

	As at 31st March 2015		
	Hong Kong and Taiwan	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Segment assets	1,372,740	223,122	1,595,862
Segment liabilities	308,639	145,087	453,726

(b) **Reconciliation of segment results**

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Total segment results	**(85,391)**	43,840
Other income	**1,356**	587
Other (losses)/gains, net	**(5,462)**	4,055
Finance costs, net	**(2,975)**	(427)
Share of profit of a joint venture	**—**	875
(Loss)/profit before income tax	**(92,472)**	48,930

5. OPERATING (LOSS)/PROFIT

The following items have been charged/(credited) to the operating (loss)/profit during the period:

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**4,539**	3,483
Amortisation of leasehold land	**285**	219
Cost of inventories sold	**1,254,094**	1,170,054
Gain on disposal of available-for-sale financial assets	**(6,393)**	—
Gain on disposal of property, plant and equipment	**(100)**	(220)
Realised loss/(gain) on metal future trading contracts	**11,496**	(2,494)
Unrealised (gain)/loss on metal future trading contracts	**(1,944)**	1,856
Staff costs, including directors' remuneration	**28,394**	24,794
Provision for impairment of inventories	**50,791**	12,661
Net exchange loss/(gain)	**2,877**	(3,197)

6. FINANCE COSTS, NET

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**225**	2,176
Interest expense on loans against trust receipts	**(3,031)**	(2,603)
Interest on mortgage loan	**(169)**	—
Finance costs, net	**(2,975)**	(427)

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period. Income tax on profits arising from operations in Mainland China has been calculated on the estimated assessable profit for the period at the rate of 25% (2014: 25%).

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax	**(54)**	(5,332)
— Mainland China corporate income tax	**(1,214)**	(2,072)
Deferred income tax	**(400)**	(569)
Over provision in prior year	**—**	85
Income tax expense	**(1,668)**	(7,888)

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the equity holders of the Company by the number of ordinary shares in issue during the period.

	Six months ended 30th September **2015** **(Unaudited)**	2014 (Unaudited)
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(94,140)**	41,042
Number of ordinary shares in issue *('000)*	**828,750**	828,750
Basic (loss)/earnings per share *(Hong Kong cents per share)*	**(11.36)**	4.95

(b) Diluted

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the period (2014: Nil).

9. DIVIDEND

A dividend of HK$8,288,000 that relates to the year ended 31st March 2015 was paid in September 2015 (2014: HK$8,288,000).

The Board of Directors does not recommend the payment of interim dividend for the period ended 30th September 2015.

On 25th November 2014, the Board of Directors resolved to declare an interim dividend for the period ended 30th September 2014 of HK1 cent per share, amounting to approximately HK$8,288,000.

10. LEASEHOLD LAND

Six months ended 30th September 2015 (Unaudited)	*HK$'000*
Opening net book amount as at 1st April 2015	20,330
Amortisation	(285)
Exchange difference	(27)
Closing net book amount as at 30th September 2015	20,018

Six months ended 30th September 2014 (Unaudited)	*HK$'000*
Opening net book amount as at 1st April 2014	14,567
Amortisation	(219)
Closing net book amount as at 30th September 2014	14,348

The Group's interests in leasehold land represent prepaid operating lease payments.

11. PROPERTY, PLANT AND EQUIPMENT

Six months ended 30th September 2015 (Unaudited)	*HK$'000*
Opening net book amount as at 1st April 2015	52,283
Exchange difference	(342)
Additions	3,187
Disposals	(4)
Depreciation	(4,539)
Closing net book amount as at 30th September 2015	50,585

Six months ended 30th September 2014 (Unaudited)	*HK$'000*
Opening net book amount as at 1st April 2014	35,336
Exchange difference	10
Additions	3,012
Depreciation	(3,483)
Closing net book amount as at 30th September 2014	34,875

12. INVESTMENT PROPERTIES

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**—**	—
Additions	**50,419**	—
Revaluation	**—**	—
At end of the period	**50,419**	—

The valuations of the Group's investment properties were performed on the basis of open market value by the directors.

Fair value hierarchy	Fair value measurements at 30th September 2015		
	Quoted price in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	HK$'000	*HK$'000*	*HK$'000*
Recurring fair value measurements:			
Investment properties	—	50,419	—

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the period.

Level 2 fair values of completed investment properties have been generally derived using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

As at 30th September 2015, investment properties with an aggregate carrying amount of HK$50,419,000 (31st March 2015: Nil) were pledged as security for a mortgage loan drawn by the Group.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30th September 2015	As at 31st March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Available-for-sale financial assets		
— equity securities, at fair value listed in Hong Kong	**26,477**	31,951
— unlisted limited partnership	**—**	—
	26,477	31,951

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

As at 30th September 2015 and 31st March 2015, the investment in the unlisted limited partnership of HK$7,046,000 was fully impaired as management assessed that the amount is expected to be irrecoverable as a result of the financial difficulties experienced by the investee.

14. TRADE AND OTHER RECEIVABLES

	As at 30th September 2015 *HK$'000* **(Unaudited)**	As at 31st March 2015 *HK$'000* (Audited)
Trade receivables, net of provision *(note (a))*	**140,181**	149,162
Prepayments to suppliers	**34,875**	27,410
Deposits	**1,453**	1,338
Other receivables	**13,852**	17,563
	190,361	195,473

Note (a):

The Group offers credit terms to its customers ranging from cash on delivery to 90 days. The ageing of trade receivables, based on invoice date, is as follows:

	As at 30th September 2015 *HK$'000* **(Unaudited)**	As at 31st March 2015 *HK$'000* (Audited)
0 to 30 days	**103,896**	135,894
31 to 60 days	**23,734**	6,351
61 to 90 days	**8,800**	3,773
Over 90 days	**3,751**	3,144
	140,181	149,162

15. TRADE AND OTHER PAYABLES

	As at 30th September 2015 *HK$'000* **(Unaudited)**	As at 31st March 2015 *HK$'000* (Audited)
Trade payables	**1,838**	12,132
Prepayments from customers	**10,634**	9,231
Accrued expenses	**13,497**	16,516
Other payables to a related company	**—**	343
	25,969	38,222

The ageing of trade payables, based on invoice date, is as follows:

	As at 30th September 2015 *HK$'000* **(Unaudited)**	As at 31st March 2015 *HK$'000* (Audited)
0 to 30 days	**1,792**	11,425
31 to 60 days	**26**	686
Over 60 days	**20**	21
	1,838	12,132

OVERALL BUSINESS PERFORMANCE

Financial performance

LEE KEE experienced considerable external headwinds during the Interim Period, a period that saw a significant decline in global commodity prices, a further slowdown in the Chinese economy and a sharp deterioration in the Group's business environment.

The Group's revenue for the Interim Period was HK$1,273 million, down 0.07% compared to the Comparative Period of last year. Although against a result of the slowdown in the Chinese economy and depressed commodity prices, the Group still managed to increase its tonnage sold in the 6-month Period by 2.70% to 65,800 tonnes compared to the Comparative Period of last year.

The Group recorded a gross loss of HK$32.3 million and a gross loss margin of 2.54% for the 6-month Period, compared to a gross profit of HK$90.7 million and a gross profit margin of 7.12% in the Comparative Period of last year. This was primarily attributed to falling metal prices and in particular, an increase in provision for impairment of inventories following a significant fall in zinc prices towards the period end, which negatively affected profitability. The provision made for the 6-month Period was HK$50.8 million (Comparative Period: HK$12.7 million).

The Group recorded a loss attributed to equity holders of the Company of HK$94.1 million for the 6-month Period, compared to a profit of HK$41.0 million for the Comparative Period of last year.

During the 6-month Period, the global price for zinc (LEE KEE's main product) and nickel was highly volatile. From 1st April 2015 to early May 2015, the LME price for zinc and nickel both rose steadily by: 16.2% from US$2,069 per tonne to US$2,405 per tonne and 16.9% from US$12,330 per tonne to US$14,415 per tonne respectively. However, the price for both metals fell significantly from early May 2015 to 30th September 2015, with the LME price for zinc falling 31.1% from US$2,405 per tonne to US$1,657 per tonne. The LME price for nickel fell 30.1% from US$14,415 per tonne to US$10,070 per tonne over the same time period. The domestic price for zinc and nickel in China followed a similar trend, with the price of zinc traded on the Shanghai Futures Exchange falling from RMB15,870 per tonne on 1st April 2015 to RMB13,820 per tonne as of 30th September 2015.

Distribution and selling expenses for the 6-month Period was HK$13.1 million, up 31.8% compared to the Comparative Period of last year. The increase was primarily attributable to an increased volume of deliveries to inland regions of China, which incurred higher delivery costs.

The Group's administrative expenses in the 6-month Period rose 8.33% to HK$40.0 million compared to the Comparative Period, with the Group fully accounting for the administrative expenses of Genesis Alloys (Ningbo) Limited ("Genesis Ningbo") after its acquisition in October 2014 and becoming a wholly owned subsidiary of the Group, as well as for its new commodities futures brokerage service which was launched in May 2015. Excluding these two new developments, administrative expenses for the Group's existing businesses actually fell slightly during the 6-month Period compared to the Comparative Period.

The Group also incurred other losses, net of HK$5.46 million, stemming from losses incurred on metal future contracts and devaluation of Renminbi during the 6-month Period. These losses were partially mitigated from one-off income of HK$6.39 million resulting from the Group's decision to dispose of part of the interest in shares in a listed company during the 6-month Period.

The Group's financing costs for the 6-month Period rose 22.9% to HK$3.2 million as a result of the net increase of bank borrowing.

The Group continues to retain a healthy balance sheet, with HK$150 million bank balances and cash on hand as of 30th September 2015.

Business Review

A leading solutions provider for metals

LEE KEE is a leading solutions provider for the metals industry, which specialises in providing quality metal materials and value-added solutions to its customers. Since its founding more than 60 years ago, it has built a strong reputation based on innovation, professionalism and its strong network across all facets of the global metals industry.

LEE KEE joined the ranks of renowned metal players by becoming the first company in Hong Kong to be admitted as a Category 5 Associate Trade Member of the London Metal Exchange ("LME"), the world's premier metals trading platform. Its induction into this exclusive industry body was a milestone for the Group's ongoing strategy of "Creating Value" — a strategy that has become even more important as the current commodities down cycle and slowing economic growth in China compel the Group's customers to adjust their operations.

During the Interim Period, the Group continued to expand its range of technical and consulting services and its branded metal products offerings in order to better meet the needs of its customers hailing from more than 20 industries in the Greater China and ASEAN regions.

Opening of new sales office in Taichung

The Group further expanded its network of sales and distribution centres with the opening of a new sales office in Taichung, which is home to many SME firms.

The new sales office will help the Group offer better service to its clients in the area while growing its customer base. The Taiwan office is part of the Group's plan to establish a flexible and responsive operating footprint in the new growth markets.

Launch of new commodities futures brokerage service

Horizon Commodities and Futures Company Limited, wholly-owned subsidiary of the Group, launched its services in May 2015 after it was earlier granted a license from the Hong Kong Securities and Futures Commission to conduct Type 2 (dealing in futures contracts) regulated activities under the Hong Kong Securities and Futures Ordinance.

The new commodities futures brokerage service is the latest example of the Group's strategy to provide a full-range of services and solutions to the metals industry. The service will also see LEE KEE become one of the few metals companies with both a physical metal and brokerage services.

Expanding range of products and services

LEE KEE specialises in catering to the needs of end users of zinc and nickel, as well as aluminium and stainless steel. The Group has continued to add new brand metal products to its suite of solutions during the 6-month Period in order to expand into new markets and create value for different market segments. It has also been actively exploring opportunities in the construction industry where safety, quality and the reliability of materials has been a growing concern.

In particular, LEE KEE has made significant strides in sourcing high quality materials from global suppliers, some of which offer a tighter chemical composition than international standards. These materials help LEE KEE's customers meet increasingly demanding requirements from buyers, while also producing products with more consistent quality, better efficiency and lower dross.

State-of-the-art metal testing and consultancy services

LEE KEE's wholly-owned metals testing subsidiary, Promet Metals Testing Laboratory Limited ("Promet") provides a growing range of chemical testing and verification services that help customers meet their quality control and accreditation requirements. Its on-the-ground engineering presence provides customized technical consultancy services in the fields of materials engineering, manufacturing optimisation solutions, process design, quality control and failure analysis, further distinguishing LEE KEE from other solution providers and helping the Group stay ahead of the competition.

Promet continued to expand its client base during the Interim Period, with this growth being partially driven by the increasing popularity of its chemical testing and verification services. This included the provision of chemical composition tests and analyses to the plumbing and sanitary ware industries, which added value by allaying recent public concern about the content of lead and other heavy metals in copper pipes, joints and fittings.

Adding value in all parts of the global metals industry

LEE KEE is committed to contributing to its customers' success at every stage of the manufacturing process. It does this by providing premium products and innovative services including market intelligence, technical consultancy, alloy customisation, quality support and supply chain management. It continues to be the partner of choice for brand owners, manufacturers, die-casters and other end-users of metals that demand reliability, performance and quality supply.

Prospects

Short to medium-term environment for global commodities is highly uncertain

The sharp downturn in global metal prices during the Interim Period may prove transformative for parts of the resource industry as some highly-leveraged miners are forced to consolidate and, in some cases, exit the industry. It remains to be seen if supply-side constraints caused by the scheduled closure of a number of large zinc mines around the world will support prices in the coming months.

On the demand-side, the global market for zinc and nickel will continue to be constrained by the slowing Chinese economy (the largest global market for zinc) and uncertain economic growth in markets such as the United States and Europe.

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

Continued expansion of environmental metal solutions

Tightening environmental standards around the world will continue to boost demand for environmentally friendly metals and value-adding services. LEE KEE's leadership in this area means that it is already well positioned to deliver real value to its customers. The Group will continue to expand its range of products and services in order to capture this growing demand to expand its market share and sources of revenue.

Moving up the value chain and launch of brokerage services

The Group will continue to utilise its suite of value-adding services, in particular the launch of Horizon Commodities and Futures Company Limited, to move further up the value chain and cross-sell additional products and services to its customers.

Stringent controls on costs and purchases

Given the highly uncertain business environment, the Group will also take steps to streamline its operations and metal-purchasing protocols to contain costs and protect its margins.

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

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Interim Period.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 30th September 2015, the Group had cash and bank balances of approximately HK$150 million (as at 31st March 2015: HK$131 million) and bank borrowings of approximately HK$258 million (as at 31st March 2015: HK$405 million). In March 2015, the Group obtained a HK$ denominated mortgage loan of HK$18.7 million, which bore annual interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.75% and HK$ Prime Rate less 3.1%. As at 30th September 2015, the outstanding borrowing of this facility amounted to HK$18.2 million (as at 31st March 2015: Nil).

The remaining borrowings, which are short term in nature, were substantially made in United States dollars and Hong Kong dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 30th September 2015 was 24.9% (as at 31st March 2015: 35.5%). The Group has a current ratio of 408% as at 30th September 2015 (as at 31st March 2015: 328%).

The Company had issued guarantees to the extent of approximately HK$829 million to banks to secure general banking facilities of approximately HK$785 million to certain subsidiaries, of which approximately HK$258 million had been utilised as of 30th September 2015.

The Group constantly evaluates and monitors its risk exposure to metals prices with reference to the market conditions. In order to control the exposure efficiently and to capitalise on direction of price trends, the Group's management will employ appropriate operating strategies and set inventory levels accordingly.

The Group's foreign exchange exposure mainly resulted from the exchange rate between Hong Kong dollars against United States dollars and Renminbi.

EMPLOYEES

As at 30th September 2015, the Group had approximately 190 employees (Comparative Period: 200 employees which included 40 employees of Genesis Ningbo). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes. During the Interim Period, staff costs (including directors' emoluments) were approximately HK$28.4 million (Comparative Period: HK$24.8 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the Interim Period.

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 contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. 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.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2015 has been reviewed by PricewaterhouseCoopers, the Company's Auditor in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2015 has also been reviewed by the Company's Audit Committee.

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 26th November 2015

As at the date of this announcement, the Directors of the Company are Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan, Clara, Ms. MA Siu Tao, Mr. CHUNG Wai Kwok, Jimmy, Mr. HU Wai Kwok* and Mr. HO Kwai Ching, Mark*.*

* *Independent non-executive Directors*