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 2017

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 2017 (the "Interim Period") together with the comparative figures for the six months ended 30th September 2016 (the "Comparative Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

		Six months ended 30th September	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,407,072**	981,355
Cost of sales		**(1,295,735)**	(915,888)
Gross profit		**111,337**	65,467
Other income		**4,080**	2,088
Distribution and selling expenses		**(13,317)**	(10,816)
Administrative expenses		**(50,728)**	(40,451)
Other net gains/(losses)		**8,333**	(2,363)

	Note	Six months ended 30th September 2017 HK$'000	2016 HK$'000
Profit from operations		**59,705**	13,925
Finance income		**292**	129
Finance costs		**(3,170)**	(1,276)
Net finance costs	*5(a)*	**(2,878)**	(1,147)
Profit before taxation	*5*	**56,827**	12,778
Income tax	*6*	**(1,452)**	(1,104)
Profit for the period attributable to equity shareholders of the Company		**55,375**	11,674
Earnings per share			
Basic and diluted (Hong Kong cents)	*8*	**6.68**	1.41

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**55,375**	11,674
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss, net of nil tax:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**5,770**	(5,024)
Change in fair value of available-for-sale financial assets	**(2,862)**	5,340
Reclassification adjustment for amounts transferred to profit or loss upon disposal of available-for-sale financial assets	**(4,833)**	–
Other comprehensive income for the period	**(1,925)**	316
Total comprehensive income for the period attributable to equity shareholders of the Company	**53,450**	11,990

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	At 30th September 2017 HK$'000	At 31st March 2017 HK$'000
Non-current assets			
Interests in leasehold land held for own use under operating leases		**18,831**	19,080
Property, plant and equipment	*9*	**87,041**	89,251
Available-for-sale financial assets	*10*	**18,416**	29,015
Deferred tax assets		**2,920**	2,888
		127,208	140,234
Current assets			
Inventories	*11*	**745,957**	675,183
Trade and other receivables	*12*	**246,883**	215,339
Tax recoverable		**388**	388
Derivative financial instruments		**995**	8
Cash held on behalf of customers		**602**	3,009
Cash and cash equivalents	*13*	**275,661**	237,851
		1,270,486	1,131,778
Current liabilities			
Trade and other payables	*14*	**82,323**	39,616
Bank borrowings	*15*	**213,230**	163,384
Tax payable		**1,039**	983
Derivative financial instruments		**936**	31
		297,528	204,014
Net current assets		**972,958**	927,764
Total assets less current liabilities		**1,100,166**	1,067,998

	Note	At 30th September 2017 HK$'000	At 31st March 2017 HK$'000
Non-current liabilities			
Bank borrowings	*15*	**14,900**	15,462
Employee retirement benefit obligations		**2,305**	2,305
Deferred tax liabilities		**1,965**	1,965
		19,170	19,732
NET ASSETS		**1,080,996**	1,048,266
CAPITAL AND RESERVES			
Share capital		**82,875**	82,875
Reserves		**998,121**	965,391
TOTAL EQUITY		**1,080,996**	1,048,266

NOTES:

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30th September 2017 but are extracted from that interim financial report.

The 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 (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016/17 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017/18 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.

The 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 2016/17 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.

The financial information relating to the financial year ended 31 March 2017 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

4 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 30th September	
	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**1,407,072**	981,355

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

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

(a) Segment revenue and results

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

	Six months ended 30th September			
	2017		2016	
	Revenue	**Segment results**	Revenue	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**864,422**	**37,516**	636,637	7,149
Mainland China	**542,650**	**9,776**	344,718	7,051
	1,407,072	**47,292**	981,355	14,200

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

	As at 30th September 2017		
	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**1,055,902**	**341,792**	**1,397,694**
Segment liabilities	**177,144**	**139,554**	**316,698**

	As at 31st March 2017		
		Mainland	
	Hong Kong	China	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	972,634	299,378	1,272,012
Segment liabilities	97,419	126,327	223,746

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
Total segment results	**47,292**	14,200
Other income	**4,080**	2,088
Other net gains/(losses)	**8,333**	(2,363)
Net finance costs	**(2,878)**	(1,147)
Profit before taxation	**56,827**	12,778

5 PROFIT BEFORE TAXATION

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

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
(a) Net finance costs		
Interest income	**(292)**	(129)
Interest on short-term bank borrowings	**2,994**	1,103
Interest on mortgage loan	**176**	173
	2,878	1,147

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
(b) Other items		
Depreciation of property, plant and equipment	**4,521**	4,819
Amortisation of leasehold land	**284**	285
Operating lease charges: minimum lease payments		
– property rentals	**1,473**	1,381
Cost of inventories sold	**1,295,681**	933,562
Gain on disposal of available-for-sale financial assets	**(4,833)**	–
Gain on disposal of property, plant and equipment	**(144)**	(48)
Realised loss on metal future trading contracts and foreign exchange forward contracts	**1,148**	826
Unrealised (gain)/loss on metal future trading contracts and foreign exchange forward contracts	**(57)**	928
Staff costs (including directors' remuneration)	**39,400**	28,543
Recognition/(reversal) of write-down of inventories	**54**	(17,674)
Net foreign exchange (gain)/loss	**(4,422)**	568

6 INCOME TAX

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**153**	158
– Mainland China Corporate Income Tax	**1,835**	1,159
Over-provision in prior years	**(504)**	–
	1,484	1,317
Deferred tax	**(32)**	(213)
	1,452	1,104

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30th September 2016: 16.5%) to the six months ended 30th September 2017. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (six months ended 30th September 2016: 25%) to the six months ended 30th September 2017.

7 DIVIDENDS

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

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend proposed of $0.015 (six months ended 30th September 2016: Nil) per ordinary share	**12,432**	–

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.015 (six months ended 30th September 2016: Nil) per ordinary share	**12,432**	–
Special dividend in respect of the previous financial year of HK$0.01 (six months ended 30th September 2016: Nil) per ordinary share	**8,288**	–
	20,720	–

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 HK$55,375,000 (six months ended 30th September 2016: HK$11,674,000) and the weighted average number of 828,750,000 (six months ended 30th September 2016: 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 30th September 2017 and 2016 are the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

9 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
Net book value as at the beginning of the period	**89,251**	96,885
Exchange difference	**373**	(428)
Additions	**2,082**	3,019
Disposals	**(144)**	(283)
Depreciation	**(4,521)**	(4,819)
Net book value as at the end of the period	**87,041**	94,374

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30th September 2017	At 31st March 2017
	HK$'000	*HK$'000*
Available-for-sale financial assets		
– equity securities listed in Hong Kong at fair value	**18,416**	29,015
– unlisted limited partnership at fair value	**–**	–
	18,416	29,015

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

As at 30th September 2017 and 31st March 2017, the investment in the unlisted limited partnership of HK$7,046,000 was fully impaired in previous years as management assessed that the amount is expected to be irrecoverable as a result of the financial difficulties experienced by the investee.

11 INVENTORIES

	At 30th September 2017 *HK$'000*	At 31st March 2017 *HK$'000*
Finished goods	**764,913**	694,073
Less: Write-down of inventories	**(18,956)**	(18,890)
	745,957	675,183

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$1,295,681,000 (six months ended 30th September 2016: HK$933,562,000) during the six months ended 30th September 2017.

12 TRADE AND OTHER RECEIVABLES

	At 30th September 2017 *HK$'000*	At 31st March 2017 *HK$'000*
Trade receivables, net of allowance for doubtful debts	**194,306**	158,217
Prepayments to suppliers	**26,794**	30,877
Deposits	**2,967**	2,900
Other receivables	**22,816**	23,345
	246,883	215,339

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

	At 30th September 2017	At 31st March 2017
	HK$'000	*HK$'000*
Within 1 month	**160,630**	139,368
Over 1 but within 2 months	**21,393**	13,927
Over 2 but within 3 months	**5,296**	3,846
Over 3 months	**6,987**	1,076
	194,306	158,217

13 CASH AND CASH EQUIVALENTS

	At 30th September 2017	At 31st March 2017
	HK$'000	*HK$'000*
Cash at bank and on hand	**275,661**	237,851

14 TRADE AND OTHER PAYABLES

	At 30th September 2017	At 31st March 2017
	HK$'000	*HK$'000*
Trade payables	**38,807**	5,062
Prepayments from customers	**18,048**	8,512
Accrued expenses and other payables	**25,468**	26,042
	82,323	39,616

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

	At 30th September 2017	At 31st March 2017
	HK$'000	*HK$'000*
Within 1 month	**36,017**	5,041
Over 1 but within 2 months	**359**	–
Over 2 but within 3 months	**104**	21
Over 3 months	**2,327**	–
	38,807	5,062

15 BANK BORROWINGS

	At 30th September 2017	At 31st March 2017
	HK$'000	*HK$'000*
Non-current liabilities		
Mortgage loan	**14,900**	15,462
Current liabilities		
Short-term bank borrowings	**212,109**	162,275
Mortgage loan	**1,121**	1,109
	213,230	163,384
	228,130	178,846

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

	At 30th September 2017	At 31st March 2017
	HK$'000	*HK$'000*
Within 1 year or on demand	**213,230**	163,384
After 1 year but within 2 years	**1,145**	1,133
After 2 years but within 5 years	**3,596**	3,559
After 5 years	**10,159**	10,770
	14,900	15,462
	228,130	178,846

Mortgage loan of HK$16,021,000 (31st March 2017: HK$16,571,000) was secured by property, plant and equipment with carrying value of HK$48,140,000 (31st March 2017: HK$48,638,000) as at 30th September 2017.

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

	At 30th September 2017	At 31st March 2017
Short-term bank borrowings	**2.82%**	2.60%
Mortgage loan	**2.20%**	2.19%

OVERALL BUSINESS PERFORMANCE

Financial performance

LEE KEE performed well financially during the Interim Period. Global zinc prices (LEE KEE's main product) reached a decade high during the period, while nickel prices increased stably for most of the Interim Period, supporting the Group's margins and financial performance.

The Group's revenue for the Interim Period was HK$1,407 million, an increase of 43.4% compared to the Comparative Period. Tonnage sold rose 8.1% because of the improvement in confidence among Chinese manufacturers, as well as the Group's effective sales and marketing strategy in other markets, including Southeast Asia.

The Group's gross profit for the Interim Period rose 70.1% to HK$111 million and it recorded a gross profit margin of 7.9%, compared to the gross profit of HK$65.5 million in the Comparative Period. The Group recorded a profit attributable to equity shareholders of the Company of HK$55.4 million for the Interim Period, compared to HK$11.7 million for the Comparative Period.

The improvement in profitability was mainly due to an increase in metal prices (particularly zinc) during the Interim Period, a higher contribution from the Group's alloying, testing and consultancy services, gains from the disposal of listed securities and foreign exchange difference.

The rally in the global zinc and metal markets took place in the second half of the Interim Period and was part of the broader rise of base metal prices in response to solid global economic growth and other factors. However, the growth in zinc prices outpaced most other commodities, with rising global demand outstripping supply levels following earlier decisions made by major miners to cut zinc production.

As a result of the global metal rally, zinc prices reached US$3,156 per tonne as of 30th September 2017 from US$2,833 per tonne in April 2017, while nickel prices reached US$10,175 per tonne as of 30th September 2017 from US$9,935 per tonne in April 2017.

Distribution and selling expenses for the Interim Period was HK$13.3 million, increased by 23.1% compared to the Comparative Period. The increase was primarily attributed to higher sales proportion in the PRC which incurred higher delivery costs.

The Group's administrative expenses in the Interim Period increased 25.4% to HK$50.7 million compared to the Comparative Period. Administrative expenses rose mainly due to the increment in staff costs, certain portion of which is variable in nature and proportionate to the Group's performance.

The Group generated other income of HK$4.1 million during the Interim Period, an increase of 95.4% compared to the Comparative Period. In particular, revenues from fees earned from the metal testing and consultancy services provided by the Group's wholly-owned metals testing subsidiary, Promet Metals Testing Laboratory Limited ("Promet") grew significantly on percentage compared to the Comparative Period.

The Group made other net gains of HK$8.3 million during the Interim Period, compared to other net losses of HK$2.4 million during the Comparative Period. The net gains were mainly due to gains from the disposal of listed securities and foreign exchange difference.

The Group's finance costs for the Interim Period rose 148% to HK$3.2 million. The increment in finance costs was mainly due to the increase in purchase cost which was the result of increasing metal price and increase in general market interest rate compared to the Comparative Period.

The Group continues to retain a healthy financial position, with HK$276 million bank balances and cash on hand as of 30th September 2017.

Business Review

A leading solutions provider for metals

Since LEE KEE's founding more than 70 years ago, it has built an unparalleled reputation based on quality, innovation, professionalism and its wide network across all facets of the global metals industry.

Securing its rank among the world's premier metal players, LEE KEE was the first company in Hong Kong to be admitted as a Category 5 Associate Trade Member of the London Metal Exchange ("LME"). The Group's membership of this exclusive industry body was a milestone for its ongoing strategy of "Creating Value" for the end users of metals. In early 2016, Promet became an approved LME listed Sampler and Assayer, raising Promet's international profile in the area of metals testing and certification.

LEE KEE's capability in uncovering and taking advantage of growth opportunities has been, and continues to be, essential to securing the Group's long-term competitiveness. Therefore, in addition to its traditional metals trading and production business, the Group has been a forerunner in introducing a range of value-added services, including research and development, alloy customisation, metals testing and risk management. LEE KEE's strategic direction of expanding the scope of its business in order to help its customers excel in the market has proven to be correct and rewarding.

Growing revenue from metal testing and consultancy services

Promet's reliable and efficient services continued to gain more recognition in the industry as the Group further enlarged its service capacity to cater for increasing orders, particularly from Hong Kong's booming construction industry. As a result, the level of revenue attributable to Promet grew significantly during the Interim Period.

Throughout the Interim Period, Promet's experienced technical team continued to provide value-adding consultancy services in the fields of materials engineering, productivity enhancement, process optimisation, sustainable design, quality control and failure analysis. This allowed Promet to further build its reputation as a metal expert and diversify its customer base into a broader range of industries.

A complete range of services for metal companies

In addition to Promet and its traditional metal services (see 'Focus on R&D and expanding range of specialty alloys' below), LEE KEE continued to offer a full range of value-added services to its customers through its wholly-owned futures brokerage subsidiary, Horizon Commodities and Futures Company Limited ("HCF").

HCF offers brokerage services for global index futures, LME and U.S.–listed metal futures, agricultural futures, energy futures, foreign exchange futures and interest rate futures – making LEE KEE one of the few metals companies with both physical metal services and financial services.

Focus on R&D and expanding range of specialty alloys

LEE KEE continued to strengthen its research and development team throughout the Interim Period to introduce specialty alloys for different industries such as auto parts and electronics, among others, at a fast time to market. Speed and professionalism are especially important to the Group's customers, who are increasingly requiring customised alloys in order to compete in a global manufacturing sector that is being upended by technological advancements.

The Group's customers are mostly end-users of metals, including brand owners, manufacturers and die-casters, to which the Group offers a choice of high-quality imported and domestically produced products including zinc, aluminium, nickel, copper as well as zinc alloys, aluminium alloys, stainless steel and electroplating chemicals.

Growing contribution from customers outside of Greater China

LEE KEE further grew its sales and marketing presence outside of Greater China as more and more manufacturers relocate manufacturing capacity to more cost effective locations in Southeast Asia in response to rising labour costs and government policies, such as the Belt and Road Initiative.

In particular, the Group continued to expand its business network in the ASEAN region during the Interim Period, including Malaysia, Indonesia, India, Thailand, Vietnam and Singapore, leveraging on its recently opened Southeast Asia sales office in Singapore.

Prospects

Supplier decisions and high-tech industries influencing metal prices

Zinc and nickel remained some of the best performing commodity markets during the Interim Period. While it is difficult to make predictions, the price of both metals could continue to be supported by global economic growth, supply-side reforms in the PRC and supply discipline among major mining companies.

In particular, future price movements in the global zinc market will be heavily influenced by how quickly major suppliers re-introduce supply back on to the market.

The outlook for the global nickel market is somewhat clearer, with the growing electric vehicle industry likely to positively influence prices as battery makers increase nickel usage to boost the power storage capabilities of their products.

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

Ongoing shift of manufacturing activity from the PRC to cost-effective markets

The growth of manufacturing activity in the PRC continued to moderate during the Interim Period as manufacturing and industrial firms face pressure from rising wages and increasingly tough pollution regulations. While the government's ongoing commitment to economic growth and infrastructure investment means that the PRC will remain LEE KEE's biggest market for the foreseeable future, future growth for the Group's metals products will likely originate from more cost effective locations in Southeast Asia.

Continued development of LEE KEE's global business network and R&D capabilities

The opening of LEE KEE's sales office in Singapore in early 2017 was the first step in the Group's strategy to grow and strengthen its business and sales networks, both geographically and in terms of service reach. Starting with the Southeast Asia region (which is expected to become a major market for the Group in the coming years), LEE KEE will continue to ramp up its outreach to overseas manufacturers to grow its global market share.

Driving future sales and growth, the Group will also continue to focus on research and development in order to develop more specialty alloys that cater for the changing and increasingly complex needs of manufacturers. It will also invest further in Promet to enhance its service quality and extend the scope of its business, as well as in HCF to provide customers with commodities brokerage and risk management services.

Stringent controls on costs and purchases

Given the uncertain global economic environment, the Group will continue to take steps to streamline its operations and metal-purchasing protocols to contain costs and protect its margins.

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

DIVIDEND

The Board has resolved to declare an interim dividend of HK1.5 cents per share (Comparative Period: Nil) to shareholders of the Company whose names appeared on the register of members of the Company on 12th December 2017. The interim dividend will be paid on or around 21st December 2017.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the Register of Members of the Company be closed from Friday, 8th December 2017 to Tuesday, 12th December 2017, both days inclusive, during which period no transfers of shares will be effected In order to qualify for dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7th December 2017.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 30th September 2017, the Group had unrestricted cash and bank balances of approximately HK$276 million (as at 31st March 2017: HK$238 million) and bank borrowings of approximately HK$228 million (as at 31st March 2017: HK$179 million). In March 2015, the Group obtained a Hong Kong dollar 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 Hong Kong dollar Prime Rate less 3.1%. As at 30th September 2017, the outstanding borrowing of this facility amounted to HK$16 million (as at 31st March 2017: HK$16.6 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 and the gearing ratio (total borrowings to total equity) as at 30th September 2017 was 21.1% (as at 31st March 2017: 17.1%). The Group has a current ratio of 427% as at 30th September 2017 (as at 31st March 2017: 555%).

The Company had issued guarantees to the extent of approximately HK$652 million to banks to secure general banking facilities of approximately HK$599 million to certain subsidiaries, of which approximately HK$228 million had been utilised as of 30th September 2017.

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 2017, the Group had approximately 190 employees (Comparative Period: 190 employees). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). 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$39.4 million (Comparative Period: HK$28.5 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 Group has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "CG Code"). 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 2017 has been reviewed by the Company's Audit Committee and KPMG, the Company's auditor in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the HKICPA.

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 23rd November 2017

*As at the date of this announcement, the Directors of the Company are Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan Clara, Mr. CHAN Ka Chun Patrick, Ms. OKUSAKO CHAN Pui Shan Lillian, Mr. CHUNG Wai Kwok, Jimmy**, Mr. HU Wai Kwok* and Mr. HO Kwai Ching, Mark*.*

* *Independent non-executive Directors*