

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

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 2019 (the “Interim Period” or the “Period”) together with the comparative figures for the six months ended 30th September 2018 (the “Comparative Period”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

		Six months ended 30th September	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	1,032,287	1,288,324
Cost of sales		<u>(1,028,286)</u>	<u>(1,281,347)</u>
Gross profit		4,001	6,977
Other income		2,351	3,017
Distribution and selling expenses		(12,395)	(13,585)
Administrative expenses		(41,980)	(43,927)
Other net losses		<u>(1,033)</u>	<u>(2,319)</u>

		Six months ended	
		30th September	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations		(49,056)	(49,837)
Finance income		838	641
Finance costs		(4,292)	(5,745)
Net finance costs	<i>5(a)</i>	(3,454)	(5,104)
Loss before taxation	<i>5</i>	(52,510)	(54,941)
Income tax	<i>6</i>	(3,052)	(2,294)
Loss for the period		(55,562)	(57,235)
Attributable to:			
Equity shareholders of the Company		(55,513)	(57,225)
Non-controlling interests		(49)	(10)
Loss for the period		(55,562)	(57,235)
Loss per share	<i>8</i>		
Basic and diluted (<i>Hong Kong cents</i>)		(6.70)	(6.90)

Note: The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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

	Six months ended	
	30th September	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period	(55,562)	(57,235)
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	(1,257)	(1,590)
<i>Items that may be reclassified subsequently to profit or loss, net of nil tax:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(13,553)	(16,832)
Other comprehensive income for the period	(14,810)	(18,422)
Total comprehensive income for the period	(70,372)	(75,657)
Attributable to:		
Equity shareholders of the Company	(70,323)	(75,647)
Non-controlling interests	(49)	(10)
Total comprehensive income for the period	(70,372)	(75,657)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

		At 30th September 2019 HK\$'000	At 31st March 2019 HK\$'000
	Note		
Non-current assets			
Interests in leasehold land held for own use under operating leases		–	17,976
Investment property		64,600	64,600
Other property, plant and equipment	9	34,937	35,744
Right-of-use assets		19,767	–
Financial assets at fair value through other comprehensive income		7,123	8,380
Prepayments	11	98	188
Deferred tax assets		1,808	2,600
		<u>128,333</u>	<u>129,488</u>
Current assets			
Inventories	10	492,984	596,869
Trade and other receivables	11	182,824	206,937
Tax recoverable		14	6
Derivative financial instruments		969	2,041
Cash held on behalf of customers		2,070	9,605
Cash and cash equivalents	12	294,125	356,734
		<u>972,986</u>	<u>1,172,192</u>
Current liabilities			
Trade and other payables and contract liabilities	13	27,791	83,894
Bank borrowings	14	110,525	183,284
Lease liabilities		1,291	–
Tax payable		1,295	959
Derivative financial instruments		943	3,755
		<u>141,845</u>	<u>271,892</u>
Net current assets		<u>831,141</u>	<u>900,300</u>
Total assets less current liabilities		<u>959,474</u>	<u>1,029,788</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

		At 30th September 2019 <i>HK\$'000</i>	At 31st March 2019 <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Bank borrowings	14	12,599	13,183
Employee retirement benefit obligations		1,866	2,028
Lease liabilities		859	–
Deferred tax liabilities		4,372	4,397
		<u>19,696</u>	<u>19,608</u>
NET ASSETS		<u><u>939,778</u></u>	<u><u>1,010,180</u></u>
CAPITAL AND RESERVES			
Share capital		82,875	82,875
Reserves		856,722	927,075
Total equity attributable to equity shareholders of the Company		939,597	1,009,950
Non-controlling interests		181	230
TOTAL EQUITY		<u><u>939,778</u></u>	<u><u>1,010,180</u></u>

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, aluminum, aluminum 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 financial results set out in this announcement do not constitute the Group's interim financial report for the period ended 30th September 2019, but are derived from that interim 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, 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 19th November 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018/19 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019/20 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 2018/19 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 31st March 2019 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 a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

The Group has initially applied HKFRS 16 as from 1st April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised lease liabilities and corresponding right-of-use assets of HK\$1,364,000 and HK\$1,334,000 respectively in relation to the commitment for leases previously classified as operating leases. Interests in leasehold land held for own use under operating leases of HK\$17,976,000 were reclassified to right-of-use assets on 1st April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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 year is as follows:

	Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sales of goods (recognised at point in time)	<u>1,032,287</u>	<u>1,288,324</u>

(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			
	2019		2018	
	Revenue	Segment results	Revenue	Segment results
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	611,413	(59,763)	781,865	(62,156)
Mainland China	420,874	9,389	506,459	11,621
	<u>1,032,287</u>	<u>(50,374)</u>	<u>1,288,324</u>	<u>(50,535)</u>

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

At 30th September 2019			
	Hong Kong	Mainland China	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>799,436</u>	<u>301,883</u>	<u>1,101,319</u>
Segment liabilities	<u>62,013</u>	<u>99,528</u>	<u>161,541</u>

At 31st March 2019			
	Hong Kong	Mainland China	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>942,088</u>	<u>359,592</u>	<u>1,301,680</u>
Segment liabilities	<u>130,015</u>	<u>161,485</u>	<u>291,500</u>

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment results	(50,374)	(50,535)
Other income	2,351	3,017
Other net losses	(1,033)	(2,319)
Net finance costs	<u>(3,454)</u>	<u>(5,104)</u>
Loss before taxation	<u>(52,510)</u>	<u>(54,941)</u>

5 LOSS BEFORE TAXATION

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

		Six months ended 30th September	
		2019	2018
		HK\$'000	HK\$'000
(a) Net finance costs			
Interest income	(838)	(641)	
Interest on lease liabilities	33	–	
Interest on short-term bank borrowings	4,099	5,581	
Interest on mortgage loan	160	164	
	<u>3,454</u>	<u>5,104</u>	
(b) Other items			
Depreciation of property, plant and equipment	3,734	5,023	
Depreciation of right-of-use assets	910	–	
Amortisation of leasehold land	–	284	
Operating lease charges: minimum lease payments			
– property rentals under HKAS 17	–	1,541	
Short-term lease payments not included in the measurement of lease liabilities			
– land and buildings	919	–	
Cost of inventories sold	1,007,238	1,261,053	
(Gain)/loss on disposal of property, plant and equipment	(4)	765	
Realised loss/(gain) on metal future trading contracts and foreign exchange forward contracts	630	(155)	
Unrealised gain on metal future trading contracts and foreign exchange forward contracts	(446)	(280)	
Staff costs (including directors' remuneration)	32,465	31,736	
Recognition of write-down of inventories	21,048	20,294	
Net foreign exchange loss	<u>853</u>	<u>1,988</u>	

6 INCOME TAX

	Six months ended 30th September	
	2019	2018
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	91	354
– Mainland China Corporate Income Tax	2,194	2,688
	<u>2,285</u>	<u>3,042</u>
Deferred tax	767	(748)
	<u>3,052</u>	<u>2,294</u>

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 2018: 16.5%) to the six months ended 30th September 2019. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (six months ended 30th September 2018: 25%) to the six months ended 30th September 2019.

7 DIVIDENDS

(a) 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 30th September 2019 (Six months ended 30th September 2018: HK\$Nil).

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

	Six months ended 30th September	
	2019	2018
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year of HK\$Nil (six months ended 30th September 2018: HK\$0.015) per ordinary share	<u>–</u>	<u>12,432</u>

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$55,513,000 (six months ended 30th September 2018: HK\$57,225,000) and the weighted average number of 828,750,000 (six months ended 30th September 2018: 828,750,000) ordinary shares in issue during the interim period.

(b) Diluted loss per share

Diluted loss per share for the six months ended 30th September 2019 and 2018 are the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

9 OTHER PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30th September	
	2019	2018
	HK\$'000	HK\$'000
Net book value as at the beginning of the period	35,744	86,316
Exchange difference	(464)	(819)
Additions	3,443	2,822
Disposals	(52)	(799)
Depreciation	(3,734)	(5,023)
	<u>34,937</u>	<u>82,497</u>
Net book value as at the end of the period	<u>34,937</u>	<u>82,497</u>

10 INVENTORIES

	At 30th September 2019 HK\$'000	At 31st March 2019 HK\$'000
Finished goods	535,177	617,971
Less: Write-down of inventories	(42,193)	(21,102)
	<u>492,984</u>	<u>596,869</u>

The cost of inventories recognised as expense and included in “cost of sales” amounted to HK\$1,007,238,000 (six months ended 30th September 2018: HK\$1,261,053,000) during the six months ended 30th September 2019.

11 TRADE AND OTHER RECEIVABLES

	At 30th September 2019 <i>HK\$'000</i>	At 31st March 2019 <i>HK\$'000</i>
Non-current portion		
Prepayments for purchase of property, plant and equipment	98	188
Current portion		
Trade receivables, net of loss allowance	143,861	173,210
Prepayments to suppliers	16,794	5,194
Deposits	1,432	2,951
Other receivables	20,737	25,582
	<u>182,824</u>	<u>206,937</u>
	<u>182,922</u>	<u>207,125</u>

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 30th September 2019 <i>HK\$'000</i>	At 31st March 2019 <i>HK\$'000</i>
Within 1 month	106,315	143,263
Over 1 but within 2 months	26,404	19,012
Over 2 but within 3 months	8,233	9,787
Over 3 months	2,909	1,148
	<u>143,861</u>	<u>173,210</u>

12 CASH AND CASH EQUIVALENTS

	At 30th September 2019 <i>HK\$'000</i>	At 31st March 2019 <i>HK\$'000</i>
Short-term bank deposits	59,437	45,115
Cash at bank and on hand	<u>234,688</u>	<u>311,619</u>
	<u>294,125</u>	<u>356,734</u>

13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30th September 2019 <i>HK\$'000</i>	At 31st March 2019 <i>HK\$'000</i>
Trade and other payables		
Trade payables	7,639	52,570
Accrued expenses and other payables	<u>10,486</u>	<u>21,472</u>
	18,125	74,042
Contract liabilities	<u>9,666</u>	<u>9,852</u>
	<u>27,791</u>	<u>83,894</u>

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

	At 30th September 2019 <i>HK\$'000</i>	At 31st March 2019 <i>HK\$'000</i>
Within 1 month	6,843	52,401
Over 1 month	<u>796</u>	<u>169</u>
	<u>7,639</u>	<u>52,570</u>

14 BANK BORROWINGS

	At 30th September 2019 <i>HK\$'000</i>	At 31st March 2019 <i>HK\$'000</i>
Non-current liabilities		
Mortgage loan	<u>12,599</u>	<u>13,183</u>
Current liabilities		
Short-term bank borrowings	109,362	182,135
Mortgage loan	<u>1,163</u>	<u>1,149</u>
	<u>110,525</u>	<u>183,284</u>
	<u>123,124</u>	<u>196,467</u>

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

	At 30th September 2019 <i>HK\$'000</i>	At 31st March 2019 <i>HK\$'000</i>
Within 1 year or on demand	110,525	183,284
After 1 year but within 2 years	1,190	1,177
After 2 years but within 5 years	3,738	3,694
After 5 years	7,671	8,312
	12,599	13,183
	123,124	196,467

Mortgage loan of HK\$13,762,000 (31st March 2019: HK\$14,332,000) was secured by investment property with carrying value of HK\$64,600,000 (31st March 2019: HK\$64,600,000) as at 30th September 2019.

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

	At 30th September 2019	At 31st March 2019
Short-term bank borrowings	3.65%	3.15%
Mortgage loan	2.33%	2.29%

OVERALL BUSINESS PERFORMANCE

The Group continued to face considerable challenges during the Interim Period, as a result of continued uncertainty in the macro-economic environment, particularly escalating trade tensions between the U.S. and PRC, as well as volatile global metal prices, particularly the declining price for LEE KEE's main product, zinc.

The Group's revenue for the Interim Period declined by 19.9% to HK\$1,032 million, compared to the Comparative Period. Tonnage sold by the Group during the Interim Period was 46,860 tonnes, compared to 50,800 tonnes in the Comparative Period of last year.

The Group recorded a gross profit of HK\$4 million and a gross profit margin of 0.39% for the Interim Period, compared to a gross profit of HK\$7 million and a gross profit margin of 0.54% for the Comparative Period. The Group recorded a loss attributable to equity holders of the Company of HK\$55.5 million during the Interim Period, compared to a loss of HK\$57.2 million during the Comparative Period.

The worsening global macro-economic environment adversely impacted the Group's performance during the period. The drop in metal prices, particularly for zinc, which lowered the overall gross profit of the sales transactions made during the Interim Period, and resulted in a significant stock provision on the inventory held as at 30th September 2019 was also the main reason for the loss.

Global zinc prices fell steadily throughout most of the Interim Period, reaching a low of US\$2,211 per tonne on 4th September with the trade issue between the U.S. and PRC, which in turn, negatively impacted global trade and manufacturing activity.

Global nickel prices trended slightly lower in the first half of the Interim Period, before surging in July following a decision by the Indonesian government to bring forward an export ban on unprocessed nickel ore, alongside falling inventories and continued bullishness around the electric vehicle market.

Distribution and selling expenses for the Interim Period was HK\$12.4 million, a slight decrease compared to the Comparative Period. The Group's administrative expenses in the Interim Period also declined 4.43% to HK\$42.0 million compared to the Comparative Period.

The Group recorded other net losses of HK\$1.03 million during the Interim Period, compared to other net losses of HK\$2.3 million during the Comparative Period. The reduction in other losses was mainly attributed to the absence of a loss resulting from the disposal of fixed assets, as well as lower foreign exchange losses.

The Group's finance costs for the Interim Period fell by 25.3% to HK\$4.29 million due to lower bank borrowings maintained during the Interim Period.

The Group continues to retain a healthy financial position, with HK\$294 million bank balances and cash on hand as of 30th September 2019.

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 users of metals. In early 2016, LEE KEE's subsidiary, Promet Metals Testing Laboratory Limited ("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. In addition to its metals distribution 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.

Higher contribution from Southeast Asia business

The Group currently operates two sales offices in the region, in Singapore and Malaysia, which support LEE KEE's sales team in the region to Thailand and Vietnam. It also continued to work with local partners to support its sales growth in the region.

Catering to the changing PRC market

The PRC continues to be the largest market for the Group's metal products and services. Its customers are mostly the end-users of metals, namely die-casters, manufacturers and brand owners covering a wide spectrum of industries. These include manufacturers with high standards and a focus on innovation from electronics and telecommunications who are gearing up for the upcoming launch of 5G.

The Group also continued to invest in developing its own branded metals, with sales at Genesis Alloys (Ningbo) Limited continuing to grow. The brand's quality and reliability are widely recognised in the PRC, having won the Best Zinc Alloy Brand award for two consecutive years.

Continued development of consultancy and value-added services

Throughout the Interim Period, the Group's another subsidiary, Promet Consultancy Company Limited started to gain recognition for its range of value-adding consultancy services. It launched the first series of advanced die casting training course which was well received by the industry. Other services like factory audits, composition and defect analysis, process optimisation, mould design and flow simulation are uniquely positioned to help companies produce better quality products and achieve greater cost-effectiveness and competitiveness. These outcomes will become more and more important in the toughening global macro-economic environment and the Group will continue to enrich its scope of testing services and build its reputation.

A sustainable metal company

Sustainability, both commercially and environmentally, remains a top priority for the Group. Commercially, the Group has been continually diversifying the scope of its business and its product range to meet the changing market. It is also focusing on regional expansion, the adoption of innovative technologies and the creation of new ventures focused on value-added services to safeguard its long-term sustainability and competitiveness.

LEE KEE is also dedicated to environmental protection, taking various measures to mitigate the adverse environmental impact of its business operations through responsible sourcing, emissions reduction, resource conservation and waste management. In addition to the ISO14001 Environmental Management System, the Group was successfully accredited ISO45001 in May 2019 which shows its commitment to occupational health and safety.

Prospects

Uncertain macro-economic outlook

Escalating trade tensions between the United States and the PRC continue to severely impact the confidence of the Group's SME customers, while affecting the macro-economic environment. While there are some signs that both countries are seeking to de-escalate their dispute, it is likely that the macro-economic environment will remain challenging and will continue to impact the Group's financial performance during the rest of the financial year.

Any addition or removal of current trade tariffs will also likely exacerbate the short-term volatility of global metal prices, which will challenge the Group's purchasing and pricing strategies.

The Group will monitor these events closely.

Shifting supply-side and demand-side forces to continue impacting metal prices

Global metal prices, including zinc and nickel, may be subject to further short-term fluctuations as markets react to developments and speculations related to the US-PRC trade dispute and the global macro-economic environment.

Moreover, the fundamentals and policies influencing the supply and pricing of each metal are different. Despite the recent stabilisation of prices, zinc prices will likely be depressed in the medium-to-long-term, with new supply expected to enter the market. Nickel prices will continue to be heavily influenced by the development of global electric vehicle industry and the export policies of major supplier countries such as Indonesia.

The Group will continue to closely monitor the global zinc and nickel markets.

Continued expansion in Southeast Asia

Manufacturing activity in Southeast Asia is generally expected to intensify as the region and many markets in this region have labour-cost advantages, enabling them to target low cost, labour-intensive manufacturing industries. Meanwhile, the region's competitiveness will continue to be supported by factors such as the diversification of manufacturing activities, which will further support the development of industries in the region.

The Group will continue to grow its sales in the region by catering closely to manufacturers in Southeast Asia through its growing salesforce presence in the region.

Continued commitment to R&D

As the PRC adopts increasingly advanced and environmentally-friendly industrial strategies, the Group remains committed to enhancing its research and development capabilities to develop speciality metal alloys that cater to the more advanced and increasingly complex requirements of these manufacturers. These include manufacturers in the higher-value-adding electronics, electric vehicles, telecommunications, and electronics sectors.

The Group also remains committed to strengthening its business network in the PRC to take full advantage of this trend.

Stringent controls on costs

The Group will continue to take steps to streamline its operations and metal-purchasing protocols to contain costs and protect its margins, an outcome that will be challenging in the short-term given current market volatility, the uncertain macro-economic environment and changing global trade policy.

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, and take advantage of new growth opportunities.

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 30th September 2019, the Group had unrestricted cash and bank balances of approximately HK\$294 million (as at 31st March 2019: HK\$357 million) and bank borrowings of approximately HK\$123 million (as at 31st March 2019: HK\$196 million). As at 30th September 2019, the outstanding balance of mortgage loan amounted to HK\$13.8 million (as at 31st March 2019: HK\$14.3 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 30th September 2019 was 13.3% (as at 31st March 2019: 19.5%). The Group has a current ratio of 686% as at 30th September 2019 (as at 31st March 2019: 431%).

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 2019, the Group had approximately 190 employees (as at 31st March 2019: 200 employees). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). During the Interim Period, staff costs (including directors' emoluments) were approximately HK\$32.5 million (six months ended 30th September 2018: HK\$31.7 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 (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.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2019 has been reviewed by the Company's Audit Committee and KPMG, the Company's auditor in accordance with Hong Kong Standards on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 19th November 2019

As at the date of this announcement, the Directors of the Company are Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan Clara, MH, 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*