利記控股有限公司
LEE KEE HOLDINGS LIMITED

SINCE 1947

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock code: 637
股份代號: 637

Interim Report 2013 中期報告

Corporate Information

Directors

Executive Directors

CHAN Pak Chung
(Chairman of the Board)

CHAN Yuen Shan, Clara
(Vice Chairman of the Board & CEO)

MA Siu Tao

Independent non-executive Directors

CHUNG Wai Kwok, Jimmy
LEUNG Kwok Keung
HU Wai Kwok

Company Secretary

CHEUK Wa Pang
(CPA (HKICPA), FCCA, ACA)

Audit Committee

CHUNG Wai Kwok, Jimmy
(Chairman of the Audit Committee)
LEUNG Kwok Keung
HU Wai Kwok

Remuneration Committee

LEUNG Kwok Keung *(Chairman of the Remuneration Committee)*
CHAN Pak Chung
CHUNG Wai Kwok, Jimmy

Nomination Committee

CHAN Pak Chung *(Chairman of the Nomination Committee)*
CHUNG Wai Kwok, Jimmy
LEUNG Kwok Keung

Authorised Representatives

CHAN Yuen Shan, Clara
CHEUK Wa Pang

Registered Office

P.O. Box 309 GT, Ugland House,
South Church Street,
George Town,
Grand Cayman, Cayman Islands

Head Office and Principal Place of Business in Hong Kong

16 Dai Fat Street
Tai Po Industrial Estate
New Territories
Hong Kong

Website of the Company

www.leekeegroup.com

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Hong Kong

Legal Advisers to the Company

As to Hong Kong Law:
King & Wood Mallesons
13th Floor, Gloucester Tower
The Landmark
Central
Hong Kong

As to Cayman Islands Law:
Maples and Calder Asia
1504 One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Principal Bankers

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

Stock Code

637

Interim Results (Unandited)

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") hereby present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2013 as follows:

Condensed Consolidated Income Statement

For the six months ended 30th June 2013

	Note	**Six months ended 30th June 2013 HK$'000 (Unaudited)**	2012 HK$'000 (Unaudited) (Restated) (Note 3)
Revenues	5	**1,161,743**	1,271,333
Cost of sales		**(1,126,180)**	(1,254,667)
Gross profit		**35,563**	16,666
Other income		**426**	711
Distribution and selling expenses		**(8,524)**	(8,513)
Administrative expenses		**(36,786)**	(36,816)
Other gains/(losses), net		**754**	(17,077)
Operating loss	6	**(8,567)**	(45,029)
Finance income		**3,096**	1,202
Finance costs		**(85)**	(2,261)
Finance income/(costs), net	7	**3,011**	(1,059)
Share of profit/(loss) of a joint venture		**1,100**	(1,109)
Loss before income tax		**(4,456)**	(47,197)
Income tax expense	8	**(356)**	(114)
Loss for the period		**(4,812)**	(47,311)
Loss attributable to equity holders of the Company		**(4,812)**	(47,311)
Loss per share for loss attributable to equity holders of the Company during the period — basic and diluted (Hong Kong cents)	9	**(0.58)**	(5.71)

The notes on pages 7 to 21 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2013

	Six months ended 30th June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (Restated) (Note 3)
Loss for the period	**(4,812)**	(47,311)
Other comprehensive income/(loss) for the period:		
Items that may be reclassified subsequently to profit or loss		
Exchange translation differences	**1,351**	(658)
Movement of available-for-sale financial assets revaluation reserve	**(11,669)**	10,369
Share of other comprehensive income of a joint venture	**248**	122
Other comprehensive (loss)/income for the period, net of tax	**(10,070)**	9,833
Total comprehensive loss for the period	**(14,882)**	(37,478)
Total comprehensive loss attributable to equity holders of the Company	**(14,882)**	(37,478)

The notes on pages 7 to 21 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30th June 2013

	Note	**As at 30th June 2013 HK$'000 (Unaudited)**	As at 31st December 2012 HK$'000 (Audited) (Restated) (Note 3)
Non-current assets			
Leasehold land	11	**14,895**	15,113
Property, plant and equipment	12	**35,740**	34,671
Deferred income tax assets		**2,946**	2,696
Available-for-sale financial assets	13	**14,427**	29,758
Interests in a joint venture		**19,491**	18,143
Prepayment for property, plant and equipment		**1,786**	3,089
		89,285	103,470
Current assets			
Inventories		**568,408**	532,746
Trade and other receivables	14	**185,823**	156,639
Amounts due from related companies	18	**1,383**	1,313
Income tax recoverable		**2,292**	3,930
Derivative financial instruments		**264**	374
Bank balances and cash		**404,395**	421,816
		1,162,565	1,116,818
Total assets		**1,251,850**	1,220,288
Capital and reserves attributable to the equity holders of the Company			
Share capital	15	**82,875**	82,875
Share premium	15	**495,293**	495,293
Other reserves		**528,368**	543,250
Total equity		**1,106,536**	1,121,418
Non-current liabilities			
Deferred income tax liabilities		**1,790**	1,727
Current liabilities			
Trade and other payables	16	**143,041**	94,087
Bank borrowings		**51**	2,492
Income tax payable		**432**	450
Derivative financial instruments		**—**	114
		143,524	97,143
Total liabilities		**145,314**	98,870
Total equity and liabilities		**1,251,850**	1,220,288
Net current assets		**1,019,041**	1,019,675
Total assets less current liabilities		**1,108,326**	1,123,145

The notes on pages 7 to 21 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2013

	Attributable to the equity holders of the Company			
	Share capital HK$'000 (Unaudited)	**Share premium HK$'000 (Unaudited)**	**Other reserves HK$'000 (Unaudited)**	**Total equity HK$'000 (Unaudited)**
At 1st January 2013	**82,875**	**495,293**	**543,250**	**1,121,418**
Total comprehensive loss for the period	**—**	**—**	**(14,882)**	**(14,882)**
At 30th June 2013	**82,875**	**495,293**	**528,368**	**1,106,536**
At 1st January 2012	82,875	495,293	555,486	1,133,654
Total comprehensive loss for the period	—	—	(37,478)	(37,478)
At 30th June 2012	82,875	495,293	518,008	1,096,176

The notes on pages 7 to 21 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2013

	Six months ended 30th June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited) (Restated) (Note 3)
Net cash (used in)/generated from operating activities	**(16,051)**	335,087
Net cash (used in)/generated from investing activities	**(2,411)**	424
Net cash used in financing activities	**(2,441)**	(199,971)
Net (decrease)/increase in cash and cash equivalents	**(20,903)**	135,540
Exchange gain/(loss) on cash and cash equivalents	**3,482**	(4,384)
Cash and cash equivalents at 1st January	**421,816**	435,858
Cash and cash equivalents at 30th June	**404,395**	567,014
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**404,395**	567,014

The notes on pages 7 to 21 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2013

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 (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").

The Company has its primary listing on the Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK dollars"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 2nd August 2013.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2013 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2012, as described in those annual financial statements.

- HKFRS 11, 'Joint arrangements'. Under HKFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture.

  Before 1st January 2013, the Group's interest in its jointly controlled entity was proportionately consolidated. HKFRS 11 does not permit proportionate consolidation of joint ventures and requires equity accounting. The Group has applied the new policy for interests in joint ventures occurring on or after 1st January 2012 in accordance with the transition provisions of HKFRS 11. The Group recognised its interests in a joint venture at the beginning of the earliest period presented (1st January 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's interests in a joint venture for applying equity accounting.

3 Accounting policies (Continued)

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1st January 2012. There is no impact on the net assets of the periods presented.

The effects of the change in accounting policies on the financial position, income statement and the cash flows of the Group at 1st January 2012 and 31st December 2012 are shown in Note 3(a) below. The change in accounting policy has had no impact on earnings per share.

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 new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing 1st January 2013 that could be expected to have a material impact on the Group, except for additional and revised disclosures.

New and amended standards have been issued but are not effective for the financial year beginning 1st January 2013 and have not been early adopted:

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1st January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Accounting policies (Continued)

(a) Adoption of HKFRS 11

The Group has an interest in a joint arrangement. Under HKAS 31, this was assessed as a jointly controlled entity and was proportionately consolidated. The Group has reassessed the classification of this joint arrangement under HKFRS 11.

The Group's joint arrangements are structured as a limited company and provide the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, the entity is classified as a joint venture of the Group.

Under HKFRS 11, the Group has accounted for the joint venture using equity method of accounting. The tables below show the effect on the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows. There was no effect on earnings per share.

Impact on condensed consolidated statement of financial position

Increase/(decrease)	31st December 2012 HK$'000 (Unaudited)	1st January 2012 HK$'000 (Unaudited)
Assets:		
— Leasehold land	(545)	(551)
— Property, plant and equipment	(7,805)	(8,336)
— Inventories	(3,361)	(2,584)
— Trade and other debtors	(2,171)	(3,467)
— Amount due from/(to) a joint venturer of a jointly controlled entity	(180)	128
— Amounts due from related companies	1,313	1,156
— Bank balances and cash	(18,202)	(10,721)
— Interests in a joint venture	18,143	—
Total	(12,808)	(24, 375)
Liabilities:		
— Trade and other payables	(231)	(749)
— Bank borrowings	(12,577)	(30,951)
— Amount due to a joint venture	—	7,325
Total	(12,808)	(24,375)

3 Accounting policies (Continued)

(a) Adoption of HKFRS 11 (Continued)

Impact on condensed consolidated income statement

Increase/(decrease)	Year ended 31st December 2012 HK$'000 (Unaudited)	Six months ended 30th June 2012 HK$'000 (Unaudited)
Revenues	(96,705)	(23,507)
Cost of sales	(93,446)	(21,892)
Other income	(291)	(19)
Operating expenses	(3,373)	(1,538)
Other gains, net	101	8
Finance costs, net	(2,245)	(1,213)
Share of losses of a joint venture	2,169	1,109

Impact on condensed consolidated statement of comprehensive income

Increase/(decrease)	Year ended 31st December 2012 HK$'000 (Unaudited)	Six months ended 30th June 2012 HK$'000 (Unaudited)
Exchange translation differences	(332)	(122)
Share of other comprehensive income of a joint venture	332	122

Impact on condensed consolidated statement of cash flows

Increase/(decrease)	Year ended 31st December 2012 HK$'000 (Unaudited)	Six months ended 30th June 2012 HK$'000 (Unaudited)
Cash flows from operating activities	2,036	5,321
Cash flows from investing activities	(27,156)	6
Cash flows from financing activities	18,374	14
Net decrease/increase in cash and cash equivalents	(6,746)	5,341

4 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 December 2012.

5 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 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Revenues		
Sales of goods	**1,161,743**	1,271,333

(a) Segment information

	Six months ended 30th June 2013		Six months ended 30th June 2012	
	Revenues	**Segment results**	Revenues	Segment results
	HK$'000	**HK$'000**	HK$'000	HK$'000
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
			(Restated)	(Restated)
Hong Kong	**934,949**	**(9,761)**	1,013,416	(28,095)
Mainland China	**226,794**	**14**	257,917	(568)
	1,161,743	**(9,747)**	1,271,333	(28,663)

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

5 Revenues and segment reporting (Continued)

(a) Segment information (Continued)

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

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 gains/(losses), net and finance income/(costs), net in the results for each operating segment.

Revenue from external customers is stated after elimination of inter-segment revenue. Sales between segments are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the condensed consolidated income statement.

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

	As at 30th June 2013		
	Hong Kong HK$'000 (Unaudited)	**Mainland China HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Segment assets	**1,052,048**	**199,802**	**1,251,850**
Segment liabilities	**108,494**	**36,820**	**145,314**

	As at 31st December 2012		
	Hong Kong HK$'000 (Audited) (Restated)	Mainland China HK$'000 (Audited) (Restated)	Total HK$'000 (Audited) (Restated)
Segment assets	1,036,664	183,624	1,220,288
Segment liabilities	69,757	29,113	98,870

Segment assets and liabilities represent total assets and liabilities of the Group respectively. The segment assets and liabilities previously reviewed by the chief operating decision-maker exclude non-current assets, deferred income tax liabilities and derivative financial instruments.

5 Revenues and segment reporting (Continued)

(b) Reconciliation of segment results

	Six months ended 30th June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Total segment results	**(9,747)**	(28,663)
Other income	**426**	711
Other gains/(losses), net	**754**	(17,077)
Finance income/(costs), net	**3,011**	(1,059)
Share of profit/(loss) of a joint venture	**1,100**	(1,109)
Loss before income tax	**(4,456)**	(47,197)

6 Operating loss

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

	Six months ended 30th June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Depreciation of property, plant and equipment	**5,750**	5,464
Amortization of leasehold land	**218**	218
Cost of inventories recognised as expense	**1,113,332**	1,257,223
Gain on disposal of property, plant and equipment	**(27)**	—
Gain on metal future trading contracts	**(1,304)**	(2,012)
Staff costs, including directors' remuneration	**20,638**	20,447
Impairment of available-for-sale financial assets	**3,662**	12,856
Provision/(reversal of provision) for impairment of inventories	**3,073**	(3,724)
Provision for impairment of trade receivables	**830**	—
Net exchange (gain)/loss	**(3,085)**	6,233

7 Finance income/(costs), net

	Six months ended 30th June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited) (Restated)
Interest income	**3,096**	1,202
Interest on loans against trust receipts	**(85)**	(2,261)
Finance income/(costs), net	**3,011**	(1,059)

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 rates of income tax prevailing in the places in which the Group's entities operate.

	Six months ended 30th June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax	**374**	541
— Mainland China corporate income tax	**169**	—
Deferred income tax	**(187)**	(427)
Income tax expense	**356**	114

9 Loss per share

(a) Basic

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

	Six months ended 30th June	
	2013 (Unaudited)	2012 (Unaudited)
Loss attributable to equity holders of the Company (HK$'000)	**(4,812)**	(47,311)
Number of ordinary shares in issue ('000)	**828,750**	828,750
Basic loss per share (Hong Kong cents per share)	**(0.58)**	(5.71)

(b) Diluted

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of potential ordinary shares which is the share options granted to the directors of the Company and the employees of the Group under the Pre-IPO Share Option Scheme. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted loss per share for the six months ended 30th June 2013 and 2012 are the same as the basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

10 Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2013 (2012: Nil).

11 Leasehold land

Six months ended 30th June 2013 (Unaudited)	**HK$'000**
Opening net book amount as at 1st January 2013 (Restated)	**15,113**
Amortisation	**(218)**
Closing net book amount as at 30th June 2013	**14,895**

Six months ended 30th June 2012 (Unaudited) (Restated)	HK$'000
Opening net book amount as at 1st January 2012 (Restated)	15,549
Amortisation	(218)
Closing net book amount as at 30th June 2012 (Restated)	15,331

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

12 Property, plant and equipment

Six months ended 30th June 2013 (Unaudited)	**HK$'000**
Opening net book amount as at 1st January 2013 (Restated)	**34,671**
Exchange difference	**9**
Additions	**6,810**
Depreciation	**(5,750)**
Closing net book amount as at 30th June 2013	**35,740**

Six months ended 30th June 2012 (Unaudited) (Restated)	HK$'000
Opening net book amount as at 1st January 2012 (Restated)	45,228
Exchange difference	(475)
Additions	778
Depreciation	(5,464)
Closing net book amount as at 30th June 2012 (Restated)	40,067

13 Available-for-sale financial assets

	As at 30th June 2013 HK$'000 (Unaudited)	As at 31st December 2012 HK$'000 (Audited)
Available-for-sale financial assets		
— equity securities, at fair value listed in Hong Kong	**14,427**	22,712
— unlisted limited partnership, at fair value	**—**	7,046
	14,427	29,758

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

14 Trade and other receivables

	As at 30th June 2013 HK$'000 (Unaudited)	As at 31st December 2012 HK$'000 (Audited) (Restated)
Trade receivables, net of provision (note (a))	**139,432**	119,408
Prepayments to suppliers	**9,369**	8,675
Deposits	**1,227**	1,324
Other receivables	**35,795**	27,232
	185,823	156,639

14 Trade and other receivables (Continued)

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 June 2013 HK$'000 (Unaudited)	As at 31st December 2012 HK$'000 (Audited) (Restated)
0 to 30 days	**104,397**	84,231
31 to 60 days	**22,574**	22,576
61 to 90 days	**7,182**	4,868
Over 90 days	**5,279**	7,733
	139,432	119,408

15 Share capital and share premium

	Number of ordinary shares	**Nominal amount** HK$'000
Authorised:		
As at 31st December 2012 and 30th June 2013	8,000,000,000	800,000

	Number of ordinary shares	**Share capital** HK$'000	**Share premium** HK$'000
Issued and fully paid:			
As at 31st December 2012 and 30th June 2013	828,750,000	82,875	495,293

16 Trade and other payables

	As at 30th June 2013 HK$'000 (Unaudited)	As at 31st December 2012 HK$'000 (Audited) (Restated)
Trade payables		
— to third parties	**110,889**	67,233
— to a related company (Note 18)	**9,571**	5,551
Prepayments from customers	**13,145**	12,002
Accrued expenses	**9,436**	9,301
	143,041	94,087

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

	As at 30th June 2013 HK$'000 (Unaudited)	As at 31st December 2012 HK$'000 (Audited) (Restated)
0 to 30 days	**116,313**	29,094
31 to 60 days	**2,178**	43,248
61 to 90 days	**885**	442
Over 90 days	**1,084**	—
	120,460	72,784

17 Commitments

(a) Operating lease commitments - as a lessee

The Group's future aggregate minimum rental expense in respect of land and buildings under non-cancellable operating leases is payable as follows:

	As at 30th June 2013 HK$'000 (Unaudited)	As at 31st December 2012 HK$'000 (Audited)
Within one year	**456**	1,034
In the second to fifth years inclusive	**52**	—
	508	1,034

(b) Capital commitments

The Group's capital expenditure contracted at the end of the reporting period but not yet incurred is as follows:

	As at 30th June 2013 HK$'000 (Unaudited)	As at 31st December 2012 HK$'000 (Audited)
Contracted but not provided for:		
Property, plant and equipment	**2,328**	3,361

18 Related party transactions

(a) Transactions with related parties

Related party transactions carried out during the period were as follows:

	Note	Six months ended 30th June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Income			
Management fee from Genesis Alloys (Ningbo) Limited ("Genesis Ningbo")	(i)	**70**	70
Expense			
Purchases of goods by the Group from Genesis Ningbo	(ii)	**48,146**	24,691
Rental paid to Sonic Gold Limited	(iii)	**240**	240

Notes:

(i) The Group received a management fee from Genesis Ningbo, a wholly owned subsidiary of the Group's joint venture, pursuant to the terms of management services agreement entered into with the related company for the provision of operating support services at fixed monthly service fee.

(ii) The Group purchased goods from Genesis Ningbo at prices as agreed by both parties for each transaction.

(iii) The Group paid rental expenses for directors' quarters to Sonic Gold Limited, a company controlled by Ms. Chan Yuen Shan, Clara, a director of the Company, at fixed sums as agreed by both parties.

(b) Key management compensation

	Six months ended 30th June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Salaries and other short term employee benefits	**10,869**	10,106
Post employment benefits — pension	**134**	108
	11,003	10,214

(c) Balances with related parties

(i) The amounts due from related companies are denominated in HK dollars, unsecured, interest free and repayable on demand.

(ii) Trade payable to a related company is denominated in Renminbi, unsecured, interest free and repayable in accordance with relevant trading terms.

Management Discussion and Analysis

Overall Business Performance

The first half of 2013 was a period of mixed sentiment as the world economy continued to face significant uncertainty and moderate export growth. The continuation of quantitative easing in the USA calmed some nerves despite the fact that growth in the first half of the year was sub-par, whilst in Europe the rate of economic contraction did at least appear to be stabilizing. Chinese exports, which account for about half of total manufacturing production, remained weak, whilst the growth in infrastructure spending peaked and housing construction softened.

China's economy grew by 7.6% year-on-year during the period under review, a marked slowdown in comparison with the same period last year and down dramatically from the pre-Lehman collapse. Though it was extremely solid relative to the rest of the world, especially considering the size of the economy in question, China's trade still faced uncertainties with fragile and sluggish growth elsewhere and was negatively impacted by the combination of equity markets hit by expected lower debt purchasing scale, slow growth in export demand, tightening of credit liquidity in China, and excessive supply for metal commodities.

As a consequence, the Group experienced overall downward pressure on metal price, of which, Zinc (the main product of the Group) and Nickel fell approximately 11% and 20% respectively over the Interim Period. Revenue for the first half of 2013 fell 8.62% to approximately HK$1,162 million, compared to revenue of approximately HK$1,271 million or reduction of HK$110 million in the same period last year. Tonnage sold by the Group fell around 1.94% to 61,170 metric tonnes, from 62,380 tonnes in the first half of 2012. Gross profit for the Interim Period increased to approximately HK$35.6 million or increased by 113% from approximately HK$16.7 million for the first half of last year and was largely attributable to reliable value-added services that are much appreciated by customers especially under adverse business conditions.

Distribution and selling expenses during the period increased 0.12% compared to the same period of last year, while administrative expenses fell 0.08% or improved by HK$0.03 million.

Other gains (losses), compared to the other loss of HK$17.0 million in the same period of last year which was mainly arose from an impairment of a listed securities of HK$12.9 million, improved by HK$17.8 million to a gain of HK$0.75 million in the Interim Period that included inside was an exchange gain of HK$3.08 million as a result of appreciation of the Chinese Renminbi on the Group's Renminbi assets in Hong Kong and gain on metal future contracts of HK$1.30 million. The aforesaid exchange gain and metal future gain was set off partially by an impairment provided for Group's available-for-sale financial asset of HK$3.66 million.

Management Discussion and Analysis

Business Review

A dominant player in the PRC and regional zinc alloy industry

LEE KEE maintained its dominant leading position in the PRC and regional zinc alloy industry, enabling it to grow its market share despite declining volumes across the entire industry. The Group serves around 1,130 customers in the Greater China Region, as well as in Vietnam, Indonesia, Thailand, Singapore and Malaysia.

As a leading metal supply-chain management specialist, the Group offers unique integrated value added services to its customers, making it a 'one-stop shop' for the processing, sourcing and distribution of ferrous and non-ferrous metals, particularly zinc alloys.

56.8% of the Group's revenue came from the manufactures of toys and leisure goods, household products (such as appliances and furniture) and gift/premium products during the period of review.

Present in all major and growing manufacturing regions of China

LEE KEE has built a strong presence in major manufacturing hubs in Southern and Eastern China, including Shenzhen, Guangzhou and Wuxi, via a network of strategic sales and distribution centres.

The Group also maintains a Chengdu office as part of its expansion into China's Western regions, which has been developing as one of the main industrial regions and capture increasing manufacturing activities.

Each sales and distribution centre continued to expand and strengthen LEE KEE's relationships with customers, ensuring the Group is well positioned to capture future growth opportunities in the gloomy economic environment.

During the first six months of the year, LEE KEE's sales and distribution centres in the PRC contributed approximately HK$227 million or 19.5% (first half of 2012: HK$258 million or 20.2%) of the Group's total revenue, while 80.5% (first half of 2012: 79.8%) of revenue was attributed to the Group's principal sales and logistical centre located in Hong Kong, which remains the primary gateway for the import of zinc and other non-ferrous metals into the PRC.

Established relationship with suppliers

LEE KEE's leading market position is based on strong long-term collaboration with a number of non-ferrous metal suppliers around the world. All suppliers are subject to strict requirements regarding production standards, operating processes and quality control which ensure the Group's products meet international quality standards.

Complementary businesses diversifying revenue and differentiating Group's offerings
LEE KEE has participated in a number of upstream and downstream businesses to provide value-added services to its customers, enabling the Group to increase margins, expand its revenue sources and maintain market share by differentiating its service offering from its major competitors.

Lee Yip Metal Products Company Limited ("Lee Yip") is a wholly-owned stainless steel processing and distribution subsidiary which provides additional revenue to the Group. Based at LEE KEE's Tai Po Technology and Logistics Centre in Hong Kong (with operations in the PRC and Hong Kong), Lee Yip sold approximately 2,220 tonnes of stainless steel during the period (first half of 2012: 1,830 tonnes) which contributed revenue of approximately HK$44.0 million (first half of 2012: HK$38.1 million).

Genesis Alloys (Ningbo) Limited ("Genesis Ningbo") is the Group's 50%-owned zinc alloy production joint venture. It was developed to provide an alternative and stable source of zinc alloy, supporting the Group's core business. It produced approximately 6,220 tonnes of zinc alloy (first half of 2012: 5,480 tonnes) and contributed net profit approximately HK$1.10 million during the first half of 2013 (first half of 2012: net loss of approximately HK$1.10 million).

Promet Metals Testing Laboratory Limited ("Promet") is LEE KEE's wholly-owned materials testing subsidiary, accredited by The Hong Kong Laboratory Accreditation Scheme. Supplementing the Group's in-house technical support and quality assurance, it provides chemical testing and verification service, significantly adding value to the Group's customers by helping them troubleshoot production defects, minimize production costs and lower the risk of product recalls and litigation. With Promet, the Group aims to enhance customer loyalty and hence contribute to the Group's long-term revenue stream.

Prospects

The external macro-economic situation remains complicated, but uncertainty also creates opportunity.

Despite the continued improvement in the global financial environment, particularly the easing of sovereign debt in the euro zone, medium-term global risks remain. The global expansion will take place at multiple speeds with emerging economies continuing to lead the expansion. Growth in the United States is expected to gain moderate momentum, but the recovery in Europe will be constrained by challenging balance sheet repair in several countries.

With emerging middle class with high living standard and the accelerated Urbanization in China, LEE KEE's management is confident that LEE KEE's high quality products will be better positioned to capture such high end market, especially in line with China's policy to shift from one reliant on exports and investment to a more decelerate but sustainable growth based on domestic consumption and infrastructure upgrades across South East Asia.

LEE KEE's strong financial position has seen the Group ride through economic turmoil in the past and will do so again. In order to position itself for demand recovery, the Group will continue to streamline its operations, adapt its product mix to the rapidly changing environment and leverage on value-added services, such as in-house technical support, quality assurance, chemical testing and verification provided by Promet, to substantially improve the Group's overall margins. The Group will also continue to strengthen client relationships, particularly in key growth areas such as North Eastern and Western China, and South-East Asia.

Management will also prudently explore potential new opportunities to enhance the Group's profitability over the coming year.

Liquidity, Financial Resources and Commodity Price Risk

(comparative financial figures of 2012 are restated)

The Group primarily finances its operation through internal resources, borrowings from banks and capital contributions from its shareholders. As at 30th June 2013, the Group had unrestricted cash and bank balances of approximately HK$404 million (31st December 2012: HK$422 million) and bank borrowings of approximately HK$51,000 (31st December 2012: HK$2.49 million). The borrowings, which are short term in nature, were substantially made in United States dollars with interest chargeable at market rates and the gearing ratio (total borrowings to total equity) as at 30th June 2013 was 0.004% (31st December 2012: 0.22%). The Group has a current ratio (current assets to current liabilities) of 810% (31st December 2012: 1,150%).

The Company had issued guarantees to the extent of approximately HK$1,094 million to banks to secure general banking facilities of approximately HK$844 million to certain subsidiaries, of which approximately HK$51,000 had been utilised as of 30th June 2013.

The Group constantly evaluates and monitors its exposure to metals prices with reference to the market conditions. In order to control the exposure efficiently and to capitalize on price trends, the Group's management will employ appropriate operating strategies throughout the remainder of 2013.

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

Interim Dividend

The Board does not recommend the payment of an interim dividend (first half of 2012: Nil).

Employees

As at 30th June 2013, the Group had approximately 140 employees. Employees' remuneration, promotion and salary review are assessed on job responsibilities, work performance, professional experience and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus 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$20.6 million (first half of 2012: HK$20.5 million).

Disclosure of Interests

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated corporations

At 30th June 2013, the interests and short positions of each Director and Chief Executive in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long Position in Shares of the Company

Name of Director	Capacity	Number of Shares in which interested	Approximate percentage of issues Shares
Mr. CHAN Pak Chung (Note 1)	Founder of a discretionary trust	600,000,000	72.40%
Ms. MA Siu Tao (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Ms. CHAN Yuen, Shan, Clara (Note 3)	Beneficiary of a trust	600,000,000	72.40%

Notes:

1. The 600,000,000 Shares are held by Gold Alliance Global Services Limited ("GAGSL") whose entire share capital is held by Gold Alliance International Management Limited ("GAIML"), which is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung. Mr. CHAN Pak Chung is the settlor of the P.C. CHAN Family Trust and is deemed to be interested in the 600,000,000 Shares held by GAGSL under the SFO.

2. Ms. MA Siu Tao, the spouse of Mr. CHAN Pak Chung and an Executive Director, is deemed to be interested in the 600,000,000 Shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.

3. Ms. CHAN Yuen Shan, Clara, the daughter of Mr. CHAN Pak Chung and the Vice-chairman, Executive Director and Chief Executive Officer, is deemed to be interested in the 600,000,000 Shares held by GAGSL as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.

Save as disclosed above, as at 30th June 2013, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in or short position in the Shares or underlying Shares in, or debentures of, the Company and its associated corporations required to be disclosed pursuant to the SFO.

Disclosure of Interests

Substantial Shareholders' Interests and/or Short Positions in the Shares, Underlying Shares of the Company

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30th June 2013, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Name of Shareholder	Capacity	Number of Ordinary Shares in which interested	Approximate percentage of issued Shares
Gold Alliance Global Service Limited	Registered owner	600,000,000	72.40%
Gold Alliance International Management Limited	Interest of controlled corporation	600,000,000	72.40%
HSBC International Trustee Limited	Trustee	600,000,000	72.40%

Note:

The entire share capital of GAGSL is held by GAIML, which is in turn held by HSBC Trustee acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and other family members of Mr. CHAN Pak Chung.

Save as disclosed above, at 30th June 2013, no person, other than the Directors and Chief Executive (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying shares of the Company recorded in the register to be kept under section 336 of the SFO.

Share options

In addition to the Pre-IPO Share Option Plan that was lapsed, the Company also adopted the Share Option Scheme on 15th September 2006. No options had been granted under the said Share Option Scheme since the adoption date on 15th September 2006 and up to 30th June 2013.

Purchase, Sale or Redemption of Shares

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

Disclosure of information pursuant to Rule 13.51B(1) of the Listing Rules

The annual emolument (including annual basic salary and other allowances, if any) of three Executive Directors, namely, Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan, Clara and Ms. MA Siu Tao were revised with effect from 1st April 2013 from HK$4,754,500, HK$2,558,500 and 2,258,500 (all for the period from 1st April 2012 to 31st March 2013) to HK$4,755,000, HK$2,609,640 and HK$2,259,000 (for the period from 1st April 2013 to 31st March 2014) respectively. Their entitlement of a discretionary management bonus to be determined by the Remuneration Committee of the Board remained unchanged.

Corporate Governance

To the knowledge and belief of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange and are not aware of any non-compliance with the code provisions of the CG Code during the Interim Period.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the Model Code by the Directors during the Interim Period.

On behalf of the Board of Directors

CHAN Pak Chung
Chairman
Hong Kong, 2nd August 2013

Innovating from a Solid Foundation
創　新　源　自　穩　固　根　基

www.leekeegroup.com

This interim report is printed on environmental paper 此中期報告以環保紙張印製