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# 利記控股有限公司

## LEE KEE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2016

The Board of Directors (the “Board”) of Lee Kee Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively “LEE KEE” or the “Group”) for the year ended 31st March 2016 (the “Financial Year”) together with the comparative figures for the year ended 31st March 2015 (the “Comparative Period”) as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>Revenues</b>	4	<b>2,122,954</b>	2,493,703
Cost of sales		<b>(2,123,115)</b>	(2,363,195)
<b>Gross (loss)/profit</b>		<b>(161)</b>	130,508
Other income		<b>2,321</b>	971
Distribution and selling expenses		<b>(24,374)</b>	(21,456)
Administrative expenses		<b>(82,146)</b>	(83,739)
Other (losses)/gains, net		<b>(4,922)</b>	10,193
<b>Operating (loss)/profit</b>	5	<b>(109,282)</b>	36,477
Finance income		<b>500</b>	3,584
Finance costs		<b>(4,886)</b>	(6,750)
Finance costs, net	6	<b>(4,386)</b>	(3,166)
Share of profit of a joint venture		<b>–</b>	731

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>(Loss)/profit before income tax</b>		<b>(113,668)</b>	34,042
Income tax expense	7	<u><b>(3,104)</b></u>	<u>(6,689)</u>
<b>(Loss)/profit for the year</b>		<u><b>(116,772)</b></u>	<u>27,353</u>
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		<u><b>(116,772)</b></u>	<u>27,353</u>
<b>(Loss)/earnings per share attributable to equity holders of the Company during the year</b>			
— basic and diluted (Hong Kong cents)	8	<u><b>(14.09)</b></u>	<u>3.30</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>(Loss)/profit for the year</b>	<b>(116,772)</b>	27,353
<b>Other comprehensive (loss)/income</b>		
<i>Items that have been reclassified or may be subsequently reclassified to income statement</i>		
Exchange translation differences	<b>(5,975)</b>	(313)
Share of other comprehensive income of a joint venture	–	226
Movement of available-for-sale financial assets revaluation reserve	<b>(3,503)</b>	10,121
<i>Item that will not be subsequently reclassified to income statement</i>		
Re-measurements of employee retirement benefit obligations	<b>(205)</b>	(172)
<b>Other comprehensive (loss)/income for the year</b>	<b>(9,683)</b>	9,862
<b>Total comprehensive (loss)/income for the year</b>	<b>(126,455)</b>	37,215
<b>Total comprehensive (loss)/income attributable to:</b>		
Equity holders of the Company	<b>(126,455)</b>	37,215

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Non-current assets			
Leasehold land	<i>10</i>	<b>19,712</b>	20,330
Property, plant and equipment	<i>11</i>	<b>96,885</b>	52,283
Deferred income tax assets		<b>2,627</b>	2,770
Available-for-sale financial assets	<i>12</i>	<b>24,407</b>	31,951
Prepayment for investment property		–	13,029
Prepayment for property, plant and equipment		–	1,172
		<u><b>143,631</b></u>	<u>121,535</u>
Current assets			
Inventories		<b>728,367</b>	1,144,633
Trade and other receivables	<i>13</i>	<b>130,036</b>	195,473
Income tax recoverable		<b>564</b>	867
Derivative financial instruments		<b>125</b>	2,296
Cash held on behalf of customers		<b>1,620</b>	–
Bank balances and cash		<b>162,278</b>	131,058
		<u><b>1,022,990</b></u>	<u>1,474,327</u>
Total current assets		<u><b>1,022,990</b></u>	<u>1,474,327</u>
Total assets		<u><b>1,166,621</b></u>	<u>1,595,862</u>
Capital and reserves attributable to equity holders of the Company			
Share capital		<b>82,875</b>	82,875
Share premium		<b>470,429</b>	478,717
Other reserves		<b>454,089</b>	580,544
		<u><b>1,007,393</b></u>	<u>1,142,136</u>
Total equity		<u><b>1,007,393</b></u>	<u>1,142,136</u>

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>2,070</b>	2,106
Employee retirement benefit obligations		<b>2,305</b>	1,679
Bank borrowings		<b>16,566</b>	–
		<u><b>20,941</b></u>	<u>3,785</u>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>44,803</b>	38,222
Bank borrowings		<b>92,719</b>	405,187
Income tax payable		<b>583</b>	496
Derivative financial instruments		<b>182</b>	6,036
		<u><b>138,287</b></u>	<u>449,941</u>
<b>Total liabilities</b>		<u><b>159,228</b></u>	<u>453,726</u>
<b>Total equity and liabilities</b>		<u><b>1,166,621</b></u>	<u>1,595,862</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 Uglan 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in thousands of Hong Kong dollars ("HK dollars"), unless otherwise stated, and have been approved for issue by the Board of Directors on 27th June 2016.

**2 BASIS OF PREPARATION**

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and derivative financial instruments, which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

**3 ACCOUNTING POLICIES**

- (i) The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1st April 2015.

HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions
Annual improvements project	Annual improvements 2010–2012 cycle
Annual improvements project	Annual improvements 2011–2013 cycle

The adoption of the above amendments to standards has no significant impact on the results and financial position of the Group.

- (ii) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(iii) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1st April 2015 and have not been early adopted by the Group.

HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment entities: applying the consolidation exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operation <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendment to HKAS 1	Disclosure initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements <sup>1</sup>
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st April 2016

<sup>2</sup> Effective for annual periods beginning on or after 1st April 2018

<sup>3</sup> Effective for annual periods beginning on or after 1st April 2019

<sup>4</sup> To be determined

Management is still assessing the impact on adoption of the above new standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

#### 4. REVENUES AND SEGMENT REPORTING

The Group is principally engaged in the trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy, stainless steel and other electroplating chemical products. Revenues recognised during the year are as follows:

	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenues		
Sales of goods	<b><u>2,122,954</u></b>	<u>2,493,703</u>

The chief operating decision-maker has been identified as the Group's 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. 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 information**

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

	2016		2015	
	Revenues <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Revenues <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Hong Kong	1,450,962	(118,525)	1,861,977	12,184
Mainland China	671,992	11,844	631,726	13,129
	<u>2,122,954</u>	<u>(106,681)</u>	<u>2,493,703</u>	<u>25,313</u>

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

	As at 31st March 2016		
	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>951,779</u>	<u>214,842</u>	<u>1,166,621</u>
Segment liabilities	<u>94,486</u>	<u>64,742</u>	<u>159,228</u>

  

	As at 31st March 2015		
	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>1,372,740</u>	<u>223,122</u>	<u>1,595,862</u>
Segment liabilities	<u>308,639</u>	<u>145,087</u>	<u>453,726</u>

**(b) Reconciliation of segment results**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Total segment results	(106,681)	25,313
Other income	2,321	971
Other (losses)/gains, net	(4,922)	10,193
Finance costs, net	(4,386)	(3,166)
Share of profit of a joint venture	–	731
(Loss)/profit before income tax	<u>(113,668)</u>	<u>34,042</u>



## 5 OPERATING (LOSS)/PROFIT

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation of property, plant and equipment	9,137	8,032
Amortisation of leasehold land	569	513
Cost of inventories recognised as expense	2,114,354	2,333,829
Provision for impairment of inventories	8,761	29,366
Staff costs, including directors' remuneration	56,087	58,548
Gain on disposal of available-for-sale financial assets	(6,393)	–
Gain on disposal of property, plant and equipment	(174)	(229)
Unrealised loss on metal future trading contracts	57	3,740
Realised loss on metal future trading contracts	9,833	2,825

## 6. FINANCE COSTS, NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income	500	3,584
Interest expense on short-term bank borrowings	(4,538)	(6,750)
Interest expense on mortgage loan	(348)	–
Finance costs, net	(4,386)	(3,166)

## 7. INCOME TAX EXPENSE

Taxation has been provided at the rates of income tax prevailing in the places in which the Group's entities operate. Hong Kong profits tax and Mainland China corporate income have been provided at the rate of 16.5% (2015: 16.5%) and 25% (2015: 25%) respectively on the estimated assessable profit for the year.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax	(514)	(3,364)
— Mainland China corporate income tax	(2,492)	(3,374)
Deferred income tax	(107)	125
Over/(under)-provision in prior years	9	(76)
Income tax expense	(3,104)	(6,689)

## 8. (LOSS)/EARNINGS PER SHARE

### (a) Basic

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

	2016	2015
(Loss)/profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>(116,772)</u>	<u>27,353</u>
Number of ordinary shares in issue ( <i>'000</i> )	<u>828,750</u>	<u>828,750</u>
Basic (loss)/earnings per share ( <i>Hong Kong cents</i> )	<u><u>(14.09)</u></u>	<u><u>3.30</u></u>

### (b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted (loss)/earnings per share for the years ended 31st March 2016 and 2015 are the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

## 9. DIVIDENDS

At a meeting held on 25th November 2014, the directors declared an interim dividend of HK\$0.01 per share (totalling HK\$8,288,000) for the period ended 30th September 2014, which was paid during the year ended 31st March 2015 and had been reflected as a distribution out of the share premium account.

At a meeting held on 9th June 2015, the directors recommended a final dividend of HK\$0.01 per share (totalling HK\$8,288,000) for the year ended 31st March 2015 which was paid during the year ended 31st March 2016 and has been reflected as a distribution out of the share premium account.

The Board of Directors does not recommend the payment of final dividend for the year ended 31st March 2016.

## 10. LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

Year ended 31st March 2016	<i>HK\$'000</i>
Opening net book amount as at 1st April 2015	20,330
Amortisation	(569)
Exchange difference	(49)
	<hr/>
Closing net book amount as at 31st March 2016	19,712
	<hr/> <hr/>
Year ended 31st March 2015	<i>HK\$'000</i>
Opening net book amount as at 1st April 2014	14,567
Acquisition of remaining interest in a joint venture	6,277
Amortisation	(513)
Exchange difference	(1)
	<hr/>
Closing net book amount as at 31st March 2015	20,330
	<hr/> <hr/>

## 11. PROPERTY, PLANT AND EQUIPMENT

Year ended 31st March 2016	<i>HK\$'000</i>
Opening net book amount as at 1st April 2015	52,283
Exchange difference	(589)
Additions	4,549
Transfer from investment properties ( <i>Note (a)</i> )	49,800
Depreciation	(9,137)
Disposals	(21)
	<hr/>
Closing net book amount as at 31st March 2016	96,885
	<hr/> <hr/>
Year ended 31st March 2015	<i>HK\$'000</i>
Opening net book amount as at 1st April 2014	35,336
Exchange difference	(125)
Additions	14,469
Acquisition of remaining interest in a joint venture	10,648
Depreciation	(8,032)
Disposals	(13)
	<hr/>
Closing net book amount as at 31st March 2015	52,283
	<hr/> <hr/>

*Note (a):*

In May 2015, the Group purchased certain properties at a total cost of HK\$50,419,000 which were yet to be determined for the usage and were classified under investment properties. In January 2016, the Group determined that these properties would be used for owner-occupied purpose and therefore the properties were transferred to property, plant and equipment at their fair value of HK\$49,800,000 which resulted in a revaluation loss of HK\$619,000 recognised in the consolidated income statement for the year ended 31st March 2016.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Available-for-sale financial assets		
— equity securities listed in Hong Kong, at fair value	<b>24,407</b>	31,951
— unlisted limited partnership, at fair value	—	—
	<u><b>24,407</b></u>	<u>31,951</u>

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.

The investment cost of 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.

## 13. TRADE AND OTHER RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables, net of provision ( <i>Note (a)</i> )	<b>94,159</b>	149,162
Prepayments to suppliers	<b>15,663</b>	27,410
Deposits	<b>2,907</b>	1,338
Other receivables	<b>17,307</b>	17,563
	<u><b>130,036</b></u>	<u>195,473</u>

*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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
1 to 30 days	<b>52,588</b>	135,894
31 to 60 days	<b>34,330</b>	6,351
61 to 90 days	<b>6,022</b>	3,773
Over 90 days	<b>1,219</b>	3,144
	<u><b>94,159</b></u>	<u>149,162</u>

#### 14. TRADE AND OTHER PAYABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	<b>23,437</b>	12,132
Prepayments from customers	<b>10,423</b>	9,231
Accrued expenses and other payables	<b>10,860</b>	16,516
Other payables to related companies	<b>83</b>	343
	<u><b>44,803</b></u>	<u>38,222</u>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
1 to 30 days	<b>23,417</b>	11,425
31 to 60 days	–	686
Over 60 days	<b>20</b>	21
	<u><b>23,437</b></u>	<u>12,132</u>

## MESSAGE FROM THE CEO

The 2015/16 financial year was a busy one for LEE KEE as we sought to address the many opportunities and challenges arising from the changing macro economy. We made significant progress in expanding our suite of value-added services in order to address the needs of metal end-users facing an increasingly complex metals market. At the same time, however, we faced headwinds from falling global commodities prices and the slowing demand for metals.

At the centre of these opportunities and challenges is China. After decades of breakneck economic growth supported by low-end and low-cost mass production, Chinese manufacturers are now making painful adjustments. For some, this means a shift to producing more high-end and complex products; for others, it may mean partially or completely shutting down their Chinese manufacturing base in favour of lower-cost locations, such as South-East Asia.

Whatever direction their businesses are heading in, there is no doubt that their metal sourcing and solutions requirements are changing. More than ever, they need a professional, experienced and reliable business partner that can align with their new business priorities and provide the metal products and solutions they need to prosper.

Over the past few years, my biggest priority has been to listen to LEE KEE's customers to find out what their needs are. Among the mostly commonly cited is the need to comply with growing regulation around metal quality and environmental standards, as well as the need to effectively manage volatile metal prices.

These needs, among many others, are now being met by LEE KEE's growing range of value-adding solutions. Horizon Commodities and Futures Company Limited, our licensed company that offers futures brokerage services — not just for metals, but also for a range of global futures products. It offers a service that is highly complementary to our traditional metals business and provides solutions to our customers that can help them professionally manage their exposure to fluctuating global markets.

Promet Metals Testing Laboratory Limited, our wholly owned metals testing subsidiary, recently became an approved LME Listed Sampler and Assayer. This made it one of the few laboratories worldwide with the required qualifications to assess whether metals are of high enough quality to physically settle LME contracts. This status further adds to Promet's reputation as a world-class service provider. Closer to home, Promet also boosted its local credentials by providing services to Hong Kong's plumbing and sanitary ware industries that helped allay concerns about the lead content in residential water pipes.

Both businesses have been value-adding additions to our traditional business of supplying customised metals and alloys to customers that manufacture products ranging from automobiles, mobile phones, bathroom appliances, household hardware and luxury goods, among others.

Despite our success in capturing the opportunities emerging from China's transition, we are under no illusions about the challenges facing us in the short to medium-term. It is no secret that economic growth in China is slowing at a pace that cannot be easily replaced by economic growth in the United States or Europe. As a result, demand for metals is slowing as manufacturers in China adjust to this changing business environment.

The global market for zinc and nickel also remains volatile and will continue to pose a risk to the value of our inventory.

These challenges will not be quick or easy to overcome and are in many ways cyclical in nature. The only way to overcome this is to diversify our services and revenue sources, which we are already on the way to achieving. I am confident that we are on the right path towards achieving long-term sustainable growth, while also growing our market share by providing our customers with value in ways that many of our peers cannot.

My team and I will continue to work hard to further diversify our business, particularly in growth market such as South-East Asia and Taiwan, and explore more growth opportunities in order to deliver returns to our shareholders well into the future.

**CHAN Yuen Shan, Clara**

*Vice-Chairman and Chief Executive Officer*

27th June 2016

## OVERALL BUSINESS PERFORMANCE

### Financial performance

The twelve months ended 31st March 2016 (“the Financial Year”) was a challenging one for the Group, as the decline in global commodity prices and the unfavourable global macroeconomic environment impacted the demand for, and pricing of, the Group’s metal products.

The Group’s revenue for the Financial Year was HK\$2,123 million, compared to HK\$2,494 million in the twelve months ended 31st March 2015 (“the Comparative Period”). Tonnage sold by the Group in the Financial Year was 117,220 tonnes, compared to 124,260 tonnes in the Comparative Period.

The Group recorded a marginal gross loss of HK\$161 thousand and a gross loss margin of 0.008% for the Financial Year, compared to a gross profit of HK\$131 million and gross profit margin of 5.23% for the Comparative Period. The fall in gross profit was primarily attributed to falling metal prices, particularly for zinc.

The Group recorded a loss attributable to equity holders of the Company of HK\$117 million during the Financial Year, compared to a profit of HK\$27.4 million during the Comparative Period.

Global prices for zinc (LEE KEE’s main product) and nickel fell 14% and 32% respectively during the Financial Year. The price movement of zinc was extremely volatile, rising steadily during from April 2015 to early May 2015, reaching US\$2,405 per tonne, before falling sharply to as low as US\$1,587 per tonne in the period up to the end of September 2015. Prices then spiked briefly in October 2015 to reach US\$1,835 per tonne before falling to a new low of US\$1,454 per tonne in mid-January 2016. Prices then rose again from February 2016, to reach US\$1,792 per tonne as of 31st March 2016.

The price of nickel was less volatile in comparison. Prices also rose from April 2015 to early May 2015, reaching US\$14,415 per tonne, before experiencing a mostly gradual decline from early May 2015 to reach US\$8,425 per tonne as of 31st March 2016.

Selling and distribution expenses for the Financial Year was HK\$24.4 million, compared to HK\$21.5 million in the Comparative Period. The increase was primarily attributable to an increase in the volume of deliveries to inland areas of China, which incurred higher delivery costs.

The Group’s administrative expenses for the Financial Year was HK\$82.1 million, compared to HK\$83.7 million in the Comparative Period, as the result of better cost controls. The Group attracted other income of HK\$2.32 million during the Financial Year, compared to HK\$0.97 million in the Comparative Period, which was mostly attributed to commissions from the Group’s new brokerage business, Horizon Commodities and Futures Company Limited (“HCF”), as well as an increase in fees earned from the Group’s wholly-owned metals testing subsidiary, Promet Metals Testing Laboratory Limited (“Promet”).



The Group recorded other losses of net HK\$4.92 million during the Financial Year, compared to other gains of net HK\$10.2 million during the Comparative Period, due to the absence of a one-off gain that arose in the Comparative Period following the Group's acquisition of the remaining 50% interest in Genesis Recycling Technology (BVI) Limited and its subsidiaries. The net other loss was partially mitigated from one-off income of HK\$6.39 million resulting from the Group's decision to dispose of part of the interest in shares in a listed company during the Financial Year.

The Group's net financing costs for the Financial Year rose 38.5% to HK\$4.4 million as a result of lower interest income during the Financial Year. However, the level of bank loans held by the Group had fallen as at 31st March 2016 as a result of the Group's destocking strategy.

The Group continues to maintain a healthy balance sheet with bank balances and cash in hand of HK\$162 million, and a gearing ratio (total bank borrowings to total equity) of 10.8%, as of 31st March 2016 (as at 31st March 2015: 35.5%).

## **Business Review**

### ***A leading solutions provider for metals***

LEE KEE is a leading solutions provider for the metals industry and specialises in providing quality metal products and value-added solutions to its customers. Since its founding more than 60 years ago, it has built a strong 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 is a key part of its ongoing strategy of "Creating Value". It is also an investment that has started to pay off in other ways, with LEE KEE's metals testing subsidiary recently being approved as a LME Listed Sampler and Assayer (see 'Growing range of metal testing and verification services' below).

In order to maintain its market leading position, the Group also continued to expand its range of technical and consulting services and its branded metal products offerings in order to meet the needs of its customers, which hail from more than 20 industries from across the Greater China and ASEAN regions.

### ***Growing contribution from value-added services***

Over the past few years, the Group has been steadily growing its suite of value-added metal solutions and services in order to move LEE KEE up the value chain, as well as embed its customers into the rest the Group's service offerings through cross-selling. This strategy is integral to safeguarding the Group's competitiveness and market share as metal end-users increasingly seek holistic solutions providers.

The Group's investments in this area have started to bear fruit, with the Group's wholly-owned metals testing subsidiary, Promet and its wholly-owned futures brokerage subsidiary, HCF, both contributing to overall income during the Financial Year.

### ***Commodities futures brokerage service obtains Hong Kong Futures Exchange trading and clearing membership***

In January 2016, HCF became an Exchange Participant and Clearing Participant of the Hong Kong Futures Exchange Limited (“HKFE”). This status escalates the competitiveness of HCF’s brokerage services for products traded on the HKFE.

In addition to HKFE-listed futures products, HCF currently 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. HCF’s presence within the Group’s overall service offering also makes LEE KEE one of the few metals companies with both physical metal services and financial services, enabling flexibility and closeness to market to be HCF’s strengths.

### ***Growing range of metal testing and verification services***

Promet provides a growing range of chemical testing and metal verification services that help customers meet the tightening quality control and accreditation requirements. Complementing the lab services, Promet’s experienced engineering team conducts professional consultancy services and offers customized solutions in the fields of materials engineering, productivity enhancement, process optimisation sustainable design, quality control and failure analysis. Promet’s reputation in delivering successful results further distinguishes LEE KEE from other metal providers, helping it stay ahead of the competition.

In March 2016, Promet became an approved LME Listed Sampler and Assayer (“LSA”) for pure zinc, aluminium, and aluminium alloys, opening up new sources of income<sup>1</sup>. The approval is also reinforcing Promet’s growing international reputation.

Promet continued to grow its client base during the Financial Year as the result of the rising popularity of its testing and verification services. This included the provision of chemical composition tests and analyses to Hong Kong’s construction, plumbing and sanitary ware industries.

### ***Expanding range of quality metal products***

LEE KEE caters primarily to the needs of end users of zinc and nickel, as well as aluminium and stainless steel. It has continued to invest in developing high-quality metal products and speciality alloys in order to expand into new markets and create value for different market segments.

One particular highlight in this area was the development of lead-free soldering wire for use in water piping. The soldering wire was developed in a very short timeframe in response to the demand of Hong Kong construction industry and obtained Hong Kong Q-Mark Product Certificate in recognition of its high quality and adherence to international production standards. In addition, taking the lead in the trend of better traceability, the product features state-of-the-art traceability features and unique laser marks in the industry.

<sup>1</sup> LME members seeking to make their LME contracts eligible for physical delivery must have their metals sampled and evaluated by at least two LSAs.

### ***Giving back to the community***

LEE KEE is proud to be an approved organization of The Hong Kong Institution of Engineering's ("HKIE") Graduate Scheme "A" Training programme. The scheme offers engineering graduates with hands-on training and technical knowledge to develop the qualities needed to become professional engineers.

Apart from fostering youth and industry development, the Group's commitment to Corporate Social Responsibility (CSR) was well recognised and rewarded by a number of professional organisations during the Financial Year. These awards included our achievements in sustainability, knowledge management, industry and community development.

### **Prospects**

#### ***Lingering weakness in global commodity markets***

Zinc has been a relative outperformer compared to other metals since the beginning of 2016. However a renewed expectation of further interest rate rises in the U.S. (which may apply upward pressure on the value of the U.S. dollar) and constrained demand from the PRC may restrict further rises in the value of zinc going forward. It is also not clear whether the recent closure of a number of large zinc mines around the world will have an impact on prices.

In terms of the nickel market, it remains to be seen whether increasing nickel imports into the PRC will support global prices.

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

#### ***Slowing PRC manufacturing sector impacting demand for metal products and solutions***

Despite the PRC government's recent stimulus measures, it is likely that the domestic manufacturing sector will take time to adjust and recover in the face of slowing global demand, and in some industries, excess capacity.

The Group expects that its strong balance sheet and proactive investments in value-added services will help it maintain its overall market share and steadily develop new income sources, while limiting the effect that lower overall demand may have on its margins. It will also continue to focus on the development of its business in growth markets such as South-East Asia and Taiwan, in order to further diversify the Group's exposures.

#### ***Continued focus on 'green' metals and other environmental solutions***

Despite challenges in global economy, international environmental standards continue to be tightened. There remains a growing market for environmentally friendly alloys and related value-adding services. A leader in sustainability, LEE KEE will continue to expand its range of 'green' products and services in order to attract new customers and increase market share.

### ***Stringent controls on costs and purchases***

Given the uncertain business 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 expert advisors, 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 of Directors does not recommend the payment of final dividend for the Financial Year.

### **ANNUAL GENERAL MEETING**

It was proposed that the Annual General Meeting of the Company (the "AGM") will be held on 19th August 2016. Notice of the AGM will be published and issued to shareholders in due course.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Wednesday, 17th August 2016 to Friday, 19th August 2016, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming Annual General Meeting, 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 Tuesday, 16th August 2016.

### **LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK**

The Group primarily financed its operation through internal resources, borrowings from banks and capital contributions from its shareholders. As at 31st March 2016, the Group had unrestricted cash and bank balances of approximately HK\$162 million (as at 31st March 2015: HK\$131 million) and bank borrowings of approximately HK\$109 million (as at 31st March 2015: HK\$405 million). The bank borrowings were substantially made in United States dollars and Hong Kong dollars with interest chargeable at market rates and the gearing ratio (total bank borrowings to total equity) as at 31st March 2016 was 10.8% (as at 31st March 2015: 35.5%). The Group has a current ratio of 740% as at 31st March 2016 (as at 31st March 2015: 328%).

The Group has general banking facilities of approximately HK\$725 million of which approximately HK\$127 million had been utilised as at 31st March 2016. Besides, mortgage loan of HK\$17.7 million was secured by property, plant and equipment with carrying value of HK\$49.6 million as at 31st March 2016.

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, United States dollars and Renminbi.

## **EMPLOYEES**

As at 31st March 2016, the Group had approximately 190 employees (Comparative Period: 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). Other benefits include share options granted or to be granted under the share option schemes and training schemes. During the Financial Year, staff costs (including directors' emoluments) were approximately HK\$56.1 million (Comparative Period: HK\$58.5million).

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor its subsidiaries has purchased or sold any of the Company's shares during the Financial Year.

## **CORPORATE GOVERNANCE**

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

## **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 Financial Year.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the financial statements and annual results for the year ended 31st March 2016.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

By Order of the Board  
**CHAN Pak Chung**  
*Chairman*

Hong Kong, 27th June 2016

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

*\* Independent non-executive Directors*