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 股份代號：637

Annual Report 2015/16 年報

# Creating Value

# WE CREATE VALUE SOLUTIONS FOR METALS

**Lee Kee is a leading solutions provider for metals to over 20 industries in Greater China and ASEAN. With premium products and integrated services, Lee Kee has been the trusted partner of world class brand owners, manufacturers and materials suppliers in the region.**

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# Corporate Information

## DIRECTORS

### Executive Directors

CHAN Pak Chung *(Chairman of the Board)*
CHAN Yuen Shan, Clara
*(Vice Chairman of the Board and CEO)*
MA Siu Tao

### Independent Non-executive Directors

CHUNG Wai Kwok, Jimmy
HU Wai Kwok
HO Kwai Ching, Mark

## COMPANY SECRETARY

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

## AUDIT COMMITTEE

CHUNG Wai Kwok, Jimmy
*(Chairman of the Audit Committee)*
HU Wai Kwok
HO Kwai Ching, Mark

## REMUNERATION COMMITTEE

HO Kwai Ching, Mark
*(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
HU Wai Kwok

## 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

## 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
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

## LEGAL ADVISERS TO THE COMPANY

*As to Hong Kong Law:*
Kwok Yih & Chan
Suites 2103–05
21st Floor
9 Queen's Road Central
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
Bank of China (Hong Kong) Limited

## STOCK CODE

637

## WEBSITE OF THE COMPANY

www.leekeegroup.com

# Corporate Structure

(operating companies as at 31.03.2016)

利記控股有限公司
LEE KEE HOLDINGS LIMITED

利記集團有限公司
LEE KEE GROUP LTD.

**Lee Kee Metal Co., Ltd. (HK)**
*Distribution of zinc alloy and zinc*

**Lee Fung Metal Co., Ltd. (HK)**
*Distribution of non-ferrous metals, includes aluminum alloy and aluminum*

**Lee Sing Materials Co., Ltd. (HK)**
*Distribution of nickel and other chemicals, precious metal chemicals*

**Lee Yip Metal Products Co., Ltd. (HK)**
*Distribution and processing of stainless steel*

**Toba Co., Ltd. (HK)**
*Property holdings*

**Standard Glory Management Co., Ltd. (HK)**
*Provision of management service*

**Lee City Asia Co., Ltd. (HK)**
*Property holdings*

**Essence Metals (Asia) Co., Ltd. (HK)**
*Production of zinc alloy*

**Promet Metals Testing Laboratory Limited (HK)**
*Metal testing laboratory*

**Promet Consultancy Co., Ltd. (Hong Kong)**
*Technical consultancy services*

**Horizon Commodities and Futures Company Limited (HK)**
*Commodities and futures brokerage*

**Silver Goal International Limited (HK)**
*Property investment*

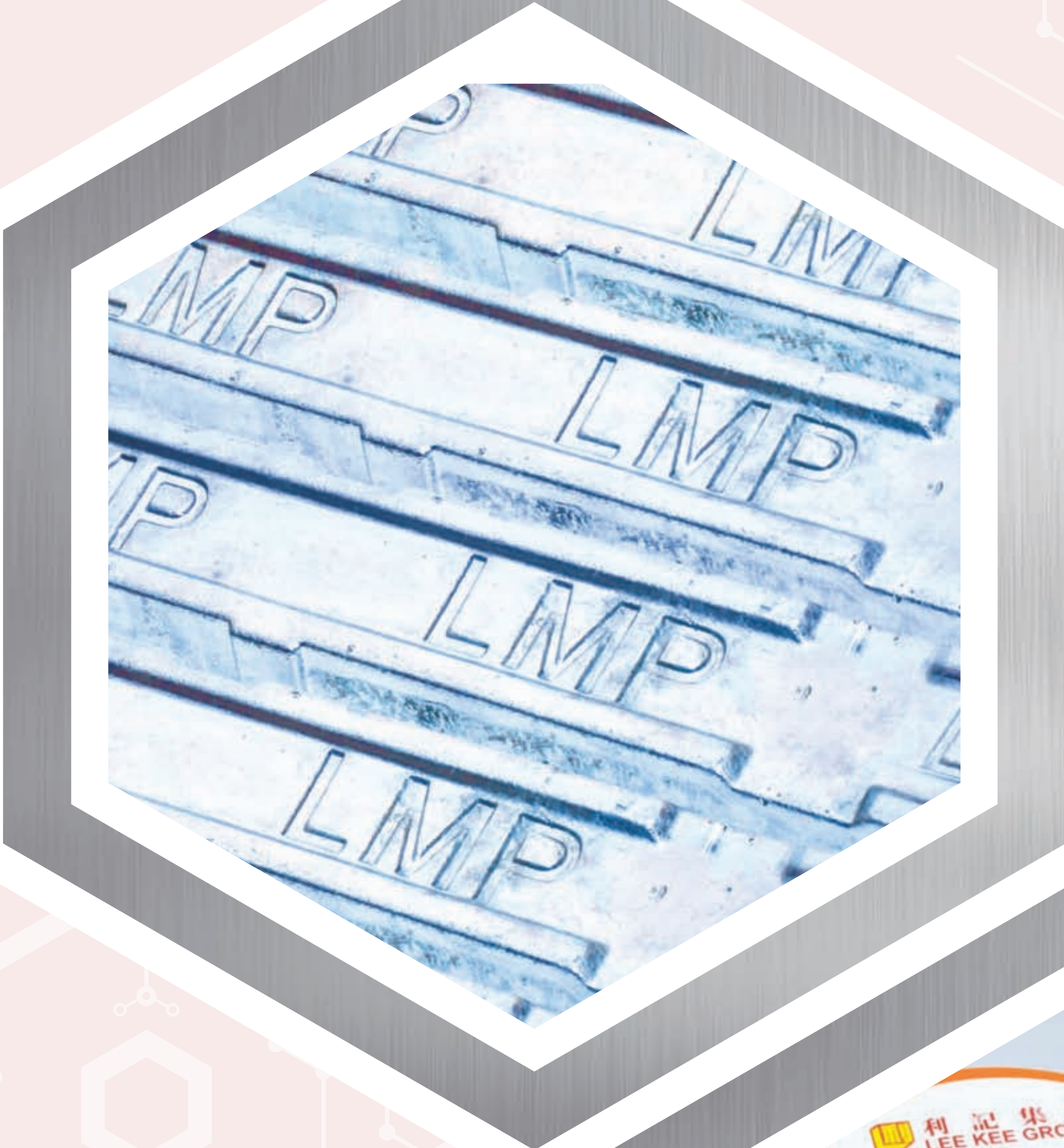
**Mega International Resources Company Limited Taiwan Branch (Taiwan)**
*Distribution of non-ferrous metal*

**LKG Elite (Shenzhen) Co., Ltd. (PRC)**
*Distribution of non-ferrous metal*

**LKG Elite (Wuxi) Co., Ltd. (PRC)**
*Distribution of non-ferrous metal*

**LKG Elite (Guangzhou) Co., Ltd. (PRC)**
*Distribution of non-ferrous metal*

**Genesis Alloys (Ningbo) Ltd. (PRC)**
*Manufacturing of zinc alloy*


LMP
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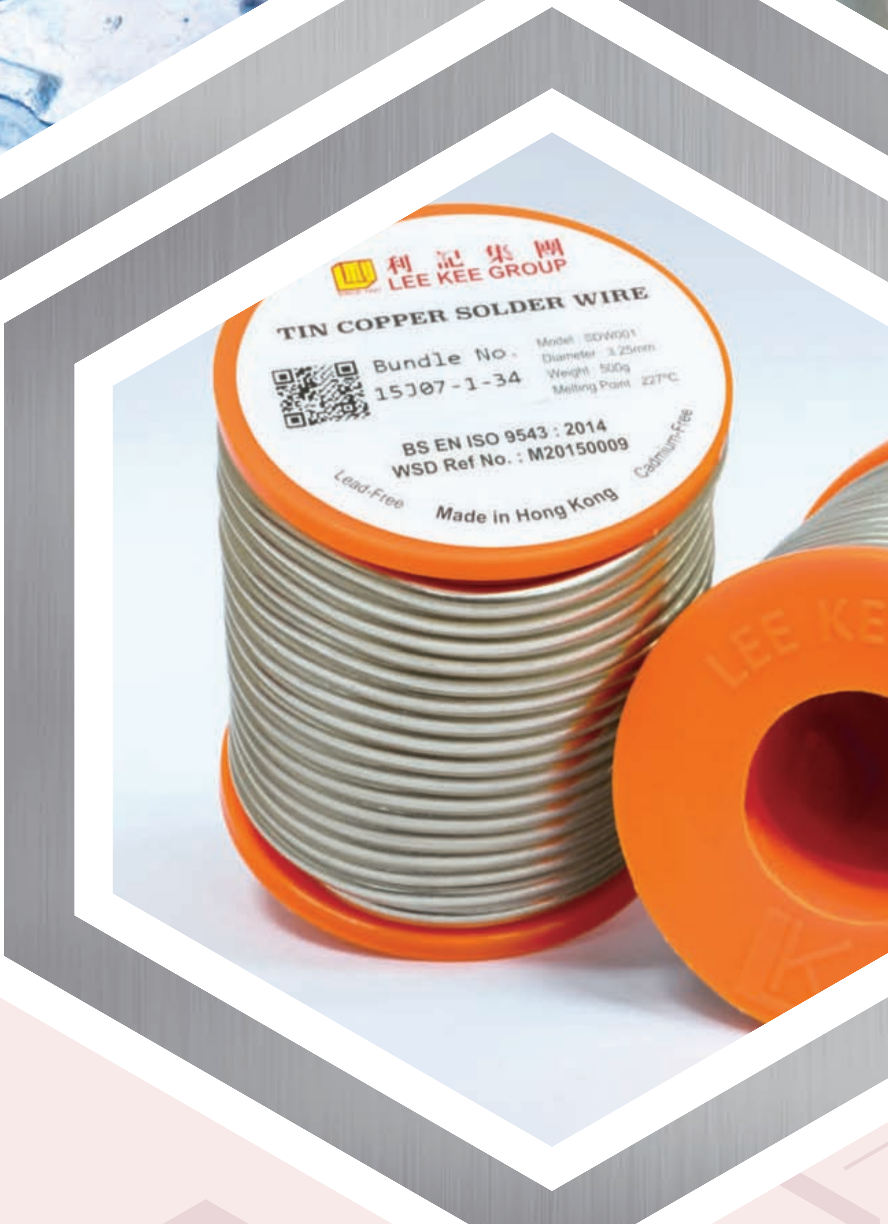

利記集團
LEE KEE GROUP
TIN COPPER SOLDER WIRE
Bundle No.
15J07-1-34
BS EN ISO 9543 : 2014
WSD Ref No. : M20150009
Lead-Free
Cadmium-Free
Made in Hong Kong

# EXPANDING RANGE OF QUALITY METAL PRODUCTS

**Lee Kee has continued to invest in developing high-quality metal products and specialty alloys in order to expand into new markets and create value for different market segments.**

# Chairman's Statement

**The need to innovate is changing the wider market, which makes the addition of value-added services all the more timely. We have long recognised this and are well prepared for it.**

**CHAN Pak Chung**
*Chairman*

## DEAR SHAREHOLDERS,

The 2015-16 financial year was a challenging period for LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group" or "we") as we sought to maintain our market share in the face of a rapid deterioration in the external environment.

Our financial performance was impacted in two different ways: firstly, overall demand for our metal products was dampened by slowing manufacturing activity in China, coupled with the stagnating global economy. The second was the wide retreat of global commodity prices, particularly for zinc.

The current situation is evidence of how dependent global markets have become on China's rapid economic development, particularly over the last decade. Unless other economies can quickly take up the slack, many players in the global economy, including miners, smelters and metal end-users, face a period of adjustment now that double-digit economic growth in China has become a thing of the past.

How this period of adjustment will look will depend on a number of factors, such as the level of cooperation and innovation. On one hand, producers will need to be disciplined about cutting supply before prices can stabilise.

Take the nickel market for example: in late 2015, both Chinese and non-Chinese nickel producers signalled their willingness to reduce production. However, even if they keep their word, it could take some time before there is an impact. The zinc market is a case in point where the closure of large zinc mines in Australia and other countries over the past few years is still yet to translate into a global supply deficit that could support prices.

On the other, companies must focus on innovation if they are to ride out the current down cycle and position themselves for future growth. LEE KEE has long recognised this and has been preparing for it. Internally, we have already realised that we can no longer increase our competitiveness and market share by being just a metals supplier. This is why we have invested heavily in offering more holistic services, such as technical consultancy, metals testing, futures brokerage, alloy customisation, supply chain management and market intelligence over the past few years.

Looking at the bigger picture, the need to innovate is changing the wider market as well, which makes the addition of value-added services all the more timely. Customers are demanding different types of metals and alloys as consumers' requirements of product quality, mechanical and aesthetic properties escalate. Rising environmental standards and growing concerns about consumer safety is pushing up demand for testing services; the huge volatility in global commodity markets is also driving demand for hedging and brokerage services; and finally, increasing labour costs is leading many manufacturers to shift to lower-cost production locations in South-East Asia.

All these changes are driving manufacturers to seek for a one-stop-shop for metal solutions that can be delivered to any of the locations in which they operate. LEE KEE is one of the few companies that can provide this. Therefore, while the short-term outlook remains challenging, I am confident that we will continue to thrive and grow our market share well into the future through our long-standing commitment to innovation, quality and professionalism.

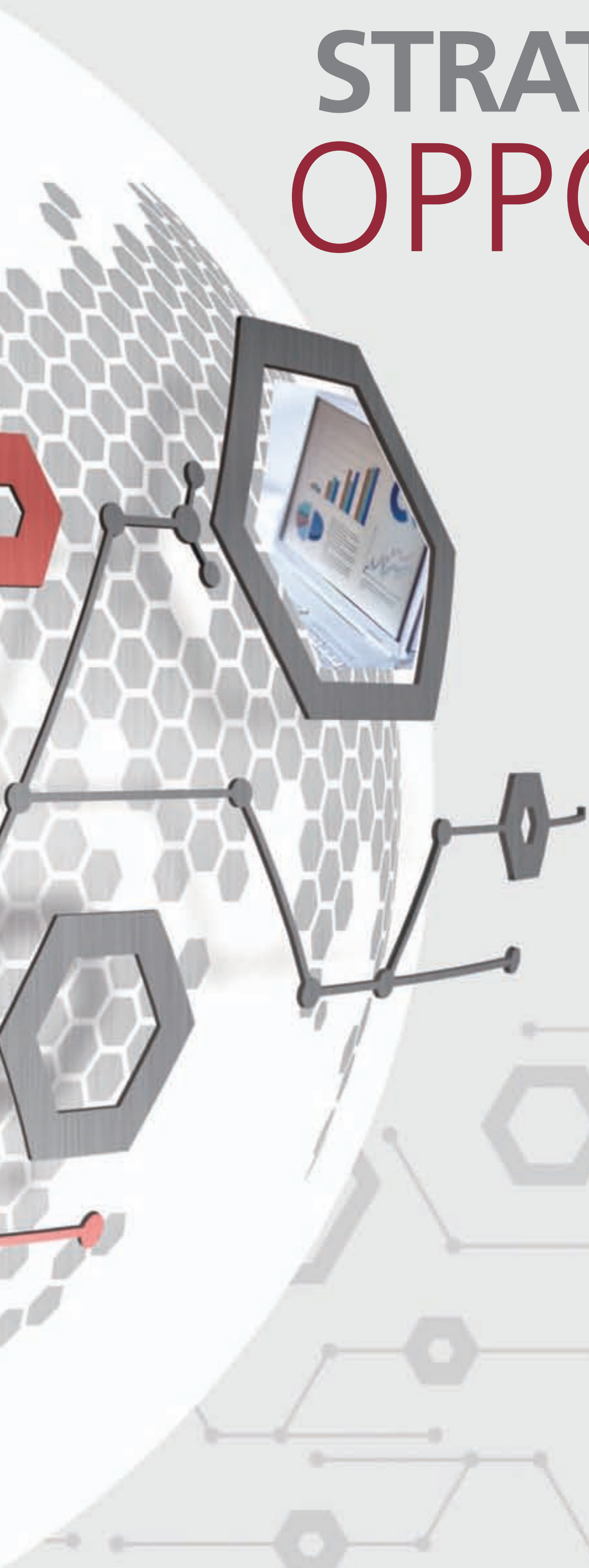
I would like to use some final words to express my sincere thanks to our valued business partners, LEE KEE's management team and our hardworking employees for their commitment and support over the last financial year. I would also like to show my gratitude to our valued customers, as well as my deep thanks to you, our shareholders, for your continued support.

**CHAN Pak Chung**
*Chairman*

27th June 2016

# STRATEGIC GROWTH OPPORTUNITIES

**Lee Kee will prudently explore high-potential investment opportunities and new business streams in order to retain our market status, take advantage of new growth opportunities.**



# CEO Message

**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.**

**CHAN Yuen Shan, Clara**
*Vice-chairman and Chief Executive Officer*

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

# SUSTAINABILITY LEADERSHIP

**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.**

# Financial Summary

Following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years/period presented on a basis as stated in the note below:

## CONSOLIDATED RESULTS

| | **Year ended 31st March 2016 HK$'000** | 2015 HK$'000 | 15 months ended 31st March 2014 HK$'000 | Year ended 31st December 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|---|---|
| Revenue | **2,122,954** | 2,493,703 | 2,886,467 | 2,470,562 | 3,468,991 |
| (Loss)/Profit before income tax | **(113,668)** | 34,042 | 5,256 | (29,740) | (31,006) |
| Income tax expense | **(3,104)** | (6,689) | (1,388) | 37 | (254) |
| (Loss)/Profit for the year | **(116,772)** | 27,353 | 3,868 | (29,703) | (31,260) |
| Attributable to: | | | | | |
| Equity holders of the Company | **(116,772)** | 27,353 | 3,868 | (29,703) | (31,618) |
| Minority interests | **–** | – | – | – | 358 |

## CONSOLIDATED ASSETS AND LIABILITIES

| | **As at 31st March 2016 HK$'000** | 2015 HK$'000 | 2014 HK$'000 | As at 31st December 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|---|---|
| Total non-current assets | **143,631** | 121,535 | 93,751 | 103,470 | 89,539 |
| Total current assets | **1,022,990** | 1,474,327 | 1,296,466 | 1,116,818 | 1,473,926 |
| Total assets | **1,166,621** | 1,595,862 | 1,390,217 | 1,220,288 | 1,563,465 |
| Total non-current liabilities | **20,941** | 3,785 | 2,916 | 4,384 | 5,130 |
| Total current liabilities | **138,287** | 449,941 | 265,804 | 94,486 | 424,681 |
| Total liabilities | **159,228** | 453,726 | 268,720 | 98,870 | 429,811 |
| Net assets | **1,007,393** | 1,142,136 | 1,121,497 | 1,121,418 | 1,133,654 |

# Management Discussion and Analysis

## 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[1]. 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.

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

***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.

***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.

## 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).

# Directors, Senior Management and Advisors

## EXECUTIVE DIRECTORS

**Mr. CHAN Pak Chung**, aged 68, is the Chairman of the Board and an Executive Director of the Company and a director of principal subsidiaries of the Company. Mr. Chan has been serving the Group since 1967 and is now leading and governing the Board of the Company to ensure the Board works and performs its responsibilities effectively. Mr. Chan has more than 47 years of experience in the group development and non-ferrous metals industry. He obtained a Master Degree in Material Engineering from the Yanshan University. Mr. Chan is also a Permanent Honorary President of Hong Kong Foundry Association Limited, Honorary Fellow (Machinery and Metal Industries) of the Professional Validation Council of Hong Kong Industries, Honorary President of the Professional Validation Council of Hong Kong Industries, Vice Chairman of the Hong Kong Metal Merchants Association and Honorary President of Hong Kong Association for the Advancement of Science and Technology. Mr. Chan is the spouse of Ms. MA Siu Tao and the father of Ms. CHAN Yuen Shan, Clara and Mr. CHAN Ka Chun, Patrick.

**Ms. CHAN Yuen Shan, Clara**, aged 44, is the Vice-Chairman, the Chief Executive Officer and an Executive Director of the Company, a director of principal subsidiaries of the Company. Ms. Chan joined the Group in November 1995 and is responsible for strategic direction and ensuring the implementation of the strategies and policies. She also leads the Group in the business development and operations. Ms. Chan has over 21 years of experience in the non-ferrous metals industry. She is a member of the Lead and Zinc Committee of the London Metals Exchange and a member of the Board Risk Committee of LME Clear Limited. She is also a member of Energy Advisory Committee of HKSAR, a member of Vetting Committee of the SME Development Fund and the Dedicated Fund on Branding, Upgrading and Domestic Sales (Organisation Support Programme, a member of CreateHK design-Business Collaboration Scheme Assessment Panel of HKSAR, a Vice-Chairman of Hong Kong Die-casting and Foundry Association Limited, a Vice-President of Hong Kong Young Industrialist Council. She holds a Master Degree of Social Science in Global Political Economy from The Chinese University of Hong Kong. Ms. Chan is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao and sister of Mr. CHAN Ka Chun, Patrick.

**Ms. MA Siu Tao**, aged 66, is an Executive Director of the Company and a director of principal subsidiaries of the Company. Ms. Ma joined the Group in 1985 and is now responsible for advising on corporate and sales marketing strategies. Ms. Ma has been working in the non-ferrous metals industry for more than 30 years. She obtained a Master Degree in Material Engineering from the Yanshan University. Ms. Ma is the Executive Committee member of Hong Kong Diecasting and Foundry Association Limited and an associate of the Professional Validation Council of Hong Kong Industries. Ms. Ma is the spouse of Mr. CHAN Pak Chung and the mother of Ms. CHAN Yuen Shan, Clara and Mr. CHAN Ka Chun, Patrick.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHUNG Wai Kwok, Jimmy**, aged 66, is an independent non-executive Director of the Company appointed in September of 2006. Mr. Chung has over 30 years of experience in financial advisory, taxation and management. He was a partner of PricewaterhouseCoopers and retired in June of 2005. In October of 2005, he joined a professional consulting firm, Russell Bedford Hong Kong Limited, as Director — Tax & Business Advisory. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants, the Taxation Institution of Hong Kong and the Association of Chartered Certified Accountants (ACCA). He was the President of the Hong Kong branch of ACCA for the year 2005/06. He is currently also an independent non-executive director of Tradelink Electronic Commerce Limited (listed on the Main Board of the Stock Exchange) and China World Trade Center Company Limited (listed on the Shanghai Stock Exchange).

**Mr. HU Wai Kwok**, aged 43, is an Independent Non-executive Director of the Company appointed in May of 2007. He is currently a Managing Director responsible for overseas infrastructure investments at China Everbright Limited. Prior to that, he was an Executive Director of JPMorgan Asset Management Real Assets (Asia) Limited, focusing on infrastructure investments and the Vice General Manager of The National Trust & Investments Ltd. ("Natrust"), a company providing financial services in China. Before joining Natrust, Mr. Hu was a director of Emerging Markets Partnership. He has over 18 years of experience in corporate finance and direct investments. Mr. Hu holds a Bachelor Degree in Economics from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. Mr. Hu is a Chartered Financial Analyst.

**Mr. HO Kwai Ching, Mark**, aged 54, is an Independent Non-executive Director of the Company, appointed in June of 2014. He is currently a consultant in the securities and futures industry. He was previously the Chief Operating Officer of Oriental Patron Securities Limited ("OPSL"). Prior to joining OPSL, he was the Chief Compliance Officer of Hong Kong Mercantile Exchange Limited, the Director of Business Development of Sun Hung Kai Securities Limited and a Director of Phillip Securities (HK) Limited. He was also previously Vice President of Corporate Strategy of Hong Kong Exchanges and Clearing Limited and Head of Compliance of Hong Kong Futures Exchange Limited. He has more than 22 years of experience in the securities and futures industry. He is also an independent non-executive director of Hengan International Group Company Limited (a company listed on The Stock Exchange of Hong Kong Limited).

## SENIOR MANAGEMENT

**Mr. CHEUK Wa Pang**, aged 51, is the Chief Financial Officer, the Company Secretary of the Company and a director of certain subsidiaries of the Company. Mr. Cheuk joined the Group in December of 2002 and is responsible for the financial matters of the Group. Prior to joining the Group, Mr. Cheuk worked as financial controller and company secretary as well as business consultant of various private and listed companies. Mr. Cheuk has over 24 years of experience in finance, accounting and auditing. Mr. Cheuk holds a Bachelor Degree of Science in Engineering from the University of Hong Kong, a Master Degree in Applied Finance and a Master's Degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a member of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

**Mr. CHAN Ka Chun, Patrick**, aged 43, is a director of principle subsidiaries of the Company. Mr. Patrick Chan joined the Group in August of 2006 and is now responsible for the overall management of the stainless steel business and the future development projects of the Group. He has around 10 years of experience in the stainless steel industry. Mr. Patrick Chan obtained a Bachelor's of Science Degree in Aeronautical Science from Embry-Riddle Aeronautical University and holds a Master Degree in Business Administration from the University of Hong Kong. He is the Treasurer of the Hong Kong Metal Merchants Association, a director of Hong Kong Auto Parts Industry Association, a committee member of Hong Kong Aviation Industry Association, Vice President of Hong Kong Electrical Appliances Industries Association and a Member of Appeal Tribunal Panel, Building Ordinance (Hong Kong). Prior to joining the Group, Mr. Patrick Chan was an Airline Pilot. Mr. Patrick Chan is the son of Mr. CHAN Pak Chung and Ms. MA Siu Tao and brother of Ms. CHAN Yuen Shan, Clara.

**Mr. YAN Cheuk Yam**, aged 68, was appointed an Independent Non-executive Director of the Company in September of 2006. He resigned from the directorship in February of 2007 and has acted as the Head of China Division of the Group since March of 2007. Mr. Yan is responsible for advising the Group's PRC development and local relationships in the PRC. He is also a director of several of the Group's PRC subsidiaries. Prior to this employment, Mr. Yan was a director of a steel pipes company and a consultant of a Dongguan metals factory. Mr. Yan has more than 28 years of experience in the steel business and metal trading in the PRC, Taiwan and Hong Kong.

## ADVISORS

To further strengthen the Group's expertise and development in the metal industry and financial services, the Group has engaged the following advisors who have sound knowledge regarding metal industry and financial services:

**Mr. William Tasman WISE** has held a number of senior positions in the mining and smelting industry for over 40 years. He was the general manager responsible for global marketing and sales for both Zinifex Limited and Pasminco Limited and is a former director of the Company. He currently works as a business consultant and resides in Melbourne, Australia. Mr. Wise obtained a Bachelor Degree in Economics from the University of Tasmania.

**Mr. Matthew James HOWELL** is the Chief Executive Officer of Tomago Aluminium, one of Australia's largest primary aluminium smelters. He has 30 years of experience in the base metals and precious metals sectors, especially in dealing with the smelting and recycling of zinc, copper, gold, silver, lead and a range of exotic specialties. Mr. Howell has a long history in zinc smelting and specialty zinc die cast alloy development and casting. He was the project manager for the development and construction of Genesis Alloys (Ningbo) Limited. Mr. Howell holds an Honours Bachelor Degree of Science from the University of Tasmania.

**Mr. Maarten Louis Prosper DE LEEUW** owns his own management business and is through his own business involved in several business ventures. He previously worked amongst others in Billiton and held senior management positions in Nyrstar. With over 20 years of experience in the non-ferrous metals industry, he has developed deep commercial, trading and supply chain management experience that spans strategy development and tactical implementations around the world. Mr. de Leeuw holds a Master Degree in Economics and Business Administration from the University of Maastricht, The Netherlands.

**Ms. Lesley Anne CAMPBELL** has specialised in commodity risk management for many years, working with a broad range of LME clients and with a number of global organisations including the World Bank. She was a consultant to the LME and subsequently joined HKEx to assist with the development of their commodity franchise. Ms. Campbell has presented programmes on finance for BBC and wrote a book called Forged Metal on the aluminium industry. Ms. Campbell obtained a Master Degree of Arts from Glasgow University.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. Accordingly, the Company implemented various measures to comply with the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the financial year.

To the knowledge of the Directors and save as disclosed herein, the Directors consider that the Company has complied with the CG Code and are not aware of any non-compliance with the then provisions in the CG Code for 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.

## BOARD OF DIRECTORS

The composition of the Board and the biographical details of the Directors are set out in the Report of the Directors and also Directors and Senior Management sections of the annual report respectively.

The Board is responsible for providing entrepreneurial leadership, either directly or through its committees, to the Company and its subsidiaries (collectively the "Group") in order to deliver long-term value to shareholders. It establishes corporate policies, sets strategic direction, ensures that an effective internal control environment is in place, and oversees the management which is responsible for day-to-day operations. The Board established on 20th December 2006 the Executive Committee which can exercise the powers delegated by the Board pursuant to the written terms of reference, except the powers to approve major issues and reserved matters, such as acquisition and disposal, connected transactions which are reserved by the Board. The management is responsible for day-to-day management of the Company under the leadership of the Chief Executive Officer.

The Company has received the annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considered them independent to the Group.

Save as disclosed in the Directors, Senior Management and Advisors section and to the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among the board members.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has two different persons for the posts of the Chairman of the Board and Chief Executive Officer. The Chairman of the Board, Mr. CHAN Pak Chung, leads and governs the Board (including but not limited to chairing all the board meetings and general meetings), and in his absence, another Director of the Company will be chosen to chair such meetings pursuant to the Company's Articles. He is also responsible for the overall business strategy of the Group. The Chief Executive Officer of the Company, Ms. CHAN Yuen Shan, Clara, is responsible for proposing strategies to the Board and implementing the strategies and policies laid down by the Board. She also leads the management in the development and daily operations of the Group.

## NON-EXECUTIVE DIRECTORS

All Independent Non-executive Directors entered into appointment letters with the Company for a term of two years with expiry on 3rd October 2016, 13th May 2017 and 15th June 2018 respectively.

## REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee on 15th September 2006 with written terms of reference. The primary duties of the Remuneration Committee includes reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the share option scheme. The Remuneration Committee has three members comprising of Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok, Jimmy and Mr. HO Wai Ching, Mark, two of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. HO Kwai Ching, Mark and discharged its duties by reviewing the remuneration packages of Executive Directors and Senior Management during the financial year.

## NOMINATION OF DIRECTORS

The Company established the Nomination Committee on 15th September 2006 with written terms of reference. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee has three members comprising of Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok and Mr. HU Wai Kwok, two of whom are Independent Non-Executive Directors. The Nomination Committee is chaired by Mr. CHAN Pak Chung and discharged its duties by reviewing the structure, size and the composition of the Board and has set the objective to diversify during the financial year.

## CORPORATE GOVERNANCE COMMITTEE

The Company established the Corporate Governance Committee on 23rd March 2012 with written terms of reference. The Corporate Governance Committee is mainly responsible for reviewing and monitoring corporate governance issues. The Corporate Governance Committee has three members comprising of Mr. CHAN Pak Chung, Mr. CHEUK Wa Pang (Chief Financial Officer and Company Secretary) and LEE King On (Compliance Manager). It is chaired by Mr. CHAN Pak Chung and discharged its duties by reviewing the group policies, code of conducts, training records of directors during the financial year.

## AUDITORS' REMUNERATION

The remuneration of the audit services rendered by the auditor of the Company were mutually agreed in view of the scope of services and the audit fee during the year was HK$1.08 million for annual audit. In addition, the auditor of the Company also provided non-audit services to the Group in respect of mainly interim review and tax. The aggregate fee amounted to approximately HK$1.59 million.

## AUDIT COMMITTEE

The Company established the Audit Committee on 15th September 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include reviewing and supervising the financial reporting processes and the internal control systems of the Group. The Audit Committee comprises Mr. CHUNG Wai Kwok, Jimmy, who is the Chairman, Mr. HU Wai Kwok and Mr. HO Kwai Ching, Mark, all of whom are Independent Non-executive Directors.

During the financial year, the Audit Committee discharged its duties by reviewing financial matters, financial statements and internal control as well as discussing these matters with the Executive Directors and the auditor of the Company, and making recommendations to the Board.

## ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following tables summarise the attendance of individual Director(s) and committee member(s) in the financial year:

| Name of Director | Board | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| Mr. CHAN Pak Chung | 8/8 | – | 2/2 | 1/1 |
| Ms. CHAN Yuen Shan, Clara | 7/8 | – | – | – |
| Ms. MA Siu Tao | 8/8 | – | – | – |
| Mr. CHUNG Wai Kwok, Jimmy | 7/8 | 2/2 | 2/2 | 1/1 |
| Mr. HU Wai Kwok | 8/8 | 2/2 | – | 1/1 |
| Mr. HO Kwai Ching, Mark | 8/8 | 2/2 | 2/2 | – |

All Directors attended the 2015 annual general meeting of the Company.

## PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year (the "Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the Financial Statements in its Independent Auditor's Report of the annual report.

## INTERNAL CONTROL

The Board acknowledges its responsibility for reviewing the effectiveness of the internal control system and engaging an external independent professional firm to review the internal control of the Group during the financial year covering material financial, operational, compliance and risk controls, the adequacy of resources, the qualifications and the experience of the Company's accounting staff and financial reporting function, and the training programmes and budget. No material control failures were identified and the necessary actions are being implemented to improve the internal control of the Group, both the Audit Committee and the Board are satisfied with the results and concluded that the Group's internal control system is effective.

## SHAREHOLDERS RIGHTS AND INVESTOR RELATIONS

The Company adopted a Shareholders Communication Policy to provide the shareholders of the company (the "Shareholders") with ready, equal and timely access to the information about the Company to ensure that the Shareholders have the ability to exercise their rights in an informed manner, and to allow the Shareholders to engage actively with the Company.

All the Shareholders have the right to attend and vote at the general meetings and can convene an extraordinary general meeting pursuant to Article 79 of the Company's Articles of Association. Prior to proposing a resolution at the general meeting, the Shareholders should submit the proposed resolution to the Company Secretary via email to ir@leekeegroup.com with the details. The Board welcomes opinions and questions from the Shareholders who may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post to No. 16 Dai Fat Street, Tai Po Industrial Estate, New Territories, Hong Kong or by email to ir@leekeegroup.com. In addition, the Group maintains its own website at which the Shareholders can access for the Company's information and for communication with the Company. The Shareholders are encouraged to provide their email address(es) to the Company for further communication.

There are no significant changes in the Company's Memorandum and Articles of Association during the financial year.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained sufficient public float for the financial year.

## ENVIRONMENTAL POLICIES AND INITIATIVES

At Lee Kee we are committed to operating sustainably as a business, and measuring and mitigating the environmental impact of our operations. We achieve this goal via an Environmental Statement outlining our related policy and objectives. Lee Kee is also ISO 14001 environmental management certified (Note 1), which provides us with a framework to manage our group-wide metal processing operations in an efficient and environmentally conscious manner. The Group further discloses and audit our carbon emissions annually and contributes these results to the Hong Kong Environmental Protection Department's Carbon Footprint Repository (Note 2).

Energy and resource conservation are priorities across our Group, and we have taken steps to introduce innovative systems and technologies to optimise energy use. For example, we have installed automatic switch-off devices in our induction furnaces, adopted dry coolers in lieu of water cooling towers, upgraded our incandescent lights to T5 and LED lighting, and replaced inefficient energy appliances with Grade 1 energy efficient technology. We pride ourselves on the steps we have taken to both mitigate and manage our energy use.

Our performance is regularly monitored and reviewed in accordance with the ISO 14001 environmental management system. Due to our concerted efforts we have successfully reduced our carbon emissions by 19.1% during the year ended 31 March 2016 (the "Financial Year").

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Lee Kee's engagements with stakeholders demonstrate the highest standard of business ethics. Lee Kee's engagements with stakeholders demonstrate the highest standard of business ethics. An Integrated Management System has been well established to maintain our quality standards. Designated teams manage our Authorized Economic Operator Systems, Quality Management, Environmental Management, and Safety Management systems respectively.

### Employees

We value our employees as our important asset. Staff are rewarded with an equitable remuneration package in line with three guiding principles: fairness and consistency, pay for performance, and market competitiveness. We are an equal opportunity employer with a no tolerance policy toward any form of discrimination against race, colour, sex, religion, age, marital status, disability, veteran status or national origin. Through our sponsorship and subsidy programmes, Lee Kee encourages employees to continuously seek professional development opportunities both in-house and externally. In the spirit of continuous improvement, Lee Kee also conducts exit interviews with all outgoing staff to review their performance during their tenure, collecting and evaluating their feedback.

The health and safety of our staff is of utmost concern. We have established a Safety Management System and a Safety Team at our manufacturing facilities. Three employees are assigned as designated safety officers responsible for supply chain management, and managing safety hazards at warehouse and production areas. The Safety Team is also responsible for implementing and monitoring occupational health and safety practices within Lee Kee. Safety meetings are organised on a monthly basis to review any incidents that have occurred over the month.

An occupational health and safety assessment is conducted regularly to gather valuable information from employees. Should there be any health and safety related incidents, a safety report is generated followed by the implementation of a corrective and preventative action plan to avoid future occurrences.

### Customers

To ensure the quality of the service that we provide to our customers, Lee Kee is ISO 9001 quality management system certified (Note 1). This system helps us manage our supply chain, logistics and manufacturing operations. Our quality assurance processes include the monitoring of supplier performance, incoming quality control, in-process quality control, outgoing quality control, employee training and development, customer feedback analysis, corrective and preventive actions.

Should there be any customer complaint, quality engineers shall follow up either by phone or site visit according to our standard procedures. We also conduct annual customer satisfaction surveys with results summarised and analysed in a customer satisfaction report. Lee Kee has attained a customer satisfaction rating of 92.54% during the Financial Year, achieving our performance objective.

### Suppliers

We highly value our supply chain partnerships. Lee Kee keeps an updated Approved Supplier List in accordance with the ISO 9001 system. All our products suppliers undergo background and quality system checks, while monitoring and management controls ensure that our suppliers continue to deliver the service quality that we expect.

## COMPLIANCE STATUS WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE BUSINESS

To our knowledge, during the reporting year, there were no concluded cases of non-compliance with relevant standards, laws and regulations on the environment, occupational health and safety, and data privacy in Hong Kong.

Note:

1. The scope and companies involved of ISO9001 and ISO14001 are in accordance with the SGS certificates that can be found in Lee Kee's website.

2. The scope, companies involved and the carbon emission data can be accessed from Carbon Footprint Repository for Listed Companies in Hong Kong.

# Report of the Directors

The Directors are pleased to present their report along with the audited consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st March 2016.

## PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

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 activities of the subsidiaries are set out in note 25 of the financial statements. An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The Board of Directors does not recommend the payment of final dividend for the Financial Year. The results of the Group for the year are set out in the consolidated income statement on page 38.

## 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.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in notes 21 and 30 to the consolidated financial statements respectively.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$0.41 million.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## SHARE ISSUED IN THE YEAR

No shares were issued during the year. Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2016 amounted to approximately HK$1,031 million.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 14.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

## SHARE OPTIONS

The Company adopted the Pre-IPO share option scheme (the "Pre-IPO Scheme") which has lapsed and the share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the shareholder of the Company passed on 15th September 2006.

The purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders of the Company as a whole. The participants of the Share Option Scheme may include directors, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group. The options will be granted at a consideration for HK$1. The Share Option Scheme will remain valid until 14th September 2016.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be the price as the Board in its absolute discretion shall determine, save that such price will not be less than the higher of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date such grant is offered, which shall be a business day;

(ii) the average of the closing prices of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date such grant is offered; and

(iii) the nominal value of a Share on the date such grant is offered.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and under any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the aggregate of the Shares at the time of listing plus shares issued under the Over-allotment Option (the "Scheme Mandate Limit") or the refreshed Scheme Mandate Limit approved by the shareholders. In addition, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time must not exceed 30% of the issued share capital of the Company in issue from time to time. The total number of Shares issued and which fall to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme(s) of the Company to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of total number of Shares in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting at which such participant and his/her associates abstain from voting.

No options have been granted under the Share Option Scheme since the adoption date on 15th September 2006 and up to 31st March 2016.

## EQUITY-LINKED AGREEMENT

Other than the Share Option Scheme as disclosed above, no equity-linked agreements which will or may result in the Company issuing Shares or which require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

## DIRECTORS

The Directors during the Financial Year and up to the date of this report were:

**Executive Directors**
Mr. CHAN Pak Chung *(Chairman)*
Ms. CHAN Yuen Shan, Clara
Ms. MA Siu Tao

**Independent Non-executive Directors**
Mr. CHUNG Wai Kwok, Jimmy
Mr. HU Wai Kwok
Mr. HO Kwai Ching, Mark

In accordance with Article 130 of the Articles of Association of the Company, Ms. MA Siu Tao and Mr. HU Wai Kwok shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and Senior Management are set out on pages 21 to 23 of the Annual Report.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31st March 2016, 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 Division 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:

### 1. Long Position in Shares of the Company

| Name of Director | Capacity | Number of Shares in which interested | Approximate percentage of issued 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 |
| Mr. HO Kwai Ching, Mark (Note 4) | Interest held by spouse | 50,000 | 0.006 |

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 an 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.

4. Mr. HO Kwai Ching, Mark is deemed to be interested in the 50,000 Shares held by his spouse.

None of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying Shares in, or debentures of, the Company or its associated corporation.

## 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 31st March 2016, 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.

### Long Position in the Shares of the Company

| Name | Capacity | Number of Shares in which interested | Approximate percentage of issued shares |
|---|---|---|---|
| Gold Alliance Global Services Limited ("GAGSL") | Registered owner | 600,000,000 | 72.40 |
| Gold Alliance International Management Limited ("GAIML") | Interest of controlled corporation | 600,000,000 | 72.40 |
| HSBC International Trustee Limited ("HSBC Trustee") | 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.

Saved as disclosed above, at no time during the year, no person, other than the Directors and Chief Executives (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.

## OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31st March 2016, no other persons had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under the SFO.

## BUSINESS REVIEW AND DISCLOSURE OF ENVIRONMENTAL PROTECTION

The business reviews and disclosure of environmental protection of the Group for the year are set out in the sections headed "Overall Business Performance" and "Corporate Governance Report" of this Annual Report respectively.

## MAJOR SUPPLIERS AND CUSTOMERS

During the Financial Year, the Group sold less than 30% of its goods to its five largest customers.

The percentage of purchases for the Financial Year attributable to the Group's major suppliers is as follows:

| **Purchases** | |
|---|---|
| — the largest supplier | 36% |
| — five largest suppliers combined | 62% |

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Financial Year.

## PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Financial Year. The Company has taken out Directors' and Officers' insurance to cover the liability incurred by directors and officers in the execution and discharge of their duties, or in relation thereto.

## AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers ("PwC") whose term of office will expire upon the forthcoming annual general meeting of the Company. PwC will retire as auditor of the Company at the forthcoming annual general meeting of the Company and will not offer themselves for re-appointment. The Board will propose the appointment of KPMG as new auditor of the Company following the retirement of PwC, subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The resolution to authorise the Directors to fix the remuneration of KPMG will also be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

**CHAN Pak Chung**
*Chairman*

Hong Kong, 27th June 2016

# Independent Auditor's Report

羅兵咸永道

**TO THE SHAREHOLDERS OF LEE KEE HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries set out on pages 38 to 88, which comprise the consolidated statement of financial position as at 31st March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 27th June 2016

# Consolidated Income Statement

For the year ended 31st March 2016

| | Note | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Revenues** | 5 | **2,122,954** | 2,493,703 |
| Cost of sales | 7 | **(2,123,115)** | (2,363,195) |
| **Gross (loss)/profit** | | **(161)** | 130,508 |
| Other income | 6 | **2,321** | 971 |
| Distribution and selling expenses | 7 | **(24,374)** | (21,456) |
| Administrative expenses | 7 | **(82,146)** | (83,739) |
| Other (losses)/gains, net | 8 | **(4,922)** | 10,193 |
| **Operating (loss)/profit** | | **(109,282)** | 36,477 |
| Finance income | | **500** | 3,584 |
| Finance costs | | **(4,886)** | (6,750) |
| Finance costs, net | 9 | **(4,386)** | (3,166) |
| Share of profit of a joint venture | | **–** | 731 |
| **(Loss)/profit before income tax** | | **(113,668)** | 34,042 |
| Income tax expense | 11 | **(3,104)** | (6,689) |
| **(Loss)/profit for the year** | | **(116,772)** | 27,353 |
| **(Loss)/profit attributable to:** | | | |
| Equity holders of the Company | | **(116,772)** | 27,353 |
| **(Loss)/earnings per share attributable to equity holders of the Company during the year** | | | |
| — basic and diluted (Hong Kong cents) | 12 | **(14.09)** | 3.30 |

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31st March 2016

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

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31st March 2016

| | Note | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Leasehold land | 14 | **19,712** | 20,330 |
| Property, plant and equipment | 15 | **96,885** | 52,283 |
| Deferred income tax assets | 24 | **2,627** | 2,770 |
| Available-for-sale financial assets | 16 | **24,407** | 31,951 |
| Prepayment for investment property | | **–** | 13,029 |
| Prepayment for property, plant and equipment | | **–** | 1,172 |
| | | **143,631** | 121,535 |
| Current assets | | | |
| Inventories | 17 | **728,367** | 1,144,633 |
| Trade and other receivables | 18 | **130,036** | 195,473 |
| Income tax recoverable | | **564** | 867 |
| Derivative financial instruments | | **125** | 2,296 |
| Cash held on behalf of customers | 19 | **1,620** | – |
| Bank balances and cash | 19 | **162,278** | 131,058 |
| Total current assets | | **1,022,990** | 1,474,327 |
| Total assets | | **1,166,621** | 1,595,862 |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 20 | **82,875** | 82,875 |
| Share premium | 21 | **470,429** | 478,717 |
| Other reserves | 21 | **454,089** | 580,544 |
| Total equity | | **1,007,393** | 1,142,136 |

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31st March 2016

| | Note | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Deferred income tax liabilities | 24 | **2,070** | 2,106 |
| Employee retirement benefit obligations | | **2,305** | 1,679 |
| Bank borrowings | 23 | **16,566** | – |
| | | **20,941** | 3,785 |
| Current liabilities | | | |
| Trade and other payables | 22 | **44,803** | 38,222 |
| Bank borrowings | 23 | **92,719** | 405,187 |
| Income tax payable | | **583** | 496 |
| Derivative financial instruments | | **182** | 6,036 |
| | | **138,287** | 449,941 |
| Total liabilities | | **159,228** | 453,726 |
| Total equity and liabilities | | **1,166,621** | 1,595,862 |
| Net current assets | | **884,703** | 1,024,386 |
| Total assets less current liabilities | | **1,028,334** | 1,145,921 |

The consolidated financial statements on page 38 to 88 were approved by the Board of Directors on 27th June 2016 and were signed on its behalf.

**CHAN Pak Chung**
*Director*

**CHAN Yuen Shan, Clara**
*Director*

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31st March 2016

| | Note | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net cash generated from/(used in) operations | 26 (a) | **375,659** | (281,971) |
| Interest paid | | **(4,886)** | (6,750) |
| Hong Kong profits tax paid | | **(517)** | (3,210) |
| Mainland China corporate income tax paid | | **(2,090)** | (3,535) |
| Net cash generated from/(used in) operating activities | | **368,166** | (295,466) |
| **Investing activities** | | | |
| Interest received | | **500** | 3,584 |
| Net cash acquired in acquisition of remaining interest in a joint venture as a subsidiary | | **–** | 5,983 |
| Prepayment for investment properties | | **–** | (13,029) |
| Prepayment for property, plant and equipment | | **–** | (1,172) |
| Proceeds from disposal of property, plant and equipment | 26 (b) | **195** | 242 |
| Proceeds from disposal of available-for-sale financial assets | | **10,434** | 45 |
| Acquisition of property, plant and equipment | | **(40,148)** | (14,469) |
| Net cash used in investing activities | | **(29,019)** | (18,816) |
| **Financing activities** | | | |
| Addition of bank borrowings | | **972,272** | 1,644,441 |
| Repayment of bank borrowings | | **(1,268,174)** | (1,424,249) |
| Dividends paid | | **(8,288)** | (16,576) |
| Net cash (used in)/generated from financing activities | | **(304,190)** | 203,616 |
| Increase/(decrease) in cash and cash equivalents | | **34,957** | (110,666) |
| Cash and cash equivalents at beginning of the year | | **131,058** | 241,445 |
| Exchange (loss)/gain on cash and cash equivalents | | **(3,737)** | 279 |
| Cash and cash equivalents at end of the year | | **162,278** | 131,058 |

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31st March 2016

| | Attributable to equity holders of the Company | | | |
|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share premium** HK$'000 | **Other reserves** HK$'000 | **Total equity** HK$'000 |
| At 1st April 2015 | **82,875** | **478,717** | **580,544** | **1,142,136** |
| **Comprehensive loss** | | | | |
| Loss for the year | **–** | **–** | **(116,772)** | **(116,772)** |
| **Other comprehensive loss** | | | | |
| Exchange translation differences | **–** | **–** | **(5,975)** | **(5,975)** |
| Movement of available-for-sale financial assets revaluation reserve | **–** | **–** | **(3,503)** | **(3,503)** |
| Re-measurements of employee retirement benefit obligations | **–** | **–** | **(205)** | **(205)** |
| **Other comprehensive loss for the year** | **–** | **–** | **(9,683)** | **(9,683)** |
| **Total comprehensive loss for the year** | **–** | **–** | **(126,455)** | **(126,455)** |
| Dividends paid | **–** | **(8,288)** | **–** | **(8,288)** |
| At 31st March 2016 | **82,875** | **470,429** | **454,089** | **1,007,393** |
| At 1st April 2014 | 82,875 | 495,293 | 543,329 | 1,121,497 |
| **Comprehensive income** | | | | |
| Profit for the year | – | – | 27,353 | 27,353 |
| **Other comprehensive income** | | | | |
| Exchange translation differences | – | – | (313) | (313) |
| Share of other comprehensive income of a joint venture | – | – | 226 | 226 |
| Movement of available-for-sale financial assets revaluation reserve | – | – | 10,121 | 10,121 |
| Re-measurements of employee benefit obligations | – | – | (172) | (172) |
| **Other comprehensive income for the year** | – | – | 9,862 | 9,862 |
| **Total comprehensive income for the year** | – | – | 37,215 | 37,215 |
| Dividends paid | – | (16,576) | – | (16,576) |
| At 31st March 2015 | 82,875 | 478,717 | 580,544 | 1,142,136 |

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

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

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

The Company's shares are listed on the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all years presented, unless otherwise stated.

### (a) 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

***(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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

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

[1] Effective for annual periods beginning on or after 1st April 2016
[2] Effective for annual periods beginning on or after 1st April 2018
[3] Effective for annual periods beginning on or after 1st April 2019
[4] 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.

### (b) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### *(i) Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

#### *(ii) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### *(iii) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### *(iv) Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### (c) Joint arrangements

The Group applied HKFRS 11 to all joint arrangements for the year ended 31st March 2015 and there was no such arrangement for the current year. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

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 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 ventures), 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.

### (d) Foreign currency translation

#### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement under "other losses/gains, net".

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Foreign currency translation (Continued)

#### *(iii) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in the other comprehensive income.

### (e) Property, plant and equipment

Leasehold land interests classified as finance leases and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line basis to allocate cost less estimated residual values over their estimated useful lives. The principal annual rates are as follows:

| | |
|---|---|
| Leasehold land interests classified as finance leases | Over the period of the lease |
| Buildings | 2.5% to 5% |
| Leasehold improvements | 20% to 33 1/3% |
| Motor vehicles and yacht | 10% to 30% |
| Machinery | 10% to 30% |
| Furniture, fixtures and office equipment | 20% |
| Computer system | 20% to 33 1/3% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses/gains, net", in the consolidated income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leasehold land

Leasehold land is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortisation of leasehold land is calculated on a straight-line basis over the period of the lease.

### (g) Investment properties

Investment property is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for accounting purposes. The deemed cost of property, plant and equipment is used as the basis for the carrying amount and depreciation of the asset.

### (h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

### (i) Financial assets

The Group classifies its financial assets (other than derivative financial instruments in note 2(m)) in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "bank balances and cash" in the consolidated statement of financial position (notes 2(k) and 2(l)).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Financial assets (Continued)

***(ii) Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

***Impairment assessment***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Financial assets (Continued)

***Impairment assessment (Continued)***

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

### (l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

### (m) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. Changes in the fair value of those derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement within "other losses/gains, net".

### (n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### (q) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and its joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Current and deferred income tax (Continued)

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (r) Employee benefits

#### *(i) Pension obligation*

The Group participates in mandatory provident fund schemes ("MPF Schemes") for all employees in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance. The contributions to the MPF Schemes are based on a minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a current cap of HK$1,500). The assets of the MPF Schemes are held in separate trustee-administered funds.

The Group's contributions to the MPF Schemes are expensed as incurred.

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The relevant Group's entities are required to contribute a specified percentage of its payroll costs to the central pension scheme. The contributions are expensed in the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

#### *(ii) Employee leave entitlements*

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees. Provisions are made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### *(iii) Bonus plan*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of the bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Employee benefits (Continued)

#### *(iv) Employee retirement benefit obligations*

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method by a qualified actuary, discounted to its present value, and the fair value of any related plan assets is deducted. The discount rate is the Hong Kong government zero coupon bond yields as at the date of statement of financial position. All actuarial gains and losses of defined benefit plans are recognised immediately in the consolidated other comprehensive income in the year in which they occur.

#### *(v) Share-based compensation*

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### (s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Revenues and income recognition

Revenues from the sale of goods are recognised on the transfer of risks and rewards of ownership which generally coincides with the time when the goods are delivered to customers and title has passed. Revenues are shown net of returns and discounts and after eliminating revenues within the Group.

Interest income is recognised on a time-proportion basis using the effective interest method.

Management fee income is recognised when services are rendered.

Dividend income is recognised when the right to receive payment is established.

Technical consultancy service income is recognised when services are rendered.

Commission from brokerage services on dealings in futures are recognised on the transaction dates when the relevant contract notes are exchanged.

### (u) Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payments made for leasehold land classified as operating leases, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

### (v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

### (w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, 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 make strategic decisions.

### (x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### *(i) Foreign exchange risk*

Foreign exchange risk primarily arises from recognised assets and liabilities, such as bank balances and cash, trade receivables, trade payables, and bank borrowings, denominated in United States Dollars ("US dollars") and Renminbi ("RMB").

Management conducts periodic reviews of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

In respect of US dollars, the Group considers that minimal risk arises as the rate of exchange between HK dollars and US dollars is controlled within a tight range under the Hong Kong's Linked Exchange Rate System.

In respect of RMB, at 31st March 2016, if RMB had strengthened/weakened by 5% (31st March 2015: 5%) against the HK dollars with all other variables held constant, post-tax loss for the year would have been approximately HK$597,000 lower/higher (2015: post-tax profit would have been approximately HK$1,734,000 higher/lower).

#### *(ii) Cash flow and fair value interest rate risks*

The Group has certain bank borrowings at floating interest rates with maturities of less than 120 days in general, which subject the Group to cash flow interest rate risk.

At 31st March 2016, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$64,000 higher/lower (2015: post-tax profit would have been approximately HK$272,000 lower/higher) as a result of higher/lower interest expense on bank borrowings.

The Group's bank deposits were at fixed rates and expose the Group to fair value interest risk. As all the Group's bank deposits were short-term in nature, any change in the interest rate from time to time is not considered to have significant impact to the Group's performance.

#### *(iii) Price risk*

The Group is exposed to equity securities price risk mainly because of the investment in listed equity instrument in Hong Kong, classified on the consolidated statement of financial position as available-for-sale financial assets.

At 31st March 2016, if the fair value of the listed equity instrument increased or decreased by 5%, the Group's available-for-sale financial assets revaluation reserve would have been increased or decreased by approximately HK$1,220,000 (2015: HK$1,598,000).

The Group also exposed to commodity price risk in relation to its metal products which is largely dependent on the material price of the relevant commodity. The Group closely monitors the price of its products in order to determine its pricing strategies.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factors (Continued)

#### *(iv) Credit risk*

Credit risk is managed on a group basis. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers and other counter parties, including outstanding trade and other receivables and committed transactions.

The carrying amounts of bank deposits and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure of credit risk in relation to its financial assets.

All bank deposits are placed with highly reputable and sizable banks and financial institutions without significant credit risk.

With regard to trade and other receivables, the Group assesses the credit quality of the customers and other counter parties, taking into account their financial position, past experience and other factors. The Group performs periodic credit evaluations of its customers and other counter parties and believes that adequate provision for doubtful receivables has been made in the consolidated financial statements. Management does not expect any further losses from non-performance by these counter parties.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and other counter parties.

#### *(v) Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the Group's liquidity on the basis of availability of bank balances and cash and unutilised committed credit lines. Available bank and cash balances and committed credit lines as of 31st March 2016 are as follows:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Bank balances and cash | **163,898** | 131,058 |
| Less: Cash held on behalf of customers | **(1,620)** | – |
| | **162,278** | 131,058 |
| Committed credit lines available (Note) | **743,552** | 755,352 |
| Less: Utilised credit lines for bank borrowings | **(144,868)** | (409,409) |
| | **598,684** | 345,943 |

Note: Credit lines available were secured by either corporate guarantees given by the Company or property, plant and equipment (Note 23).

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factors (continued)

#### *(v) Liquidity risk (continued)*

The following table shows the remaining contractual maturities at the end of the reporting periods of the Group's non-derivative financial liabilities and net-settled derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group is required to pay.

| | On demand or within one year HK$'000 | Between 1-2 years HK$'000 | Between 2-5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **At 31st March 2016** | | | | | | |
| Trade payables, accrued expenses and other payables | **34,229** | **–** | **–** | **–** | **34,229** | **34,229** |
| Bank borrowings | **93,196** | **1,438** | **4,314** | **13,062** | **112,010** | **109,285** |
| Derivative financial instruments | **182** | **–** | **–** | **–** | **182** | **182** |
| | **127,607** | **1,438** | **4,314** | **13,062** | **146,421** | **143,696** |
| **At 31st March 2015** | | | | | | |
| Trade payables , accrued expenses and other payables | 28,737 | – | – | – | 28,737 | 28,737 |
| Bank borrowings | 406,057 | – | – | – | 406,057 | 405,187 |
| Derivative financial instruments | 6,036 | – | – | – | 6,036 | 6,036 |
| | 440,830 | – | – | – | 440,830 | 439,960 |

### (b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down or repay bank borrowings.

Management monitors the utilisation of borrowings and ensures full compliance with loan covenants during the period and at the end of each reporting period.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank borrowings divided by total equity.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (b) Capital risk management (Continued)

The gearing ratios at of 31st March 2016 and 2015 were as follows:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Total bank borrowings (note 23) | **109,285** | 405,187 |
| Total equity | **1,007,393** | 1,142,136 |
| Gearing ratio | **10.8%** | 35.5% |

Decrease in gearing ratio is mainly due to the decrease in the utilisation of trade financing during the year ended 31st March 2016.

### (c) Fair value estimation

The carrying amounts of the Group's financial assets including trade and other receivables and bank balances and cash; and financial liabilities including trade and other payables and bank borrowings approximate their fair values due to their short maturities. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

The method by which the fair values of financial instruments are established are categorised as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's assets and liabilities that are measured at fair values at 31st March 2016:

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| Assets | | | | |
| Derivative financial instruments | – | 125 | – | 125 |
| Available-for-sale financial assets | | | | |
| — listed securities | 24,407 | – | – | 24,407 |
| | 24,407 | 125 | – | 24,532 |
| Liabilities | | | | |
| Derivative financial instruments | – | 182 | – | 182 |

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (c) Fair value estimation (Continued)

The Group's assets and liabilities that are measured at fair values at 31st March 2015:

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Assets | | | | |
| Derivative financial instruments | – | 2,296 | – | 2,296 |
| Available-for-sale financial assets | | | | |
| — listed securities | 31,951 | – | – | 31,951 |
| | 31,951 | 2,296 | – | 34,247 |
| Liabilities | | | | |
| Derivative financial instruments | – | 6,036 | – | 6,036 |

The fair values of financial instruments traded in active markets are based on quoted market prices at the date of consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is include in level 3.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

Derivatives holding for trading purpose are classified as a current asset or liability.

At 31st March 2016, the Group had outstanding future trading contracts mainly to sell/purchase nickel and zinc and future exchange contracts to sell Renminbi. The maximum notional principal amounts of these future contracts at 31st March 2016 and 2015 were as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Future trading contracts | | |
| Buy | **706** | 72,195 |
| Sell | **–** | 74,870 |
| Future exchange contracts | | |
| Renminbi | **7,924** | – |

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when available-for-sale financial assets are impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Any changes in expectation may impact the recognition of impairment charge to the income statement and therefore the results of the Group.

### (b) Impairment of non-financial assets

Non-financial assets including property, plant and equipment and leasehold land are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Company's and the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

### (c) Net realisable value of inventories

Net realisable value is the estimated selling price in the ordinary course of business, less estimated direct selling expenses. These estimates are based on current market conditions and historical experience of selling goods of a similar nature. They could change as a result of changes in market conditions. Management reassesses the estimations at the end of each reporting period.

### (d) Impairment of trade and other receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and other counter parties and current market conditions. It could change as a result of change in the financial positions of customers and other counter parties. Management reassesses the provision at the end of each reporting period.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (e) Fair value of derivative financial instruments

The fair value of derivative financial instruments which are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the date of consolidated statement of financial position. The valuation models require the input of subjective assumptions, including forward rates, risk free rates and market volatility. Change in subjective input assumptions can materially affect the fair value estimate.

### (f) Income taxes and deferred tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

## 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 year are as follows:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Revenues | | |
| Sales of goods | **2,122,954** | 2,493,703 |

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.

## 5 REVENUES AND SEGMENT REPORTING (Continued)

### (a) Segment information (Continued)

The segment information for the reporting segments as at and for the year ended 31st March 2016 is as follows:

| | Hong Kong HK$'000 | Mainland China HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment revenues | **1,450,962** | **671,992** | **2,122,954** |
| Segment results | **(118,525)** | **11,844** | **(106,681)** |
| Other segment expenditure items included in the segment results as follows: | | | |
| Cost of inventories recognised as expense | **1,479,959** | **634,395** | **2,114,354** |
| Depreciation of property, plant and equipment | **8,018** | **1,119** | **9,137** |
| Amortisation of leasehold land | **437** | **132** | **569** |
| Provision for/(reversal of) impairment of inventories | **9,218** | **(457)** | **8,761** |
| Segment assets | **951,779** | **214,842** | **1,166,621** |
| Segment liabilities | **94,486** | **64,742** | **159,228** |

The segment information for the reporting segments as at and for the year ended 31st March 2015 is as follows:

| | Hong Kong HK$'000 | Mainland China HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment revenues | 1,861,977 | 631,726 | 2,493,703 |
| Segment results | 12,184 | 13,129 | 25,313 |
| Other segment expenditure items included in the segment results as follows: | | | |
| Cost of inventories recognised as expense | 1,735,387 | 598,442 | 2,333,829 |
| Depreciation of property, plant and equipment | 6,966 | 1,066 | 8,032 |
| Amortisation of leasehold land | 446 | 67 | 513 |
| Provision for impairment of inventories | 28,556 | 810 | 29,366 |
| Segment assets | 1,372,740 | 223,122 | 1,595,862 |
| Segment liabilities | 308,639 | 145,087 | 453,726 |

## 5 REVENUES AND SEGMENT REPORTING (Continued)

### (b) Reconciliation of segment results

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| **Segment results** | | |
| 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 | **(113,668)** | 34,042 |

## 6 OTHER INCOME

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Management fee, net of withholding tax | **–** | 70 |
| Provision of technical consultancy services | **993** | 416 |
| Commission and brokerage income on dealings in securities | **175** | – |
| Others | **1,153** | 485 |
| | **2,321** | 971 |

## 7 EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling expenses and administrative expenses are analysed as follows:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Auditor's remuneration | | |
| — Audit services | **1,707** | 1,763 |
| — Non-audit services | **160** | 160 |
| Depreciation of property, plant and equipment | **9,137** | 8,032 |
| Amortisation of leasehold land | **569** | 513 |
| Staff costs, including directors' remuneration (Note 10) | **56,087** | 58,548 |
| Operating lease rentals for land and buildings | **3,085** | 2,209 |
| Cost of inventories recognised as expense | **2,114,354** | 2,333,829 |
| Provision for impairment of inventories | **8,761** | 29,366 |

## 8 OTHER (LOSS)/GAINS, NET

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Gain on disposal of property, plant and equipment (Note 26(b)) | **174** | 229 |
| Gain on disposal of available-for-sale financial assets | **6,393** | – |
| Gain on remeasurement of previously held interest in a joint venture upon acquisition as a subsidiary | **–** | 1,050 |
| Gain on acquisition of remaining interest in a joint venture as a subsidiary | **–** | 13,784 |
| Unrealised loss on metal future trading contracts | **(57)** | (3,740) |
| Realised loss on metal future trading contracts | **(9,833)** | (2,825) |
| Net exchange loss | **(3,304)** | (503) |
| Fair value change upon transfer of investment properties to property, plant and equipment | **(619)** | – |
| Others | **2,324** | 2,198 |
| | **(4,922)** | 10,193 |

## 9 FINANCE COSTS, NET

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| 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) |

## 10 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Wages, salaries and allowances | **54,558** | 57,244 |
| Post employment benefits — pension | **1,529** | 1,304 |
| | **56,087** | 58,548 |

## 11 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**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Current income tax | | |
| — Hong Kong profits tax | **514** | 3,364 |
| — Mainland China corporate income tax | **2,492** | 3,374 |
| Deferred income tax (Note 24) | **107** | (125) |
| (Over)/under-provision in prior years | **(9)** | 76 |
| Income tax expense | **3,104** | 6,689 |

The income tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the income tax rate of Hong Kong as follows:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| (Loss)/profit before income tax excluding share of profit of a joint venture | **(113,668)** | 33,311 |
| Calculated at a tax rate of 16.5% (2015: 16.5%) | **(18,755)** | 5,496 |
| Effect of different income tax rates | **1,144** | 1,227 |
| Income not subject to tax | **(1,971)** | (3,509) |
| Expenses not deductible for tax purposes | **1,055** | 1,129 |
| Tax losses not recognised | **22,668** | 4,004 |
| Utilisation of previously unrecognised tax losses | **(1,028)** | (1,734) |
| (Over)/under-provision in prior years | **(9)** | 76 |
| Income tax expense | **3,104** | 6,689 |

## 12 (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 (HK$'000) | **(116,772)** | 27,353 |
| Number of ordinary shares in issue ('000) | **828,750** | 828,750 |
| Basic (loss)/earnings per share (Hong Kong cents) | **(14.09)** | 3.30 |

## 12 (LOSS)/EARNINGS PER SHARE (Continued)

### (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.

## 13 DIVIDENDS

| | **2016<br>HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Interim dividend, paid, of HK$nil (2015: HK$0.01) per ordinary share (note (a)) | **–** | 8,288 |
| Final dividend, proposed, of HK$nil (2015: HK$0.01) per ordinary share (note (b)) | **–** | 8,288 |
| | **–** | 16,576 |

Notes:

(a) 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.

(b) 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.

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

## 14 LEASEHOLD LAND

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

| | **2016<br>HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| At the beginning of the year | **20,330** | 14,567 |
| Acquisition of remaining interest in a joint venture as a subsidiary (Note 27) | **–** | 6,277 |
| Amortisation | **(569)** | (513) |
| Exchange difference | **(49)** | (1) |
| At the end of the year | **19,712** | 20,330 |

## 15 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land as finance lease HK$'000 | Buildings HK$'000 | Leasehold improvements HK$'000 | Motor vehicles and yacht HK$'000 | Machinery HK$'000 | Furniture, fixtures and office equipment HK$'000 | Computer system HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| At 1st April 2015 | 5,900 | 21,151 | 32,083 | 34,157 | 29,615 | 6,493 | 8,426 | 137,825 |
| Exchange difference | – | (752) | (4) | – | (595) | (102) | (92) | (1,545) |
| Additions | – | – | 181 | 2,565 | 413 | 580 | 810 | 4,549 |
| Transfer from investment properties (Note) | – | 49,800 | – | – | – | – | – | 49,800 |
| Disposals | – | – | (97) | (1,727) | (6) | (59) | (32) | (1,921) |
| At 31st March 2016 | 5,900 | 70,199 | 32,163 | 34,995 | 29,427 | 6,912 | 9,112 | 188,708 |
| Accumulated depreciation | | | | | | | | |
| At 1st April 2015 | 1,893 | 3,441 | 31,460 | 26,490 | 9,654 | 5,179 | 7,425 | 85,542 |
| Exchange difference | – | (395) | (2) | – | (421) | (81) | (57) | (956) |
| Charge for the year | 124 | 1,076 | 305 | 2,698 | 4,084 | 391 | 459 | 9,137 |
| Disposals | – | – | (89) | (1,726) | (5) | (47) | (33) | (1,900) |
| At 31st March 2016 | 2,017 | 4,122 | 31,674 | 27,462 | 13,312 | 5,442 | 7,794 | 91,823 |
| Net book value at 31st March 2016 | 3,883 | 66,077 | 489 | 7,533 | 16,115 | 1,470 | 1,318 | 96,885 |

Note: 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.

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Leasehold land as finance lease HK$'000 | Buildings HK$'000 | Leasehold improvements HK$'000 | Motor vehicles and yacht HK$'000 | Machinery HK$'000 | Furniture, fixtures and office equipment HK$'000 | Computer system HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| At 1st April 2014 | 5,900 | 15,988 | 31,862 | 34,578 | 11,931 | 5,626 | 8,105 | 113,990 |
| Exchange difference | – | (155) | – | – | (124) | (13) | – | (292) |
| Additions | – | – | 221 | 510 | 12,806 | 611 | 321 | 14,469 |
| Acquisition of remaining interest in a joint venture as a subsidiary (Note 27) | – | 5,318 | – | – | 5,061 | 269 | – | 10,648 |
| Disposals | – | – | – | (931) | (59) | – | – | (990) |
| At 31st March 2015 | 5,900 | 21,151 | 32,083 | 34,157 | 29,615 | 6,493 | 8,426 | 137,825 |
| Accumulated depreciation | | | | | | | | |
| At 1st April 2014 | 1,769 | 3,109 | 30,668 | 24,343 | 6,849 | 4,904 | 7,012 | 78,654 |
| Exchange difference | – | (76) | – | – | (80) | (11) | – | (167) |
| Charge for the year | 124 | 408 | 792 | 3,078 | 2,931 | 286 | 413 | 8,032 |
| Disposals | – | – | – | (931) | (46) | – | – | (977) |
| At 31st March 2015 | 1,893 | 3,441 | 31,460 | 26,490 | 9,654 | 5,179 | 7,425 | 85,542 |
| Net book value at 31st March 2015 | 4,007 | 17,710 | 623 | 7,667 | 19,961 | 1,314 | 1,001 | 52,283 |

## 16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Available-for-sale financial assets | | |
| — equity securities listed in Hong Kong at fair value | **24,407** | 31,951 |
| — unlisted limited partnership, at fair value | **–** | – |
| | **24,407** | 31,951 |

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.

## 17 INVENTORIES

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Finished goods | **728,367** | 1,144,633 |

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$2,114,354,000 (2015: HK$2,333,829,000).

## 18 TRADE AND OTHER RECEIVABLES

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Trade receivables, net of provision | **94,159** | 149,162 |
| Prepayments to suppliers | **15,663** | 27,410 |
| Deposits | **2,907** | 1,338 |
| Other receivables | **17,307** | 17,563 |
| | **130,036** | 195,473 |

The carrying values of the Group's trade and other receivables approximate their fair values.

## 18 TRADE AND OTHER RECEIVABLES (Continued)

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:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| 1 to 30 day | **72,693** | 135,894 |
| 31 to 60 days | **17,213** | 6,351 |
| 61 to 90 days | **3,763** | 3,773 |
| Over 90 days | **490** | 3,144 |
| | **94,159** | 149,162 |

The carrying amounts of the trade receivables are denominated in the following currencies:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| HK dollars | **10,637** | 14,497 |
| US dollars | **40,387** | 79,522 |
| New Taiwan dollars | **512** | – |
| Renminbi | **42,623** | 55,143 |
| | **94,159** | 149,162 |

As at 31st March 2016, trade receivables of HK$40,089,000 (2015: HK$70,639,000) were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables, based on due date, is as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| 1 to 30 days | **34,216** | 60,850 |
| 31 to 60 days | **4,810** | 3,708 |
| 61 to 90 days | **692** | 2,793 |
| Over 90 days | **371** | 3,288 |
| | **40,089** | 70,639 |

As at 31st March 2016, trade receivable of HK$554,000 (2015: HK$554,000) was past due and considered impaired. Out of the amount, HK$56,000 (2015: HK$56,000) was considered irrecoverable and provision was made thereon. The remaining amount HK$498,000 was considered recoverable under a factoring arrangement with a financial institution.

## 18 TRADE AND OTHER RECEIVABLES (Continued)

Movements on the provision for impairment of trade receivables are as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| At beginning of the year | **56** | 1,050 |
| Written off | **–** | (994) |
| At end of the year | **56** | 56 |

The creation and release of provision for impaired receivables have been included in the consolidated income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

## 19 CASH HELD ON BEHALF OF CUSTOMERS AND BANK BALANCES AND CASH

### Cash held on behalf of customers

The Group has classified the clients' monies as cash held on behalf of clients under the current assets and recognised a corresponding payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies.

The carrying amounts of cash held on behalf of customers are denominated in the following currencies:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| HK dollars | **805** | – |
| Renminbi | **815** | – |
| | **1,620** | – |

### Bank balances and cash

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Cash at bank and on hand | **145,224** | 109,542 |
| Short-term bank deposits | **17,054** | 21,516 |
| | **162,278** | 131,058 |

The weighted average effective interest rates on short-term bank deposits of the Group were as follows:

| | **2016** | 2015 |
|---|---|---|
| Short-term bank deposits | **0.3%** | 3.1% |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 19 CASH HELD ON BEHALF OF CUSTOMERS AND BANK BALANCES AND CASH (Continued)

**Bank balances and cash (Continued)**

The carrying amounts of bank balances and cash are denominated in the following currencies:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| HK dollars | **52,744** | 37,834 |
| US dollars | **42,711** | 13,690 |
| New Taiwan dollars | **2,033** | – |
| Renminbi | **64,645** | 79,329 |
| Others | **145** | 205 |
| | **162,278** | 131,058 |

## 20 SHARE CAPITAL

### (a) Authorised and issued capital

| | Number of shares | Nominal amount HK$'000 |
|---|---|---|
| Authorised: | | |
| At 31st March 2015 and 31st March 2016 | 8,000,000,000 | 800,000 |
| Issued and fully paid — ordinary shares of HK$0.1 each: | | |
| At 31st March 2015 and 31st March 2016 | 828,750,000 | 82,875 |

### (b) Share option schemes

Pursuant to the written resolutions passed by the then sole shareholder of the Company on 15th September 2006, two share option schemes, namely, Pre-IPO Share Option Scheme and Share Option Scheme were approved and adopted by the Company.

## 20 SHARE CAPITAL (Continued)

### (b) Share option schemes (Continued)

***(i) Pre-IPO Share Option Scheme***

During 2006, the Company granted options under the Pre-IPO Share Option Scheme to certain directors of the Company and employees of the Group, which entitle them to subscribe for a total of 21,960,180 shares at a subscription price of HK$2.136 per share and are exercisable in the following manner:

| Maximum percentage of option exercisable | Period for exercise of the relevant percentage of the option |
|---|---|
| 33% of the total number of the options granted to any grantee | From the expiry of the first anniversary of the listing date on 4th October 2006 ("Listing Date") to the last day of the fourth anniversary of the Listing Date (both days inclusive) |
| 33% of the total number of the options granted to any grantee | From the expiry of the second anniversary of the Listing Date to the last day of the fifth anniversary of the Listing Date (both days inclusive) |
| 34% of the total number of the options granted to any grantee | From the expiry of the third anniversary of the Listing Date to the last day of the sixth anniversary of the Listing Date (both days inclusive) |

No share options granted under the Pre-IPO Share Option Scheme were exercised and all share options granted under the Pre-IPO Share Option Scheme were lapsed by 1st April 2013.

***(ii) Share Option Scheme***

No option has been granted under the Share Option Scheme.

## 21 SHARE PREMIUM AND OTHER RESERVES

| | | Other reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share premium (note (a)) HK$'000** | **Merger reserve (note (b)) HK$'000** | **Capital redemption reserve HK$'000** | **Reserve funds (note (c)) HK$'000** | **Available-for-sale financial assets revaluation reserve HK$'000** | **Exchange reserve HK$'000** | **Retained earnings HK$'000** | **Sub-total HK$'000** | **Total HK$'000** |
| At 1st April 2015 | **478,717** | **(17,830)** | **125** | **1,090** | **14,835** | **8,299** | **574,025** | **580,544** | **1,059,261** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(116,772)** | **(116,772)** | **(116,772)** |
| Exchange translation differences | **–** | **–** | **–** | **–** | **–** | **(5,975)** | **–** | **(5,975)** | **(5,975)** |
| Change in fair value of available-for-sale financial assets | **–** | **–** | **–** | **–** | **281** | **–** | **–** | **281** | **281** |
| Realisation of revaluation reserve upon disposal of available-for-sale financial assets | **–** | **–** | **–** | **–** | **(3,784)** | **–** | **–** | **(3,784)** | **(3,784)** |
| Re-measurements of employee benefit obligations | **–** | **–** | **–** | **–** | **–** | **–** | **(205)** | **(205)** | **(205)** |
| Dividends paid | **(8,288)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(8,288)** |
| Transfer to statutory reserves | **–** | **–** | **–** | **268** | **–** | **–** | **(268)** | **–** | **–** |
| At 31st March 2016 | **470,429** | **(17,830)** | **125** | **1,358** | **11,332** | **2,324** | **456,780** | **454,089** | **924,518** |

| | | Other reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share premium (note (a)) HK$'000 | Merger reserve (note (b)) HK$'000 | Capital redemption reserve HK$'000 | Reserve funds (note (c)) HK$'000 | Available-for-sale financial assets revaluation reserve HK$'000 | Exchange reserve HK$'000 | Retained earnings HK$'000 | Sub-total HK$'000 | Total HK$'000 |
| At 1st April 2014 | 495,293 | (17,830) | 125 | 608 | 4,714 | 8,386 | 547,326 | 543,329 | 1,038,622 |
| Profit for the year | – | – | – | – | – | – | 27,353 | 27,353 | 27,353 |
| Exchange translation differences | – | – | – | – | – | (313) | – | (313) | (313) |
| Share of other comprehensive income of a joint venture | – | – | – | – | – | 226 | – | 226 | 226 |
| Change in fair value of available-for-sale financial assets | – | – | – | – | 10,143 | – | – | 10,143 | 10,143 |
| Realisation of revaluation reserve upon disposal of available-for-sale financial assets | – | – | – | – | (22) | – | – | (22) | (22) |
| Re-measurements of employee benefit obligations | – | – | – | – | – | – | (172) | (172) | (172) |
| Dividends paid | (16,576) | – | – | – | – | – | – | – | (16,576) |
| Transfer to statutory reserves | – | – | – | 482 | – | – | (482) | – | – |
| At 31st March 2015 | 478,717 | (17,830) | 125 | 1,090 | 14,835 | 8,299 | 574,025 | 580,544 | 1,059,261 |

## 21 SHARE PREMIUM AND OTHER RESERVES (Continued)

Notes:

(a) Pursuant to the Companies Law (2004 Revision) of the Cayman Islands, the share premium account and contributed surplus (Note 30) is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(b) The merger reserve arose from an adjustment to eliminate the Group's share of share capital of a then non-wholly owned subsidiary against the Group's investment cost in the subsidiary using the principle of merger accounting as at 31st December 2007.

(c) In accordance with the relevant rules and regulations, the Group's entities registered in the Mainland China are required to transfer part of its profit after income tax to reserve funds. The transfer is also subject to the approval of the respective board of directors of these entities, in accordance with their articles of association.

## 22 TRADE AND OTHER PAYABLES

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Trade payables | **23,437** | 12,132 |
| Prepayments from customers | **10,423** | 9,231 |
| Accrued expenses and other payables | **10,860** | 16,516 |
| Other payables to related companies (Note 29(b)) | **83** | 343 |
| | **44,803** | 38,222 |

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

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| 1 to 30 days | **23,417** | 11,425 |
| 31 to 60 days | **–** | 686 |
| Over 60 days | **20** | 21 |
| | **23,437** | 12,132 |

The carrying values of the Group's trade and other payables approximate their fair values.

The carrying amounts of trade payables are denominated in the following currencies:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| HK dollars | **216** | 104 |
| US dollars | **7,272** | 964 |
| Renminbi | **15,949** | 11,064 |
| | **23,437** | 12,132 |

## 23 BANK BORROWINGS

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| **Non-current** | | |
| Mortgage loan | **16,566** | – |
| **Current** | | |
| Short-term bank borrowings | **91,620** | 405,187 |
| Mortgage loan | **1,099** | – |
| | **92,719** | 405,187 |
| | **109,285** | 405,187 |

As at 31st March 2016 and 2015, bank borrowings are repayable as follows:

| | 2016 | 2015 |
|---|---|---|
| Within one year | **92,719** | 405,187 |
| Between 2 to 5 years | **4,619** | – |
| More than 5 years | **11,947** | – |
| | **109,285** | 405,187 |

The carrying amounts of the bank borrowings approximate their fair values as the impact of discounting is not significant.

Mortgage loan of HK$17,665,000 was secured by property, plant and equipment with carrying value of HK$49,634,000 as at 31st March 2016.

As at 31st March 2016 and 2015, all the remaining bank borrowings were secured by corporate guarantees given by the Company.

The carrying amounts of the bank borrowings are denominated in the following currencies:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| HK dollars | **17,665** | 20,000 |
| US dollars | **91,620** | 385,187 |
| | **109,285** | 405,187 |

The effective interest rates at the end of the reporting periods were as follows:

| | 2016 | 2015 |
|---|---|---|
| Short-term bank borrowings | **1.72%** | 1.83% |
| Mortgage loan | **1.90%** | – |

The bank borrowings are all subject to contractual interest repricing dates within six months or less from the end of the reporting period.

## 24 DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Deferred tax assets | **2,627** | 2,770 |
| Deferred tax liabilities | **(2,070)** | (2,106) |
| | **557** | 664 |

The net movement on the deferred income tax account is as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| At beginning of the year | **664** | 1,239 |
| Acquisition of remaining interest in a joint venture as a subsidiary (Note 27) | **–** | (700) |
| (Debited)/credited to income statement (Note 11) | **(107)** | 125 |
| At end of the year | **557** | 664 |

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Deferred income tax assets | | | | | | Deferred income tax liabilities | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Tax losses | | Unrealised profit on inventories | | Accelerated accounting depreciation | | Accelerated tax depreciation | | Revaluation of assets | |
| | **2016** **HK$'000** | 2015 HK$'000 | **2016** **HK$'000** | 2015 HK$'000 | **2016** **HK$'000** | 2015 HK$'000 | **2016** **HK$'000** | 2015 HK$'000 | **2016** **HK$'000** | 2015 HK$'000 |
| At beginning of the year | **899** | – | **81** | 14 | **2,689** | 2,842 | **(2,322)** | (1,617) | **(683)** | – |
| Acquisition of remaining interest in a joint venture as a subsidiary (Note 27) | **–** | – | **–** | – | **–** | – | **–** | – | **–** | (700) |
| Deferred income tax credited/(debited) to income statement | **109** | 899 | **46** | 67 | **(189)** | (153) | **(106)** | (705) | **33** | 17 |
| At end of the year | **1,008** | 899 | **127** | 81 | **2,500** | 2,689 | **(2,428)** | (2,322) | **(650)** | (683) |

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$40,622,000 (2015: HK$18,982,000) in respect of tax losses amounting to approximately HK$245,287,000 (2015: HK$112,359,000) that can be carried forward against future taxable income. The tax losses mainly arose in Hong Kong and have no expiry date.

## 25 SUBSIDIARIES

The following is a list of principal subsidiaries at 31st March 2016:

| Company name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued capital/ paid-up capital | Interest held 2016 | 2015 |
|---|---|---|---|---|---|
| Lee Kee Group (BVI) Limited* | British Virgin Islands, limited liability company | Investment holding in British Virgin Islands | 2 shares of HK$1 each | **100%** | 100% |
| Lee City Asia Company Limited | Hong Kong, limited liability company | Property holding in Hong Kong | 10,000 shares of HK$1 each | **100%** | 100% |
| Lee Fung Metal Company Limited | Hong Kong, limited liability company | Trading of non-ferrous metal in Hong Kong | 100,000 shares of HK$1 each | **100%** | 100% |
| Lee Kee Group Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 1,000 shares of HK$1 each | **100%** | 100% |
| Lee Kee Metal Company Limited | Hong Kong, limited liability company | Trading of zinc and zinc alloy in Hong Kong | 500,000 shares of HK$10 each | **100%** | 100% |
| Lee Sing Materials Company Limited | Hong Kong, limited liability company | Trading of chemical products in Hong Kong | 100,000 shares of HK$1 each | **100%** | 100% |
| Lee Yip Metal Products Company Limited | Hong Kong, limited liability company | Trading of stainless steel in Hong Kong | 1,000,000 shares of HK$1 each | **100%** | 100% |
| Essence Metal (Asia) Company Limited | Hong Kong, limited liability company | Manufacturing and trading of customised zinc alloy | 1 share of HK$1 each | **100%** | 100% |
| Promet Metal Testing Laboratory Limited | Hong Kong, limited liability company | Provision of technical consultancy services | 1 share of HK$1 each | **100%** | 100% |
| Silver Goal International Limited | Hong Kong, limited liability company | Property holding in Hong Kong | 1 share of HK$1 each | **100%** | 100% |
| Standard Glory Management Limited | Hong Kong, limited liability company | Provision of management services in Hong Kong | 10,000 shares of HK$1 each | **100%** | 100% |
| Toba Company Limited | Hong Kong, limited liability company | Property holding in Hong Kong | 10,000 shares of HK$1 each | **100%** | 100% |

## 25 SUBSIDIARIES (Continued)

| Company name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Issued capital/ paid-up capital | Interest held 2016 | 2015 |
|---|---|---|---|---|---|
| LKG Elite (Shenzhen) Co., Ltd. | The People's Republic of China, limited liability company | Distribution of non-ferrous metals in China mainland | RMB18,400,000 | **100%** | 100% |
| LKG Elite (Guangzhou) Co., Ltd. | The People's Republic of China, limited liability company | Distribution of non-ferrous metals in China mainland | RMB2,500,000 | **100%** | 100% |
| LKG Elite (Wuxi) Co., Ltd. | The People's Republic of China, limited liability company | Distribution of non-ferrous metals in China mainland | USD1,920,000 | **100%** | 100% |
| Genesis Recycling Technology (BVI) Limited | British Virgin Islands, limited liability company | Investment holding in British Virgin Islands | 2,100,000 shares of US$1 each | **100%** | 100% |
| Genesis Alloy (Ningbo) Limited ("Genesis Ningbo") | The People's Republic of China, limited liability company | Manufacturing and trading of zinc alloy products | USD9,000,000 | **100%** | 100% |

* Shares held directly by the Company

## 26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of (loss)/profit before income tax to net cash generated from/(used in) operations:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| (Loss)/profit before income tax | **(113,668)** | 34,042 |
| Depreciation of property, plant and equipment | **9,137** | 8,032 |
| Amortisation of leasehold land | **569** | 513 |
| Interest income | **(500)** | (3,584) |
| Interest expense | **4,886** | 6,750 |
| Gain on disposal of property, plant and equipment | **(174)** | (229) |
| Gain on remeasurement of previously held interest in a joint venture upon acquisition as a subsidiary | **–** | (1,050) |
| Gain on acquisition of remaining interest in a joint venture as a subsidiary | **–** | (13,784) |
| Gain on disposal of available-for-sale financial assets | **(6,393)** | (20) |
| Provision for employee retirement benefit obligations | **421** | 208 |
| Share of profit of a joint venture | **–** | (731) |
| Provision for impairment of inventories | **8,761** | 29,366 |
| Unrealised loss on derivative financial instruments | **57** | 3,740 |
| Foreign exchange gain on operating activities | **(1,600)** | (466) |
| Operating cash (outflow)/inflow before working capital changes | **(98,504)** | 62,787 |
| Changes in working capital: | | |
| Cash held on behalf of customers | **(1,620)** | – |
| Inventories | **407,505** | (316,227) |
| Trade and other receivables | **65,437** | 15,505 |
| Trade and other payables | **6,581** | (47,501) |
| Derivative financial instruments | **(3,740)** | 1,972 |
| Amounts due from related companies | **–** | 1,493 |
| Net cash generated from/(used in) operations | **375,659** | (281,971) |

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Disposal of property, plant and equipment: | | |
| Net book amount | **21** | 13 |
| Gain on disposal of property, plant and equipment | **174** | 229 |
| Proceeds from disposal of property, plant and equipment | **195** | 242 |

## 27 BUSINESS COMBINATIONS — 2015

On 26th June 2014, the Company entered into a sale and purchase agreement with Nystar Netherlands (Holdings) BV, a limited company incorporated in the Netherlands (the "Vendor"), to acquire the remaining 50% shareholding interest in GRTL; and for the assignment of a shareholder's loan and certain other indebtedness, and the novation of certain outstanding debt of GRTL ("Acquisition"). The Acquisition was completed in October 2014 and GRTL has become a wholly owned subsidiary of the Group.

GRTL and its subsidiaries (the "GRTL Group") are principally engaged in the manufacturing and trading of zinc alloy products. As a result of the Acquisition, the Group expects to reduce costs through economies of scale and benefit from the facilities of GRTL Group.

The Acquisition is considered as a bargain purchase as the consideration paid is lower than the fair value of the nets asset acquired by the Group, which is mainly because of the Vendor's change in strategy in order to exit the market that GRTL Group is operating in.

The following table summarises the consideration paid for GRTL, the fair value of assets acquired and liabilities assumed at the date of Acquisition.

| | HK$'000 |
|---|---|
| Total cash consideration, paid | 5,081 |
| Fair value of previously held interests in GRTL Group | 21,144 |
| | 26,225 |

| | HK$'000 |
|---|---|
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Leasehold land | 6,277 |
| Property, plant and equipment | 10,648 |
| Inventories | 5,267 |
| Trade and other receivables | 12,444 |
| Banks balances and cash | 11,064 |
| Trade and other payables | (4,991) |
| Deferred income tax liabilities | (700) |
| Total identifiable net assets | 40,009 |
| Amount credited to consolidated income statement (Note 8) | (13,784) |
| | 26,225 |

Acquisition-related costs of HK$1,398,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31st March 2015.

The Group recognised a gain of HK$1,050,000 as a result of measuring at fair value its 50% equity interest in GRTL held before the business combination. The gain is included in "other losses/gains, net" in the Group's consolidated income statement for the year ended 31st March 2015.

## 28 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:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Within one year | **994** | 1,829 |
| In the second to fifth years inclusive | **–** | 776 |
| | **994** | 2,605 |

### (b) Capital commitments

The Group's capital commitment in respect of property, plant and equipment and investment properties at 31st March 2015 but not yet incurred was as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Contracted but not provided for | **–** | 34,249 |

## 29 RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

| | Notes | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| Income | | | |
| Management fee received from Genesis Ningbo | (i) | **–** | 77 |
| Expense | | | |
| Purchase of goods from Genesis Ningbo | (ii) | **–** | 62,542 |
| Rental paid to Sonic Gold Limited | (iii) | **540** | 515 |

(i) The Group received management fee from Genesis Ningbo, pursuant to the terms of management service agreement entered into with the related company for the provision of operating support services at fixed monthly service fee. Management fee received after the Acquisition are intra-group transactions and are eliminated in the consolidated financial statements.

(ii) The Group purchased goods from Genesis Ningbo at prices as agreed by both parties for each transaction. Purchase of goods after the Acquisition are intra-group transactions and are eliminated in the consolidated financial statements.

(iii) The Group paid rental expenses for a director's quarter 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.

## 29 RELATED PARTY TRANSACTIONS (Continued)

### (b) Balances with related companies

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Other payables to related companies (Note 22) | | |
| Modern Wealth Limited | **38** | 343 |
| Sonic Gold Limited | **45** | – |

Modern Wealth Limited ("MWL") is a company controlled by Mr Chan Pak Chung, an executive director of the Company. The balance represents reimbursement of expenses paid by MWL on behalf of the Group.

Amounts due to related companies are unsecured, interest-free and repayable on demand.

### (c) Key management compensation

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Salaries and other short term employee benefits | **18,146** | 21,405 |
| Post employment benefits — pension | **125** | 128 |
| | **18,271** | 21,533 |

Key management has been identified as the executive directors, chief executive officer, chief operation officer, chief financial officer and directors from various departments of the Group.

## 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Non-current assets | | |
| Interests in subsidiaries | **1,114,211** | 1,101,861 |
| Current assets | | |
| Prepayment | **129** | 129 |
| Bank balances and cash | **453** | 20,439 |
| Tax recoverable | **50** | – |
| | **632** | 20,568 |
| Total assets | **1,114,843** | 1,122,429 |
| Capital and reserves attributable to equity holders of the Company | | |
| Share capital | **82,875** | 82,875 |
| Share premium (Note a) | **470,429** | 478,717 |
| Other reserves (Note a) | **560,927** | 560,825 |
| Total equity | **1,114,231** | 1,122,417 |
| Non-current liability | | |
| Employee retirement benefit obligations | **601** | – |
| Current liability | | |
| Other payables | **11** | 12 |
| Total liabilities | **612** | 12 |
| Total equity and liabilities | **1,114,843** | 1,122,429 |
| Net current assets | **621** | 20,556 |
| Total assets less current liabilities | **1,114,832** | 1,122,417 |

The statement of financial position of the Company was approved by the Board of Directors on 27th June 2016 and was signed on its behalf.

**CHAN Pak Chung**
*Director*

**CHAN Yuen Shan, Clara**
*Director*

## 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note a: Reserve movement of the Company

| | Other reserves | | | | | |
|---|---|---|---|---|---|---|
| | Share premium HK$'000 | Contributed surplus (Note) HK$'000 | Capital redemption reserve HK$'000 | Accumulated losses HK$'000 | Sub-total HK$'000 | Total HK$'000 |
| At 1st April 2015 | **478,717** | **640,631** | **125** | **(79,931)** | **560,825** | **1,039,542** |
| Total comprehensive income for the year | **–** | **–** | **–** | **102** | **102** | **102** |
| Dividends paid | **(8,288)** | **–** | **–** | **–** | **–** | **(8,288)** |
| At 31st March 2016 | **470,429** | **640,631** | **125** | **(79,829)** | **560,927** | **1,031,356** |
| At 1st April 2014 | 495,293 | 640,631 | 125 | (89,950) | 550,806 | 1,046,099 |
| Total comprehensive income for the year | – | – | – | 10,019 | 10,019 | 10,019 |
| Dividends paid | (16,576) | – | – | – | – | (16,576) |
| At 31st March 2015 | 478,717 | 640,631 | 125 | (79,931) | 560,825 | 1,039,542 |

Note: The contributed surplus of the Company represents the value of the one share of Lee Kee Group (BVI) Limited allotted and issued to the Company at premium of approximately HK$640,631,000 at the direction of Mr Chan Pak Chung ("Mr Chan") and pursuant to a deed of gift entered into between Mr Chan and the Company in consideration of the conversion of the ordinary shares of Lee Kee Group Limited held by Mr Chan to non-voting deferred shares in 2006.

## 31 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G))

The remuneration of every director for the years ended 31st March 2016 and 2015 are set out below. Certain of the comparative information of directors' emoluments for the year ended 31st March 2015 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

| Name of directors | Fees | Salary | Discretionary bonuses | Other benefits (Note iii) | Employer's contribution to a retirement benefit scheme | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Year ended 31st March 2016 | | | | | | |
| Mr Chan Pak Chung | **–** | **4,740** | **–** | **–** | **–** | **4,740** |
| Ms Chan Yuen Shan, Clara *(Chief executive officer)* | **–** | **2,248** | **–** | **540** | **18** | **2,806** |
| Ms Ma Siu Tao | **–** | **2,244** | **–** | **–** | **–** | **2,244** |
| Mr Chung Wai Kwok, Jimmy | **240** | **–** | **–** | **–** | **–** | **240** |
| Mr Hu Wai Kwok | **240** | **–** | **–** | **–** | **–** | **240** |
| Mr Ho Kwai Ching, Mark | **240** | **–** | **–** | **–** | **–** | **240** |
| | **720** | **9,232** | **–** | **540** | **18** | **10,510** |
| Year ended 31st March 2015 | | | | | | |
| Mr Chan Pak Chung | – | 4,740 | 500 | – | – | 5,240 |
| Ms Chan Yuen Shan, Clara *(Chief executive officer)* | – | 2,147 | 1,400 | 515 | 18 | 4,080 |
| Ms Ma Siu Tao | – | 2,244 | 100 | – | 11 | 2,355 |
| Mr Chung Wai Kwok, Jimmy | 240 | – | – | – | – | 240 |
| Mr Leung Kwok Keung (Note i) | 122 | – | – | – | – | 122 |
| Mr Hu Wai Kwok | 240 | – | – | – | – | 240 |
| Mr Ho Kwai Ching, Mark (Note ii) | 190 | – | – | – | – | 190 |
| | 792 | 9,131 | 2,000 | 515 | 29 | 12,467 |

Notes:

(i) Mr Leung Kwok Keung had tendered his resignation as an independent non-executive director of the Company effective from 4th October 2014.

(ii) Mr Ho Kwai Ching, Mark was appointed as an independent non-executive director of the Company effective from 16th June 2014.

(iii) Other benefits include the rental expenses paid for a director's quarter.

## 31 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)) (Continued)

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: Nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2015: None).

No emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include three (2015: three) directors whose emoluments are reflected within this note above.

The emoluments payable to the remaining two (2015: two) of the five highest paid individuals during the year are as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Salaries and other allowances | **3,332** | 4,412 |
| Pension | **36** | 35 |
| | **3,368** | 4,447 |

The emoluments payable to these individuals during the year fell within the following emolument bands:

| | **Number of individuals** | |
|---|---|---|
| | **2016** | 2015 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |
| HK$2,000,001 to HK$2,500,000 | **–** | – |
| HK$2,500,001 to HK$3,000,000 | **–** | 1 |
| | **2** | 2 |

## 32 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

The directors regard Gold Alliance International Management Limited and Gold Alliance Global Services Limited, companies incorporated in the British Virgin Islands, as being the ultimate and immediate holding companies of the Company, respectively.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Lee Kee Holdings Limited (the "Company") will be held at Jordan Room, 2nd Floor, Eaton, Hong Kong, 380 Nathan Road, Kowloon, Hong Kong on Friday, 19th August 2016 at 3:00 p.m. for the following purposes:

1. To receive and adopt the audited Consolidated Financial Statements of the Company and its subsidiaries and the Reports of the Directors and the Auditors for the year ended 31st March 2016.

2. (a) To consider the re-election of the following retiring Directors, each as a separate resolution:

   (i) Ms. MA Siu Tao;

   (ii) Mr. HU Wai Kwok; and

   (b) To authorise the Board of Directors to fix the Directors' remuneration.

3. To consider the appointment of KPMG as the Auditor of the Company and to authorise the Board of Directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

   "**THAT**:

   (a) subject to paragraph (c) below of this Resolution, and pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all the powers of the Company to allot, issue and deal with any shares of the Company (the "Shares") and to make or grant offers, agreements or options (including any warrant, bond, note, securities or debenture conferring any rights to subscribe for or otherwise receive Shares) which may require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above of this Resolution shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) to make or grant offers, agreements and options (including any warrant, bond, note, securities or debenture conferring any rights to subscribe for or otherwise receive Shares) which may require the exercise of such power to allot, issue and deal with additional Shares after the end of the Relevant Period (as hereinafter defined in this Resolution);

   (c) the aggregate nominal value of the Shares allotted or issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined in this Resolution); or (ii) any script dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or (iii) any specific authority granted by the shareholders of the Company in general meeting, shall not exceed the aggregate of (aa) 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the time of passing this Resolution and (bb) conditional on Resolution No. 5 and Resolution No. 6 being passed, the total nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the authorization granted to the Directors under the Resolution No. 5, and the approval granted pursuant to paragraphs (a) and (b) above of this Resolution shall be limited accordingly;

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association of the Company to be held; or

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this Resolution;

"Rights Issue" means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors of the Company, to holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities)(subject in all cases to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or with regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company); and

(e) the authority conferred by this Resolution shall be in substitution for all previous authorities granted to the Directors of the Company, except that it shall be without prejudice to and shall not affect the exercise of the power of the Directors of the Company pursuant to such authorities to allot additional shares of the Company up to and in accordance with the approval therein contained prior to the date of this Resolution."

5. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

"**THAT**:

(a) subject to paragraph (b) below of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all powers of the Company to repurchase shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the Shares may be listed and is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities of the Stock Exchange or equivalent rules or regulations of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal value of the Share repurchased by the Company pursuant to the approval in paragraph (a) above of this Resolution during the Relevant Period (as hereinafter defined in this Resolution) shall not exceed 10 per cent. of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this Resolution, and the authority granted pursuant to paragraph (a) above of this Resolution shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association of the Company to be held; or

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing the authority given to the Directors by this Resolution."

6. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution upon the passing of Resolutions 5 and 6 set out in this notice:

"**THAT** conditional upon the Resolutions No. 4 and Resolution No. 5 of this notice being passed, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with any unissued shares of the Company (the "Shares") pursuant to the said Resolution No. 4 be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to the said Resolution No. 5, provided that such extended amount shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue at the time of passing this Resolution."

By Order of the Board
**CHEUK Wa Pang**
*Company Secretary*

20th July 2016

Head Office and Principal Place of
Business in Hong Kong:
16 Dai Fat Street
Tai Po Industrial Estate
New Territories
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more separate proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at 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 not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

3. Delivery of a form of proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.

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