利記控股有限公司
LEE KEE HOLDINGS LIMITED

SINCE 1947

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2017

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the year ended 31st March 2017 (the "Financial Year" or the "Year") together with the comparative figures for the year ended 31st March 2016 (the "Comparative Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31st March	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**2,110,721**	2,122,954
Cost of sales		**(1,957,313)**	(2,123,115)
Gross profit/(loss)		**153,408**	(161)
Other income		**5,343**	2,321
Distribution and selling expenses		**(24,783)**	(24,374)
Administrative expenses		**(90,294)**	(82,146)
Other net gains/(losses)		**4,362**	(4,922)
Profit/(loss) from operations		**48,036**	(109,282)
Finance income		**263**	500
Finance costs		**(3,192)**	(4,886)
Net finance costs	*5(a)*	**(2,929)**	(4,386)

		For the year ended 31st March	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Profit/(loss) before taxation	*5*	**45,107**	(113,668)
Income tax	*6*	**(3,611)**	(3,104)
Profit/(loss) for the year attributable to equity shareholders of the Company		**41,496**	(116,772)
Earnings/(loss) per share			
Basic and diluted (Hong Kong cents)	*7*	**5.01**	(14.09)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31st March	
	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) for the year	**41,496**	(116,772)
Other comprehensive income for the year:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(8,998)**	(5,975)
Change on fair value of available-for-sale financial assets	**16,423**	(3,503)
Reclassification adjustment for amounts transferred to profit or loss upon disposal of available-for-sale-securities	**(8,048)**	–
Item that will not be reclassified to profit or loss:		
Re-measurements of employee retirement benefit obligations	**–**	(205)
	(623)	(9,683)
Total comprehensive income for the year attributable to equity shareholders of the Company	**40,873**	(126,455)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31st March	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Interests in leasehold land held for own use under operating leases		**19,080**	19,712
Property, plant and equipment	*9*	**89,251**	96,885
Available-for-sale financial assets	*10*	**29,015**	24,407
Deferred tax assets		**2,888**	2,627
		140,234	143,631
Current assets			
Inventories	*13*	**675,183**	728,367
Trade and other receivables	*11*	**215,339**	130,036
Tax recoverable		**388**	564
Derivative financial instruments		**8**	125
Cash held on behalf of customers		**3,009**	1,620
Cash and cash equivalents		**237,851**	162,278
		1,131,778	1,022,990
Current liabilities			
Trade and other payables	*12*	**39,616**	44,803
Bank borrowings		**163,384**	92,719
Tax payable		**983**	583
Derivative financial instruments		**31**	182
		204,014	138,287
Net current assets		**927,764**	884,703
Total assets less current liabilities		**1,067,998**	1,028,334

		As at 31st March	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Bank borrowings		**15,462**	16,566
Employee retirement benefit obligations		**2,305**	2,305
Deferred tax liabilities		**1,965**	2,070
		19,732	20,941
NET ASSETS		**1,048,266**	1,007,393
CAPITAL AND RESERVES			
Share capital		**82,875**	82,875
Reserves		**965,391**	924,518
TOTAL EQUITY		**1,048,266**	1,007,393

NOTES:

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are trading of zinc, zinc alloy, nickel, nickel-related products, 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 22nd June 2017.

2. BASIS OF PREPARATION

The financial result set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31st March 2017, but are extracted from those financial statements.

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2015/16 annual financial statements, except for the changes in accounting policies set out in note 3.

The measurement basis used in the preparation of the financial statements is the historical costs, except for available-for-sale financial assets and derivative financial instruments which are carried at fair values. The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Exchange of Hong Kong Limited.

3. ACCOUNTING POLICIES

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

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

4. REVENUE AND SEGMENT REPORTING

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**2,110,721**	2,122,954

The chief operating decision-maker has been identified as the Group's most senior executive management, including executive directors, chief executive officer, chief operating 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 revenue and results

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

	2017		2016	
	Revenue	**Segment results**	Revenue	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**1,305,664**	**25,999**	1,450,962	(118,525)
Mainland China	**805,057**	**12,332**	671,992	11,844
	2,110,721	**38,331**	2,122,954	(106,681)

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

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

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

(b) Reconciliation of segment results

	2017	2016
	HK$'000	*HK$'000*
Total segment results	**38,331**	(106,681)
Other income	**5,343**	2,321
Other net gains/(losses)	**4,362**	(4,922)
Net finance costs	**(2,929)**	(4,386)
Profit/(loss) before taxation	**45,107**	(113,668)

5. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Net finance costs

	2017	2016
	HK$'000	*HK$'000*
Interest income	**263**	500
Interest on short-term bank borrowings	**(2,842)**	(4,538)
Interest on mortgage loan	**(350)**	(348)
	(2,929)	(4,386)

(b) Other items

	2017	2016
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**10,696**	9,137
Amortisation of leasehold land	**568**	569
Operating lease charges: minimum lease payments		
– property rentals	**2,900**	3,085
Cost of inventories recognised as expense	**1,984,225**	2,114,354
Gain on disposal of available-for-sale financial assets	**(8,048)**	(6,393)
Gain on disposal of property, plant and equipment	**(49)**	(174)
Realised loss on metal future trading contracts	**2,104**	9,833
Unrealised (gain)/loss on metal future trading contracts	**(34)**	57
Staff costs (including directors' remuneration)	**67,380**	56,087
(Reversal of)/recognition of write-down of inventories	**(26,912)**	8,761
Net foreign exchange loss	**1,550**	3,304

6. INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**1,245**	514
– Mainland China Corporate Income Tax	**2,837**	2,492
Over-provision in prior years	**(105)**	(9)
	3,977	2,997
Deferred tax	**(366)**	107
	3,611	3,104

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) for the year. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (2016: 25%) for the year.

7. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$41,496,000 (2016: loss of HK$116,772,000) and the weighted average number of 828,750,000 (2016: 828,750,000) ordinary shares in issue during year.

(b) Diluted

Diluted earnings/(loss) per share for the years ended 31 March 2017 and 2016 are the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the years.

8. DIVIDEND

(a) Dividend payable to equity shareholders of the Company attributable to the year

	2017	2016
	HK$'000	*HK$'000*
Special dividend proposed, of HK1 cent (2016: Nil) per ordinary share	**8,288**	–
Final dividend proposed, of HK1.5 cents (2016: Nil) per ordinary share	**12,432**	–
	20,720	–

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

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017	2016
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year (2014/2015), approved and paid during the year ended 31st March 2016, of HK1 cent per ordinary share	**–**	8,288

9. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	HK$'000	*HK$'000*
Net book value as at the beginning of the year	**96,885**	52,283
Exchange difference	**(717)**	(589)
Additions	**4,070**	4,549
Disposals	**(291)**	(21)
Transfer from investment properties	**–**	49,800
Depreciation	**(10,696)**	(9,137)
Net book value as at the end of the year	**89,251**	96,885

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK$'000	*HK$'000*
Available-for-sale financial assets		
– equity securities listed in Hong Kong at fair value	**29,015**	24,407
– unlisted limited partnership at fair value	**–**	–
	29,015	24,407

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

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.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables, net of allowance for doubtful debts	**158,217**	94,159
Prepayments to suppliers	**30,877**	15,663
Deposits	**2,900**	2,907
Other receivables	**23,345**	17,307
	215,339	130,036

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**139,368**	72,693
Over 1 but within 2 months	**13,927**	17,213
Over 2 but within 3 months	**3,846**	3,763
Over 3 months	**1,076**	490
	158,217	94,159

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**5,062**	23,437
Prepayments from customers	**8,512**	10,423
Accrued expenses and other payables	**26,042**	10,860
Other payables to related companies	**–**	83
	39,616	44,803

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**5,041**	23,417
Over 2 months	**21**	20
	5,062	23,437

13. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Finished goods	**694,073**	774,212
Less: Write-down of inventories	**(18,890)**	(45,845)
	675,183	728,367

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$1,984,225,000 (2016: HK$2,114,354,000) during the year ended 31 March 2017.

CEO MESSAGE

During the 2016/17 financial year, LEE KEE achieved resilient business performance amid the challenging and volatile market conditions including the accelerating pace of manufacturing capacity relocation from China to lower-cost markets and increasing volatility in the global commodities markets. We actively enhanced our range of products and services, especially in the high value markets, resulting in the improved performance in our specialty alloys and value-added services. In addition to the rebound in the global metal markets, these enabled us to deliver higher returns during the financial year.

Innovation is essential in this fast-changing environment. At LEE KEE, innovation doesn't come from the outside but from the inside. We always believe in the power of data and information. Our ideas, inspiration and innovation come from our team's persistence in the collection, consolidation and application of data, information and knowledge. They have been our driving force in innovation and a reliable source of insight on future developments. This is how we come up with our distinguished range of products and services to exceed our customers' expectation as well as our profound insights of LEE KEE's strategic development.

One of ours ways to help our customers through innovation is supporting them to enhance their competitiveness by offering product differentiation. In the past year, we launched a number of specialty alloys designed for specific applications within prospering industries such as electronics, bathroom hardware, automotive industries. These alloys are able to fulfil the unique requirements of their new product designs while contributing significantly to our returns during the financial year.

Our sensitivity to market trend drove us to enter the testing services for construction materials arena a few years ago. This year, Promet Metals Testing Laboratory Limited, our metal testing subsidiary, saw its revenue triple compared to the last financial year, with construction material testing being a major growth driver. With the ongoing and upcoming large infrastructure projects in Hong Kong, Promet will continue to increase its service capacity and improve its service quality. As one of the very few LME Listed Sampler and Assayers based in Asia, we will continue to pursue strategic expansion into new businesses.

Continuously challenged by the volatile commodities markets, many manufacturers are looking for solutions to manage their risks, a service that goes beyond the scope of traditional metal suppliers. Horizon Commodities and Futures Company Limited ("HCF"), our licensed futures brokerage, provides an excellent platform for this, with its competitive edge being our thorough understanding of the production characteristics of manufacturers, their treasury practices, and the overall market environment. As a result, HCF doubled its revenue during the financial year and will continue to provide our customers with the best back-end support while they strive for greater achievement in their market.

At the macroeconomic level, raw material prices and consumer demand will continue to be shaped by a wide range of factors, none of which are easy to predict. Our view is that the outward shift of global manufacturing from China to other locations is well in motion. This trend will be reinforced as the PRC government encourages more companies to venture abroad as part of the Belt and Road Initiative. The growing demand for high quality alloys from our customers relocating to these expanding manufacturing hubs in Southeast Asia led to the establishment of our new office in Singapore. We look forward to generating further growth overseas and exploring the potential of the metals industry in the ASEAN region.

As one of the leading metals solution providers in Greater China, LEE KEE has long been known for its strong foundation in the metals industry, its global supplier network, its "international-standard" production and management system, and expertise in metals and related manufacturing industries. Our value-added services have helped our business diversification and development of new revenue streams.

However, the Digital Age has changed the rules of business. Intelligent manufacturing, data exchange and advanced materials are set to transform manufacturing. Leveraging on our strengths, LEE KEE's business will be complemented by more innovations in the coming years. Whether these are novel products, modern technologies, or expansion to new business areas or sectors, they will pave the way for substantial growth in our future business. Our shareholders can therefore expect to see LEE KEE continue to transform its business model to one where our traditionally outstanding position will be reinforced to progress further for long-term growth.

CHAN Yuen Shan Clara
Vice-Chairman and Chief Executive Officer

22nd June 2017

OVERALL BUSINESS PERFORMANCE

Financial performance

The operating environment during the year ended 31st March 2017 (the "Financial Year") was mixed. An upturn in the global zinc (LEE KEE's main product) and nickel markets supported the Group's margins and financial performance, while industrial overcapacity and a slowdown in many parts of China's manufacturing sector impacted demand for the Group's products.

The Group's revenue for the Financial Year was HK$2,111 million, decreased slightly from HK$2,123 million in the year ended 31st March 2016 (the "Comparative Period"). Tonnage sold by the Group in the Financial Year was 109,720 tonnes, compared to 117,220 tonnes in the Comparative Period.

Despite this, the Group recorded a gross profit of HK$153 million and a gross profit margin of 7.3%, compared to a gross loss of HK$161,000 and a gross loss margin of 0.008% for the Comparative Period. The Group recorded a profit attributed to equity shareholders of the Company of HK$41 million for the Financial Year, compared to a loss of HK$117 million for the Comparative Period.

The improvement in profitability was mainly due to an increase in metal prices, particularly zinc, during the Financial Year, a higher contribution from the Group's specialty alloys and testing services, reduced losses from metal future contracts and a gain from the disposal of listed securities.

The global price for zinc and nickel rose by 58.7% and 20.0% respectively during the Financial Year. The LME price of zinc rose progressively from April 2016 to the end of December 2016, before becoming increasingly volatile until the end of March 2017, reaching a high of US$2,971 per tonne in mid-February 2017 and falling to US$2,833 per tonne as at 31st March 2017. This compared starkly to the performance of the global zinc market in the Comparative Period, where prices were highly volatile – fluctuating wildly between high of US$2,405 per tonne and low of US$1,454 per tonne (a range of almost 40%), making inventory management highly challenging.

In contrast, the LME price of nickel was more volatile during the Financial Year, as the market reacted to conflicting pricing pressures from a relaxation of the raw mineral export ban in Indonesia. The LME price of nickel fluctuated considerably for the first eight months of the fiscal year, reaching a high of US$11,735 per tonne by the middle of November 2016. Prices then fell to US$9,380 per tonne at the end of January 2017 and peaking again at US$11,045 per tonne before falling to US$9,935 per tonne as at 31st March 2017.

Selling and distribution expenses for the Financial Year were HK$24.8 million, pretty close to HK$24.4 million in the Comparative Period. The effect of the lower tonnage sold during the Financial Year, was almost offset by higher delivery costs as the Group sold more proportionately to customers in China.

The Group's administrative expenses for the Financial Year were HK$90.3 million, compared to HK$82.1 million in the Comparative Period. Administrative expenses rose mainly due to the increment in staff cost which is variable in nature and proportionate to the Group's annual performance. The Group generated other income of HK$5.3 million during the Financial Year, an increase of 130% compared to HK$2.3 million in the Comparative Period, which was primarily due to higher fees earned from the Group's wholly-owned metals testing subsidiary, Promet Metals Testing Laboratory Limited ("Promet").

The Group recorded other net gains of HK$4.4 million during the Financial Year, compared to a net loss of HK$4.9 million during the Comparative Period. This was mainly due to the reduced losses related to metal future contracts during the year and to an extent, the additional gain from disposal of shares in a listed company when compared with the Comparative Period.

The Group's net finance costs for the Financial Year decreased by 33.2% to HK$2.9 million due to the lower level of average bank loans held by the Group as a result of its destocking strategy.

The Group continues to maintain a healthy financial position with bank balances and cash in hand of HK$238 million and a gearing ratio (total bank borrowings to total equity) of 17.1%, as of 31st March 2017 (as at 31st March 2016: 10.8%).

Business Review

A leading solutions provider for metals

Since LEE KEE's founding 70 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 was a milestone for its ongoing strategy of "Creating Value" for the end users of metals. In early 2016, LEE KEE's metals testing subsidiary, Promet Metals Testing Laboratory Limited ("Promet"), became an approved LME listed Sampler and Assayer, raising Promet's international profile in the area of metals testing and certification.

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

Accelerating growth of testing and brokerage services

Promet, the Group's metal testing subsidiary and Horizon Commodities and Futures Company Limited ("HCF"), the Group's wholly-owned futures brokerage subsidiary, continued to increase their contribution to overall income during the Financial Year.

Revenue attributed to Promet grew significantly during the Financial Year, with strong demand being driven particularly by the construction industry, which continues to boom in Hong Kong. Promet's reliable and efficient services have gained widespread recognition in the industry, with its service capacity also enlarging to cater for increasing orders.

Promet's experienced technical team also continued to provide value-adding consultancy services in the fields of materials engineering, productivity enhancement, process optimisation, sustainable design, quality control and failure analysis. As Promet successfully earned its reputation as a metal expert, the range of industries of its customers base has also been expanding. Such diversification of customer base was beneficial to Promet's business performance.

Revenue from brokerage services provided by HCF also grew well from a low base during the Financial Year as companies realise the need to manage their inventory and treasury risk exposures in the volatile financial markets and look for a trustworthy and understanding partner that can provide a comprehensive solution.

The solid level of growth seen across both Promet's and HCF's businesses during the Financial Year illustrated LEE KEE's ongoing success in implementing its long-term strategy of moving up the value-chain. Its growing range of businesses and holistic and innovative services address the challenges faced by customers at every level of the metals supply chain.

Expanding range of specialty alloys underpinned by R&D

LEE KEE's customers are mostly end-users of metals. Apart from ensuring that its products, including commodities zinc, aluminium, nickel, copper as well as zinc alloy, aluminium alloy, stainless steel and electroplating chemicals, are of the highest quality, the Group works closely with its customers to develop specialty alloys when they receive specific requirements from their product engineers or designers. This helps the Group's customers meet the needs of their clients, as well as differentiate themselves from their competitors.

The demand for specialty alloys is likely to increase further as global manufacturing is upended by technological progress and increasingly demanding customers. Supported by its strong research and development team, LEE KEE continued to introduce advanced alloys for different industries such as bathroom appliances and electronics, among others, at a fast time to market. This capability greatly enhanced the Group's ability to protect and grow its market share, allowing the Group to remain the partner of choice for brand owners, manufacturers, die-casters and other end-users of metals.

New Singapore sales office to cater for Southeast Asia's growing industrial base

During the Financial Year, LEE KEE opened a new office in Singapore – the Group's sixth sales office – expanding its business network in the ASEAN region, including Malaysia, Indonesia, India, Thailand, Vietnam and Singapore.

As rising labour costs and government policies such as the Belt and Road Initiative prompt more and more manufacturers to relocate manufacturing capacity from China to lower-cost locations in Southeast Asia, the new Singapore sales office will enable the Group to cater the growing demand for high quality alloys from our customers relocating to these countries while winning new ones in those emerging manufacturing hubs near the Belt and Road.

Prospects

Mixed signals influence stability of global metal prices

The global zinc market was one of the best performing major commodity markets during the Financial Year, due to supply-pressure caused by the progressive closure of a number of major zinc mines over the past few years, as well as strategic production cuts by major miners such as Glencore. Because of the tighter supply fundamentals, this trend may continue if demand also recovers. However, the economic outlook is filled with mixed signals coming from China's property and automotive markets, Belt and Road infrastructure projects, as well as the infrastructure investment plans in the U.S.

The global price of nickel will likely remain weak with global supply likely to increase as Indonesia ramps up their export of nickel to Chinese smelters.

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

Weak growth in manufacturing activity in the PRC

Manufacturing activity in the PRC will continue to be affected as output and new export orders grow at a slower pace amid weak business confidence worldwide. While Chinese PMI figures are showing some signs of recovery, the Government's tightening environmental and monetary policies may further impact the growth of the manufacturing sector. In addition, most of the Group's customers are affected by declining exports, meaning it is likely that demand for the Group's metals products will continue to be impacted in the short to medium term.

Continued expansion of LEE KEE's business network

LEE KEE will continue to grow and strengthen its business network, both geographically and in terms of service reach.

Leveraging on the new Singapore sales office, LEE KEE will continue to expand its geographical reach and presence in order to maintain its existing customer base and grow its market share. It expects the Southeast Asia region to be a major market for the Group in the coming years.

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

Stringent controls on costs and purchases

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

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

DIVIDEND

The Board of Directors has recommended dividends of HK2.5 cents (including a final dividend of HK1.5 cents and a special dividend of HK1 cent for commemoration of the 70th Anniversary of the Group) per share for the Financial Year to the shareholders whose names appear on the register of members of the Company on 31st August 2017. Subject to the shareholders' approval, the dividends will be paid on or around 15th September 2017.

ANNUAL GENERAL MEETING

It was proposed that the Annual General Meeting of the Company (the "AGM") will be held on 21st August 2017. Notice of the AGM will be published and issued to shareholders in due course.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company (the "Register of Members") will be closed from Tuesday, 15th August 2017 to Monday, 21st August 2017, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, 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 Monday, 14th August 2017.

For the purpose of ascertaining shareholders' entitlement to the proposed dividends, the Register of Members be closed from Tuesday, 29th August 2017 to Thursday, 31st August 2017, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 28th August 2017.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 31st March 2017, the Group had unrestricted cash and bank balances of approximately HK$238 million (2016: HK$162 million) and bank borrowings of approximately HK$179 million (2016: HK$109 million). In March 2015, the Group obtained a Hong Kong dollar denominated mortgage loan of HK$18.7 million, which bore annual interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.75% and Hong Kong Dollar Prime Rate less 3.1%. As at 31st March 2017, the outstanding borrowing of this facility amounted to HK$16.6 million (2016: HK$17.7 million).

The remaining borrowings, which are short term in nature, were substantially made in United States dollars and Hong Kong dollars with interest chargeable at market rates. The gearing ratio (total borrowings to total equity) as at 31st March 2017 was 17.1% (2016: 10.8%). The Group has a current ratio of 555% as at 31st March 2017 (2016: 740%).

The Group constantly evaluates and monitors its risk exposure to metals prices with reference to the market conditions. In order to control the exposure efficiently and to capitalise on direction of price trends, the Group's management will employ appropriate operating strategies and set inventory levels accordingly.

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

EMPLOYEES

As at 31st March 2017, the Group had approximately 190 employees (2016: 190 employees). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes. During the year, staff costs (including directors' emoluments) were approximately HK$67.4 million (2016: HK$56.1 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF ANNUAL RESULTS OF THE FINANCIAL YEAR

The annual results of the Financial Year have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Financial Year as set out in the preliminary announcement of the Group's results for the Financial Year have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Financial Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

By Order of the Board
CHAN Pak Chung
Chairman

Hong Kong, 22nd June 2017

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

* *Independent non-executive Directors*