利記控股有限公司
LEE KEE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2018

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 2018 (the "Financial Year" or the "Year") together with the comparative figures for the year ended 31st March 2017 (the "Comparative Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31st March	
	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*4*	**2,711,441**	2,110,721
Cost of sales		**(2,499,210)**	(1,957,313)
Gross profit		**212,231**	153,408
Other income		**7,333**	5,343
Distribution and selling expenses		**(29,072)**	(24,783)
Administrative expenses		**(102,265)**	(90,294)
Other net gains		**13,869**	4,362

	Note	For the year ended 31st March **2018** *HK$'000*	2017 *HK$'000*
Profit from operations		**102,096**	48,036
Finance income		**645**	263
Finance costs		**(7,180)**	(3,192)
Net finance costs	*5(a)*	**(6,535)**	(2,929)
Profit before taxation	*5*	**95,561**	45,107
Income tax	*6*	**(5,408)**	(3,611)
Profit for the year attributable to equity shareholders of the Company		**90,153**	41,496
Earnings per share			
Basic and diluted (Hong Kong cents)	*8*	**10.88**	5.01

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31st March	
	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**90,153**	41,496
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	**14,901**	(8,998)
Change on fair value of available-for-sale financial assets	**(5,104)**	16,423
Reclassification adjustment for amounts transferred to profit or loss upon disposal of available-for-sale-securities	**(4,833)**	(8,048)
	4,964	(623)
Total comprehensive income for the year attributable to equity shareholders of the Company	**95,117**	40,873

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31st March **2018** ***HK$'000***	 2017 *HK$'000*
Non-current assets			
Interests in leasehold land held for own use under operating leases		**18,604**	19,080
Property, plant and equipment	*9*	**86,316**	89,251
Available-for-sale financial assets	*10*	**16,174**	29,015
Deferred tax assets		**2,209**	2,888
		123,303	140,234
Current assets			
Inventories	*11*	**822,380**	675,183
Trade and other receivables	*12*	**215,679**	215,339
Tax recoverable		**150**	388
Derivative financial instruments		**544**	8
Cash held on behalf of customers		**7,144**	3,009
Cash and cash equivalents		**300,364**	237,851
		1,346,261	1,131,778
Current liabilities			
Trade and other payables	*13*	**88,240**	39,616
Bank borrowings		**250,459**	163,384
Tax payable		**612**	983
Derivative financial instruments		**1,892**	31
		341,203	204,014
Net current assets		**1,005,058**	927,764
Total assets less current liabilities		**1,128,361**	1,067,998

	Note	As at 31st March	
		2018	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Bank borrowings		**14,329**	15,462
Employee retirement benefit obligations		**1,142**	2,305
Deferred tax liabilities		**2,659**	1,965
		18,130	19,732
NET ASSETS		**1,110,231**	1,048,266
CAPITAL AND RESERVES			
Share capital		**82,875**	82,875
Reserves		**1,027,356**	965,391
TOTAL EQUITY		**1,110,231**	1,048,266

NOTES:

1 GENERAL INFORMATION

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

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

The Company's shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2 BASIS OF PREPARATION

The financial results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31st March 2018, but are derived from those financial statements.

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2016/17 annual financial statements, except for the changes in accounting policies set out in note 3.

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules") and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale financial assets and derivative financial instruments which are carried at fair values.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**2,711,441**	2,110,721

The chief operating decision-maker has been identified as the Group's most 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) of each segment, which excludes the effects of other income, other net gains and net finance costs.

The segment information for the reporting segments as at and for the year ended 31st March 2018 and 2017 is as follows:

	2018		2017	
	Revenue	**Segment results**	Revenue	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**1,605,671**	**64,531**	1,305,664	25,999
Mainland China	**1,105,770**	**16,363**	805,057	12,332
	2,711,441	**80,894**	2,110,721	38,331

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

	As at 31st March 2018		
	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**1,131,297**	**338,267**	**1,469,564**
Segment liabilities	**225,588**	**133,745**	**359,333**

	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

(b) **Reconciliation of segment results**

	2018	2017
	HK$'000	*HK$'000*
Total segment results	**80,894**	**38,331**
Other income	**7,333**	**5,343**
Other net gains	**13,869**	**4,362**
Net finance costs	**(6,535)**	**(2,929)**
Profit before taxation	**95,561**	**45,107**

5 PROFIT BEFORE TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
(a) Net finance costs		
Interest income	**645**	263
Interest on short-term bank borrowings	**(6,836)**	(2,842)
Interest on mortgage loan	**(344)**	(350)
	(6,535)	(2,929)
(b) Other items		
Auditor's remuneration	**1,350**	1,490
Depreciation of property, plant and equipment	**9,395**	10,696
Amortisation of leasehold land	**568**	568
Staff costs (including directors' remuneration)	**75,347**	67,380
Operating lease charges: minimum lease payments		
– property rentals	**2,970**	2,900
Cost of inventories sold	**2,501,141**	1,984,225
Gain on disposal of available-for-sale financial assets	**(4,833)**	(8,048)
Gain on disposal of property, plant and equipment	**(552)**	(49)
Realised loss on metal future trading contracts	**1,282**	2,104
Unrealised gain on metal future trading contracts and foreign exchange forward contracts	**(200)**	(34)
Reversal of write-down of inventories	**(1,931)**	(26,912)
Net foreign exchange (gain)/loss	**(9,566)**	1,550
Recognition of impairment loss of trade receivables	**691**	–

6 INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**517**	**1,245**
– Mainland China Corporate Income Tax	**4,100**	**2,837**
Over-provision in prior years	**(582)**	**(105)**
	4,035	**3,977**
Deferred tax	**1,373**	**(366)**
	5,408	**3,611**

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) for the year. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (2017: 25%) for the year.

7 DIVIDENDS

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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend, declared and paid, of HK$0.015 (2017: Nil) per ordinary share	**12,432**	–
Special dividend, proposed, of HK$Nil (2017: HK$0.01) per ordinary share	**–**	8,288
Final dividend, proposed, of HK$0.015 (2017: HK$0.015) per ordinary share	**12,432**	12,432
	24,864	20,720

The final dividend proposed after the year ended 31st March 2018 has not been recognised as a liability as at 31st March 2018.

The special and final dividends proposed after the year ended 31st March 2017 have not been recognised as a liability as at 31st March 2017.

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

	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year ended 31st March 2018, of HK$0.015 (2017: Nil) per ordinary share	**12,432**	–
Special dividend in respect of the previous financial year, approved and paid during the year ended 31st March 2018, of HK$0.01 (2017: Nil) per ordinary share	**8,288**	–
	20,720	–

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the average number of ordinary shares in issue during the year.

	2018	2017
Profit attributable to equity shareholders of the Company (HK$'000)	**90,153**	41,496
Average number of ordinary shares in issue ('000)	**828,750**	828,750
Basic earnings per share (Hong Kong cents)	**10.88**	5.01

(b) Diluted

Diluted earnings per share for the years ended 31st March 2018 and 2017 are the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

9 PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	HK$'000	*HK$'000*
Net book value as at the beginning of the period	**89,251**	96,885
Exchange difference	**919**	(717)
Additions	**5,683**	4,070
Disposals	**(142)**	(291)
Depreciation	**(9,395)**	(10,696)
Net book value as at the end of the period	**86,316**	89,251

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
Available-for-sale financial assets		
– equity securities listed in Hong Kong at fair value	**16,174**	29,015
– unlisted limited partnership at fair value	**–**	–
	16,174	29,015

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.

11 INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Finished goods	**839,349**	694,073
Less: Write-down of inventories	**(16,969)**	(18,890)
	822,380	675,183

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$2,501,141,000 (2017: HK$1,984,225,000) for the year.

12 TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables, net of allowance for doubtful debts	**176,444**	158,217
Prepayments to suppliers	**13,119**	30,877
Deposits	**2,934**	2,900
Other receivables	**23,182**	23,345
	215,679	215,339

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

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**162,094**	139,368
Over 1 but within 2 months	**8,484**	13,927
Over 2 but within 3 months	**2,046**	3,846
Over 3 months	**3,820**	1,076
	176,444	158,217

13 TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**42,585**	5,062
Prepayments from customers	**10,782**	8,512
Accrued expenses and other payables	**34,873**	26,042
	88,240	39,616

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**42,524**	5,041
Over 2 months	**61**	21
	42,585	5,062

CEO MESSAGE

The 2017-18 financial year was marked by a number of successes. The pace of our expansion into new markets accelerated greatly, while we continued to make in-roads into high-value markets through the ongoing creation of specialty alloys and value-added services.

The market is quickly changing. Customer demands are evolving. The rise of the knowledge-based economy is rapidly transforming industries and has led to the emergence of new processes and tangibles such as Industry 4.0, big-data, and advanced materials. Amidst all of these changes, LEE KEE will continue to be guided by the values for which we have always stood – quality, reliability and professionalism. In fact, these values have never mattered more as modern technologies, social media and digitisation transform the business world.

The fact that millions of people benefit every day from products made by LEE KEE's alloys is an inspiration, as well as an obligation and a source of pride. What LEE KEE delivers is relevant to people all around the world, be it our customers, users, employees or shareholders. Thus, at LEE KEE, we have developed a culture of quality that is integrated into our entire value chain and supply chain.

Simply delivering the intended product or service is not enough. Nowadays, customers expect you to go the extra mile in order to provide the best experience. From a product perspective, this means a company-wide commitment to deliver best performance at every stage of the production process. From materials sourcing, process design, manufacturing and quality control, LEE KEE not only complies with international standards but adheres to the highest quality manufacturing principles, meaning that our customers can have every confidence that their alloys are safe, reliable and of excellent quality. For this, we won an award for Die-casting Top Brand 2017 in China.

We are not only focusing on product quality – we are also seeking to better understand and respond to broader changes taking place in the market. That is why we are collaborating with manufacturers and brand owners to develop specialty alloys that fulfil their unique requirements. Our ability and willingness to innovate has strengthened our relationship with customers while contributing to our revenue growth during the financial year. It also helped us protect and grow our market share in a highly competitive environment.

Given the reduction of geographical barriers and the pressures of competing in the global marketplace, operational and service excellence have become necessities for companies to remain globally competitive, especially as we actively expand our market reach to countries along the Belt and Road Initiative. Our sales office in Singapore, which is strategically located to serve clients in these countries, is already delivering returns and we are formulating additional strategies to best capture new business opportunities emerging from the ASEAN region. Whether it is by providing technical support or simply communicating with our clients every step of the way, LEE KEE is always there to address every concern or challenge they encounter.

Promet, our metals testing subsidiary, continued to expand its service scope and upgrade its service quality. Toughening material standards, growing public concerns about material safety, as well as increasing demand for professional testing and certification practitioners (particularly from the Hong Kong construction industry) have provided fertile ground for new business.

What we achieve as a team – the LEE KEE team – will continue to be the basis for our success. To be a trusted partner for our customers, we have always focused on upholding and reinforcing our solid reputation in the industry by providing quality products and professional services. Although we are already delivering superior performance and are at the forefront of meeting market demand, we will continue to improve our performance and exceed our customers' expectations in whatever areas they consider important, while relentlessly pursuing a mindset of continuous improvement and operational excellence.

Facing the growing impact of digitisation and an increase in uncertainties in the external environment, we are closely following and preparing ourselves for a paradigm shift in the business environment. At the same time, we strive to integrate smart manufacturing, artificial intelligence, and data analytics to bring our operation efficiency and customer services to the next higher level.

By leveraging on the strengths of the Group – 70 years of strong foundation, industry experience, and insights - and remaining true to our transcendental values – quality, integrity, reliability and professionalism, we look forward to achieving sustainable growth by further developing our business model and enhancing our competitiveness to maintain LEE KEE's leadership in the industry and keeping it on the road to lasting success.

CHAN Yuen Shan Clara
Vice-Chairman and Chief Executive Officer

27th June 2018

OVERALL BUSINESS PERFORMANCE

The year ended 31st March 2018 (the "Financial Year") was a strong financial year for the Group. Global price of zinc (LEE KEE's main product) reached recent years' high throughout the year, while global nickel prices increased steadily. The Group also continued to reap financial rewards from its earlier expansion into metals testing, with fee income earned from its wholly-owned metals testing subsidiary, Promet Metals Testing Laboratory Limited ("Promet") also growing strongly.

The Group's revenue for the Financial Year was HK$2,711 million, an increase of 28.5% compared to revenue of HK$2,111 million earned in the year ended 31st March 2017 (the "Comparative Period"). Tonnage sold by Group in the Financial Year was 108,060 tonnes, compared to 109,720 tonnes in the Comparative Period.

The Group's gross profit for the Financial Year rose 38.3% to HK$212 million, compared to a gross profit of HK$153 million recorded in the Comparative Period. The Group's gross profit margin for the Financial Year was 7.8%, compared to 7.3% in the Comparative Period. The Group recorded a profit attributed to equity shareholders of the Company of HK$90 million for the Financial Year with substantial increase, compared to a profit of HK$41 million for the Comparative Period.

The improvement in profitability was mainly due to an increase in metal prices (particularly zinc), as well as a higher contribution from the Group's alloying, testing and consultancy services during the Financial Year.

Starting from the second quarter of the Financial Year, the rise in base metal prices were part of an overall rally in commodities that was linked to strong global economic growth, as well as other factors. However, the growth of global zinc prices outpaced the price gains for other metals during the Financial Year, with the global demand for zinc outstripping global supply levels that have not yet recovered from a series of zinc production cuts implemented by major miners in previous years.

Global zinc and nickel prices also increasingly fluctuated towards the end of the Financial Year as the trade tensions between the United States and the People's Republic of China ("PRC") started to escalate.

The global price for zinc and nickel rose by 16.2% and 30.1% respectively during the Financial Year. The LME price of zinc hit a recent years' high of US$3,618 per tonne in February 2018, before falling to US$3,292 per tonne as of 31st March 2018. Global nickel prices also trended higher throughout most of the Financial Year, reaching US$14,150 per tonne in February 2018, before falling to US$12,925 per tonne as of 31st March 2018.

Selling and distribution expenses for the Financial Year were HK$29.1 million, compared to HK$24.8 million in the Comparative Period. The increase was primarily attributed to a higher proportion of sales in the PRC, which incurred higher delivery costs.

The Group's administrative expenses for the Financial Year were HK$102 million, compared to HK$90.3 million in the Comparative Period. Administrative expenses rose mainly due to an increment in staff costs which is variable in nature and proportionate to the Group's annual performance.

The Group generated other income of HK$7.3 million during the Financial Year, an increase of 37.2% compared to HK$5.3 million in the Comparative Period, which was primarily due to higher revenues generated from the metal testing and consultancy services provided by Promet and dividend income received from a Hong Kong listed securities.

The Group recorded other net gains of HK$13.9 million during the Financial Year, compared to HK$4.4 million during the Comparative Period. The net gains were mainly due to gains from the disposal of listed securities and foreign exchange difference.

The Group's finance costs for the Financial Year rose 125% to HK$7.2 million. The increment in finance costs was mainly due to an increase in purchase costs resulting from increasing metal prices, as well as higher general market interest rates compared to the Comparative Period.

The Group continues to maintain a healthy financial position with bank balances and cash in hand of HK$300 million and a gearing ratio (total bank borrowings to total equity) of 23.8%, as of 31st March 2018 (2017: 17.1%).

Business Review

A leading solution provider for metals

Since LEE KEE's founding more than 70 years ago, it has built an unparalleled reputation based on quality, innovation, professionalism and its wide network across all facets of the global metals industry.

Securing its rank among the world's premier metal players, LEE KEE was the first company in Hong Kong to be admitted as a Category 5 Associate Trade Member of the London Metal Exchange ("LME"). The Group's membership of this exclusive industry body was a milestone for its ongoing strategy of "Creating Value" for the end users of metals. In early 2016, 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.

Rapid expansion of Southeast Asia business

The Group's business in Southeast Asia – which includes in Malaysia, Indonesia, Thailand, Vietnam and Singapore – grew strongly during the Financial Year. There were a number of growth drivers underpinning this growth, including government initiatives such as Belt and Road Initiative, underlying economic growth in Southeast Asian countries, and the continued expansion of manufacturing capacity from the PRC to Southeast Asia.

The Group's customer mix in the region, who are catered to by its sales office in Singapore, includes both long-standing customers whose relationship with LEE KEE originated in Hong Kong or other parts of the PRC, as well as new clients with no previous manufacturing footprint in the PRC. Winning business from this latter group of customers was a particularly important achievement for the Group.

Continued focus on R&D and creation of speciality alloys for higher-end manufacturing in the PRC

The largest market for the Group's metal products and services continues to be the PRC, where its customers are mostly the end-users of metals, namely die-casters, manufacturers and brand owners. Faced with new economic and regulatory challenges, such as higher wages and stricter environmental standards, many customers are shifting from low value added activities to developing quality medium to high end products. China's economic development strategy also encourages enterprises to embrace artificial intelligence, digitisation and R&D.

Leveraging on its strong research and development team, LEE KEE is also moving quickly to cater to the changing needs of these customers. Throughout the Financial Year, the Group continued to source, supply and develop a wide choice of high-quality imported and domestically produced standard products including zinc, aluminium, nickel and copper, as well as zinc alloys, aluminium alloys, stainless steel and electroplating chemicals. It also introduced new specialty alloys specifically geared towards the manufacture of automobile parts (including for electric vehicles) and electronics, among others, at a fast time to market. This capability ensured that the Group was able to protect and grow its market share and remain the partner of choice to metal companies.

In addition, Promet provides a variety of value added solutions and an extensive range of professional services including factory audits, composition and defect analysis, process optimization and design and simulation. These services helped Promet's customers achieve quality, cost effectiveness and higher cost competitiveness by helping them upgrade their efficiency and reduce waste.

Deepening metals testing relationships with Hong Kong's construction industry

Throughout the Financial Year, along with the value-adding consultancy services in the fields of materials engineering and productivity enhancement, Promet's experienced technical team continued to provide reliable and efficient testing services to the Hong Kong construction industry. With its strong reputation and recognition as a metal expert, Promet successfully diversified its customer base into a broader range of industries.

Moreover, this growing recognition greatly supported Promet's expansion of its services into water pipe and components testing during the Financial Year. This new set of services enhanced the diversity of Promet's revenue streams, laying a solid foundation for its future development.

Brokerage services rounding out full scope of services for metal companies

The Group continued to invest further in its wholly-owned futures brokerage subsidiary, Horizon Commodities and Futures Company Limited ("HCF") during the Financial Year. HCF 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.

Although HCF is still in the early stages of its development, the Group is confident about its growth prospects, as more and more companies realise a need to manage their inventory and treasury risk exposures in the volatile financial markets. LEE KEE is one of the few metals companies that offer both physical metal services and financial services.

Prospects

Divergence of manufacturing activity in Asia

Over the past few years, the countries of Southeast Asia have become more important producers of goods and commodities, both for export and for their own increasingly prosperous consumers. Frontier markets with clear labour-cost advantages are targeting low cost, labour-intensive manufacturing industries. This lift in the region's competitiveness is likely to continue as infrastructure in the region improves with support from the PRC's Belt and Road Initiative. The Group will continue to cater to these growing clusters of manufacturers in Southeast Asia through existing and news sales offices in the region.

More recently however, new economic development strategies in the PRC could lead to a resurgence of manufacturing activity particularly in higher-value-added sectors such as electronics, electric vehicles and other technology-led industries. These industries will require highly specialised materials, alloys and services, which the Group is in a unique position to provide. The Group will continue to invest in R&D and in strengthening its business network to take full advantage of this trend.

Geopolitical rivalries creating uncertainty

The recent implementation (or threat of implementation) of tariffs by the United States on aluminium and steel produced in the PRC, Europe, Mexico and Canada, as well as trade sanctions against major metal producers such as, have undermined confidence in the global trade system. The threat of tit-for-tat import tariffs being imposed by the U.S. and PRC governments could also impact overall producer confidence and manufacturing activity, which may impact certain parts of the Group's business in the coming financial year.

The Group will closely monitor these events and adjust its strategy accordingly.

Supplier decisions and high-tech industries to continue influencing metal prices

Zinc and nickel were some of the best performing commodity markets during the Financial Year.

Additional capacity coming on stream in 2018 from mine re-openings, expansions, and new supply is expected to ease the tightness of zinc concentrate supply and the supply-demand balance may pivot back towards sufficiency in the next couple of years. As a result, global zinc price are expected to come under pressure. However, the world's largest zinc producer, China, will continue to push its ongoing environmental policy that makes it difficult for small scale mines to operate, which could have an uncertain impact on prices. Meanwhile, global nickel prices will continue to be positively influenced by the booming electric vehicle industry. However, an emerging global glut of stainless steel capacity in China and Indonesia (of which nickel is a major component) may constrain prices.

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

Continued expansion of LEE KEE's global business network and R&D capabilities

LEE KEE will continue to expand its sales office network in Southeast Asia to further expand its global sales network and service reach, as the Group continues to ramp up its outreach to overseas manufacturers to grow its global market share.

The Group 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. 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 trade 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

On 23rd November 2017, the Board of Directors declared an interim dividend of HK1.5 cents per share for the interim period ended 30th September 2017, amounting to HK$12,432,000, which was paid on 21st December 2017.

The Board of Directors has recommended a final dividend of HK1.5 cents per share for the Financial Year, amounting to HK$12,432,000, to the shareholders whose names appear on the register of members of the Company on 31st August 2018. Subject to the shareholders' approval, the dividend will be paid on or around 14th September 2018.

ANNUAL GENERAL MEETING

It was proposed that the Annual General Meeting of the Company (the "AGM") will be held on 23rd August 2018. 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 Monday, 20th August 2018 to Thursday, 23rd August 2018, 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 Friday, 17th August 2018.

For the purpose of ascertaining shareholders' entitlement to the proposed dividends, the Register of Members be closed from Wednesday, 29th August 2018 to Friday, 31st August 2018, 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 Tuesday, 28th August 2018.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 31st March 2018, the Group had unrestricted cash and bank balances of approximately HK$300 million (2017: HK$238 million) and bank borrowings of approximately HK$265 million (2017: HK$179 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 2018, the outstanding borrowing of this facility amounted to HK$15.5 million (2017: HK$16.6 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 2018 was 23.8% (2017: 17.1%). The Group has a current ratio of 395% as at 31st March 2018 (2017: 555%).

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 2018, the Group had approximately 190 employees (2017: 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$75.3 million (2017: HK$67.4 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 (the "CG Code") contained in Appendix 14 of the Listing Rules. The Directors are not aware of any non-compliance with the code provisions of the CG Code during the 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, 27th June 2018

As at the date of this announcement, the Directors of the Company are Mr. CHAN Pak Chung, Ms. CHAN Yuen Shan Clara, Mr. CHAN Ka Chun Patrick, Ms. OKUSAKO CHAN Pui Shan Lillian, Mr. CHUNG Wai Kwok Jimmy, Mr. HU Wai Kwok* and Mr. HO Kwai Ching Mark*.*

* *Independent non-executive Directors*