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 2020

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 2020 (the "Financial Year" or the "Year") together with the comparative figures for the year ended 31st March 2019 (the "Comparative Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31st March	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,864,166**	2,276,977
Cost of sales		**(1,862,286)**	(2,237,825)
Gross profit		**1,880**	39,152
Other income		**4,228**	6,040
Distribution and selling expenses		**(23,895)**	(28,350)
Administrative expenses		**(82,902)**	(86,756)
Other net losses		**(18,302)**	(3,067)
Loss from operations		**(118,991)**	(72,981)
Finance income		**1,605**	1,467
Finance costs		**(6,008)**	(10,181)
Net finance costs	*5(a)*	**(4,403)**	(8,714)

	Note	For the year ended 31st March **2020** *HK$'000*	2019 *HK$'000*
Loss before taxation	*5*	**(123,394)**	(81,695)
Income tax	*6*	**(4,763)**	(4,965)
Loss for the year		**(128,157)**	(86,660)
Attributable to:			
Equity shareholders of the Company		**(128,057)**	(86,652)
Non-controlling interests		**(100)**	(8)
Loss for the year		**(128,157)**	(86,660)
Loss per share	*8*		
Basic and diluted (Hong Kong cents)		**(15.45)**	(10.46)

Note: The Group has initially applied HKFRS 16, at 1st April 2019. Under the transition method chosen, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31st March	
	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(128,157)**	(86,660)
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
Revaluation of financial assets at fair value through other comprehensive income, net of nil tax	**(3,729)**	(4,965)
Surplus on revaluation of land and buildings held for own use	**–**	17,456
Tax effect to surplus on revaluation of land and buildings	**–**	(2,098)
Items that may be subsequently reclassified to profit or loss, net of nil tax:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(15,451)**	(11,590)
	(19,180)	(1,197)
Total comprehensive income for the year	**(147,337)**	(87,857)
Attributable to:		
Equity shareholders of the Company	**(147,231)**	(87,849)
Non-controlling interests	**(106)**	(8)
Total comprehensive income for the year	**(147,337)**	(87,857)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31st March	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Interests in leasehold land held for own use under operating leases		**–**	17,976
Investment property		**64,600**	64,600
Other property, plant and equipment	*9*	**36,703**	35,744
Financial assets at fair value through other comprehensive income		**4,651**	8,380
Prepayments	*11*	**307**	188
Deferred tax assets		**2,643**	2,600
		108,904	129,488
Current assets			
Inventories	*10*	**456,552**	596,869
Trade and other receivables	*11*	**181,656**	206,937
Tax recoverable		**826**	6
Derivative financial instruments		**2,473**	2,041
Cash held on behalf of customers		**–**	9,605
Cash and cash equivalents	*12*	**306,115**	356,734
		947,622	1,172,192
Current liabilities			
Trade and other payables and contract liabilities	*13*	**63,573**	83,894
Bank borrowings	*14*	**107,654**	183,284
Lease liabilities		**1,112**	–
Tax payable		**935**	959
Derivative financial instruments		**1,043**	3,755
		174,317	271,892
Net current assets		**773,305**	900,300
Total assets less current liabilities		**882,209**	1,029,788

		As at 31st March	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Bank borrowings	*14*	**11,997**	13,183
Employee retirement benefit obligations		**2,261**	2,028
Lease liabilities		**573**	–
Deferred tax liabilities		**4,565**	4,397
		19,396	19,608
NET ASSETS		**862,813**	1,010,180
CAPITAL AND RESERVES			
Share capital		**82,875**	82,875
Reserves		**779,814**	927,075
Total equity attributable to equity shareholders of the Company		**862,689**	1,009,950
Non-controlling interests		**124**	230
TOTAL EQUITY		**862,813**	1,010,180

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 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").

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 2020, but are derived from those financial statements.

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2018/19 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. The 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 financial assets at fair value through other comprehensive income and derivative financial instruments which are carried at fair values.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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 in the financial results. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has initially applied HKFRS 16 as from 1st April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised lease liabilities and corresponding right-of-use assets of HK$1,364,000 and HK$1,334,000 respectively in relation to leases previously classified as operating leases. Interests in leasehold land held for own use under operating leases of HK$17,976,000 were reclassified to right-of-use assets on 1st April 2019. The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the statement of financial position. Comparative information has not been restated and continues to be reported under HKAS 17.

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 are as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**1,864,166**	2,276,977

(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 losses and net finance costs.

	2020		2019	
	Revenue	**Segment results**	Revenue	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**1,041,736**	**(127,061)**	1,341,464	(92,376)
Mainland China	**822,430**	**22,144**	935,513	16,422
	1,864,166	**(104,917)**	2,276,977	(75,954)

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

	As at 31st March 2020		
	Hong Kong	**Mainland China**	Total
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**752,211**	**304,315**	1,056,526
Segment liabilities	**81,397**	**112,316**	193,713

	As at 31st March 2019		
	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	942,088	359,592	1,301,680
Segment liabilities	130,015	161,485	291,500

(b) **Reconciliation of reportable segment results**

	2020	2019
	HK$'000	*HK$'000*
Total segment results	**(104,917)**	(75,954)
Other income	**4,228**	6,040
Other net losses	**(18,302)**	(3,067)
Net finance costs	**(4,403)**	(8,714)
Loss before taxation	**(123,394)**	(81,695)

5 LOSS BEFORE TAXATION

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

	2020	2019
	HK$'000	*HK$'000*
(a) Net finance costs		
Interest income	**(1,605)**	(1,467)
Interest on lease liabilities	**95**	–
Interest on short-term bank borrowings	**5,605**	9,853
Interest on mortgage loan	**308**	328
	4,403	8,714
(b) Other items		
Auditor's remuneration		
– audit services	**1,760**	1,780
– other services	**410**	210
Depreciation#		
– owned property, plant and equipment	**6,884**	9,440
– right-of-use assets	**2,195**	–
Amortisation of leasehold land#	**–**	568
Total minimum lease payments for leases previously classified as operating leases under HKAS 17#	**–**	3,090
Lease payment not included in the measurement of lease liabilities	**1,416**	–
Cost of inventories recognised as expense	**1,819,615**	2,233,778
(Gain)/loss on disposal of property, plant and equipment	**(5)**	766
Realised loss/(gain) on metal future trading contracts and foreign exchange forward contracts	**768**	(508)
Unrealised (gain)/loss on metal future trading contracts and foreign exchange forward contracts	**(2,050)**	1,165
Staff costs (including directors' remuneration)	**62,557**	61,585
Provision for write-down of inventories	**42,671**	4,047
Net foreign exchange loss	**2,651**	1,644
Impairment loss of property, plant and equipment	**16,938**	–
Credit loss of trade receivables	**167**	277

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1st April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in "other property, plant and equipment" is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1st April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3.

6 INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**154**	840
– Mainland China Corporate Income Tax	**4,711**	5,003
Over-provision in prior years	**(227)**	(127)
	4,638	5,716
Deferred tax	**125**	(751)
	4,763	4,965

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%). Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (2019: 25%) for the year.

7 DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the year

The directors do not recommend the payment of interim and final dividend for the year ended 31st March 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year ended 31st March 2020, of $Nil (2019: $0.015) per ordinary share	**–**	12,432

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$128,057,000 (2019: HK$86,652,000) and the weighted average number of 828,750,000 (2019: 828,750,000) ordinary shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the year ended 31st March 2020 and 2019 are the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the years.

9 OTHER PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	HK$'000	*HK$'000*
Net book value as at 31st March 2019/2018	**35,744**	86,316
Impact on initial application of HKFRS 16	**19,310**	–
Net book value as at 1st April 2019/2018	**55,054**	86,316
Revaluation	**–**	17,456
Transferred to investment property	**–**	(64,600)
Exchange difference	**(533)**	(606)
Additions	**8,254**	7,384
Disposals	**(55)**	(766)
Impairment loss	**(16,938)**	–
Depreciation	**(9,079)**	(9,440)
Net book value as at 31st March	**36,703**	35,744

10 INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Finished goods	**520,362**	617,971
Less: Write-down of inventories	**(63,810)**	(21,102)
	456,552	596,869

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$1,819,615,000 (2019: HK$2,233,778,000) for the year.

11 TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Non-current portion		
Prepayments for purchase of property, plant and equipment	**307**	188
Current portion		
Trade receivables, net of loss allowance	**128,151**	173,210
Prepayments to suppliers	**35,232**	5,194
Deposits	**1,525**	2,951
Other receivables	**16,748**	25,582
	181,656	206,937
	181,963	207,125

The Group grants 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 the invoice date and net of loss allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**113,089**	143,263
Over 1 but within 2 months	**8,577**	19,012
Over 2 but within 3 months	**4,525**	9,787
Over 3 months	**1,960**	1,148
	128,151	173,210

12 CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	*HK$'000*
Short-term bank deposits	**70,542**	45,115
Cash at bank and on hand	**235,573**	311,619
	306,115	356,734

13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**44,592**	52,570
Accrued expenses and other payables	**8,285**	21,472
	52,877	74,042
Contract liabilities	**10,696**	9,852
	63,573	83,894

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**44,317**	52,401
Over 1 but within 3 months	**149**	169
Over 3 months	**126**	–
	44,592	52,570

14 BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Mortgage loan	**11,997**	13,183
Current liabilities		
Short-term bank borrowings	**106,471**	182,135
Mortgage loan	**1,183**	1,149
	107,654	183,284
	119,651	196,467

At the end of the year, the bank borrowings were repayable as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 year or on demand	**107,654**	183,284
After 1 year but within 2 years	**1,209**	1,177
After 2 years but within 5 years	**3,787**	3,694
After 5 years	**7,001**	8,312
	11,997	13,183
	119,651	196,467

Mortgage loan of HK$13,180,000 (2019: HK$14,332,000) was secured by investment property with carrying value of HK$64,600,000 (2019: HK64,600,000) as at 31st March 2020.

The effective interest rates (per annum) at the end of the year were as follows:

	2020	2019
Short-term bank borrowings	**2.73%**	3.15%
Mortgage loan	**2.15%**	2.29%

CEO MESSAGE

The external environment throughout the 2019/2020 financial year was highly challenging. Ongoing global trade tensions and the slowing economy continued to depress confidence and negatively impact the prospects for both metals and manufacturing industries. This was compounded by the outbreak of COVID-19, which practically shut down manufacturing activity and triggered social and economic "lockdowns", pushing the global economy into a downturn.

On one hand, this means it is not possible to accurately project market demand in the coming months in these extraordinary times. On the other, all of this means that CHANGE is happening even faster, further underscoring the importance of the strategic changes we are implementing at LEE KEE. Over the past few years, we have been executing strategies to achieve diversification, sustainability and business resilience to stay agile to address the challenges that may arise.

We seek diversification in terms of revenue streams, markets and services. We continued to deepen our ability to serve markets in Southeast Asia to capture the promising potentials in Singapore, Malaysia, Thailand and Vietnam. Our subsidiary, Promet Metals Testing Laboratory Limited recently launched water quality testing services while another subsidiary, Promet Consultancy Company Limited conducted advanced training courses for die casting, both of which have good potentials to become our new revenue streams. We also continued to work with renowned brands and come up with special alloys and innovative services to cater to the advanced manufacturing needs. We will stay relevant to our customers by providing them with high-quality bespoke products and services.

The market-led forces that are propelling the sustainability movement will continue to gain momentum. As a sustainable business, LEE KEE not only wants to meet the needs of customers today but also their needs well into the future. We started to take the initiative years ago and are still investing great efforts in Environmental, Social and Governance by promoting sustainable alloys, digitalisation and establishing strong community bonds. We participated actively in global industry associations like the International Zinc Association in outlining SDG roadmaps while supporting CSR activities in our local communities. We also continued to boost transparency and diversity in the area of corporate governance.

With its roots in Hong Kong, LEE KEE will remain resilient, possessing the ability to withstand and bounce back from adversity. Our business model is evolving into one that emphasises speed and market responsiveness. We are driving continuous improvements in our operations, product and customer service quality and efficiency to secure our market position and enhance our competitiveness. We will not shy away from business transformation, innovation and improving ourselves at every level – in line with our mission of 'creating value solutions for metals'.

Last but not least, in response to the challenges posed by COVID-19, LEE KEE has taken measures to help protect our people and ensure a safe and stable supply to our customers. Our IT infrastructure were upgraded to allow staff in Hong Kong and our regional offices to work from home while staying safe and connected. Our suppliers and service partners also took appropriate measures to maintain high standards of hygiene, maintaining our normal operations with minimal disruption.

The coming financial year is set to be no less challenging than 2019/2020. The international business environment had already been destabilized because of trade tensions, and the pandemic adds new layers of complexity and uncertainty. If the pandemic continues to spread, so will the impact to global market and the Group's business. The Group has prepared to navigate through this turbulent time. Looking ahead, our ability to leverage our core competencies and execute on the above key elements of our strategy will ensure that our business sustains and prospers in the medium and long-term. When the economic clouds start to clear, we will emerge as a stronger, more confident and pioneering company. I hope that you will continue to support us on this journey.

CHAN Yuen Shan Clara
Vice-Chairman and Chief Executive Officer

29th June 2020

OVERALL BUSINESS PERFORMANCE

Financial Performance

The year ended 31st March 2020 was another challenging one for the Group. Its performance continued to be affected by an unfavourable global macro-economy, particularly trade tensions between the U.S. and China, as well as declining metal prices, especially the declining price for LEE KEE's main product, zinc.

The Group's revenue for the Financial Year was approximately HK$1,864 million, a decline of 18.1% compared to revenue of approximately HK$2,277 million earned in the year ended 31st March 2019 (the "Comparative Period"). The tonnage sold by the Group during the Financial Year was 89,460 tonnes, compared to 94,250 tonnes in the Comparative Period.

The Group recorded a gross profit of approximately HK$2 million and a gross profit margin of 0.10% for the Financial Year, compared to a gross profit of approximately HK$39 million for the Comparative Period. The Group recorded a loss attributable to equity shareholders of the Company of approximately HK$128 million during the Financial Year, compared to a loss of approximately HK$87 million during the Comparative Period.

The loss was mostly attributed to the continued fall in global metal prices, particularly the price of zinc, which lowered the overall gross profit of the sales transactions made during the Financial Year. The Group's financial performance was also adversely impacted by the global macro-economic environment, particularly the heightened trade tensions between the U.S. and China which slowed demand in China – the Group's largest market – in the final months of the Financial Year.

Both global zinc and nickel prices fell steadily throughout most of the Financial Year, despite some volatility. Zinc prices were volatile between October 2019 and the end of January 2020 before levelling off after the 'Phase One' trade deal was reached between the U.S. and China. Nickel prices surged during the first half of the Financial Year in response to supply constraints. However, both zinc and nickel prices then fell during the last two months of the Financial Year as the COVID-19 pandemic impacted manufacturing activity.

Distribution and selling expenses for the Financial Year were around HK$24 million, a decrease of 15.7% compared to the Comparative Period. The decrease was primarily attributed to the lower tonnage sold during the Financial Year. The Group's administrative expenses in the Financial Year fell 4.4% to around HK$83 million compared to the Comparative Period.

The Group recorded other net losses of approximately HK$18 million during the Financial Year, compared to other net losses of approximately HK$3 million during the Comparative Period. The change in other losses was mainly attributed to an impairment loss of approximately HK$17 million in property, plant and equipment recognized during the Financial Year.

The Group's finance costs for the Financial Year fell by 41.0% to approximately HK$6 million due to lower bank borrowings maintained during the Financial Year.

The Group continues to retain a healthy financial position, with bank balances and cash on hand of approximately HK$306 million as of 31st March 2020.

Business Review

A leading solutions 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 users of metals. LEE KEE's subsidiary, Promet Metals Testing Laboratory Limited ("Promet Lab") is one of the approved LME Listed Samplers and Assayers, raising Promet Lab's international profile in the area of metals testing and certification.

The Group's long-term competitiveness rests on an enterprise-wide ability to absorb uncertainty and incorporate lessons into the operating model quickly. In addition to its metals distribution 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 technical consultancy. To move on ahead of the charging environment, LEE KEE's strategic direction of expanding the scope of its business creates solutions for its customers to excel in the market.

Improving Competitiveness in Southeast Asia

The Group currently operates two offices in Singapore and Malaysia, along with a representative office in Thailand, which support both domestic sales as well as sales in Vietnam, India and Bangladesh. Throughout the Financial Year, the Group strengthened its collaboration with local partners to enhance its service offerings and competitiveness in the region. COVID-19 related factory shutdowns in February and March 2020 weakened the demand across the Southeast Asian countries, affecting the Group's performance in the fourth quarter of the financial year.

Catering to the High-growth Sector in the PRC Economy

China continued to be the largest market for the Group's metal products and services during the Financial Year. Its customers are mostly the end-users of metals, namely die-casters, manufacturers and brand owners covering a wide spectrum of industries. The Group also supplies special alloys that meet the high-quality standards of innovative manufacturers, particularly in the areas of consumer electronics and telecommunications, who are leading the world in developing the metals-dependent equipment needed for the coming 5G era.

The Group's own branded metals, namely Genesis, Mastercast and LMP, also experienced steady growth. Genesis' quality and reliability is widely recognised in the PRC, having won the Best Zinc Alloy Brand award for two consecutive years. Sales of the Group's aluminium alloy brand, LMP, escalated following a new market positioning strategy and focus on fast growing industry sectors.

Promet Ventures in New Markets

During the Financial Year, Promet Metals Testing Laboratory Limited ("Promet Lab") launched a drinking water quality testing service, extending its scope of services beyond metals and construction materials testing. Promet Lab also became one of the Hong Kong Water Supplies Department's (WSD) approved laboratories for providing water testing services to both general users and premises after being accredited by the Hong Kong Laboratory Accreditation Scheme (HOKLAS) of the Hong Kong Accreditation Service (HKAS) in January 2020.

Promet Lab will carry out sampling and testing in compliance with the WSD's "Sampling Protocol for Commissioning Test of Fresh Water Plumbing System", "New Commissioning Requirements for Plumbing Works in Occupied Buildings/Village Houses" and "Guidelines for Drinking Water Safety Plans for Buildings in Hong Kong". The testing will reflect whether the drinking water samples meet the metal content, chemical and physical parameters, as set out in the Hong Kong Drinking Water Standards, and thus safe to consume.

The Group's other subsidiary, Promet Consultancy Company Limited ("Promet Consultancy"), continued to offer factory audits, composition and defect analysis, process optimisation, mould design, and mould flow simulation, which are uniquely positioned to help companies produce better quality products and achieve greater cost-effectiveness and competitiveness. Leveraging its team's expertise and its growing recognition in the industry, Promet Consultancy conducted the first series of its advanced die casting training course during the Financial Year. The course received positive feedback from engineers in the die casting industry, especially on the depth of materials and the quality of the presentation.

Impact of COVID-19

The global COVID-19 pandemic impacted the Group's overall demand for metals during the final months of the Financial Year. High unemployment rate and depressed consumer confidence resulted in sluggish demand, especially in certain segments of the Group's business like automotive parts. The social and economic "lockdowns" caused significant disruption to supply chain in different countries at different stages, hampering the recovery of export business.

However, the Group's earlier efforts to safeguard its operational stability, including upgrading online meeting capabilities and embarking on the digitalisation of its sales process, ensured that it was able to maintain close communication with its customers and suppliers. It also enabled the Group to fulfil orders to its customers in markets that were not subject to full lockdowns.

An Advocate for ESG and Sustainability

Sustainability, both commercially and environmentally, remains a top priority for the Group. Commercially, the Group has been continually diversifying the scope of its business and its product range to meet the changing market. It is also focusing on regional expansion, the adoption of innovative technologies and the creation of new ventures focused on value-added services to safeguard its long-term sustainability and competitiveness.

LEE KEE is also dedicated to environmental protection, taking various measures to mitigate the adverse environmental impact of its business operations through responsible sourcing, emissions reduction, resource conservation and waste management. In addition to the ISO 14001 Environmental Management System, the Group was successfully accredited ISO 45001 which shows its commitment to occupational health and safety.

The Group promotes workforce diversity not only as a matter of good corporate governance but also a driver of business performance. We participated in community programs and provided internship opportunities to encourage employment of the middle-aged. We also conduct induction and continuous training to our staff on various topics like data privacy, corporate governance, to raise our standard of governance across the Group.

Prospects

Macro-economic outlook stays uncertain

The movement of global metal prices is likely to remain highly volatile and difficult to predict. While mine closures forced by the outbreak of COVID-19 have started to be resume, diminished global demand resulting from both COVID-19 and the ongoing US-China trade dispute will continue to pressure prices and demand.

Zinc prices will likely be under pressure in the medium-to-long-term, with new supply expected to enter the market and nickel prices will continue to be heavily influenced by the development of the global electric vehicle industry and the export policies of major supplier countries. The most significant impact to the global business is likely to be the fast-moving and unexpected variables brought by the COVID-19 pandemic. The ripple effects on metals and manufacturing industries in Greater China and Southeast Asia are difficult to assess, not to mention the possibility of resurgence of virus.

The Group will continue to closely monitor the global metals markets, stay close to our customers, and take necessary responsive action to mitigate the impact which will be illustrated as follows:

Continued investment in digitalisation safeguards operational stability

The Group will continue to invest in the streamlining, digitalization and automation of back-office functions to 'future proof' its operational stability. We will accelerate our digital transformation, not only to maintain close communication with customers, suppliers and employees but to buildup technology capability on top of our supply chains resiliency so that LEE KEE could remain a reliable business partner that can truly deliver in the more extreme circumstances that may transpire over the next few years.

These investments will enable the Group to continue to deliver value and meet its customers' changing needs and expectations as they reposition to cope with the challenging economic environment.

Ongoing expansion in Southeast Asia

Despite the short-term challenges, manufacturing activity in Southeast Asia is expected to continue intensifying over the long-term.

The Group will upgrade its product and service offerings in this market to compete for market share and capture growth opportunities. It will continue to strengthen its sales capabilities in the region, while also expanding its partnerships, collaborations and marketing to reinforced and increase regional brand awareness.

Innovation and Change

The Group remains committed to enhancing its research and development capabilities to develop special alloys and upgrade their performance features to cater to the more advanced and increasingly complex requirements of manufacturers particularly in fast-growing sectors such as telecommunications and consumer electronics.

To foster growth and development, the Group will continue take advantage of the digital era and adopt innovations to better manage its organisation. Through the ongoing re-invention of internal processes, reinforcement of our data analytics platform, and rejuvenation of its sales and marketing practice, the Group will keep taking the pulse of our customers while thinking through longer-term considerations and formulating strategies around shifts in core markets. LEE KEE thus will remain flexible in the fast-changing market, consistently adding value for customers, partners and other stakeholders.

Stringent controls on costs

The Group will continue to take steps to streamline its operations and metal-purchasing protocols to contain costs and protect its margins, an outcome that will be challenging in the short-term given the current market volatility, the uncertain macro-economic environment and changing global trade policies.

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, and take advantage of new growth opportunities.

DIVIDEND

The Board of Directors of the Company does not recommend the payment of final dividend for the Financial Year.

ANNUAL GENERAL MEETING

It was proposed that the Annual General Meeting of the Company (the "AGM") will be held on 24th August 2020. 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 Wednesday, 19th August 2020 to Monday, 24th August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 18th August 2020.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 31st March 2020, the Group had unrestricted cash and bank balances of approximately HK$306 million (2019: HK$357 million) and bank borrowings of approximately HK$120 million (2019: HK$196 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 2020, the outstanding borrowing of this facility amounted to HK$13 million (2019: HK$14 million).

The remaining borrowings, which are short term in nature, were made in United States dollars with interest chargeable at market rates. The gearing ratio (total bank borrowings and lease liabilities to total equity) as at 31st March 2020 was 14.1% (2019: 19.4%). The Group has a current ratio of 544% as at 31st March 2020 (2019: 431%).

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 2020, the Group had approximately 180 employees (2019: 200 employees). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences, the prevailing industry practices and market condition. 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 insurance and training schemes. During the year, staff costs (including directors' emoluments) were approximately HK$63 million (2019: HK$62 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, 29th June 2020

*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. HO Kwai Ching Mark* * *and Mr. TAI Lun Paul**.

* *Independent non-executive Directors*