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利 記 控 股 有 限 公 司
SINCE 1947 **LEE KEE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 637)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

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 31 March 2023 (the "**Financial Year**" or the "**Year**") together with the comparative figures for the year ended 31 March 2022 (the "**Comparative Period**") as follows:

| | Note | **2023** <br> ***HK$'000*** | 2022 <br> *HK$'000* |
|---|---|---|---|
| **Revenue** | *4* | **2,204,673** | 2,549,769 |
| Cost of sales | | **(2,127,327)** | (2,404,126) |
| **Gross profit** | | **77,346** | 145,643 |
| Other income | | **12,809** | 7,338 |
| Distribution and selling expenses | | **(27,394)** | (29,752) |
| Administrative expenses | | **(88,650)** | (86,609) |
| Other net losses | | **(4,618)** | (7,853) |
| **(Loss)/profit from operations** | | **(30,507)** | 28,767 |
| Finance income | | **1,237** | 597 |
| Finance costs | | **(5,878)** | (2,966) |
| Net finance costs | *5(a)* | **(4,641)** | (2,369) |

| | Note | **2023** | 2022 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **(Loss)/profit before taxation** | *5* | **(35,148)** | 26,398 |
| Income tax | *6* | **(9,445)** | (7,859) |
| (Loss)/profit for the year | | **(44,593)** | 18,539 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(44,469)** | 18,657 |
| Non-controlling interests | | **(124)** | (118) |
| (Loss)/profit for the year | | **(44,593)** | 18,539 |
| **(Loss)/earnings per share** | *8* | | |
| Basic and diluted *(Hong Kong cents)* | | **(5.37)** | 2.25 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(Loss)/profit for the year** | **(44,593)** | 18,539 |
| **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 | **(4,357)** | (1,299) |
| Surplus on revaluation of land and building held for own use | **31,416** | — |
| Tax effect to surplus on revaluation of land and building held for own use | **(5,183)** | — |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax | **(18,800)** | 12,022 |
| Cash flow hedges: net movement in the hedging reserve | **—** | 317 |
| **Other comprehensive income for the year** | **3,076** | 11,040 |
| **Total comprehensive income for the year** | **(41,517)** | 29,579 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(41,393)** | 29,697 |
| Non-controlling interests | **(124)** | (118) |
| **Total comprehensive income for the year** | **(41,517)** | 29,579 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 2023<br>*HK$'000* | 2022<br>*HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | *9* | **137,900** | 104,900 |
| Other property, plant and equipment | *10* | **33,292** | 44,639 |
| Intangible assets | | **4,264** | 2,430 |
| Financial assets at fair value through other comprehensive income | | **6,872** | 11,229 |
| Prepayments | *12* | **16,010** | 382 |
| Deferred tax assets | | **2,702** | 2,724 |
| | | **201,040** | 166,304 |
| **Current assets** | | | |
| Inventories | *11* | **279,578** | 411,003 |
| Trade and other receivables | *12* | **222,652** | 330,404 |
| Tax recoverable | | **525** | 28 |
| Derivative financial instruments | | **941** | 662 |
| Cash and cash equivalents | *13* | **221,000** | 208,750 |
| | | **724,696** | 950,847 |
| **Current liabilities** | | | |
| Trade and other payables and contract liabilities | *14* | **24,896** | 33,265 |
| Bank borrowings | *15* | **2,750** | 140,705 |
| Lease liabilities | | **1,864** | 2,265 |
| Tax payable | | **1,021** | 2,878 |
| Derivative financial instruments | | **999** | 1,839 |
| | | **31,530** | 180,952 |
| **Net current assets** | | **693,166** | 769,895 |
| **Total assets less current liabilities** | | **894,206** | 936,199 |

| | Note | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | | **5,956** | 7,603 |
| Employee retirement benefit obligations | | **5,970** | 1,500 |
| Deferred tax liabilities | | **8,856** | 3,867 |
| | | **20,782** | 12,970 |
| **NET ASSETS** | | **873,424** | 923,229 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **82,875** | 82,875 |
| Reserves | | **790,707** | 840,388 |
| **Total equity attributable to equity shareholders of the Company** | | **873,582** | 923,263 |
| Non-controlling interests | | **(158)** | (34) |
| **TOTAL EQUITY** | | **873,424** | 923,229 |

## 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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, 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, provision of metal testing and consultancy services as well as alloy production 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 31 March 2023 but are derived from those financial statements.

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2021/22 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 investment properties, 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments do not have a material impact on the Group's financial statements.

## 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:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Sales of goods (recognised at point in time) | **2,204,673** | 2,549,769 |

### (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.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Revenue** | **Segment results** | Revenue | Segment results |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Hong Kong | **974,660** | **(58,323)** | 1,185,071 | (4,005) |
| Mainland China | **1,230,013** | **19,625** | 1,364,698 | 33,287 |
| | **2,204,673** | **(38,698)** | 2,549,769 | 29,282 |

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

| | | **2023** | |
|---|---|---|---|
| | **Hong Kong** | **Mainland China** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Segment assets | **541,670** | **384,066** | **925,736** |
| Segment liabilities | **44,802** | **7,510** | **52,312** |

| | | 2022 | |
|---|---|---|---|
| | Hong Kong | Mainland China | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | 670,740 | 446,411 | 1,117,151 |
| Segment liabilities | 119,935 | 73,987 | 193,922 |

**(b) Reconciliation of reportable segment profit or loss**

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Total segment results | **(38,698)** | 29,282 |
| Other income | **12,809** | 7,338 |
| Other net losses | **(4,618)** | (7,853) |
| Net finance costs | **(4,641)** | (2,369) |
| (Loss)/profit before taxation | **(35,148)** | 26,398 |

## 5 (LOSS)/PROFIT BEFORE TAXATION

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

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(a) Net finance costs** | | |
| Interest income | **1,237** | 597 |
| Interest on lease liabilities | **(309)** | (147) |
| Interest on bank borrowings | **(5,569)** | (2,819) |
| | **(4,641)** | (2,369) |

| | 2023 | 2022 |
|---|---|---|
| | *HK$'000* | *HK$'000* |

**(b) Other items**

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Auditor's remuneration | | |
| — audit services | **2,120** | 2,025 |
| — other services | **402** | 498 |
| Depreciation of property, plant and equipment | **6,348** | 6,376 |
| Depreciation of right-of-use assets | **2,601** | 2,459 |
| Lease payments not included in the measurement of lease liabilities | **1,058** | 897 |
| Cost of inventories sold | **2,128,867** | 2,406,472 |
| Gain on disposals of property, plant and equipment | **(17)** | (581) |
| Change in fair value of investment properties | **3,600** | 2,736 |
| Realised (gain)/loss on metal future trading contracts and foreign exchange forward contracts | **(262)** | 796 |
| Staff costs (including directors' remuneration) | **67,771** | 66,542 |
| Reversal of write-down of inventories | **(1,540)** | (2,346) |
| Net foreign exchange losses | **1,297** | 4,115 |
| (Reversal)/recognition of credit losses of trade receivables | **(500)** | 552 |

## 6 INCOME TAX

| | 2023 | 2022 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Current tax | | |
| — Hong Kong Profits Tax | **191** | 968 |
| — Mainland China Corporate Income Tax | **9,116** | 7,175 |
| Under/(over)-provision in prior years | **310** | (110) |
| | **9,617** | 8,033 |
| Deferred tax | **(172)** | (174) |
| | **9,445** | 7,859 |

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) for the year. Taxation for Mainland China's subsidiaries is similarly calculated using the tax rate of 25% (2022: 25%) for the year.

## 7 DIVIDENDS

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

| | **2023** | 2022 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the year ended 31 March 2023 of HK\$0.01 (2022: HK\$0.01) per ordinary share | **8,288** | 8,288 |

The directors do not recommend the payment of final dividend for the year ended 31 March 2023 (2022: HK\$0.01).

## 8 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

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

| | **2023** | 2022 |
|---|---|---|
| (Loss)/profit attributable to equity shareholders of the Company *(HK\$'000)* | **(44,469)** | 18,657 |
| Average number of ordinary shares in issue *('000)* | **828,750** | 828,750 |
| Basic (loss)/earnings per share *(Hong Kong cents)* | **(5.37)** | 2.25 |

### (b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 March 2023 and 2022 are the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

## 9 INVESTMENT PROPERTIES

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net book value as at 1 April | **104,900** | 63,600 |
| Additions | **—** | 44,036 |
| Transfer from other property, plant and equipment | **36,600** | — |
| Fair value change | **(3,600)** | (2,736) |
| Net book value as at 31 March | **137,900** | 104,900 |

The valuations of investment properties carried at fair value were updated at 31 March 2023 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2022 valuations, which resulted in a valuation loss of HK$3,600,000 (2022: HK$2,736,000) recognised in profit or loss for the year.

The Group's property with carrying value of HK$36,600,000 was transferred to investment property as a result of change in use to leasing from self-occupation during the year ended 31 March 2023.

## 10 OTHER PROPERTY, PLANT AND EQUIPMENT

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net book value as at 1 April | **44,639** | 32,744 |
| Exchange difference | **(786)** | 351 |
| Additions | **3,627** | 20,389 |
| Disposals | **(55)** | (10) |
| Depreciation | **(8,949)** | (8,835) |
| Transfer to investment properties | **(5,184)** | — |
| Net book value as at 31 March | **33,292** | 44,639 |

## 11 INVENTORIES

| | 2023 | 2022 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Finished goods | **287,919** | 420,640 |
| Less: write-down of inventories | **(8,341)** | (9,637) |
| | **279,578** | 411,003 |

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$2,128,867,000 (2022: HK$2,406,472,000) for the year.

## 12 TRADE AND OTHER RECEIVABLES

| | 2023 | 2022 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Non-current portion** | | |
| Prepayments for purchase of property, plant and equipment | **16,010** | 382 |
| **Current portion** | | |
| Trade receivables, net of loss allowance | **182,589** | 277,598 |
| Prepayments to suppliers | **17,032** | 40,388 |
| Deposits | **1,366** | 1,669 |
| Other receivables | **21,665** | 10,749 |
| | **222,652** | 330,404 |
| | **238,662** | 330,786 |

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:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **141,326** | 227,469 |
| Over 1 but within 2 months | **34,915** | 36,548 |
| Over 2 but within 3 months | **6,332** | 13,405 |
| Over 3 months | **16** | 176 |
| | **182,589** | 277,598 |

## 13 CASH AND CASH EQUIVALENTS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cash at bank and on hand | **221,000** | 208,750 |

## 14 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Trade and other payables** | | |
| Trade payables | **5,119** | 4,565 |
| Accrued expenses and other payables | **11,073** | 21,243 |
| | **16,192** | 25,808 |
| **Contract liabilities** | **8,704** | 7,457 |
| | **24,896** | 33,265 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **4,731** | 4,545 |
| Over 1 but within 3 months | **371** | — |
| Over 3 months | **17** | 20 |
| | **5,119** | 4,565 |

## 15 BANK BORROWINGS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current portion of bank borrowings | **1,500** | 140,705 |
| Non-current portion of bank borrowings with repayable on demand clause | **1,250** | — |
| | **2,750** | 140,705 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 year or on demand | **1,500** | 140,705 |
| After 1 year but within 2 years | **1,250** | — |
| | **2,750** | 140,705 |

As at 31 March 2023 and 2022, all the bank borrowings were guaranteed by the Company.

As at 31 March 2023, HK$420,000,000 (2022: HK$500,000,000) of the Group's banking facilities were subject to the fulfilment of covenants. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. None of the covenants relating to drawn down facilities had been breached as at 31 March 2023 and 2022.

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

| | **2023** | 2022 |
|---|---|---|
| Bank borrowings | **5.57%** | 2.02% |

## OVERALL BUSINESS PERFORMANCE

### Financial Review

For the year ended 31 March 2023 ("**Financial Year**"), the Group faced unprecedented and continuous macro-headwinds, including increasing interest rates, inflationary pressure, and COVID outbreaks, severely softening demand. The Group continued to navigate these unpredictable operating environments to deliver resilient performance amid locked-down and disruptions.

The Group's revenue for the Financial Year was approximately HK$2,205 million, a decrease of 14.0% compared to approximately HK$2,550 million for the year ended 31 March 2022 (the "**Comparative Period**"). During the Financial Year, tonnage sold by the Group was around 80,000 tonnes, a drop of 17.4% when compared to 96,790 tonnes in the Comparative Period.

The Group recorded a gross profit of approximately HK$77.3 million and a gross profit margin of 3.5% for the Financial Year, compared to a gross profit of around HK$146 million and a gross profit margin of 5.7% for the Comparative Period. The decline was attributed to decreased tonnage sold and a higher base effect in comparison with the Comparative Period.

The Group recorded a loss attributable to the Company's equity shareholders of approximately HK$44.4 million during the Financial Year, compared to a profit of HK$18.7 million during the Comparative Period. The loss was attributable to the unfavorable effects of supply chain disruption and higher expenses, partly offset by more optimized product and services portfolio mix and a recovery of metal prices in the second half of the Financial Year.

Global zinc prices have fallen sharply during the financial year, from US$4,409 per metric ton to US$2,736 per metric ton. Due to supply chain disruptions, it hit a multi-year high in April 2022. Then began to decline amid central bank tightening and recession fears, until hitting a low in November 2022 as supply chain disruption eased. Global zinc prices have since rebounded as China's pandemic restrictions eased. Nevertheless, macro-uncertainty continues weighing on global zinc prices for the rest of the Financial Year. It finally ended this fiscal year at around US$2,900 per metric ton level.

The Group mitigated operational challenges and higher logistics costs and recorded a decrease in distribution and selling expenses during the period under review to HK$27.4 million, compared to the Comparative Period, while the general and administrative expenses were increased approximately HK$2.0 million compared to the Comparative Period. The increase is mainly due to the adoption of MPF offsetting abolition effect into calculation of employee retirement benefit obligations, partly offset by decrease in provision for staff bonus which has taken into consideration of the changes in Group's performance compared to the Comparative Period.

The Group recorded a growth in other income of HK$12.8 million during the Financial Year, compared to other income of HK$7.3 million during the Comparative Period. The increase in other income was mainly attributed to increased contribution from the Group's subsidiary Promet Metals Testing Laboratory Limited ("**Promet Testing**").

The Group's finance costs for the Financial Year were HK$5.9 million compared to HK$3.0 million in the Comparative Period.

The Group continues to retain a healthy financial position, with HK$221 million bank balances and cash on hand as of 31 March 2023.

**Business Review**

***Lee Kee's digitalised platforms reinforce resilience amid uncertainties***

The Financial Year saw ongoing macro-headwinds that severely impacted overall demand. Consumer sentiment was deeply affected by COVID outbreaks, lockdowns, and inflationary pressure, while the industry continued to navigate through supply chain disruptions and weakened demands.

Lee Kee had already started devising and implementing a digitalisation strategy, which helped mitigate the impact of business disruptions, enabling the Group to continue providing valued-adding solutions as the reliable metal solutions provider in the Greater China and Southeast Asia region.

The Group leveraged its digitalised platforms to analyse and understand customer patterns, which helped arrange shipments efficiently and provide contactless delivery of key materials to various manufacturers operating in 'closed loop' production while complying with government pandemic measures during the outbreaks.

Lee Kee's production in Hong Kong adopted new industrialization, enabling real-time data collection and exchange for processes, cloud computing and storage, and saved energy while improving production effectiveness and efficiency. The Group set up automation at Genesis Alloys (Ningbo) Ltd., a member of Lee Kee Group, for its casting production line. It also enhanced employee safety and improved product stability and quality.

In addition, the availability of business analytics from our digitalised operations enabled the Group to manage its inventory efficiently. The execution of these strategies unleashed opportunities in extending to new markets beyond metals.

An example of a new digital initiative launched includes extending Promet Testing's services to new customer segments, including domestic households in Hong Kong and SMEs, via its new e-commerce marketplace and social media channels. Through this, the Group can effectively target a wider customer portfolio domestically.

***Product mix further enhanced with geographic diversification***

To deepen customer engagement and geographic expansion, the Group continued to invest in new geographical areas. In addition to expansion across Singapore and Malaysia over the past few years, the Group further expanded its Thailand office in 2022 to capture the growing demand for quality metal alloys and technical consultancy services in the Southeast Asia region, to stay ahead of the economic growth advocated by Regional Comprehensive Economic Partnership (RCEP) and continue to expand our penetration along the Belt and Road.

With the market reopening, ASEAN economies grew 5.6% in 2022 and continued outperforming developed markets such as the EU and the US, which were impacted by higher energy and geographical instability.

The continuous investment into diverse hubs has enabled the Group to mitigate disruptions in a single location while further cultivating the Group's regional innovative capabilities to provide metal solutions for clients across Asia.

Ongoing upgrades of traditional industries, continuous infrastructure investment, and adaptation of die casting in EVs and advanced components have also expanded the application for metal alloys. Lee Kee is strategically well-placed to develop specialty alloys catering to the specifications of advanced manufacturing sectors and other key traditional industries.

As the Group marketed its range of specialty alloys targeting critical industrial sectors across Asia, it optimised product mix catering to high-growth sectors. This will serve to enhance the overall product margins and business profitability in the future.

***Create sustainable value in the global green supply chain***

As the world leaders renewed their commitment to accelerate the transition towards carbon neutrality and China released its action plan for reaching the carbon peak by 2030, the Group's management recognized that it is inevitable for various industries to impose emission reduction targets along their supply chain.

Demand for carbon data for customers to assess their scope 3 emissions has been on the rise in recent years. To that end, the Group intended to optimise its ESG disclosure channel, providing carbon emission and other ESG data for metal deployment, usage and transport. With more comprehensive ESG data, Lee Kee aims to be the enabler of its customers to integrate into the green supply chain. At the same time, Lee Kee also plans to commence metal remelting services to help customers reduce their carbon footprint. By stepping up its efforts in measuring and disclosing validated carbon emissions data of its branded zinc alloy products, Lee Kee further supports customers' transition to the global green economy.

Looking internally, throughout the years, the Group has spared no effort to mitigate the climate change risks by reducing its own carbon emission, improving resources' efficiency and utilising renewable energy. Its 200kW solar panels generated 260,279 kWh renewable energy in the financial year. Genesis Alloys (Ningbo) Ltd., a member of Lee Kee Group, implemented waste heat recovery systems, utilizing waste heat from flue gas in our smelting furnace and reusing it to preheat combustion air, successfully saving energy and reducing emissions. It also installed an advanced compressed air system which has 20% energy saving compared to the previous model. It also extended the use of reusable packaging for its deliveries according to the "5R" framework of Waste Management — Replace, Reduce, Recover, Repurpose, Recycle, as it strives to develop new methods to fulfil its sustainability targets. Furthermore, various water-saving initiatives, including redesigning the process for cooling water systems in casting production lines and stormwater collection systems, are also in place to save water efficiently.

The Group has also been recognised by the industry and society for its progress on sustainable development. It has maintained the ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. It also participated in the CarbonCare, Business Environment Council (BEC), Low Carbon Charter, and the Aluminium Stewardship initiatives.

***Value solutions beyond metals***

More stringent quality control and awareness of health and well-being have further supported the demand for metal and water testing for Promet Testing during the year.

As one of the London Metal Exchange (LME)'s approved LSAs for zinc, aluminum and aluminum alloys, Lee Kee plays an important role as the operator of the established laboratory within the Hong Kong Laboratory Accreditation Scheme (HOKLAS). It certifies the composition of metals in components and construction materials to ensure product compliance which meets specific international standards.

Promet Testing is also an approved laboratory of the Hong Kong Water Supplies Department on drinking water quality. In 2022, the expansion of Promet Testing's e-commerce platform further broadened the client base and widened the Group's access to offer testing and consultancy services for domestic households.

The Group's mission is to create value solutions beyond metals. It guided extensions of product offerings that served the needs of existing and new customer groups. By ensuring drinking water quality, the Group also contributes to the well-being of its household customers in Hong Kong.

**Prospects**

***Navigating uneven recovery with prudent risk management***

Looking forward to 2023, the reopening and gradual recovery in Greater China is expected to support a rebound in metal demands across industries. However, the rebound will likely be uneven as external challenges such as inflation, rising interest rates, and uncertainties continue to weigh on consumer demands, resulting in soft global demand. With the demand outlook remaining mixed and the magnitude of business recovery likely towards the second half of 2023, the Group is cautiously optimistic about the business challenges ahead and will continue implementing its risk management practices and actively managing its inventory level.

***Regional expansion with closer customer engagement***

With ongoing infrastructure and industrialisation development in the ASEAN region and favourable government policy helping to resume economic growth, the Group believes that its diversified geographical presence and ongoing regional expansions will firmly position itself to capture business opportunities in the Greater China and ASEAN region.

Taking the pulse of evolving global industrial supply chains, Lee Kee's regional expansion strategy benefits from the expansion plans of its customers along the Regional Comprehensive Economic Partnership (RCEP) and the Belt and Road. The Group will further secure a closer engagement with its customers.

***Capitalising on product innovation beyond metals***

Leveraging its high-quality testing and technical services and together with its innovation initiatives, the Group will continue to enhance its online channels to expand Promet Testing's customer base, providing all-rounded and innovative technical consultancy solutions and testing services to new customer groups in Asia.

The Group also engaged with emerging industries by partnering with a leading academic and research institution. Its subsidiary — Lee Tai Precious Metal Company Limited, was recently awarded the highest-class medal, 'Gold Medal with Congratulations of the Jury' at the 48th Geneva International Exhibition of Inventions in recognition of its collaboration with the Department of Orthopaedics and Traumatology, The Chinese University of Hong Kong to create semi-automatic 3D planning software for osteotomy jig generation.

At the same time, the Group is also expanding its production capacity in Hong Kong. The new facility is expected to launch production by the third quarter of 2023, which will broaden its alloy portfolios to tap into new growth areas.

By prioritizing talent engagement, the Group aims to create a supportive and inclusive work environment where employees feel valued, motivated, and inspired to contribute to our innovation beyond metals.

Riding on ongoing product innovation and core competencies, the Group firmly believes it will be able to capitalise on business opportunities in emerging industries and services.

***Continual approach to sustainable manufacturing***

The Group will guide its strategic approach to sustainable manufacturing, enabling a real impact and maximising long-term opportunities across the value chain.

The approach to sustainable manufacturing encompasses infrastructure enhancements, establishing rigorous control measures, adopting renewable energy sources such as solar power, investing in energy-efficient equipment, and optimising production processes. Through these concerted efforts, Lee Kee is dedicated to mitigating its environmental footprint and affirming its commitment to a more sustainable future.

***Advancing responsible sourcing and sustainability***

As various industries accelerate the transition towards a greener supply chain, Lee Kee's ability to provide customised solutions and carbon emissions data for clients will prove invaluable and help the Group capture a larger market share of the existing client's orders while maintaining profitability.

It will also continue to proactively adapt its supply chain and strengthen its resources management capability to cater to the fast-moving market environment and ongoing ESG trends.

The Group's metal supplier selection and evaluation processes are designed to identify and mitigate potential environmental and social risks, as well as business ethics, and it requires suppliers to meet responsible sourcing practices. Lee Kee values partnerships with suppliers and will continue to prioritising sustainability in all aspects of its business.

Lee Kee will actively engage with business partners on research and development initiatives to explore innovative solutions and best practices in the non-ferrous metal industry. By working together, the Group targets accelerating the transition to a more sustainable future and creating lasting value for all stakeholders, further cementing its position as a leader in ESG performance.

## 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 25 August 2023. 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, 22 August 2023 to Friday, 25 August 2023, 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 17/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 August 2023.

## LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 31 March 2023, the Group had unrestricted cash and bank balances of approximately HK$221 million (2022: HK$209 million) and bank borrowings of approximately HK$3 million (2022: HK$141 million). The gearing ratio (total borrowings and lease liabilities to total equity) as at 31 March 2023 was 1.21% (2022: 16.3%). The Group has a current ratio of 2,298% as at 31 March 2023 (2022: 525%).

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 31 March 2023, the Group had approximately 190 employees (2022: 180 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). During the year, staff costs (including directors' emoluments) were approximately HK$67.8 million (2022: HK$66.5 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 AUDITED CONSOLIDATED ANNUAL FINANCIAL INFORMATION

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 assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

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

Hong Kong, 25 May 2023

*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*, Mr. TAI Lun Paul* and Mr. WONG Kam Fai William*.*

\# *Non-executive Director*
* *Independent non-executive Directors*