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)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The Board of Directors (the "Board") of Lee Kee Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively "LEE KEE" or the "Group") for the six months ended 30 September 2023 (the "Interim Period" or the "Period") together with the comparative figures for the six months ended 30 September 2022 (the "Comparative Period") as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*for the six months ended 30 September 2023 – unaudited*

| | *Note* | **Six months ended 30 September 2023** *HK$'000* | 2022 *HK$'000* |
|---|---|---|---|
| **Revenue** | 4 | **844,579** | 1,304,497 |
| Cost of sales | | **(808,056)** | (1,251,511) |
| **Gross profit** | | **36,523** | 52,986 |
| Other income | | **5,576** | 6,567 |
| Distribution and selling expenses | | **(11,262)** | (15,406) |
| Administrative expenses | | **(43,828)** | (42,544) |
| Other net losses | | **(728)** | (1,954) |
| **Loss from operations** | | **(13,719)** | (351) |
| Finance income | | **1,131** | 358 |
| Finance costs | | **(303)** | (3,446) |
| Net finance income/(costs) | 5(a) | **828** | (3,088) |

| | Note | Six months ended 30 September 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **Loss before taxation** | 5 | **(12,891)** | (3,439) |
| Income tax | 6 | **(1,822)** | (3,771) |
| **Loss for the period** | | **(14,713)** | (7,210) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(14,649)** | (7,008) |
| Non-controlling interests | | **(64)** | (202) |
| **Loss for the period** | | **(14,713)** | (7,210) |
| **Loss per share** | *8* | | |
| Basic and diluted *(Hong Kong cents)* | | **(1.77)** | (0.85) |

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

*for the six months ended 30 September 2023 – unaudited*

| | Six months ended 30 September | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| **Loss for the period** | **(14,713)** | (7,210) |
| **Other comprehensive income for the period:** | | |
| *Items that will not be reclassified to profit or loss, net of nil tax:* | | |
| Revaluation of financial assets at fair value through other comprehensive income | **(1,383)** | (3,352) |
| *Items that may be reclassified subsequently to profit or loss, net of nil tax:* | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong | **(13,482)** | (26,626) |
| **Other comprehensive income for the period** | **(14,865)** | (29,978) |
| **Total comprehensive income for the period** | **(29,578)** | (37,188) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(29,514)** | (36,986) |
| Non-controlling interests | **(64)** | (202) |
| **Total comprehensive income for the period** | **(29,578)** | (37,188) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*at 30 September 2023 – unaudited*

| | Note | At 30 September 2023 HK$'000 | At 31 March 2023 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 9 | **137,900** | 137,900 |
| Other property, plant and equipment | 10 | **47,908** | 33,292 |
| Intangible assets | | **4,264** | 4,264 |
| Financial assets at fair value through other comprehensive income | | **5,489** | 6,872 |
| Prepayments | 12 | **671** | 16,010 |
| Deferred tax assets | | **2,703** | 2,702 |
| | | **198,935** | 201,040 |
| **Current assets** | | | |
| Inventories | 11 | **190,218** | 279,578 |
| Trade and other receivables | 12 | **228,455** | 222,652 |
| Tax recoverable | | **439** | 525 |
| Derivative financial instruments | | **4,999** | 941 |
| Cash and cash equivalents | 13 | **266,758** | 221,000 |
| | | **690,869** | 724,696 |
| **Current liabilities** | | | |
| Trade and other payables and contract liabilities | 14 | **20,364** | 24,896 |
| Bank borrowings | 15 | **2,000** | 2,750 |
| Lease liabilities | | **1,784** | 1,864 |
| Tax payable | | **1,075** | 1,021 |
| Derivative financial instruments | | **13** | 999 |
| | | **25,236** | 31,530 |
| **Net current assets** | | **665,633** | 693,166 |
| **Total assets less current liabilities** | | **864,568** | 894,206 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*at 30 September 2023 – unaudited (continued)*

| | **At 30 September 2023** *HK$'000* | At 31 March 2023 *HK$'000* |
|---|---|---|
| **Non-current liabilities** | | |
| Employee retirement benefit obligations | **5,970** | 5,970 |
| Lease liabilities | **5,844** | 5,956 |
| Deferred tax liabilities | **8,908** | 8,856 |
| | **20,722** | 20,782 |
| **NET ASSETS** | **843,846** | 873,424 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **82,875** | 82,875 |
| Reserves | **761,193** | 790,707 |
| **Total equity attributable to equity shareholders of the Company** | **844,068** | 873,582 |
| Non-controlling interests | **(222)** | (158) |
| **TOTAL EQUITY** | **843,846** | 873,424 |

## 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 interim financial report for the period ended 30 September 2023, but are derived from that interim report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 16 November 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022/23 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023/24 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022/23 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2023 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

## 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial results. 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, provision of metal testing and consultancy services, as well as alloy production in Hong Kong and Mainland China. Revenue recognised during the period is as follows:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Sales of goods (recognised at point in time) | **844,579** | 1,304,497 |

**(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 income/(costs).

| | Six months ended 30 September | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **Revenue** | **Segment results** | Revenue | Segment results |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Hong Kong | **377,403** | **(25,360)** | 594,898 | (15,531) |
| Mainland China | **467,176** | **6,793** | 709,599 | 10,567 |
| | **844,579** | **(18,567)** | 1,304,497 | (4,964) |

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

| | At 30 September 2023 | | |
|---|---|---|---|
| | **Hong Kong** | **Mainland China** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Segment assets | **568,851** | **320,953** | **889,804** |
| Segment liabilities | **40,311** | **5,647** | **45,958** |

| | At 31 March 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 |

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

| | Six months ended 30 September 2023 *HK$'000* | 2022 *HK$'000* |
|---|---|---|
| Total segment results | **(18,567)** | (4,964) |
| Other income | **5,576** | 6,567 |
| Other net losses | **(728)** | (1,954) |
| Net finance income/(costs) | **828** | (3,088) |
| Loss before taxation | **(12,891)** | (3,439) |

## 5 LOSS BEFORE TAXATION

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

| | Six months ended 30 September 2023 *HK$'000* | 2022 *HK$'000* |
|---|---|---|
| **(a) Net finance (income)/costs** | | |
| Interest income | **(1,131)** | (358) |
| Interest on lease liabilities | **224** | 163 |
| Interest on short-term bank borrowings | **79** | 3,283 |
| | **(828)** | 3,088 |

| | Six months ended 30 September 2023 *HK$'000* | 2022 *HK$'000* |
|---|---|---|
| **(b) Other items** | | |
| Depreciation of property, plant and equipment | **2,893** | 3,395 |
| Depreciation of right-of-use assets | **1,176** | 1,251 |
| Short-term lease payments not included in the measurement of lease liabilities – land and buildings | **600** | 572 |
| Cost of inventories sold | **809,092** | 1,246,076 |
| Change in fair value of investment properties | **–** | 300 |
| Unrealised gain on metal future trading contracts and foreign exchange forward contracts | **(4,987)** | (738) |
| Staff costs (including directors' remuneration) | **32,980** | 30,819 |
| (Reversal of)/provision for write-down of inventories | **(1,036)** | 5,435 |
| Net foreign exchange loss | **5,715** | 2,394 |
| Reversal of credit loss of trade receivables | **(89)** | (575) |

## 6 INCOME TAX

| | Six months ended 30 September | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| – Hong Kong Profits Tax | **118** | 314 |
| – Mainland China Corporate Income Tax | **1,652** | 3,260 |
| Over-provision in prior years | **–** | (92) |
| | **1,770** | 3,482 |
| Deferred tax | **52** | 289 |
| | **1,822** | 3,771 |

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2022: 16.5%) to the six months ended 30 September 2023. Taxation for Mainland China's subsidiaries is similarly calculated using the tax rate of 25% (six months ended 30 September 2022: 25%) to the six months ended 30 September 2023.

## 7. DIVIDENDS

### (i) Dividends payable to equity shareholders attributable to the interim period

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: HK$Nil).

### (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

| | Six months ended 30 September | |
|---|---|---|
| | **2023** | 2022 |
| | ***$'000*** | *$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK$Nil per ordinary share (six months ended 30 September 2022: HK$0.01 per ordinary share) | **–** | 8,288 |

## 8 LOSS PER SHARE

### (a) Basic loss per share

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

| | **Six months ended 30 September** | |
|---|---|---|
| | **2023** | 2022 |
| Loss attributable to equity shareholders of the Company *(HK$'000)* | **(14,649)** | (7,008) |
| Average number of ordinary shares in issue *('000)* | **828,750** | 828,750 |
| Basic loss per share *(Hong Kong cents)* | **(1.77)** | (0.85) |

### (b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2023 and 2022 are the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

## 9 INVESTMENT PROPERTIES

| | **Six months ended 30 September** | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| Net book value as at 1 April | **137,900** | 104,900 |
| Fair value change | **–** | (300) |
| Net book value as at 30 September | **137,900** | 104,600 |

## 10 OTHER PROPERTY, PLANT AND EQUIPMENT

| | Six months ended 30 September | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| Net book value as at the 1 April | **33,292** | 44,639 |
| Exchange difference | **(481)** | (1,105) |
| Additions | **19,166** | 2,322 |
| Disposals | **–** | (49) |
| Depreciation | **(4,069)** | (4,646) |
| Net book value as at 30 September | **47,908** | 41,161 |

## 11 INVENTORIES

| | At | At |
|---|---|---|
| | **30 September** | 31 March |
| | **2023** | 2023 |
| | ***HK$'000*** | *HK$'000* |
| Finished goods | **197,692** | 287,919 |
| Less: write-down of inventories | **(7,474)** | (8,341) |
| | **190,218** | 279,578 |

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$809,092,000 (six months ended 30 September 2022: HK$1,246,076,000) during the six months ended 30 September 2023.

## 12 TRADE AND OTHER RECEIVABLES

| | **At 30 September 2023** *HK$'000* | At 31 March 2023 *HK$'000* |
|---|---|---|
| **Non-current portion** | | |
| Prepayments for purchase of property, plant and equipment | **671** | 16,010 |
| **Current portion** | | |
| Trade receivables, net of loss allowance | **176,181** | 182,589 |
| Prepayments to suppliers | **35,037** | 17,032 |
| Deposits | **1,337** | 1,366 |
| Other receivables | **15,900** | 21,665 |
| | **228,455** | 222,652 |
| | **229,126** | 238,662 |

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:

| | **At 30 September 2023** *HK$'000* | At 31 March 2023 *HK$'000* |
|---|---|---|
| Within 1 month | **112,335** | 141,326 |
| Over 1 but within 2 months | **51,844** | 34,915 |
| Over 2 but within 3 months | **10,431** | 6,332 |
| Over 3 months | **1,571** | 16 |
| | **176,181** | 182,589 |

## 13 CASH AND CASH EQUIVALENTS

| | **At 30 September 2023** | At 31 March 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cash at bank and on hand | **229,504** | 221,000 |
| Short-term bank deposits | **37,254** | – |
| | **266,758** | 221,000 |

## 14 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

| | **At 30 September 2023** | At 31 March 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Trade and other payables** | | |
| Trade payables | **1,439** | 5,119 |
| Accrued expenses and other payables | **9,705** | 11,073 |
| | **11,144** | 16,192 |
| **Contract liabilities** | **9,220** | 8,704 |
| | **20,364** | 24,896 |

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

| | **At 30 September 2023** | At 31 March 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **1,439** | 4,731 |
| Over 1 but within 3 months | **–** | 371 |
| Over 3 months | **–** | 17 |
| | **1,439** | 5,119 |

## 15 BANK BORROWINGS

| | At 30 September 2023 HK$'000 | At 31 March 2023 HK$'000 |
|---|---|---|
| **Current liabilities** | | |
| Bank borrowings | **1,500** | 1,500 |
| Non-current portion of bank borrowings with repayable on demand clause | **500** | 1,250 |
| | **2,000** | 2,750 |

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

| | At 30 September 2023 HK$'000 | At 31 March 2023 HK$'000 |
|---|---|---|
| Within 1 year or on demand | **1,500** | 1,500 |
| After 1 year but within 2 years | **500** | 1,250 |
| | **2,000** | 2,750 |

None of the banking facilities as at 30 September 2023 and 31 March 2023 is subject to the fulfilment of covenant.

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

| | At 30 September 2023 | At 31 March 2023 |
|---|---|---|
| Bank borrowings | **6.67%** | 5.57% |

## OVERALL BUSINESS PERFORMANCE

### Financial Review

During the Interim Period, the Group continued to be impacted by a higher interest rate environment, greater exchange rate fluctuations and unfavourable metal price trends amidst a slowing global economy. While such business headwinds have inevitably led to a corresponding decline in the Group's performance for the first half of the financial year 2023/24, the Group was able to deliver margin improvement with ongoing product mix and diversification.

The Group's revenue for the Interim Period declined to HK$845 million, compared to HK$1,304 million in the Comparative Period. Due to softening demand, tonnage sold by the Group has fallen 15.9% to approximately 37,610 tonnes compared to 44,730 tonnes for the same period last year.

The Group recorded a gross profit of HK$36.5 million and a gross profit margin of 4.3% for the Interim Period, compared with a gross profit of HK$53.0 million and a gross profit margin of 4.1% for the Comparative Period. The increase in gross profit margin is mainly due to better inventory management and product mix.

The Group recorded a loss attributable to equity shareholders of the Company of around HK$14.6 million during the Interim Period, compared to a loss of HK$7.0 million during the Comparative Period.

The loss was attributable to lower revenue and unfavourable metal prices during the Interim Period, partly offset by our efforts put on products and services diversification.

Global zinc prices retreated throughout most of the Interim Period as a result of declining global industrial activity and higher interest rates. Zinc prices traded at a high of around US$2,900 per metric ton from the start of the Interim Period in April 2023, falling steadily to a low range of around US$2,200 in May 2023 before stabilizing and hovering between US$2,300 - US$2,600 per ton until the end of September 2023.

The Group recorded a decrease in distribution and selling expenses for the Interim Period of approximately HK$4.1 million, compared to the Comparative Period, while the general and administrative expenses increased by 3.0% to HK$43.8 million compared to the Comparative Period.

The Group recorded a slight decrease in other income of HK$5.6 million for the Interim Period, compared to HK$6.6 million during the Comparative Period. Increase in other income from the Group's testing laboratory business and property investments helped partially offset a decline in overall other income.

The Group's finance costs for the Interim Period were reduced to HK$0.3 million compared to HK$3.4 million in the Comparative Period. The Group continues to retain a healthy financial position, with HK$267 million cash and cash equivalents and HK$2 million bank borrowing as of 30 September 2023.

**Business Review**

***Focused sustainability strategy strengthens business resilience***

During the Interim Period, macroeconomic headwinds, including sustained inflation, high interest rates and intensifying geopolitical tensions continued to dampen consumer demand, leading to a fragile global economy and significantly weakening demand for non-ferrous metals. Despite these challenges, Lee Kee Group's business model remained resilient, thanks to the strong focus on responsible supply chain management, sustainable manufacturing and innovative products and services.

As policymakers around the world pivot to sustainable development, the Group continued to see a shift in demand towards more sustainable products and services. Its unique positioning and offerings, including its own branded alloys, Mastercast and Genesis, and value-added solutions tailored for responsible sourcing and sustainable manufacturing, enabled the customers to meet stricter sustainability requirements.

***Responsible supply chain management backed by advanced product traceability***

Leveraging advanced technology and origin tracking of raw materials, the Group is committed to upholding responsible mineral sourcing practices in accordance with the Organisation for Economic Cooperation and Development ("OECD") Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. By embedding traceability features into every product batch, the Group, with its dedication to Sustainability and Innovation, is leading the industry in quality, transparency and accountability in responsible sourcing and production.

***Ongoing digitalization resulting in higher customer satisfaction and operational efficiency***

The Group has upgraded its production facility in Hong Kong to benefit from Industry 4.0. Its integrated digitalized platforms further strengthened communication and collaboration with the suppliers and partners, resulting in higher customer satisfaction. Ongoing monitoring of production also enables timely adjustment processing. Through data-driven decision making and process optimization, the Group shortened production and shipment lead times, greatly increasing operational efficiency and mitigating the impact of rising costs. Digitalization is also enabling the Group to be more agile and flexible in adapting to changes in the market and smaller batch shipment.

***Accelerating growth through diverse services***

The Group provides value solutions beyond metals by promoting a broader range of valued-added professional services, including professional consultancy, specialty alloys, quality assurance for metals, and extending testing laboratory services to construction materials and water quality.

During the Interim Period, the Group generated higher other income from these services, in particular the testing of construction materials and water quality. Promet's new online diagnosis platform is also gaining traction from new customer segments, while the social media channels for water testing service continue to attract followers including domestic households and other businesses in Hong Kong.

***Geographic diversification intensifies customer engagement***

As more manufacturers diversify their production footprint across the ASEAN region, Lee Kee Group extends its geographic presence to target the growing demand from domestic and multinational manufacturers. Its diversified sales locations are strategically placed adjacent to major manufacturing hubs, allowing the Group to forge closer relationships with customers and deepen engagement to drive long-term business growth.

***Green Finance Certificate opens up more financing opportunities***

During the Interim Period, the Group made substantial progress on sustainability. Lee Kee International Limited, one of the Group's subsidiaries, is certified by the Hong Kong Quality Assurance Agency (HKQAA) for compliance with the requirements of the Green and Sustainable Finance Certification Scheme.

Obtaining this certification of a sustainability-linked loan will enable more green financing opportunities for the coming years. The credentials assessed by the independent third-party organization cover a wide spectrum, including the Group's progress in reducing greenhouse emissions and energy consumption, governance and commitment to occupational health and safety.

***Robust risk management and governance to weather market volatilities***

The Group upholds a high level of governance and has a rigorous risk management system to ensure healthy cash flow for its business. This significantly reduces risk in a volatile business environment.

Employees are also fundamental building blocks of our sustainable business. In staff training and development, the Group provides regular and structured training and development programs, including anti-corruption, and data privacy classes, to ensure the employees are up-to-date on the latest regulation and compliance rules while providing opportunities for ongoing advancement. The Group's commitment to diversity and inclusiveness is also conducive to a harmonised work environment.

## Prospects

Looking into the second half of the year, the Group expects business challenges to persist, given the external macroeconomic headwinds with high interest rates, inflation and intensifying geopolitical tensions. At the same time, the Group also sees opportunities arising from accelerated shifts towards sustainable economic development, which is expected to spur demand for responsibly sourced and recycled materials.

Lee Kee Group has made much progress on sustainability over the past few years, differentiating itself from the peers. It is well-positioned to capture opportunities arising from sustainability trends.

***Capturing opportunities from green supply chain***

Greener manufacturing requires tailored solutions for metal testing and advisory services and will support the stable demand for specialty alloys and high-quality metals. The Group's ability to provide carbon emission data, verified by third parties, is critical in helping its clients with their transition. The Group strives to identify and capture business opportunities from these ongoing sustainability trends. At the same time, it will continue to assist its clients' transit to green manufacturing by providing metals solutions that include material traceability and responsible supply chain management while advocating green practice with the clients, sharing valuable experience on the green journey and synergies it achieved with green financing. The Group will also seek to tap adjacent market opportunities arising from the need for more carbon data disclosure in the supply chain.

***Continuous investment into new capacity and emerging industries***

With ongoing product innovation, the Group regularly evaluates new materials and processes through the R&D division. The Group also invests in new capacities to meet new metals demands, while exploring business opportunities in emerging industries and services. Encouraged by the results of the AI-assisted 3D surgical planning platform, which has won worldwide acclaim at the 48th Geneva International Exhibition of Invention, the Group will continue to explore new ways to deploy metals in the medical fields as well as other emerging industries, paving ways for more diversified opportunities to mitigate business challenges ahead.

## DIVIDEND

The Board of Directors of the Company does not recommend the payment of interim dividend for the Interim Period.

## LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 30 September 2023, the Group had unrestricted cash and bank balances of approximately HK$267 million (31 March 2023: HK$221 million) and bank borrowings of HK$2 million (31 March 2023: HK$2.8 million). The gearing ratio (total borrowings and lease liabilities to total equity) as at 30 September 2023 was 1.14% (31 March 2023: 1.21%). The Group has a current ratio of 2,738% as at 30 September 2023 (31 March 2023: 2,298%).

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 30 September 2023, the Group had approximately 180 employees (as at 30 September 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 Interim Period, staff costs (including directors' emoluments) were approximately HK$33.0 million (for the six months ended 30 September 2022: HK$30.8 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 Interim Period.

## 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 Interim Period.

## 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 Interim Period.

## REVIEW OF UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA.

The unaudited interim financial information for the six months ended 30 September 2023 has also been reviewed by the Company's Audit Committee.

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

Hong Kong, 16 November 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 Directors*
* *Independent non-executive Directors*