



利記控股有限公司 LEE KEE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)


Stock code 股份代號 : 637

ANNUAL REPORT **2017/18** 年報

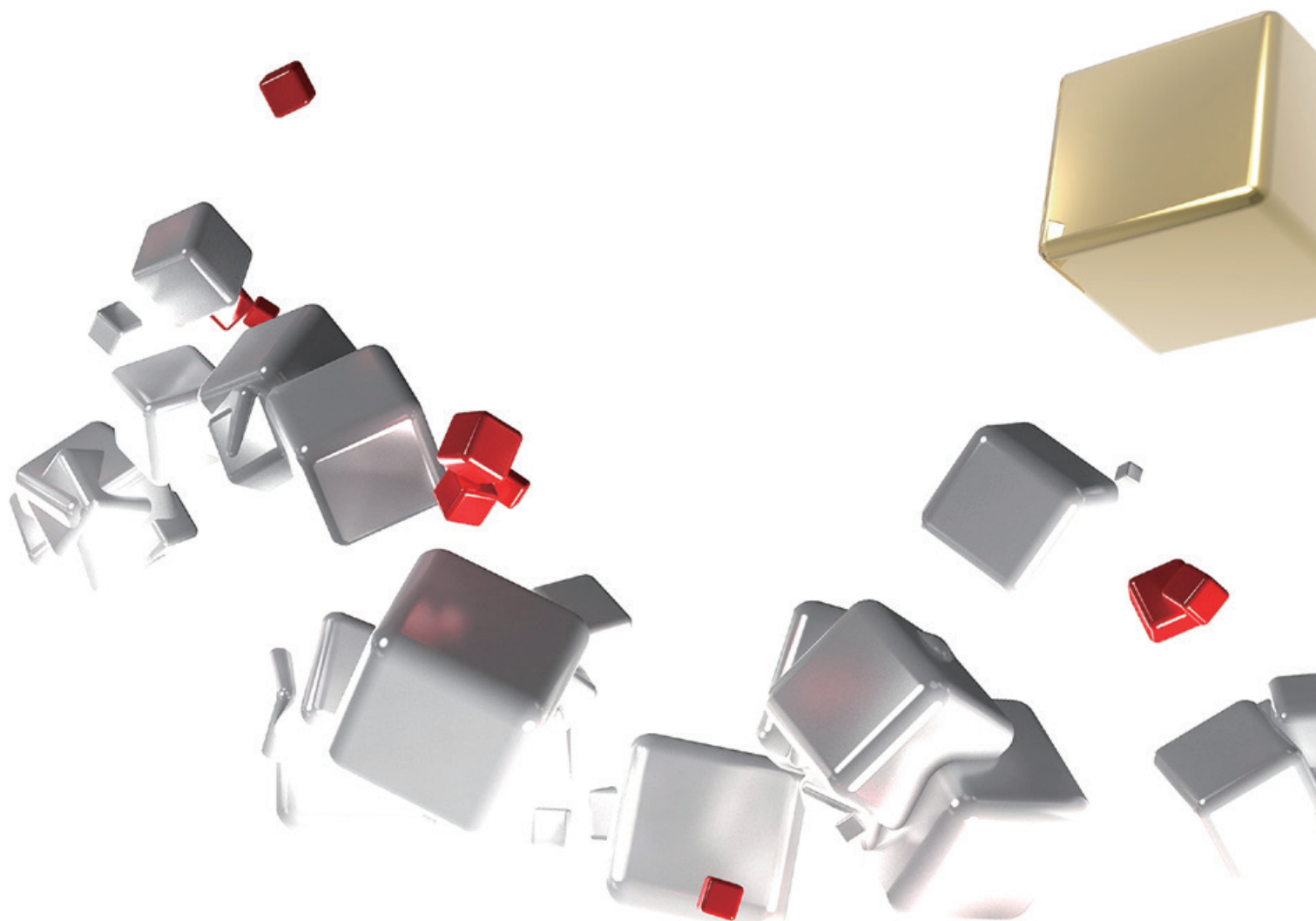


WE CREATE
VALUE SOLUTIONS
FOR METALS



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FOR METALS

Lee Kee is a leading solutions provider for metals to over 20 industries in Greater China and ASEAN. With premium products and integrated services, Lee Kee has been the trusted partner of world class brand owners, manufacturers and materials suppliers in the region.



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Corporate Information

DIRECTORS

Executive Directors

CHAN Pak Chung (*Chairman of the Board*)

CHAN Yuen Shan Clara

(*Vice Chairman of the Board and CEO*)

CHAN Ka Chun Patrick

OKUSAKO CHAN Pui Shan Lillian

Independent Non-executive Directors

CHUNG Wai Kwok Jimmy

HU Wai Kwok

HO Kwai Ching Mark

COMPANY SECRETARY

CHEUK Wa Pang (*CPA (HKICPA), FCCA, ACA*)

AUDIT COMMITTEE

CHUNG Wai Kwok Jimmy

(*Chairman of the Audit Committee*)

HU Wai Kwok

HO Kwai Ching Mark

REMUNERATION COMMITTEE

HO Kwai Ching Mark

(*Chairman of the Remuneration Committee*)

CHAN Pak Chung

CHUNG Wai Kwok Jimmy

NOMINATION COMMITTEE

CHAN Pak Chung

(*Chairman of the Nomination Committee*)

CHUNG Wai Kwok Jimmy

HU Wai Kwok

AUTHORISED REPRESENTATIVES

CHAN Yuen Shan Clara

CHEUK Wa Pang

REGISTERED OFFICE

P.O. Box 309 GT, Uglund House,
South Church Street, George Town,
Grand Cayman, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16 Dai Fat Street

Tai Po Industrial Estate

New Territories

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:

Kwok Yih & Chan

Suites 2103-05, 21st Floor

9 Queen's Road

Central

Hong Kong

As to Cayman Islands Law:

Maples and Calder Asia

1504 One International Finance Centre

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AUDITOR

KPMG

Certified Public Accountants

8/F., Prince's Building

10 Chater Road

Central

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

STOCK CODE

637

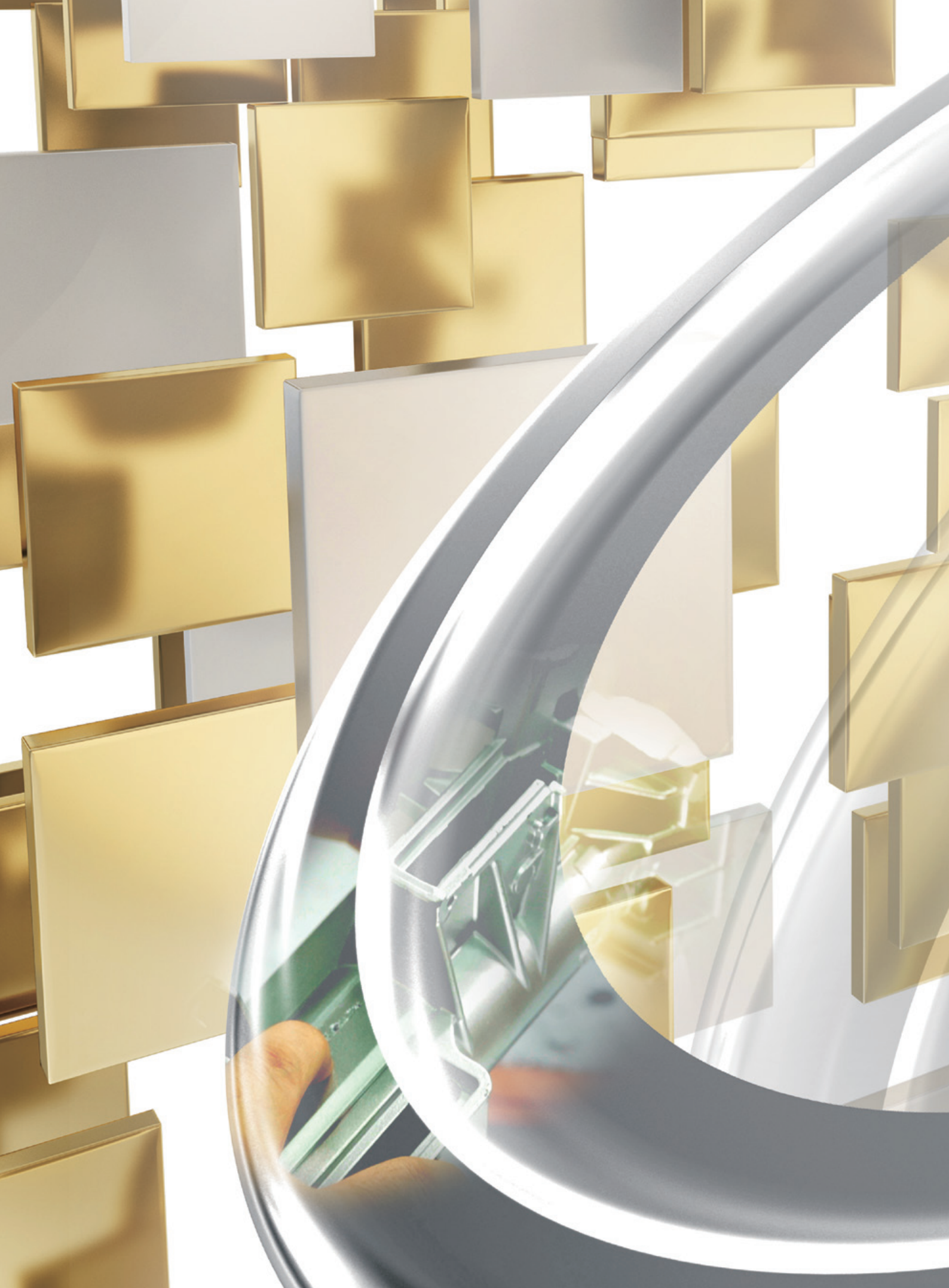
WEBSITE OF THE COMPANY

www.leekeegroup.com

Corporate Structure

(operating companies as at 31.03.2018)







EXPANDING RANGE OF QUALITY METAL PRODUCTS

Lee Kee has continued to invest in developing high-quality metal products and specialty alloys in order to expand into new markets and create value for different market segments.

Chairman's Statement

Lee Kee prides ourselves on being forward-looking and innovative. These qualities have helped us to grow and have enabled us to set benchmarks in the industries in which we operate. We will continue to create compelling value for our customers and stakeholders.

CHAN Pak Chung
Chairman



DEAR SHAREHOLDERS

2017-18 was another solid financial year for LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group" or "we") as we continued to make progress towards achieving our sustainable growth. The Group made significant progress in creating value for our customers and stakeholders by expanding the scope of our products and services, as well as their geographic reach. These achievements reflected the successful execution of the Group's diversification strategy.

In the 2017-18 financial year, global zinc and nickel prices hit a recent years' high. Major producers' constraint on supply, stringent environmental regulations in PRC, along with worldwide economic recovery supported zinc and aluminium prices. At the same time, the prospects of the electric vehicle industry fuelled an upward trend in nickel prices.

Accelerating electric vehicle adoption is one of the drivers that is transforming the metals and manufacturing industries. This transformation unlocks a demand of advanced materials. Having always sought to be ahead of the curve, Lee Kee's unique competence in developing specialty alloys means that it is well positioned to supply this new technology evolution. As we continue to supply our current range of high-quality standard alloys to the market, we will undertake further research and development into advanced material identifying market opportunities for business development.

Chairman's Statement

Regarding our professional services, our testing and consultancy services provided by our subsidiary, Promet Metals Testing Laboratory Limited ("Promet") continues to prosper. In addition to its incremental contribution to the Group's revenue, Promet's market reach and reputation were boosted by its consistently efficient and reliable services. We look forward to gaining access to new markets through the acquisition of novel equipment and talent in the coming years.

The enviable reputation that we have built up in Hong Kong and the PRC over the years, our vast experience and expertise in the metals industry, have proved to be a tremendous asset in winning market share in Southeast Asia. Our Singapore office, which was established last year, received positive market acceptance and is allowing us to further explore the potential of other emerging manufacturing hubs in the region. This has set us in good stead for the Group's sustainable growth and to become a truly global metals solutions provider.

Looking ahead, international trade tension and other macro-economic challenges may impact the commodities sector, as well as decision-making in the manufacturing sector. It is difficult to gauge the potential impact on the Group and its customers with any degree of precision. Nevertheless, PRC's economy is expected to continue its momentum of medium-to-high level growth. The Belt and Road Initiative, Greater Bay Area development, along with the government's determination to upgrade the quality of the PRC's manufacturing and technology sectors have given rise to business opportunities that are beneficial to the Group. The strengthening of the global economy and the ample capacity for future growth in Southeast Asia will enable us to grow our footprint.

We are therefore cautiously optimistic about our prospects for the coming financial year.

Lee Kee prides ourselves on being forward-looking and innovative. These qualities have helped us to grow and have enabled us to set benchmarks in the industries in which we operate. We will continue to create compelling value for our customers and stakeholders.

I would like to express my sincere gratitude to our valued customers and business partners for their support throughout the year. I am also thankful for the contribution and hard work of LEE KEE's management team and all of our employees. I would finally like to thank our shareholders for their continued support.

CHAN Pak Chung

Chairman

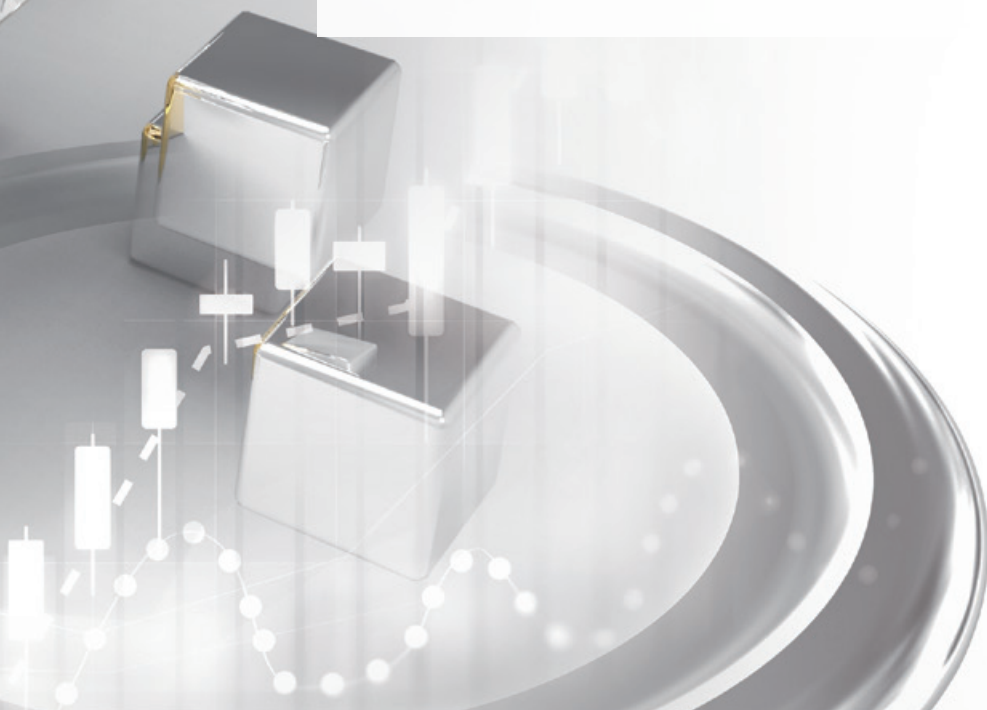
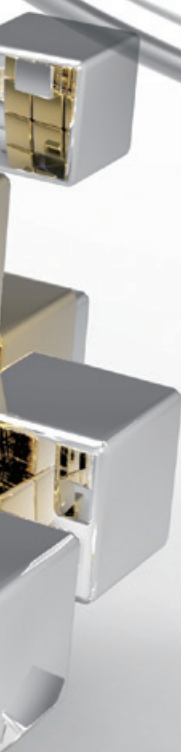
27th June 2018





STRATEGIC **GROWTH OPPORTUNITIES**

Lee Kee will prudently explore high-potential investment opportunities and new business streams in order to retain our market status and take advantage of new growth opportunities.



CEO Message

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

CHAN Yuen Shan Clara
Vice-Chairman and Chief Executive Officer



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

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

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

CEO Message

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

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

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

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

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

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

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

CHAN Yuen Shan Clara


Vice-Chairman and Chief Executive Officer

27th June 2018



SUSTAINABILITY LEADERSHIP

LA leader in sustainability, Lee Kee will continue to expand its range of ‘green’ products and services in order to attract new customers and increase market share.





Financial Summary

Following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years/period presented on a basis as stated in the note below:

CONSOLIDATED RESULTS

	Year ended 31st March				15 months ended
	2018	2017	2016	2015	31st March
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2014
					HK\$'000
Revenue	2,711,441	2,110,721	2,122,954	2,493,703	2,886,467
Profit/(Loss) before taxation	95,561	45,107	(113,668)	34,042	5,256
Income tax	(5,408)	(3,611)	(3,104)	(6,689)	(1,388)
Profit/(Loss) attributable to the equity shareholders of the company for the year	90,153	41,496	(116,772)	27,353	3,868

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March				
	2018	2017	2016	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	123,303	140,234	143,631	121,535	93,751
Total current assets	1,346,261	1,131,778	1,022,990	1,474,327	1,296,466
Total assets	1,469,564	1,272,012	1,166,621	1,595,862	1,390,217
Total non-current liabilities	18,130	19,732	20,941	3,785	2,916
Total current liabilities	341,203	204,014	138,287	449,941	265,804
Total liabilities	359,333	223,746	159,228	453,726	268,720
Net assets	1,110,231	1,048,266	1,007,393	1,142,136	1,121,497

Management Discussion and Analysis

OVERALL BUSINESS PERFORMANCE

Financial performance

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

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

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

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

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

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

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

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

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

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

Management Discussion and Analysis

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

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

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

Business Review

A leading solution provider for metals

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

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

LEE KEE's capability in uncovering and taking advantage of growth opportunities has been, and continues to be, essential to securing the Group's long-term competitiveness.

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

Rapid expansion of Southeast Asia business

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

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

Management Discussion and Analysis

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

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

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

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

Deepening metals testing relationships with Hong Kong's construction industry

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

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

Brokerage services rounding out full scope of services for metal companies

The Group continued to invest further in its wholly-owned futures brokerage subsidiary, Horizon Commodities and Futures Company Limited ("HCF") during the Financial Year. HCF offers brokerage services for global index futures, LME and U.S.-listed metal futures, agricultural futures, energy futures, foreign exchange futures and interest rate futures.

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

Management Discussion and Analysis

Prospects

Divergence of manufacturing activity in Asia

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

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

Geopolitical rivalries creating uncertainty

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

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

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

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

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

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

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

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

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

Management Discussion and Analysis

Stringent controls on costs and purchases

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

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

DIVIDEND

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

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

ANNUAL GENERAL MEETING

It was proposed that the Annual General Meeting of the Company (the "AGM") will be held on 23rd August 2018. Notice of the AGM will be published and issued to shareholders in due course.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company (the "Register of Members") will be closed from Monday, 20th August 2018 to Thursday, 23rd August 2018, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 17th August 2018.

For the purpose of ascertaining shareholders' entitlement to the proposed dividends, the Register of Members be closed from Wednesday, 29th August 2018 to Friday, 31st August 2018, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28th August 2018.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 31st March 2018, the Group had unrestricted cash and bank balances of approximately HK\$300 million (2017: HK\$238 million) and bank borrowings of approximately HK\$265 million (2017: HK\$179 million). In March 2015, the Group obtained a Hong Kong dollar denominated mortgage loan of HK\$18.7 million, which bore annual interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.75% and Hong Kong Dollar Prime Rate less 3.1%. As at 31st March 2018, the outstanding borrowing of this facility amounted to HK\$15.5 million (2017: HK\$16.6 million).

Management Discussion and Analysis

The remaining borrowings, which are short term in nature, were substantially made in United States dollars and Hong Kong dollars with interest chargeable at market rates. The gearing ratio (total borrowings to total equity) as at 31st March 2018 was 23.8% (2017: 17.1%). The Group has a current ratio of 395% as at 31st March 2018 (2017: 555%).

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

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

EMPLOYEES

As at 31st March 2018, the Group had approximately 190 employees (2017: 190 employees). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). Other benefits include share options granted or to be granted under the share option schemes and training schemes. During the year, staff costs (including directors' emoluments) were approximately HK\$75.3 million (2017: HK\$67.4 million).

Directors, Senior Management and Advisors

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 70, is the Chairman of the Board and an Executive Director of the Company and a director of certain subsidiaries of the Company. Mr. Chan has been serving the Group since 1967 and is now leading and governing the Board of the Company to ensure the Board works and performs its responsibilities effectively. Mr. Chan has more than 47 years of experience in the group development and non-ferrous metals industry. He obtained a Master Degree in Material Engineering from the Yanshan University. Mr. Chan is also a Permanent Honorary President of Hong Kong Foundry Association Limited, Honorary Fellow (Machinery and Metal Industry) of the Professional Validation Council of Hong Kong Industries, Honorary President of the Professional Validation Council of Hong Kong Industries, Vice Chairman of the Hong Kong Metal Merchants Association and Honorary President of Hong Kong Association for the Advancement of Science and Technology. Mr. Chan is the father of Ms. CHAN Yuen Shan Clara, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian.

Ms. CHAN Yuen Shan Clara, aged 46, is the Vice-Chairman, the Chief Executive Officer and an Executive Director of the Company. She is also a director of certain subsidiaries of the Company. Ms. Chan joined the Group in November 1995 and is responsible for strategic direction and ensuring the implementation of the strategies and policies. She also leads the Group in the business development and operations. Ms. Chan has over 20 years of experience in the non-ferrous metals industry. She is a member of the Lead and Zinc Committee of the London Metal Exchange and a member of the Board Risk Committee of LME Clear Limited. She is also a member of Energy Advisory Committee of the HKSAR Government, an Executive President of Hong Kong Young Industrialists Council, Chairman of Group 20 (Hong Kong Trade Services Council) of Federation of Hong Kong Industries, a member of the HKTDC Belt & Road Committee's SMEs and Younger Generation Working Group, a member of Vetting Committee of the SME Development Fund and the Dedicated Fund on Branding, Upgrading and Domestic Sales (Organisation Support Programme) and a member of Advisory Board of The HKMA Institute of Advanced Management Development. Ms. Chan holds a Master of Social Science degree in Global Political Economy from The Chinese University of Hong Kong and is an Industrial Fellow with the University of Warwick in WMG. Ms. Chan is the daughter of Mr. CHAN Pak Chung and sister of Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian.

Mr. CHAN Ka Chun Patrick ("Mr. Patrick Chan"), aged 45, is an Executive Director of the Company and a director of certain subsidiaries of the Company. Mr. Patrick Chan joined the Group in August of 2006 and is now responsible for the Group's operation in Taiwan and the future development projects of the Group. He has over 10 years of experience in the stainless steel industry and zinc alloy diecasting industry. Mr. Patrick Chan obtained a Bachelor's of Science Degree in Aeronautical Science from Embry-Riddle Aeronautical University and holds a Master Degree in Business Administration from the University of Hong Kong. He is Standing Vice President of Hong Kong Electrical Appliances Industries Association, the Treasurer of the Hong Kong Metal Merchants Association, a director of Hong Kong Auto Parts Industry Association, a committee member of Hong Kong Aviation Industry Association, and a Member of Appeal Tribunal Panel, Building Ordinance (Hong Kong). Prior to joining the Group, Mr. Patrick Chan was an Airline Pilot. Mr. Patrick Chan is the son of Mr. CHAN Pak Chung and brother of Ms. CHAN Yuen Shan Clara and Ms. OKUSAKO CHAN Pui Shan Lillian.

Ms. OKUSAKO CHAN Pui Shan Lillian ("Ms. Lillian Chan"), aged 43, is an executive Director of the Company and a director of the Company's certain subsidiaries. She joined the Group in March 2001 and is responsible for the Group's procurement and acting Chief Operating Officer overseeing the Group's operation including supply chain, customer liaison, quality control, technical testing and production. Ms. Lillian Chan has over 17 years of experience in non-ferrous metals industry. She obtained a double bachelor degree in Marketing and Psychology. Ms. Lillian Chan is a daughter of Mr. CHAN Pak Chung and a sister of Ms. CHAN Yuen Shan Clara and Mr. CHAN Ka Chun Patrick.

Directors, Senior Management and Advisors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Wai Kwok Jimmy, aged 68, is an Independent Non-executive Director of the Company appointed in September of 2006. Mr. Chung has over 30 years of experience in financial advisory, taxation and management. He was a partner of PricewaterhouseCoopers and retired in June of 2005. In October of 2005, he joined a professional consulting firm, Russell Bedford Hong Kong Limited, as Director — Tax & Business Advisory. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants, the Taxation Institution of Hong Kong and the Association of Chartered Certified Accountants (ACCA). He was the President of the Hong Kong branch of ACCA for the year 2005/06. He is currently also an independent non-executive director of Tradelink Electronic Commerce Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited).

Mr. HU Wai Kwok, aged 45, is an Independent Non-executive Director of the Company appointed in May of 2007. He is currently a Managing Director responsible for overseas infrastructure investments at China Everbright Limited. Prior to that, he was an Executive Director of JPMorgan Asset Management Real Assets (Asia) Limited, focusing on infrastructure investments and the Vice General Manager of The National Trust & Investments Ltd. ("Natrust"), a company providing financial services in China. Before joining Natrust, Mr. Hu was a director of Emerging Markets Partnership. He has over 19 years of experience in corporate finance and direct investments. Mr. Hu holds a Bachelor Degree in Economics from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. Mr. Hu is a Chartered Financial Analyst.

Mr. HO Kwai Ching Mark, aged 56, is an Independent Non-executive Director of the Company, appointed in June of 2014. He is currently a consultant in the securities and futures industry. He was previously the Chief Operating Officer of Oriental Patron Securities Limited ("OPSL"). Prior to joining OPSL, he was the Chief Compliance Officer of Hong Kong Mercantile Exchange Limited, the Director of Business Development of Sun Hung Kai Securities Limited and a Director of Phillip Securities (HK) Limited. He was also previously Vice President of Corporate Strategy of Hong Kong Exchanges and Clearing Limited and Head of Compliance of Hong Kong Futures Exchange Limited. He has more than 23 years of experience in the securities and futures industry. He is also an independent non-executive director of Hengan International Group Company Limited (a company listed on The Stock Exchange of Hong Kong Limited).

Directors, Senior Management and Advisors

SENIOR MANAGEMENT

Mr. CHEUK Wa Pang, aged 53, is the Chief Financial Officer, the Company Secretary of the Company and a director of certain subsidiaries of the Company. Mr. Cheuk joined the Group in December of 2002 and is responsible for the financial matters of the Group. Prior to joining the Group, Mr. Cheuk worked as financial controller and company secretary as well as business consultant of various private and listed companies. Mr. Cheuk has over 25 years of experience in finance, accounting and auditing. Mr. Cheuk holds a Bachelor Degree of Science in Engineering from the University of Hong Kong, a Master Degree in Applied Finance and a Master Degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a member of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. YAN Cheuk Yam, aged 70, was appointed an Independent Non-executive Director of the Company in September of 2006. He resigned from the directorship in February of 2007 and has acted as the Head of China Division of the Group since March of 2007. Mr. Yan is responsible for advising the Group's PRC development and local relationships in the PRC. He is also a director of several of the Group's PRC subsidiaries. Prior to this employment, Mr. Yan was a director of a steel pipes company and a consultant of a Dongguan metals factory. Mr. Yan has more than 30 years of experience in the steel business and metal trading in the PRC, Taiwan and Hong Kong.

Directors, Senior Management and Advisors

ADVISORS

To further strengthen the Group's expertise and development in the metal industry and financial services, the Group has engaged the following advisors who have sound knowledge regarding metal industry and financial services:

Mr. William Tasman WISE has held a number of senior positions in the mining and smelting industry for over 40 years. He was the general manager responsible for global marketing and sales for both Zinifex Limited and Pasminco Limited and is a former director of the Company. He currently works as a business consultant and resides in Melbourne, Australia. Mr. Wise obtained a Bachelor Degree in Economics from the University of Tasmania.

Mr. Matthew James HOWELL is the Chief Executive Officer of Tomago Aluminium, one of Australia's largest primary aluminium smelters. He has 30 years of experience in the base metals and precious metals sectors, especially in dealing with the smelting and recycling of zinc, copper, gold, silver, lead and a range of exotic specialties. Mr. Howell has a long history in zinc smelting and specialty zinc die cast alloy development and casting. He was the project manager for the development and construction of Genesis Alloys (Ningbo) Limited. Mr. Howell holds an Honours Bachelor's Degree of Science from the University of Tasmania.

Ms. Lesley Anne CAMPBELL has specialised in commodity risk management for many years, working with a broad range of LME clients and with a number of global organisations including the World Bank. She was a consultant to the LME and subsequently joined HKEx to assist with the development of their commodity franchise. Ms. Campbell has presented programmes on finance for BBC and wrote a book called Forged Metal on the aluminium industry. Ms. Campbell obtained a Master's Degree of Arts from Glasgow University.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") recognises the importance of business ethics and incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. Accordingly, the Company implemented various measures to comply with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the financial year.

To the knowledge of the Directors and save as disclosed herein, the Directors consider that the Company has complied with the code provisions of the CG Code and are not aware of any non-compliance with the then provisions in the CG Code for 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.

BOARD OF DIRECTORS

The composition of the Board and the biographical details of the Directors are set out in the Report of the Directors and also Directors, Senior Management and Advisors of the annual report respectively.

The Board is responsible for providing entrepreneurial leadership, either directly or through its committees, to the Company and its subsidiaries (collectively the "Group") in order to deliver long-term value to shareholders. It establishes corporate policies, sets strategic direction, ensures that an effective internal control environment is in place, and oversees the management which is responsible for day-to-day operations. The Board established on 20th December 2006 the Executive Committee which can exercise the powers delegated by the Board pursuant to the written terms of reference, except the powers to approve major issues and reserved matters, such as acquisition and disposal, connected transactions which are reserved by the Board. The management is responsible for day-to-day management of the Company under the leadership of the Chief Executive Officer.

The Company has received the annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considered them independent to the Group.

Save as disclosed in the Directors, Senior Management and Advisors section and to the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among the board members.

The Directors have participated to continuous professional development ("CPD") and provided their CPD records during the Financial Year. They attended seminars/courses (including webinar) or reading materials on regulations, updates.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has two different persons for the posts of the Chairman of the Board and Chief Executive Officer. The Chairman of the Board, Mr. CHAN Pak Chung, leads and governs the Board (including but not limited to chairing all the board meetings and general meetings), and in his absence, another Director of the Company will be chosen to chair such meetings pursuant to the Company's Articles. He is also responsible for the overall business strategy of the Group. The Chief Executive Officer of the Company, Ms. CHAN Yuen Shan Clara, is responsible for proposing strategies to the Board and implementing the strategies and policies laid down by the Board. She also leads the management in the development and daily operations of the Group.

NON-EXECUTIVE DIRECTORS

All Independent Non-executive Directors entered into appointment letters with the Company for a term of two years with expiry on 3rd October 2018, 13th May 2019 and 15th June 2020 respectively.

BOARD COMMITTEES

Remuneration Committee

The Company established the Remuneration Committee on 15th September 2006 with written terms of reference. The primary duties of the Remuneration Committee includes reviewing the terms of remuneration packages, determining the award of bonuses and. The Remuneration Committee has three members comprising of Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok Jimmy and Mr. HO Wai Ching Mark, two of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. HO Kwai Ching Mark and discharged its duties by reviewing the remuneration policy, approving/recommending the remuneration packages of Executive Directors and the salary increment of the Senior Management with reference to various benchmarks during the financial year. The Remuneration Committee will determine the remuneration of Executive Directors and review with recommendations the remuneration to the Senior Management. The remuneration to Directors is set out in note 30 to the Financial Statements.

Nomination Committee

The Company established the Nomination Committee on 15th September 2006 with written terms of reference. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee has three members comprising of Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok Jimmy and Mr. HU Wai Kwok, two of whom are Independent Non-Executive Directors. The Nomination Committee is chaired by Mr. CHAN Pak Chung and discharged its duties by reviewing the structure, size and the composition of the Board and assessed the independence of INED. It has also set the measurable objective (such as minimum female board member) to diversify during the financial year. The Nomination Committee has also reviewed the Company's diversity policy. The diversity policy sets out the approach to achieve diversity in the Company's Board to ensure the balance of skills, experience and diversity of perspective appropriate to the requirements of the Group's business model and specific needs.

Corporate Governance Committee

The Company established the Corporate Governance Committee on 23rd March 2012 with written terms of reference. The Corporate Governance Committee is mainly responsible for reviewing and monitoring corporate governance issues. The Corporate Governance Committee has four members comprising of Mr. CHAN Pak Chung (Chairman of the Board), Ms. CHAN Yuen Shan Clara (Vice Chairman of the Board and Chief Executive Officer), Mr. CHEUK Wa Pang (Chief Financial Officer and Company Secretary) and Mr. LEE King On (Compliance Manager). It is chaired by Mr. CHAN Pak Chung and discharged its duties by reviewing and recommending the Group's overall corporate governance covering policies, code of conducts, training records of directors during the financial year. The Group has also adopted Compliance Policy for Corporate Governance and Inside Information/Notifiable Transaction. Such policy has set out the process for handling of potential inside information/notifiable transaction and reporting channel.

Audit Committee

The Company established the Audit Committee on 15th September 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include reviewing and supervising the financial reporting processes, risk management and the internal control systems of the Group. The Audit Committee comprises Mr. CHUNG Wai Kwok Jimmy, who is the Chairman, Mr. HU Wai Kwok and Mr. HO Kwai Ching Mark, all of whom are Independent Non-executive Directors. The Group has also adopted Whistleblowing Policy and employees could via such established channel directly report to the Audit Committee of any possible improprieties of the Group. During the financial year, the Audit Committee discharged its duties by reviewing financial matters (including annual results, interim results and financial statements), risk management and internal controls as well as discussing these matters with the Executive Directors and the auditor of the Company, and making recommendations to the Board.

AUDITORS' REMUNERATION

The remuneration of the audit services rendered by the auditor of the Company were mutually agreed in view of the scope of services. The fee for audit services (including annual audit and interim review) during the year was HK\$1,350,000. There was no non-audit service fee during the Financial Year. The aggregate fee amounted to HK\$1,350,000.

ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following tables summarise the attendance of individual Director(s) and committee member(s) in the financial year:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. CHAN Pak Chung	8/8	–	3/3	3/3
Ms. CHAN Yuen Shan Clara	8/8	–	–	–
Ms. MA Siu Tao (Note 1)	4/4	–	–	–
Mr. CHAN Ka Chun Patrick (Note 2)	3/3	–	–	–
Ms. OKUSAKO CHAN Pui Shan Lillian (Note 2)	3/3	–	–	–
Mr. CHUNG Wai Kwok Jimmy	8/8	2/2	3/3	3/3
Mr. HU Wai Kwok	8/8	2/2	–	3/3
Mr. HO Kwai Ching Mark	8/8	2/2	3/3	–

Note:

1. Ms. MA Siu Tao resigned as a Director with effect from 30th June 2017.
2. Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian were appointed as Directors with effect from 1st October 2017.

All Directors attended the 2017 annual general meeting of the Company.

PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year (the "Financial Statements") which is prepared on a going concern basis whose details are set out in the Financial Statements. The auditor of the Company also set out their reporting responsibilities on the Financial Statements in its Independent Auditor's Report of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the risk management and internal control systems and reviewing their effectiveness annually. The Board with the assistance of its committees (including Audit Committee and Corporate Governance Committee) and the management team (comprising CEO, CFO and COO) fulfills its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management, internal control and the adequacy of resources on the finance reporting function on an ongoing basis. The Group has also adopted (and/or enhanced) policies and procedures to improve the effectiveness of risk management and internal control from time to time as necessary. However, such systems/policies are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report

The Company engages an external independent professional firm to review the internal controls of the Group with an agreed internal audit plan before starting the yearly review. The review is mainly to determine if the key internal controls are in place and in compliance with the Group's requirement/policy. It conducts the reviews by rotation on different areas of the Group. After the review, the professional firm will issue a report to the Board on its findings (by sample checking transactions and documentation) with corresponding risk ratings and the recommendations after communication with the management. The Audit Committee and the Board review the recommendations regularly to ensure implementation, particularly in relation to material defects.

During the Financial Year, no material control failures were identified and the necessary actions are being implemented to enhance the internal control of the Group, both the Audit Committee and the Board are satisfied with the results and concluded that the Group's internal control system is sound and effective.

During the Financial Year, the Risk Management Working Team (comprising CEO, CFO, COO) worked closely to enhance the risk management system. The Group has classified two categories of risk, namely Material Risk and Operational Risk.

MATERIAL RISK

The risk management system was designed, implemented and monitored with a structured approach starting from evaluating the risks the Group faces against goals to achieve:

- (1) risk appetite – addressing, formalising and reaching internal consensus on its risk appetite to consider the amount of risk that is proportionate to achieve its stated goals. In assessing this issue, the Group used the template of the Treadway Commission (COSO).
- (2) managing risk – review of the risks that it faces and model them with scenario analysis. Trigger points that may cause the Group to reevaluate the operations and risk management measures were identified. It forms the basis of risk register (Note), which systematically considers all the risks being faced with priorities and takes the appropriate action to manage them.

Note: The risk register constantly monitors commodity markets, financial markets and economic indicators with benchmarking the orders, transactions to the appropriate underlying market price and to each other which allows the Group to put in place frameworks for the management of risk. The register consists of a description of the key risks faced by the Group and an assessment of the likelihood of those risks occurring and their likely impact. It also establishes ownership of those risks and outlines the significant risks, monitors performance in managing significant risks, makes it possible to identify new emerging risks and reassures stakeholders that effective controls are in place to manage significant risks. However, the risk register is not in the public domain.

- (3) risk defense – each individual department head is accountable for specific risk management objectives with three lines of defense principle to ensure prompt and appropriate response to the risks with ongoing monitoring according to the risk register. The delegated persons working on risk management have the necessary qualifications and experience/training to understand the risks and the actions that may be taken to mitigate them where necessary.

The Board compiles and updates a list of all the risks it faces by listing Key Risk Indicators and prioritises those risks with decisions on the parameters for taking action (or no immediate action because the risk falls within the boundaries set by the risk appetite). One of the methodologies to determine the priorities is to measure the risk based on the likelihood of an adverse event happening or a loss occurring and to combine these calculations with a consideration of the impact of such a loss or event. In order to avoid compounding errors or inaccuracies over time, the methodologies are reviewed regularly.

Among the risks faced by the Group, the risks currently considered material and relatively acute are: commodity price risk, currency risk, volume risk, credit risk, liquidity risk and cyber risk.

Corporate Governance Report

1. For commodity and volume risks, the Group has used stress-testing analysis but recognises that while such exercises support risk mitigation activities they cannot offer absolute reassurance where the ongoing monitoring of threats is essential. Analysis has been granular and has clarified the risk emanating from the following scenarios:

- Volatility of the prices of zinc.
- Currency movements
- Changes in interest rates and liquidity

The Group has considered a wider range of products to mitigate risk, where necessary, including futures, options and OTC contracts. When considering volume risk and the possible solution of geographical expansion, the Group analysed its existing business and identified areas which could both complement and support these operations, allowing us to be clear about the level of risk to be taken in order to increase business. It conducted a comprehensive risk/reward analysis, assessing the trends in consumption, competitive presence and barriers to entry, before focusing on the areas it is believed the Company can offer the greatest potential rewards within an acceptable risk framework.

2. Details of currency risk (ie foreign exchange risk), credit risk and liquidity risk are set out in note 3 to the consolidated financial statements. The Group manages such risks with a combination of hedges to lock in advantageous rates when possible and assigning special teams to handle the situation with close monitoring and regular reporting.
3. Cyber risk is different from many other financial and operational risks in that it evolves and changes very quickly. The Group's approach, therefore, is to anticipate as well as mitigate by putting considerable effort into keeping abreast of current and future threats by attending seminars and training courses. The Group engages and takes advice from industry experts, including the Institute of Risk Management (IRM), The Treadway Commission and the Office of the Government Chief Information Officer as necessary. The management of cyber risk is not confined to the IT department and it is an issue that has been identified by the board as of primary concern. As with all risk management policies, awareness of cyber risk is embedded in the corporate culture.

Operational Risk

Apart from the material risks above, other risks emanating from the daily operation are monitored under the ISO system. This system applied the concept and requirements of "Risk-based thinking" and "Actions to address risks and opportunities" whose details can be consulted in ISO9001:2015 section 0.3.3 and section 6.1 respectively. Accordingly, the Group followed ISO's methodology to determine and take necessary actions to such risks. The Group has gone through a systematic process to create a risk register (not in the public domain):

- (1) Identification of risk – the Management Representative designated under the ISO system and related operational process owners (usually department head) identify and recognize the risks that may affect the operations.
- (2) Analysis of risk – once the risks are identified, the Severity of Effect (S) and Probability of Occurrence (O) of each risk are analyzed and determined by the operational process owners.
- (3) Scoring of risk – the risk magnitude can be represented by the Score of Risk which is the multiple of Severity of Effect (S) and Probability of Occurrence (O) (ie., Score = S x O)

Corporate Governance Report

- (4) Action to the risk – the risks are classified into High Risk, Medium Risk and Low Risk based on the score of each risk. Action Plans are provided to mitigate the risks which are scored as High Risk and Medium Risk. A Risk Register with detailed risks and action plan is maintained by the Management Representative.
- (5) Monitor and Review of the risk – the risks are monitored and reviewed by the operational process owners and the Management Representative from time to time. The operational process owners shall revise the Risk Register if there is any change or necessity to revise the Risk Register. The overall operation of the Risk Management for Operations is reported to the Group's COO in monthly meeting and annual Management Review Meeting.

During the Financial Year, both the Audit Committee and the Board are satisfied with the Group's risk management system and concluded that it is effective and adequate. They are not aware of any areas of concern that would have an immediate material impact on the financial and operations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The report of Environmental, Social and Governance of the Group is available at the HKEXnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and Company's website (www.leekeegroup.com).

SHAREHOLDERS RIGHTS AND INVESTOR RELATIONS

The Company adopted a Shareholders Communication Policy to provide the shareholders of the company (the "Shareholders") with ready, equal and timely access to the information about the Company to ensure that the Shareholders have the ability to exercise their rights in an informed manner, and to allow the Shareholders to engage actively with the Company. All the Shareholders have the right to attend and vote at the general meetings and can convene an extraordinary general meeting pursuant to Article 79 of the Company's Articles of Association. Prior to proposing a resolution at the general meeting, the Shareholders should submit the proposed resolution to the Company Secretary via email to ir@leekeegroup.com with the details. The Board welcomes opinions and questions from the Shareholders who may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post to No. 16 Dai Fat Street, Tai Po Industrial Estate, New Territories, Hong Kong or by email to ir@leekeegroup.com. In addition, the Group maintains its own website at which the Shareholders can access for the Company's information and for communication with the Company. The Shareholders are encouraged to provide their email address(es) to the Company for further communication. There are no significant changes in the Company's Memorandum and Articles of Association during the Financial Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained sufficient public float for the financial year.

Report of the Directors

The Directors are pleased to present their report along with the audited consolidated financial statements of Lee Kee Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31st March 2018 (the “Financial Year”).

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of 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 activities of the subsidiaries are set out in note 25 to the consolidated financial statements. An analysis of the Group’s performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

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

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

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 41.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM, the Register of Members of the Company (the “Register of Members”) will be closed from Monday, 20th August 2018 to Thursday, 23rd August 2018, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 17th August 2018.

For the purpose of ascertaining shareholders’ entitlement to the proposed dividends, the Register of Members be closed from Wednesday, 29th August 2018 to Friday, 31st August 2018, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28th August 2018.

DONATIONS

Charitable and other donations made by the Group during the financial year amounted to approximately HK\$117,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements. There were no movements during the Financial Year.

Report of the Directors

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2018 amounted to approximately HK\$965,478,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a prorata basis to existing shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 14.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS

The Directors during the Financial Year and up to the date of this report were:

Executive Directors

Mr. CHAN Pak Chung (*Chairman*)

Ms. CHAN Yuen Shan Clara

Ms. MA Siu Tao (*resigned w.e.f. 30th June 2017*)

Mr. CHAN Ka Chun Patrick (*appointed w.e.f. 1st October 2017*)

Ms. OKUSAKO CHAN Pui Shan Lillian (*appointed w.e.f. 1st October 2017*)

Independent Non-executive Directors

Mr. CHUNG Wai Kwok Jimmy

Mr. HU Wai Kwok

Mr. HO Kwai Ching Mark

In accordance with Article 130 of the Articles of Association of the Company, Mr. CHAN Pak Chung and Mr. CHUNG Wai Kwok Jimmy shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 114 of the Articles of Association of the Company, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Financial Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and the Senior Management are set out on pages 21 to 23 of the Annual Report.

Directors' and Chief Executives' interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated corporations

At 31st March 2018, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange under Division 7 and 8 of Part XV of the SFO or required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Long Position in Shares of the Company

Name of Director	Capacity	Number of Shares in which interested	Approximate percentage of issued Shares
Mr. CHAN Pak Chung <i>(Note 1)</i>	Founder of a discretionary trust	600,000,000	72.40
Ms. CHAN Yuen Shan Clara <i>(Note 2)</i>	Beneficiary of a trust	600,000,000	72.40
Mr. CHAN Ka Chun Patrick <i>(Note 2)</i>	Beneficiary of a trust	600,000,000	72.40
Ms. OKUSAKO CHAN Pui Shan Lillian <i>(Note 2)</i>	Beneficiary of a trust	600,000,000	72.40
Mr. HO Kwai Ching Mark <i>(Note 3)</i>	Interest held by spouse	50,000	0.006

Notes:

1. The 600,000,000 Shares are held by Gold Alliance Global Services Limited ("GAGSL") whose entire share capital is held by Gold Alliance International Management Limited ("GAIML"), which is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung. Mr. CHAN Pak Chung is the settlor of the P.C. CHAN Family Trust and is deemed to be interested in the 600,000,000 Shares held by GAGSL under the SFO.
2. Ms. CHAN Yuen Shan Clara, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian (all of them being family members of Mr. CHAN Pak Chung and Executive Directors) are deemed to be interested in the 600,000,000 Shares held by GAGSL as they are one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.
3. Mr. HO Kwai Ching Mark is deemed to be interested in the 50,000 Shares held by his spouse.

Save as disclosed above, as at 31st March 2018, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying Shares in, or debentures of, the Company or its associated corporation required to be disclosed pursuant to the SFO.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31st March 2018, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive.

Long Position in the Shares of the Company

Name	Capacity	Number of Shares in which interested	Approximate percentage of issued Shares
Ms. MA Siu Tao <i>(Note a)</i>	Family interest	600,000,000	72.40
Gold Alliance Global Services Limited <i>(Note b)</i>	Registered owner	600,000,000	72.40
Gold Alliance International Management Limited <i>(Note b)</i>	Interest of controlled corporation	600,000,000	72.40
HSBC International Trustee Limited <i>(Note b)</i>	Trustee	600,000,000	72.40

Notes:

- Ms. MA Siu Tao, the spouse of Mr. CHAN Pak Chung and one of the discretionary objects under the P.C. CHAN Family Trust, is deemed to be interested in the 600,000,000 Shares held by GAGSL under the SFO.
- The entire share capital of GAGSL is held by GAIML, which is in turn held by HSBC Trustee acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and other family members of Mr. CHAN Pak Chung.

Saved as disclosed above, at 31st March 2018, no person, other than the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under section 336 of the SFO.

Other Persons' Interests and/or Short Positions in the Shares, Underlying Shares of the Company

As at 31st March 2018, no other persons had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under the SFO.

BUSINESS REVIEW AND DISCLOSURE OF ENVIRONMENTAL PROTECTION

The business reviews and disclosure of environmental protection of the Group for the year are set out in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" of this Annual Report respectively.

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS

During the Financial Year, the Group sold approximately 14.7% of its goods to its five largest customers. The percentage of purchases for the Financial Year attributable to the Group's major suppliers is as follows:

Purchases

– the largest supplier	28.4%
– five largest suppliers combined	49.0%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Financial Year.

DISCLOSURE OF INFORMATION PURSUANT TO RULE 13.51(B) OF THE LISTING RULES

The monthly salary (including basic salary, statutory mandatory provident fund contribution and other allowances, if any) of Ms. CHAN Yuen Shan Clara, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian were respectively revised with effect from 1st April 2018 from HK\$247,800 to HK\$255,190, from HK\$124,650 to HK\$128,350 and from HK\$128,700 to HK\$132,520.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Financial Year. The Company has taken out Directors' and Officers' insurance to cover the liability incurred by directors and officers in the execution and discharge of their duties, or in relation thereto.

AUDITORS

PricewaterhouseCoopers ("PwC"), whose term of office expired and retired without offering for re-appointment as auditor of the Company at the Company's 2016 annual general meeting. KPMG was appointed as auditor of the Company following the retirement of PwC. KPMG retire, and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board of Directors

CHAN Pak Chung
Chairman

27th June 2018

Independent Auditor's Report



Independent auditor's report to the shareholders of Lee Kee Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lee Kee Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 41 to 91, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities* for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to note 17 to the consolidated financial statements and the accounting policy note 2(i).

The Key Audit Matter

The principal activity of the Group is the trading of commodities, principally zinc, zinc alloys and other metal products, in Hong Kong and Mainland China.

At 31 March 2018, the Group held inventories, which mainly comprised zinc alloys and other metals, in Hong Kong and the Mainland China with an aggregate carrying amount of HK\$822 million which included provisions of HK\$17 million.

Inventories are valued at the lower of cost and net realisable value. The Group maintains its inventory levels based on forecast demand and expected future metal prices.

The purchase and selling prices of the Group's inventories are mainly determined with reference to the primary metal market prices publicly available on the London Metal Exchange ("LME") or Shanghai Futures Exchange ("SHFE") at the time when purchases and sales orders are confirmed with suppliers and customers respectively. Any drop in the LME or SHFE metal prices may result in the selling prices of certain inventories falling below their purchase costs.

Management assesses the level of provisions for inventories required at each reporting date after considering the prevailing commodity prices and forecast demand. This assessment involves significant management judgement and estimation.

We identified valuation of inventories as a key audit matter because the Group held significant inventories at the reporting date and because of the significant degree of management judgement and estimation involved in evaluating the provisions for inventories, particularly in respect of estimating future selling prices and forecast demand.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of inventories included the following:

- obtaining an understanding of and assessing the design and implementation of management's key internal controls over the processes for identifying damaged and slow-moving inventories and assessing provisions for inventories;
- comparing the purchase prices of inventories with supplier invoices, on a sample basis;
- comparing, on a sample basis, the actual selling prices achieved during the current year with the estimated selling prices of the respective inventories at the end of the previous financial year to assess the historical accuracy of management's estimating process;
- assessing the classification of inventory items in the inventory ageing report by comparing a sample of individual items with goods receipt records and other relevant underlying documentation;
- comparing the carrying value of a sample of inventory items at the reporting date with their subsequent selling prices achieved after the reporting date;
- comparing the carrying value of a sample of inventory items without sales after the reporting date with the estimated selling price, with reference to market prices at the reporting date and historical gross margins achieved; and
- recalculating the provisions for inventories at the reporting date based on management's estimated selling prices of the respective inventories at the reporting date.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Ka Ming, Alice.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 June 2018

Consolidated Statement of Profit or Loss

for the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Revenue	5	2,711,441	2,110,721
Cost of sales	7	(2,499,210)	(1,957,313)
Gross profit		212,231	153,408
Other income	6	7,333	5,343
Distribution and selling expenses	7	(29,072)	(24,783)
Administrative expenses	7	(102,265)	(90,294)
Other net gains	8	13,869	4,362
Profit from operations		102,096	48,036
Finance income		645	263
Finance costs		(7,180)	(3,192)
Net finance costs	9	(6,535)	(2,929)
Profit before taxation		95,561	45,107
Income tax	11	(5,408)	(3,611)
Profit for the year attributable to the equity shareholders of the Company		90,153	41,496
Earnings per share			
Basic and diluted (Hong Kong cents)	12	10.88	5.01

The notes on pages 47 to 91 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	2018 \$'000	2017 \$'000
Profit for the year	90,153	41,496
Other comprehensive income for the year:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	14,901	(8,998)
Change on fair value of available-for-sale financial assets	(5,104)	16,423
Reclassification adjustment for amounts transferred to profit or loss upon disposal of available-for-sale-securities	(4,833)	(8,048)
	4,964	(623)
Total comprehensive income for the year attributable to equity shareholders of the Company	95,117	40,873

The notes on pages 47 to 91 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Interests in leasehold land held for own use under operating leases	14	18,604	19,080
Property, plant and equipment	15	86,316	89,251
Available-for-sale financial assets	16	16,174	29,015
Deferred tax assets	24	2,209	2,888
		123,303	140,234
Current assets			
Inventories	17	822,380	675,183
Trade and other receivables	18	215,679	215,339
Tax recoverable		150	388
Derivative financial instruments		544	8
Cash held on behalf of customers	19(a)	7,144	3,009
Cash and cash equivalents	19(b)	300,364	237,851
		1,346,261	1,131,778
Current liabilities			
Trade and other payables	22	88,240	39,616
Bank borrowings	23	250,459	163,384
Tax payable		612	983
Derivative financial instruments		1,892	31
		341,203	204,014
Net current assets		1,005,058	927,764
Total assets less current liabilities		1,128,361	1,067,998

Consolidated Statement of Financial Position

at 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Non-current liabilities			
Bank borrowings	23	14,329	15,462
Employee retirement benefit obligations		1,142	2,305
Deferred tax liabilities	24	2,659	1,965
		18,130	19,732
Net assets			
		1,110,231	1,048,266
Capital and reserves			
Share capital	20	82,875	82,875
Reserves	21	1,027,356	965,391
Total equity		1,110,231	1,048,266

The consolidated financial statements on page 41 to 91 were approved by the Board of Directors on 27 June 2018 and were signed on its behalf.

CHAN Pak Chung
Director

CHAN Yuen Shan Clara
Director

The notes on pages 47 to 91 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Note	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Capital redemption reserve \$'000	Reserve fund \$'000	Available-for-sale financial assets revaluation reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 April 2016		82,875	470,429	(17,830)	125	1,358	11,332	2,324	456,780	1,007,393
Changes in equity for the year ended 31 March 2017:										
Profit for the year		-	-	-	-	-	-	-	41,496	41,496
Other comprehensive income		-	-	-	-	-	8,375	(8,998)	-	(623)
Total comprehensive income		-	-	-	-	-	8,375	(8,998)	41,496	40,873
Transfer to reserve fund		-	-	-	-	994	-	-	(994)	-
Balance at 31 March 2017		82,875	470,429	(17,830)	125	2,352	19,707	(6,674)	497,282	1,048,266
Balance at 1 April 2017		82,875	470,429	(17,830)	125	2,352	19,707	(6,674)	497,282	1,048,266
Changes in equity for the year ended 31 March 2018:										
Profit for the year		-	-	-	-	-	-	-	90,153	90,153
Other comprehensive income		-	-	-	-	-	(9,937)	14,901	-	4,964
Total comprehensive income		-	-	-	-	-	(9,937)	14,901	90,153	95,117
Dividends approved in respect of the previous year and current year	13	-	(33,152)	-	-	-	-	-	-	(33,152)
Transfer to reserve fund		-	-	-	-	1,315	-	-	(1,315)	-
Balance at 31 March 2018		82,875	437,277	(17,830)	125	3,667	9,770	8,227	586,120	1,110,231

The notes on pages 47 to 91 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Operating activities			
Net cash generated from operations	26(a)	10,970	7,903
Interest paid		(6,836)	(2,842)
Hong Kong Profits Tax paid		(311)	(297)
Mainland China Corporate Income Tax paid		(3,903)	(3,080)
Net cash (used in)/generated from operating activities		(80)	1,684
Investing activities			
Interest received		645	263
Proceeds from disposal of property, plant and equipment	26(b)	694	340
Proceeds from disposal of available-for-sale financial assets		7,737	11,815
Payment for the acquisition of property, plant and equipment		(5,683)	(4,070)
Dividend received from listed securities		721	–
Net cash generated from investing activities		4,114	8,348
Financing activities			
Proceeds from new bank borrowings		1,109,680	819,712
Repayment of bank borrowings		(1,023,738)	(750,151)
Interest paid on mortgage loan		(344)	(350)
Dividends paid		(33,152)	–
Net cash generated from financing activities		52,446	69,211
Increase in cash and cash equivalents		56,480	79,243
Cash and cash equivalents at beginning of the year		237,851	162,278
Effect of foreign exchange rates changes		6,033	(3,670)
Cash and cash equivalents at end of the year	19(b)	300,364	237,851

The notes on pages 47 to 91 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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").

The consolidated financial statements are presented in thousands of Hong Kong dollars ("HK dollars"), unless otherwise stated, and have been approved for issue by the Board of Directors on 27 June 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 26(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HK(IFRIC) 22, <i>Foreign currency transactions and advance consideration</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019
HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. Based on the assessment so far, the adoption of HK(IFRIC) 22 and 23 is unlikely to have a significant impact on the Group's results of operations and financial position. Further details of the expected impacts of the adoption of HKFRS 9, 15 and 16 are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected loss" model. Under the expected loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. The application of the expected loss model will result in earlier recognition of credit losses.

Based on the assessment so far, the Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group's results of operations and financial position.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment so far, the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operations and financial position.

HKFRS 16, Leases

As disclosed in note 2(t), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for certain land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in profit or loss over the period of the lease. As disclosed in note 27, at 31 March 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to \$2,919,000, certain portion of which is payable more than one year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group until the date that control ceases.

(i) *Business combinations*

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against merger reserve. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

Business combinations not involving entities under common control

The Group applies the acquisition method to account for business combinations not involving entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Disposal of subsidiaries*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. In addition, any amounts previously recognised in other comprehensive income in respect of the former subsidiary are reclassified to profit or loss.

(iv) *Company's statement of financial position*

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required when there is any indication that the investment is impaired or upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the Company's statement of financial position exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss under "other net gains/losses".

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in the other comprehensive income.

(d) Property, plant and equipment

Leasehold land interests classified as finance leases and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line basis to allocate cost less estimated residual values, if any, over their estimated useful lives. The principal annual rates are as follows:

– Leasehold land as finance lease	Over the period of the lease
– Buildings	2.5% to 5%
– Leasehold improvements	20% to 33 $\frac{1}{3}$ %
– Motor vehicles and yacht	10% to 30%
– Machinery	10% to 30%
– Furniture, fixtures and office equipment	20%
– Computer system	20% to 33 $\frac{1}{3}$ %

The assets' residual values, if any, and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(g)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other net gains/losses" in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasehold land under operating leases

Leasehold land under operating leases is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortisation of leasehold land is calculated on a straight-line basis over the period of the lease.

(f) Investment properties

Investment property is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for accounting purposes. The deemed cost of property, plant and equipment is used as the basis for the carrying amount and depreciation of the asset.

(g) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

(h) Financial assets

The Group classifies its financial assets (other than derivative financial instruments in note 2(l)) in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are realised or expected to be realised more than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "bank balances and cash" in the consolidated statement of financial position (notes 2(j) and 2(k)).

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless the investment matures.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment assessment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(ii) Available-for-sale financial assets (Continued)

Impairment assessment (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in the consolidated statement of profit or loss. Impairment losses recognised in profit or loss on the available-for-sale equity instruments are not reversed through profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. Changes in the fair value of those derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss within "other net gains/losses".

(m) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(p) Income tax

Income tax for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are also recognised in other comprehensive income or directly in equity, respectively.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits

(i) Pension obligation

The Group participates in mandatory provident fund schemes ("MPF Schemes") for all employees in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance. The contributions to the MPF Schemes are based on a minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a current cap of \$1,500). The assets of the MPF Schemes are held in separate trustee-administered funds.

The Group's contributions to the MPF Schemes are expensed as incurred.

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group's relevant entities are required to contribute a specified percentage of its payroll costs to the central pension scheme. The contributions are expensed in the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(ii) Employee leave entitlements

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees. Provisions are made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(iii) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of the bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Employee retirement benefit obligations

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method by a qualified actuary, discounted to its present value, and the fair value of any related plan assets is deducted. The discount rate is the Hong Kong government zero coupon bond yields as at the date of statement of financial position.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue and income recognition

Revenue from the sale of goods are recognised on the transfer of risks and rewards of ownership which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is shown net of returns and discounts and after eliminating revenue within the Group.

Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue and income recognition (Continued)

Management fee income is recognised when services are rendered.

Dividend income is recognised when the right to receive payment is established.

Technical consultancy service income is recognised when services are rendered.

Commission from brokerage services on dealings in futures are recognised on the transaction dates when the relevant contract notes are exchanged.

(t) Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payments made for leasehold land classified as operating leases, are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's senior executive management, including executive directors, chief executive officer, chief operation officer and chief financial officer, who collectively review the Group's internal reporting in order to make strategic decisions.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties

- (i) A person, or close member of that person's family, is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (1) the entity and the Group are members of the same group (which means that each parent, subsidiary and follow subsidiary is related to the others).
 - (2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) both entities are joint ventures of the same third party.
 - (4) one entity is a joint venture of a third party and the other entity is an associate of the third entity.
 - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) the entity is controlled or jointly controlled by a person identified in (i).
 - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or influenced by, that person in their dealings with the entity.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognised assets and liabilities, such as bank balances and cash, trade receivables, trade payables, and bank borrowings, denominated in United States Dollars ("US dollars") and Renminbi ("RMB").

Management conducts periodic reviews of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

In respect of US dollars, the Group considers that minimal risk arises as the rate of exchange between HK dollars and US dollars is controlled within a tight range under the Hong Kong's Linked Exchange Rate System.

In respect of RMB, at 31 March 2018, if RMB had strengthened/weakened by 5% (2017: 5%) against the Hong Kong dollars with all other variables held constant, post-tax profit for the year would have been increased/decreased by approximately \$4,107,000 (2017: \$4,206,000).

(ii) Cash flow and fair value interest rate risks

The Group has certain bank borrowings at floating interest rates with maturities of less than 120 days in general, which subject the Group to cash flow interest rate risk.

At 31 March 2018, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been decreased/increased by approximately \$420,000 (2017: \$306,000) as a result of higher/lower interest expense on bank borrowings.

The Group's bank deposits were at fixed rates and expose the Group to fair value interest risk. As all the Group's bank deposits were short-term in nature, any change in the interest rate from time to time is not considered to have significant impact to the Group's financial performance.

(iii) Price risk

The Group is exposed to equity securities price risk mainly because of the investment in listed equity instrument in Hong Kong, classified on the consolidated statement of financial position as available-for-sale financial assets.

At 31 March 2018, if the fair value of the listed equity instrument increased or decreased by 5%, the Group's available-for-sale financial assets revaluation reserve would have been increased or decreased by approximately \$809,000 (2017: \$1,451,000).

The Group is also exposed to commodity price risk in relation to its metal products which is largely dependent on the material price of the relevant commodity. The Group closely monitors the price of its products in order to determine its pricing strategies.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk

Credit risk is managed on a group basis. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers and other counter parties, including outstanding trade and other receivables and committed transactions.

The carrying amounts of bank deposits and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure of credit risk in relation to its financial assets.

All bank deposits are placed with highly reputable and sizable banks and financial institutions without significant credit risk.

With regard to trade and other receivables, the Group assesses the credit quality of the customers and other counter parties, taking into account their financial position, past experience and other factors. The Group performs periodic credit evaluations of its customers and other counter parties and believes that adequate provision for doubtful receivables has been made in the consolidated financial statements. Management does not expect any further losses from non-performance by these counter parties.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and other counter parties.

(v) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the Group's liquidity on the basis of availability of bank balances and cash and unutilised committed credit lines. Available bank and cash balances and committed credit lines as of 31 March 2018 are as follows:

	2018 \$'000	2017 \$'000
Bank balances and cash	307,508	240,860
Less: Cash held on behalf of customers	(7,144)	(3,009)
	300,364	237,851
Committed credit lines available (Note)	589,652	768,652
Less: Utilised credit lines for bank borrowings	(269,111)	(180,927)
	320,541	587,725

Note: Credit lines available were either secured by the Group's property, plant and equipment or guaranteed by the Company (note 23).

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

The following table shows the remaining contractual maturities at the end of the reporting periods of the Group's non-derivative financial liabilities and net-settled derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group is required to pay.

	Contractual undiscounted cash flow					Carrying amount \$'000
	On demand or within one year	Between 1-2 years	Between 2-5 years	Over 5 years	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	
At 31 March 2018						
Trade payables, accrued expenses and other payables	77,458	-	-	-	77,458	77,458
Bank borrowings	260,644	1,550	4,611	10,591	277,396	264,788
Derivative financial instruments	1,892	-	-	-	1,892	1,892
	339,994	1,550	4,611	10,591	356,746	344,138
At 31 March 2017						
Trade payables, accrued expenses and other payables	31,104	-	-	-	31,104	31,104
Bank borrowings	167,559	1,472	4,424	11,714	185,169	178,846
Derivative financial instruments	31	-	-	-	31	31
	198,694	1,472	4,424	11,714	216,304	209,981

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, draw down or repay bank borrowings.

Management monitors the utilisation of borrowings and ensures full compliance with loan covenants during the period and at the end of each reporting period.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank borrowings divided by total equity.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

The gearing ratios at of 31 March 2018 and 2017 are as follows:

	2018 \$'000	2017 \$'000
Total bank borrowings (note 23)	264,788	178,846
Total equity	1,110,231	1,048,266
Gearing ratio	23.8%	17.1%

(c) Fair value measurement

The carrying amounts of the Group's financial assets including trade and other receivables and bank balances and cash; and financial liabilities including trade and other payables and bank borrowings approximate their fair values.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 March 2018 \$'000	Fair value measurement as at 31 March 2018 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets				
Derivative financial instruments	544	–	544	–
Available-for-sale financial assets	16,174	16,174	–	–
	16,718	16,174	544	–
Liabilities				
Derivative financial instruments	1,892	–	1,892	–

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value measurement (Continued)

	Fair value at 31 March 2017 \$'000	Fair value measurement as at 31 March 2017 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets				
Derivative financial instruments	8	–	8	–
Available-for-sale financial assets	29,015	29,015	–	–
	29,023	29,015	8	–
Liabilities				
Derivative financial instruments	31	–	31	–

The fair values of available-for-sale financial assets traded in active markets are based on quoted market prices at the date of consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no transfers of financial assets between level 1 and level 2, or transfer into or out of level 3 in respect of the fair value hierarchy classifications.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value measurement (Continued)

At 31 March 2018, the Group had outstanding future trading contracts mainly to sell/purchase nickel and zinc and future exchange contracts to sell Renminbi. The maximum notional principal amounts of these future contracts at 31 March 2018 and 2017 are as follows:

	2018 \$'000	2017 \$'000
Future trading contracts		
Buy	178	–
Future exchange contracts		
Renminbi	53,518	20,107

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

4 ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. As the future is inherently uncertain, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Impairment of non-financial assets

Non-financial assets including property, plant and equipment and leasehold land are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 ACCOUNTING ESTIMATES (Continued)

(a) Impairment of non-financial assets (Continued)

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(b) Net realisable value of inventories

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. These estimates are based on current market conditions and historical experience of selling goods of a similar nature. They could change as a result of changes in market conditions. Management reassesses the estimations at the end of each reporting period.

(c) Impairment of trade and other receivables

Management determines the allowance for impairment loss of trade and other receivables. This estimate is based on the credit history of its customers and other counter parties and current market conditions. It could change as a result of change in the financial positions of customers and other counter parties. Management reassesses the allowance for impairment loss at the end of each reporting period.

(d) Income taxes and deferred tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 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:

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

The chief operating decision-maker has been identified as the Group's senior executive management, including executive directors, chief executive officer, chief operation officer and chief financial officer, who collectively review the Group's internal reporting in order to assess performance, allocate resources and make strategic decisions.

The chief operating decision-maker reviews the performance of the Group mainly from a geographical perspective. The Group is organised into two operating segments, namely (i) Hong Kong and (ii) Mainland China. Both operating segments represent trading of different types of metal products.

(a) Segment information

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

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

	Hong Kong		Mainland China		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Segment revenue	1,605,671	1,305,664	1,105,770	805,057	2,711,441	2,110,721
Segment results	64,531	25,999	16,363	12,332	80,894	38,331
Other segment expenditure items included in the segment results:						
Cost of inventories recognised as expense	1,439,547	1,215,529	1,061,594	768,696	2,501,141	1,984,225
Depreciation of property, plant and equipment	8,608	9,945	787	751	9,395	10,696
Amortisation of leasehold land	437	437	131	131	568	568
Reversal of write-down of inventories	(1,920)	(26,413)	(11)	(499)	(1,931)	(26,912)
Segment assets	1,131,297	972,634	338,267	299,378	1,469,564	1,272,012
Segment liabilities	225,588	97,419	133,745	126,327	359,333	223,746

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE AND SEGMENT REPORTING (Continued)

(b) Reconciliation of segment results

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

6 OTHER INCOME

	2018	2017
	\$'000	\$'000
Provision of technical consultancy services	4,036	3,826
Commission and brokerage income on dealings in securities	184	388
Dividend income from listed securities	721	–
Others	2,392	1,129
	7,333	5,343

7 EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling expenses and administrative expenses are analysed as follows:

	2018	2017
	\$'000	\$'000
Auditor's remuneration	1,350	1,490
Depreciation of property, plant and equipment	9,395	10,696
Amortisation of leasehold land	568	568
Staff costs, including directors' remuneration (note 10)	75,347	67,380
Operating lease charges: minimum lease payments – property rentals	2,970	2,900
Cost of inventories recognised as expense	2,501,141	1,984,225
Reversal of write-down of inventories	(1,931)	(26,912)
Recognition of impairment loss of trade receivables	691	–

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 OTHER NET GAINS

	2018 \$'000	2017 \$'000
Gain on disposal of property, plant and equipment (note 26(b))	552	49
Gain on disposal of available-for-sale financial assets	4,833	8,048
Unrealised gain on metal future trading contracts and foreign exchange forward contracts	200	34
Realised loss on metal future trading contracts	(1,282)	(2,104)
Net foreign exchange gain/(loss)	9,566	(1,550)
Others	–	(115)
	13,869	4,362

9 NET FINANCE COSTS

	2018 \$'000	2017 \$'000
Interest income	645	263
Interest on short-term bank borrowings	(6,836)	(2,842)
Interest on mortgage loan	(344)	(350)
	(6,535)	(2,929)

10 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2018 \$'000	2017 \$'000
Wages, salaries and allowances	73,930	65,665
Post employment benefits – pension	1,417	1,715
	75,347	67,380

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2018 \$'000	2017 \$'000
Current tax		
– Hong Kong Profits Tax	517	1,245
– Mainland China Corporate Income Tax	4,100	2,837
Over-provision in prior years	(582)	(105)
	4,035	3,977
Deferred tax (note 24)	1,373	(366)
Income tax expense	5,408	3,611

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 \$'000	2017 \$'000
Profit before taxation	95,561	45,107
Notional tax on profit before taxation, calculated at rates applicable to profits in the jurisdictions concerned	17,303	8,697
Income not subject to tax	(2,968)	(1,499)
Expenses not deductible for tax purposes	1,912	878
Tax losses not recognised	2,455	1,635
Utilisation of previously unrecognised tax losses	(12,712)	(5,995)
Over-provision in prior years	(582)	(105)
Income tax expense	5,408	3,611

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

13 DIVIDENDS

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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14 INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	\$'000
Cost:	
At 1 April 2016	24,288
Exchange difference	(93)
At 31 March 2017 and 1 April 2017	24,195
Exchange difference	138
At 31 March 2018	24,333
Accumulated amortisation:	
At 1 April 2016	4,576
Exchange difference	(29)
Charge for the year	568
At 31 March 2017 and 1 April 2017	5,115
Exchange difference	46
Charge for the year	568
At 31 March 2018	5,729
Net book value:	
At 31 March 2018	18,604
At 31 March 2017	19,080

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land as finance lease \$'000	Buildings \$'000	Leasehold improvements \$'000	Motor vehicles and yacht \$'000	Machinery \$'000	Furniture, fixtures and office equipment \$'000	Computer system \$'000	Total \$'000
Cost:								
At 1 April 2017	5,900	69,154	32,163	35,259	29,233	8,170	9,631	189,510
Exchange difference	–	1,537	–	27	1,239	186	144	3,133
Additions	–	–	175	3,955	346	696	511	5,683
Disposals	–	–	–	(1,617)	(599)	(19)	–	(2,235)
At 31 March 2018	5,900	70,691	32,338	37,624	30,219	9,033	10,286	196,091
Accumulated depreciation:								
At 1 April 2017	2,141	5,412	31,881	29,212	17,590	5,795	8,228	100,259
Exchange difference	–	922	–	10	993	161	128	2,214
Charge for the year	124	1,886	138	2,890	3,161	673	523	9,395
Written back on disposals	–	–	–	(1,617)	(459)	(17)	–	(2,093)
At 31 March 2018	2,265	8,220	32,019	30,495	21,285	6,612	8,879	109,775
Net book value:								
At 31 March 2018	3,635	62,471	319	7,129	8,934	2,421	1,407	86,316
Cost:								
At 1 April 2016	5,900	70,199	32,163	34,995	29,427	6,912	9,112	188,708
Exchange difference	–	(1,045)	–	(11)	(830)	(132)	(108)	(2,126)
Additions	–	–	–	1,042	639	1,762	627	4,070
Disposals	–	–	–	(767)	(3)	(372)	–	(1,142)
At 31 March 2017	5,900	69,154	32,163	35,259	29,233	8,170	9,631	189,510
Accumulated depreciation:								
At 1 April 2016	2,017	4,122	31,674	27,462	13,312	5,442	7,794	91,823
Exchange difference	–	(582)	–	(1)	(627)	(115)	(84)	(1,409)
Charge for the year	124	1,872	207	2,512	4,905	558	518	10,696
Written back on disposals	–	–	–	(761)	–	(90)	–	(851)
At 31 March 2017	2,141	5,412	31,881	29,212	17,590	5,795	8,228	100,259
Net book value:								
At 31 March 2017	3,759	63,742	282	6,047	11,643	2,375	1,403	89,251

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

The investment cost of unlisted limited partnership of \$7,046,000 was fully impaired in previous years as management assessed that the amount is expected to be irrecoverable as a result of the financial difficulties experienced by the investee.

17 INVENTORIES

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

The cost of inventories recognised as expense and included in “cost of sales” amounted to approximately \$2,501,141,000 (2017: \$1,984,225,000) during the year ended 31 March 2018.

18 TRADE AND OTHER RECEIVABLES

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

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

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18 TRADE AND OTHER RECEIVABLES (Continued)

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

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

The carrying amounts of the trade receivables are denominated in the following currencies:

	2018 \$'000	2017 \$'000
HK dollars	12,945	15,439
US dollars	63,399	56,266
New Taiwan dollars	13,031	2,030
Renminbi	87,069	84,482
	176,444	158,217

As at 31 March 2018, trade receivables of \$37,634,000 (2017: \$88,322,000) were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables, based on due date, is as follows:

	2018 \$'000	2017 \$'000
Within 1 month	35,602	72,461
Over 1 but within 2 months	759	12,230
Over 2 but within 3 months	33	2,762
Over 3 months	1,240	869
	37,634	88,322

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18 TRADE AND OTHER RECEIVABLES (Continued)

As at 31 March 2018, trade receivables of \$747,000 (2017: \$56,000) was past due and considered impaired. Out of the amount, \$747,000 (2017: \$56,000) was considered irrecoverable and allowance for doubtful debts was made thereon.

The allowance for doubtful debts of trade receivables is as follows:

	2018 \$'000	2017 \$'000
At beginning of the year	56	56
Recognition of impairment loss	691	–
At end of the year	747	56

The creation and release of provision for impaired receivables have been included in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There is no impairment for prepayments to suppliers, deposits and other receivables.

19 CASH HELD ON BEHALF OF CUSTOMERS AND CASH AND CASH EQUIVALENTS

(a) Cash held on behalf of customers

The Group has classified the clients' monies as cash held on behalf of clients under the current assets and recognised a corresponding payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies.

The carrying amounts of cash held on behalf of customers are denominated in the following currencies:

	2018 \$'000	2017 \$'000
HK dollars	420	1,282
Renminbi	2,686	1,727
US dollars	4,038	–
	7,144	3,009

(b) Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash at bank and on hand	275,039	237,851
Short-term bank deposits	25,325	–
	300,364	237,851

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

19 CASH HELD ON BEHALF OF CUSTOMERS AND CASH AND CASH EQUIVALENTS (Continued)

(b) Cash and cash equivalents (Continued)

The weighted average effective interest rate on short-term bank deposits of the Group was 3.0% per annum as at 31 March 2018. There were no short-term bank deposits on hand as at 31 March 2017.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The carrying amounts of bank balances and cash are denominated in the following currencies:

	2018 \$'000	2017 \$'000
HK dollars	90,243	74,695
US dollars	97,115	75,480
New Taiwan dollars	16	3,530
Renminbi	112,445	84,016
Others	545	130
	300,364	237,851

20 SHARE CAPITAL

Authorised and issued capital

	Number of shares '000	Nominal amount \$'000
Authorised:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	8,000,000	800,000
Issued and fully paid – ordinary shares of \$0.1 each:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	828,750	82,875

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RESERVES

Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 29(a) to the financial statements.

Nature and purpose of reserves

(i) Share premium

Pursuant to the Companies Law (2004 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve arose from an adjustment to eliminate the Group's share of share capital of a then non-wholly owned subsidiary against the Group's investment cost in the subsidiary using the principle of merger accounting in respect of a business combination under common control during the year ended 31 December 2007.

(iii) Reserve funds

In accordance with the relevant rules and regulations, the Group's entities registered in the Mainland China are required to transfer part of its profit after income tax to reserve funds. The transfer is also subject to the approval of the respective board of directors of these entities, in accordance with their articles of association.

22 TRADE AND OTHER PAYABLES

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 TRADE AND OTHER PAYABLES (Continued)

The carrying amounts of trade payables are denominated in the following currencies:

	2018 \$'000	2017 \$'000
HK dollars	–	167
US dollars	28,756	989
Renminbi	13,829	3,906
	42,585	5,062

23 BANK BORROWINGS

	2018 \$'000	2017 \$'000
Non-current liabilities		
Mortgage loan	14,329	15,462
Current liabilities		
Short-term bank borrowings	249,326	162,275
Mortgage loan	1,133	1,109
	250,459	163,384
	264,788	178,846

As at 31 March 2018 and 2017, bank borrowings are repayable as follows:

	2018 \$'000	2017 \$'000
Within one year	250,459	163,384
After 1 year but within 2 years	1,158	1,133
After 2 years but within 5 years	3,626	3,559
After 5 years	9,545	10,770
	14,329	15,462
	264,788	178,846

Mortgage loan of \$15,462,000 (2017: \$16,571,000) was secured by property, plant and equipment with carrying value of \$47,642,000 (2017: \$48,638,000) as at 31 March 2018.

As at 31 March 2018 and 2017, all the remaining bank borrowings were guaranteed by the Company.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 BANK BORROWINGS (Continued)

Banking facilities of \$288,652,000 (2017: \$288,652,000) as at 31 March 2018 are subject to the fulfilment of covenants relating to the Group's financial position. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 March 2017, the Group had failed to fulfil certain financial covenants of a short-term bank borrowing of \$70,651,000. Such breach entitled the bank to declare the outstanding principal amount, accrued interest and other sums payable under the relevant banking facility agreement to become immediately due and payable. Such covenants have been revised subsequently during the year ended 31 March 2018 and such breach no longer exists since then. None of the financial covenants relating to the drawn down facilities was breached as at 31 March 2018.

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2018 \$'000	2017 \$'000
HK dollars	15,462	16,571
US dollars	249,326	162,275
	264,788	178,846

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

	2018	2017
Short-term bank borrowings	2.73%	2.60%
Mortgage loan	2.74%	2.19%

24 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2018 \$'000	2017 \$'000
Deferred tax assets	2,209	2,888
Deferred tax liabilities	(2,659)	(1,965)
	(450)	923

The net movement on the deferred tax is as follows:

	2018 \$'000	2017 \$'000
At beginning of the year	923	557
(Charged)/credited to profit or loss (note 11)	(1,373)	366
At end of the year	(450)	923

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

24 DEFERRED TAX (Continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets						Deferred tax liabilities			
	Tax losses		Unrealised profit on inventories		Accelerated accounting depreciation		Accelerated tax depreciation		Revaluation of assets	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At beginning of the year	1,008	1,008	92	127	2,796	2,500	(2,323)	(2,428)	(650)	(650)
(Charged)/credited to profit or loss	-	-	-	(35)	(679)	296	(694)	105	-	-
At end of the year	1,008	1,008	92	92	2,117	2,796	(3,017)	(2,323)	(650)	(650)

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of \$26,005,000 (2017: \$36,262,000) in respect of tax losses amounting to \$157,606,000 (2017: \$219,770,000) that can be carried forward against future taxable income. The tax losses mainly arose in Hong Kong and have no expiry date.

25 SUBSIDIARIES

	The Company	
	2018	2017
	\$'000	\$'000
Unlisted shares, at cost	224,379	224,379
Less: impairment loss	(148,845)	(148,845)
	75,534	75,534
Amounts due from subsidiaries	972,217	972,832
	1,047,751	1,048,366

The movements in the impairment losses on interest in subsidiaries during the years are as follows:

	The Company	
	2018	2017
	\$'000	\$'000
Impairment losses as at beginning of the year	148,845	83,000
Provision for impairment losses during the year	-	65,845
Impairment losses as at end of the year	148,845	148,845

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SUBSIDIARIES (Continued)

As the market capitalisation of the Company was higher than the net assets value of the Group, there was an indication that the carrying value of the Company's interests in subsidiaries as at 31 March 2018 may be recovered. Management has therefore assessed the recoverable amount of interests in subsidiaries and estimated that no reversal or further provision of impairment losses is necessary as at 31 March 2018.

The following is a list of principal subsidiaries at 31 March 2018:

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued capital/paid-up capital	Interest held	
				2018	2017
Horizon Commodities and Futures Company Limited	Hong Kong, limited liability company	Future Brokerage in Hong Kong	\$28,000,000	100%	100%
Lee Kee Group (BVI) limited	British Virgin Islands ("BVI"), limited liability company	Investment holding in BVI	2 shares of HK\$1 each	100%	100%
Lee City Asia Company Limited	Hong Kong, limited liability company	Property holding in Hong Kong	\$10,000	100%	100%
Lee Fung Metal Company Limited	Hong Kong, limited liability company	Trading of non-ferrous metal in Hong Kong	\$100,000	100%	100%
Lee Kee Group Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	\$1,000	100%	100%
Lee Kee Metal Company Limited	Hong Kong, limited liability company	Trading of zinc and zinc alloy in Hong Kong	\$5,000,000	100%	100%
Lee Sing Materials Company Limited	Hong Kong, limited liability company	Trading of chemical products in Hong Kong	\$100,000	100%	100%
Lee Yip Metal Products Company Limited	Hong Kong, limited liability company	Trading of stainless steel in Hong Kong	\$1,000,000	100%	100%

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SUBSIDIARIES (Continued)

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued capital/ paid-up capital	Interest held	
				2018	2017
Essence Metal (Asia) Company Limited	Hong Kong, limited liability company	Manufacturing and trading of customised zinc alloy in Hong Kong	\$1	100%	100%
Promet Metals Testing Laboratory Limited	Hong Kong, limited liability company	Provision of technical consultancy services in Hong Kong	\$1	100%	100%
Silver Goal International Limited	Hong Kong, limited liability company	Property holding in Hong Kong	\$1	100%	100%
Standard Glory Management Limited	Hong Kong, limited liability company	Provision of management services in Hong Kong	\$10,000	100%	100%
Toba Company Limited	Hong Kong, limited liability company	Property holding in Hong Kong	\$10,000	100%	100%
LKG Elite (Shenzhen) Co., Ltd.	The People's Republic of China ("PRC"), limited liability company	Distribution of non-ferrous metals in Mainland China	RMB30,954,000	100%	100%
LKG Elite (Guangzhou) Co., Ltd.	The PRC, limited liability company	Distribution of non-ferrous metals in Mainland China	RMB5,020,000	100%	100%
LKG Elite (Wuxi) Co., Ltd.	The PRC, limited liability company	Distribution of non-ferrous metals in Mainland China	USD3,600,000	100%	100%
Genesis Recycling Technology (BVI) Limited	BVI, limited liability company	Investment holding in BVI	2,100,000 shares of US\$1 each	100%	100%
Genesis Alloys (Ningbo) Limited	The PRC, limited liability company	Manufacturing and trading of zinc alloy products in Mainland China	USD9,000,000	100%	100%

Lee Kee Group (BVI) Limited is directly held by the Company. All of the other entities disclosed above are held indirectly by the Company through Lee Kee Group (BVI) Limited.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from operations:

	2018 \$'000	2017 \$'000
Profit before taxation	95,561	45,107
Adjustments for:		
Depreciation of property, plant and equipment	9,395	10,696
Amortisation of leasehold land	568	568
Interest income	(645)	(263)
Interest expense	7,180	3,192
Dividend income from listed securities	(721)	–
Gain on disposal of property, plant and equipment	(552)	(49)
Gain on disposal of available-for-sale financial assets	(4,833)	(8,048)
Reversal of employee retirement benefit obligations	(773)	–
Reversal of write-down of inventories	(1,931)	(26,912)
Recognition of impairment loss of trade receivables	691	–
Unrealised gain on derivative financial instruments	(200)	(34)
Effect of foreign exchange rates changes	(11,058)	1,961
Changes in working capital:		
Increase in cash held on behalf of customers	(4,135)	(1,389)
(Increase)/decrease in inventories	(137,127)	76,621
Decrease/(increase) in trade and other receivables	11,302	(90,245)
Increase/(decrease) in trade and other payables	48,248	(3,302)
Net cash generated from operations	10,970	7,903

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2018 \$'000	2017 \$'000
Disposal of property, plant and equipment:		
Net book value	142	291
Gain on disposal of property, plant and equipment	552	49
Proceeds from disposal of property, plant and equipment	694	340

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings
	\$'000
	(note 23)
At 1 April 2017	178,846
Changes from financing cash flows:	
Proceeds from new bank loans	1,109,680
Repayment of bank loans	(1,023,738)
Interest paid on mortgage loan	(344)
Total changes from financing cash flows	85,598
Other change:	
Interest expense on mortgage loan	344
At 31 March 2018	264,788

27 COMMITMENTS

Operating lease commitments – as a lessee

The Group's future aggregate minimum rental expense in respect of land and buildings under non-cancellable operating leases is payable as follows:

	2018	2017
	\$'000	\$'000
Within one year	1,880	1,339
After one year but within five years	1,039	1,334
	2,919	2,673

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

	2018 \$'000	2017 \$'000
Expense		
Rental paid to Sonic Gold Limited	600	540

The Group paid rental expenses for a director's quarter to Sonic Gold Limited, a company controlled by Ms Chan Yuen Shan Clara, a director of the Company, at fixed sums as agreed by both parties.

(b) Key management compensation

	2018 \$'000	2017 \$'000
Salaries and other short term employee benefits	22,729	21,311
Post employment benefits – pension	90	98
	22,819	21,409

Key management has been identified as the executive directors, chief executive officer, chief operation officer, chief financial officer and senior personnel from various departments of the Group.

Senior management remuneration

Included in the key management compensation is the remuneration of the senior management of the Group, which included Mr. Cheuk Wa Pang and Mr. Yan Cheuk Yam as disclosed in section "Directors, Senior Management and Advisors" in the annual report. The emoluments payable to these individuals during the year ended 31 March 2018 fell within the following emolument bands:

	2018	2017
HK\$0 to HK\$1,000,000	1	1
HK\$2,000,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$4,000,000	1	–
	2	2

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Interests in subsidiaries	25	1,047,751	1,048,366
Current assets			
Prepayments		129	129
Tax recoverable		30	9
Cash and cash equivalents		1,216	424
		1,375	562
Current liabilities			
Other payables		18	61
Net current assets		1,357	501
Total assets less current liabilities		1,049,108	1,048,867
Non-current liabilities			
Employee retirement benefit obligations		755	601
Net assets		1,048,353	1,048,266
Capital and reserves (note a)			
Share capital		82,875	82,875
Reserves		965,478	965,391
Total equity		1,048,353	1,048,266

The statement of financial position of the Company was approved by the Board of Directors on 27 June 2018 and was signed on its behalf.

CHAN Pak Chung
Director

CHAN Yuen Shan Clara
Director

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 COMPANY'S STATEMENT OF FINANCIAL POSITION (Continued)

Note (a): Changes in equity of the Company

	Share capital	Share premium	Contributed surplus (Note)	Capital redemption reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2017	82,875	470,429	640,631	125	(145,794)	1,048,266
Profit and total comprehensive income for the year	-	-	-	-	33,239	33,239
Dividends paid (note 13)	-	(33,152)	-	-	-	(33,152)
At 31 March 2018	82,875	437,277	640,631	125	(112,555)	1,048,353
At 1 April 2016	82,875	470,429	640,631	125	(79,829)	1,114,231
Loss and total comprehensive income for the year	-	-	-	-	(65,965)	(65,965)
At 31 March 2017	82,875	470,429	640,631	125	(145,794)	1,048,266

Note: The contributed surplus of the Company represents the value of the one share of Lee Kee Group (BVI) Limited allotted and issued to the Company at premium of approximately \$640,631,000 at the direction of Mr Chan Pak Chung ("Mr Chan") and pursuant to a deed of gift entered into between Mr Chan and the Company in consideration of the conversion of the ordinary shares of Lee Kee Group Limited held by Mr Chan to non-voting deferred shares in 2006.

Pursuant to the Companies Law (2004 Revision) of the Cayman Islands, the contributed surplus is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G))

The remuneration of the directors for the years ended 31 March 2018 and 2017 are set out below.

Name of directors	Fees	Salary	Discretionary bonuses	Other benefits (Note 1)	Employer's contribution to a retirement benefit scheme	Total
					\$'000	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 March 2018						
Executive directors						
Mr Chan Pak Chung	-	2,985	1,600	-	-	4,585
Ms Chan Yuen Shan Clara	-	2,356	1,800	600	18	4,774
Ms Ma Siu Tao (Note 2)	-	561	160	-	-	721
Ms Okusako Chan Pui Shan Lillian (Note 3)	-	763	600	-	9	1,372
Mr CHAN Ka Chun Patrick (Note 3)	-	739	500	-	9	1,248
Independent non-executive directors						
Mr Chung Wai Kwok Jimmy	240	-	-	-	-	240
Mr Hu Wai Kwok	240	-	-	-	-	240
Mr Ho Kwai Ching Mark	240	-	-	-	-	240
	720	7,404	4,660	600	36	13,420
Year ended 31 March 2017						
Executive directors						
Mr Chan Pak Chung	-	4,740	1,000	-	-	5,740
Ms Chan Yuen Shan Clara	-	2,248	1,000	540	18	3,806
Ms Ma Siu Tao	-	2,244	655	-	-	2,899
Independent non-executive directors						
Mr Chung Wai Kwok Jimmy	240	-	-	-	-	240
Mr Hu Wai Kwok	240	-	-	-	-	240
Mr Ho Kwai Ching Mark	240	-	-	-	-	240
	720	9,232	2,655	540	18	13,165

Notes:

- (1) Other benefits include the rental expenses paid for a director's quarter.
- (2) Ms. Ma Siu Tao resigned as executive director with effect from 30 June 2017.
- (3) Ms. Okusako Chan Pui Shan Lillian and Mr. CHAN Ka Chun Patrick were appointed as executive directors with effect from 1 October 2017.

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30 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)) (Continued)

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2017: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: Nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2017: None).

No emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include four (2017: three) directors whose emoluments are reflected within this note above.

The emoluments payable to the remaining one (2017: two) of the five highest paid individuals during the year are as follows:

	2018 \$'000	2017 \$'000
Salaries and other allowances	3,417	4,423
Post employment benefits – pension	18	36
	3,435	4,459

The emoluments payable to these individuals during the year fell within the following emolument bands:

	Number of individuals	
	2018	2017
\$1,500,001 to \$2,000,000	–	1
\$2,500,001 to \$3,000,000	–	1
\$3,000,001 to \$3,500,000	1	–
	1	2

31 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

At 31 March 2018, the directors consider Gold Alliance International Management Limited and Gold Alliance Global Services Limited, both of which are incorporated in the British Virgin Islands, to be the ultimate and immediate holding companies of the Company, respectively. Neither of them produces financial statements available for public use.

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