利記控股有限公司

SINCE 1947

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

We Create

Value Solutions

for Metals

ANNUAL REPORT 2018/19 年報

WE CREATE
VALUE SOLUTIONS
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.

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAN Pak Chung *(Chairman of the Board)*
CHAN Yuen Shan Clara, MH
(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, MH
CHEUK Wa Pang

REGISTERED OFFICE

P. O. Box 309 GT, Ugland 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

SMP Partners (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 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

LEGAL ADVISORS 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
1 Harbour View Street
Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
8th Floor, 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 31.03.2019)

利記控股有限公司
LEE KEE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

利記集團有限公司
LEE KEE GROUP LTD.

- **Lee Kee Metal Company Limited (HK)**
  Distribution of non-ferrous metals
- **Lee Fung Metal Company Limited (HK)**
  Distribution of aluminum alloy and aluminum ingot
- **Lee Kee International Limited (HK)**
  Distribution of non-ferrous metals
- **Lee Yip Metal Products Company Limited (HK)**
  Distribution and processing of stainless steel
- **Promet Metals Testing Laboratory Limited (HK)**
  Metal testing laboratory
- **Essence Metal (Asia) Company Limited (HK)**
  Manufacturing of zinc alloy and solder wire
- **Toba Company Limited (HK)**
  Property holding
- **Standard Glory Management Limited (HK)**
  Provision of management service
- **Lee City Asia Company Limited (HK)**
  Property holding
- **Promet Consultancy Company Limited (HK)**
  Technical consultancy service
- **Silver Goal International Limited (HK)**
  Property holding
- **LKG Elite (Shenzhen) Company Limited (PRC)**
  Distribution of non-ferrous metals
- **LKG Elite (Wuxi) Company Limited (PRC)**
  Distribution of non-ferrous metals
- **LKG Elite (Guangzhou) Company Limited (PRC)**
  Distribution of non-ferrous metals
- **Genesis Alloys (Ningbo) Limited (PRC)**
  Manufacturing of zinc alloy
- **Mega International Resources Company Limited Taiwan Branch (Taiwan)**
  Distribution of non-ferrous metals
- **LKG (Singapore) Private Limited (Singapore)**
  Distribution of non-ferrous metals
  - **LKG (Malaysia) SDN BHD (Malaysia) ***
    Distribution of non-ferrous metals

*75% owned

EXPANDING RANGE

OF QUALITY PRODUCT & SERVICES

We have sought to remain ahead of the curve in providing value-added services and speciality alloys to customers in the region, particularly in the PRC where manufacturers are seeking to move up the value chain.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The market is constantly changing. However, LEE KEE has navigated the ebbs and flows of the business environment with confidence for over 70 years. We have continued to learn how to lead through ambiguous times, take preventive measures, and manage change when the present is cloudy and the future is unknown.

The 2018–19 financial year was a challenging period for LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group" or "we") as we sought to navigate a highly unfavourable macro-economic environment and sudden trade policy changes. Every participant in the global economy is adapting as best they can to this new operating environment.

To uphold our market leadership, LEE KEE is putting a strong emphasis on listening to the market. Listening to the market is crucial as it allows us to stay informed, become more intimate with our customers, and changes in market conditions, technologies or customers' needs. Historically, we have been among the first of our peers to reposition our business according to the transformation of manufacturing activity in the region, from Hong Kong to the Pearl River Delta, to China's Eastern region and now to Southeast Asia — which is presenting new business opportunities that is being supported by our sales offices in Malaysia and Singapore. Our expanding physical presence in the Southeast Asia region is already providing a wider customer base and an increase in revenue.

In addition, while reinforcing our core business of providing high-quality standard alloys to the die casting industry, LEE KEE is continuing to diversify its portfolio of products and services. We have sought to remain ahead of the curve in providing value-added services and speciality alloys to customers in the region, particularly in the PRC where manufacturers are seeking to move up the value chain as they seek industrial leadership and competitive advantage. Our testing and consultancy services, provided through our subsidiary, Promet Metals Testing Laboratory Limited, is also continuing to prosper and capture new markets.

No matter the current stage in the market cycle, we believe the best way to ready ourselves is to prepare and build resilience into our operations. We have laid a solid foundation that can withstand hard times with strong financials, well-defined structures, systems and risk management plan. We will focus on our core purpose while identifying opportunities for new products and services emerging from the ashes of the current upheaval. And most importantly, we have a loyal and competent management team who will relentlessly support the sustained growth of the Group.

LEE KEE's success relies on its multi-faceted ability to sense and respond to changes proactively and with confidence to create value. The management team is willing to try new things and, if needed, return to the drawing board when developing key elements of our business strategy and mission. New initiatives like e-commerce and robotics, have been adopted to streamline and upgrade operational efficiency. Exciting opportunities are being studied to enrich our scope. At the end of the day, corporations that remain agile and can pivot in new directions are the ones that are most likely to survive and thrive.

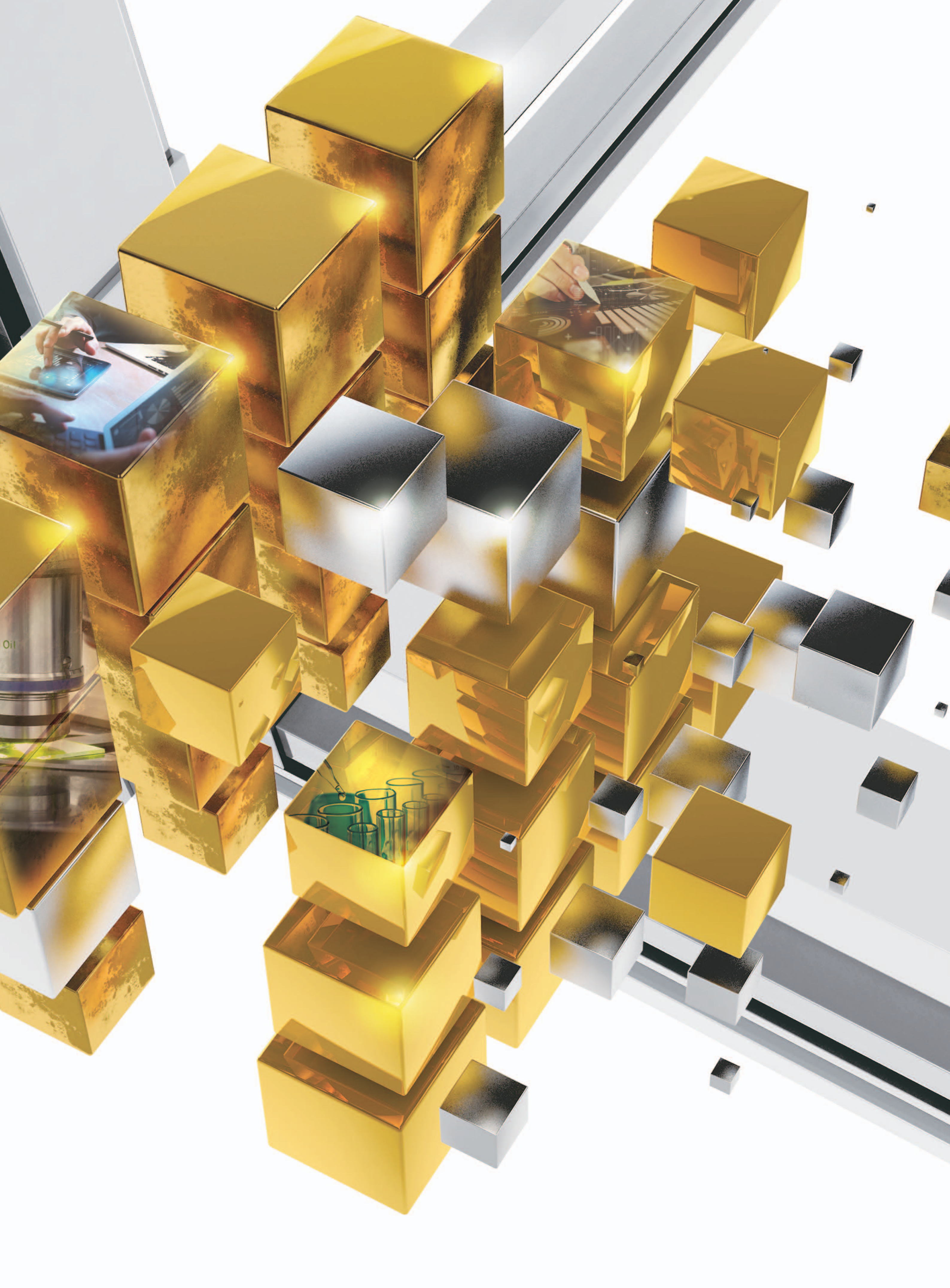
I would like to express my sincere gratitude to our valued customers and business partners for their support throughout this Financial Year. I am also thankful for the dedication and hard work of LEE KEE's management team and all of our employees. I would finally like to thank our shareholders for their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

CHAN Pak Chung
Chairman

24th June 2019

EVOLVING
BUSINESS STRATEGY

By coupling boundless imagination and the meticulous execution of our strategies, we drive innovation from within to sustain our growth momentum and navigate through the current shifts in the business environment.


Oil

CEO MESSAGE

The 2018–19 financial year was one that generated great uncertainty in the global business and geopolitical environment. The trade dispute between the United States and China has triggered an upheaval in global supply chains. The volatility that it is causing on global metal markets has also been incredibly challenging to the world economy, undermining investors' confidence and significantly impacting both metals and manufacturing industries.

At LEE KEE, we continually review what we are doing and the purpose. In a business environment where CHANGE is the new normal, to keep a company vibrant and growing we cannot manage and operate today's business through yesterday's eyes. In our pursuit of a sustainable model of business development, we remain laser-focused on giving customers what they want and need in an agile way.

Over the past few years, LEE KEE has been formulating and executing strategies with a goal to achieve diversification, business resilience and sustainability. We have long recognised market trends and anticipated the accelerating rate of change, whether that be technology, the economic environment, or even customer demand. And accordingly, we have been investing in new capabilities that could help the Group and our customers compete in a disruptive and rapidly changing world.

Part of our diversification strategy consists of our investment in our capability to serve overseas customers, starting with our sales force in Southeast Asia. This Financial Year, we opened our second regional sales office in Malaysia, complementing our existing sales office in Singapore. These offices will enable our team to better serve our growing customer base in the ASEAN region, while pre-emptively positioning LEE KEE at the forefront to fully exploit various business opportunities arising from either the reshaping of supply chains or local economic development.

In order to be resilient, LEE KEE is not just developing a portfolio of innovative products but also a portfolio of experimental strategies, mining ideas both internally and externally. LEE KEE first started as a company that traded high-quality alloys before moving on to producing speciality alloys and offering technical and consultancy services — and more profound transformation is yet to come. We will continue to help our customers grow and thrive by providing solutions and insights drawn from beyond the traditional boundaries and scope of any single industry, leveraging our technical depth and horizontal breadth that cannot be easily matched.

To continuously uphold our operational excellence and deliver on our brand promise — quality, reliability, and professionalism — we will also incorporate more data analysis, digitalisation and artificial intelligence to improve our business processes. By automating and digitalising our internal services platforms, we will introduce smart workflows, bridge traditional silos, and built a much more focused and efficient organisation dedicated to serving our customers and allowing them to enjoy high-quality bespoke products and services.

On the ESG front, our commitment to long-term sustainability also extends to the environmental protection, social impact and corporate governance enhancement. As more and more authorities impose 'responsible supply chain' requirements, our customers can have every confidence that our materials are environmentally and ethically sourced, while also being safe, reliable and of excellent quality. We also remain dedicated to reducing the adverse environmental impact of our business operations, particularly in areas such as responsible sourcing, energy efficiency, emissions reduction, resource conservation and waste management. Developing and grooming employees is also vital to the sustainable growth of LEE KEE and we will continue to achieve this by cultivating and supporting a lifelong learning culture.

Despite the challenging macro outlook of the upcoming year, the Group's management will continue to unlock business opportunities, accelerate our expansion, and further enhance the competitiveness of the LEE KEE brand. Our ingenuity to drive management innovation from within will help us sustain our growth momentum and navigate through the current shifts in the business environment. By coupling boundless imagination and the meticulous execution of our strategies, we are confident that we are paving the path towards a diversified, resilient and sustainable metals industry of the future.

CHAN Yuen Shan Clara, MH
Vice-Chairman and Chief Executive Officer

24th June 2019

SUSTAINABILITY LEADERSHIP

As more and more authorities impose ‘responsible supply chain’ requirements, our customers can have every confidence that our materials are environmentally and ethically sourced, while also being safe, reliable and of excellent quality.

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 presented on a basis as stated in the note below:

CONSOLIDATED RESULTS

	Year ended 31st March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,276,977**	2,711,441	2,110,721	2,122,954	2,493,703
(Loss)/Profit before income tax	**(81,695)**	95,561	45,107	(113,668)	34,042
Income tax expense	**(4,965)**	(5,408)	(3,611)	(3,104)	(6,689)
(Loss)/Profit for the year	**(86,660)**	90,153	41,496	(116,772)	27,353
Attributable to:					
Equity shareholders of the Company	**(86,652)**	90,153	41,496	(116,772)	27,353
Non-controlling interests	**(8)**	–	–	–	–
	(86,660)	90,153	41,496	(116,772)	27,353

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**129,488**	123,303	140,234	143,631	121,535
Total current assets	**1,172,192**	1,346,261	1,131,778	1,022,990	1,474,327
Total assets	**1,301,680**	1,469,564	1,272,012	1,166,621	1,595,862
Total non-current liabilities	**19,608**	18,130	19,732	20,941	3,785
Total current liabilities	**271,892**	341,203	204,014	138,287	449,941
Total liabilities	**291,500**	359,333	223,746	159,228	453,726
Net assets	**1,010,180**	1,110,231	1,048,266	1,007,393	1,142,136

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS PERFORMANCE

Financial Performance

The year ended 31st March 2019 was a challenging one for the Group. It continued to be confronted with an uncertain global macro-economic environment, as well as other headwinds such as declining global metal prices, particularly the price for zinc (LEE KEE's main product).

The Group's revenue for the Financial Year was HK$2,277 million, a decline of 16% compared to revenue of HK$2,711 million earned in the year ended 31st March 2018 (the "Comparative Period"). The tonnage sold by the Group during the Financial Year was 94,250 tonnes, compared to 108,060 tonnes in the Comparative Period.

The Group recorded a gross profit of HK$39 million and a gross profit margin of 1.72% for the Financial Year, compared to a gross profit of HK$212 million for the Comparative Period. The Group recorded a loss attributable to equity shareholders of the Company of HK$87 million during the Financial Year, compared to a profit of HK$90 million during the Comparative Period.

The loss was mostly attributable to a fall in global metal prices, particularly the price of zinc, which lowered the overall gross profit of the sales transactions made during the Financial Year. The Group's financial performance was also adversely impacted by the global macro-economic environment, particularly the growing trade dispute between the U.S. and the PRC, and its impact on the confidence of the Group's customers, who are mostly SME manufacturers.

Global zinc prices fluctuated between US$3,332 and US$2,285 a tonne during the Financial Year. During the first half, the price of zinc fell sharply after the U.S. and PRC governments announced plans to impose tariffs on some of each other's imports, with the price fluctuating wildly on news and speculation related to the progress of trade negotiations. After hitting a low of US$2,285 per tonne in August 2018, the price of zinc started to recover as the impact of the trade dispute on global GDP growth appeared to be less damaging than expected (despite its impact on the confidence of SME manufacturers in the PRC). The price of zinc as of 31st March 2019 was US$2,999 per tonne.

Global nickel prices in the first half of the Financial Year, while volatile, were supported by environmental production cuts in the PRC, falling inventories, strong steel prices and bullishness about the development of the electric vehicle market. This upward price trend was reversed in June 2018 in response to the U.S.-PRC trade dispute, falling to a low of US$10,436 per tonne on 2 January 2019. In reaction to global supply concerns, the global nickel price partially recovered from the second half of January 2019 through to the beginning of March 2019, peaking at US$13,610 per tonne in March 2019. The price of nickel as of 31st March 2019 was US$12,896 per tonne.

Distribution and selling expenses for the Financial Year was HK$28 million, a decrease of 2.48% compared to the Comparative Period. The decrease was primarily attributed to the lower tonnage sold during the Financial Year.

The Group's administrative expenses in the Financial Year fell 15.2% to HK$87 million compared to the Comparative Period. The fall in administrative expenses was mainly due to a decrease in staff costs, certain portion of which is variable in nature and proportionate to the Group's performance.

The Group recorded other net losses of HK$3 million during the Financial Year, compared to other net gains of HK$14 million during the Comparative Period. This was mainly attributed to the absence of a gain in the disposal of shares in a listed company that was recognised in the Comparative Period.

The Group's finance costs for the Financial Year increased by 41.8% to HK$10 million due to higher general market interest rates compared to the Comparative Period.

The Group continues to retain a healthy financial position, with bank balances and cash on hand of HK$357 million as of 31st March 2019.

Business Review

A leading solutions provider for metals

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

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

New sales office in Malaysia supports rapid growth in Southeast Asia

LEE KEE opened its second sales office in Southeast Asia in Malaysia with a joint venture with a local partner during the Financial Year, following the earlier opening of its first sales office in the region in Singapore. Sales attributed to the region grew at a steady pace as manufacturers continued to relocate manufacturing capacity from the PRC to Southeast Asia, alongside other impetus such as robust economic growth in the region.

Together, LEE KEE's two sales offices in the region will support the Group's wider sales teams in the region, including personnel in Thailand and Vietnam, to further expand sales in the region — which continues to remain one of its main goals.

Award-winning alloys that cater to the changing PRC market

The PRC continues to be the largest market for the Group's metal products and services. Its customers are mostly the end-users of metals, namely die-casters and manufacturers. Over the last few years, many of these end-users have been shifting from low-value-added activities to higher-value ones — a trend that could be accelerated further by the growing trade dispute between the U.S. and the PRC, which is leading the PRC to prioritise boosting domestic demand and developing home-grown advanced technologies.

Leveraging on its strong manufacturing as well as its research and development capabilities, LEE KEE continued to serve the changing needs of customers. Throughout the Financial Year, the Group continued to source, supply and develop a wide choice of high-quality standard products, including zinc, aluminium, nickel and copper, as well as zinc alloys, aluminium alloys, stainless steel and electroplating chemicals.

The Group also continued to invest in developing its own branded metals, with sales at Genesis Alloys (Ningbo) Limited continuing to grow. The brand's quality and reliability is widely recognised in the PRC, having won the Best Zinc Alloy Brand award for two consecutive years. The Group also promoted new speciality alloys specifically geared for the manufacture of automobile parts (including for electric vehicles) and electronics, among others, at a short time to market. This capability ensured that the Group was able to protect and remain the partner of choice to major brands and manufacturers, both in China and increasingly in Southeast Asia.

Continued development of consultancy and value-added services

Throughout the Financial Year, Promet continued to gain recognition for its range of value-adding consultancy services, which includes factory audits, composition and defect analysis, process optimisation, mould design and flow simulation. These services are uniquely positioned to help companies produce better quality products and achieve greater cost-effectiveness and competitiveness. These outcomes will become more and more important in the toughening global macro-economic environment and Promet will continue to expand its scope of testing services and build its reputation.

A sustainable metal company

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

LEE KEE is also dedicated to environmental protection and reducing the adverse environmental impact of its business operations, including areas such as responsible sourcing, energy efficiency, emissions reduction, resource conservation and waste management. The Group has also implemented guidelines and requirements to reduce resource consumption within our daily operations, including its major subsidiaries attaining and implementing the ISO14001 Environmental Management System.

Prospects

US-PRC trade dispute poses a severe risk to customer confidence

The United States' extension of trade tariffs to PRC exports has severely impacted the confidence of the Group's SME customers while undermining confidence in the global trading system. Outside of an unexpected reversal of this policy, the Group expects the negative impact of the trade sanctions to flow into the coming year.

The tariffs could also continue to exacerbate the short-term volatility of global metal prices, which will challenge the Group's purchasing and hedging strategies.

The Group will monitor both events closely.

Differing fundamentals could push zinc and nickel prices in different directions

Global metal prices may be subject to extreme short-term fluctuations as markets react to developments and speculations related to the trade dispute. However, the fundamentals influencing the pricing of each metal are different and could result in a divergence in price trends over the medium-to-long term.

Despite the volatility, global zinc prices have broadly risen in early 2019 in reaction to global supply concerns. However, pricing may ultimately depend on production decisions by PRC suppliers, the world's largest producers, who may step up production to stimulate economic activity despite tightening environmental policies. Meanwhile, global nickel prices is expected to be positively influenced by the booming electric vehicle industry.

The Group will continue to closely monitor the global zinc and nickel markets.

Continued focus on Southeast Asia

Southeast Asia is becoming an increasingly important production base of goods and commodities, both for export and for their own increasingly prosperous consumers. Many markets in this region now have clear labour-cost advantages, enabling them to target low cost, labour-intensive manufacturing industries. Meanwhile, the region's competitiveness will continue to be supported by factors such as the diversification of manufacturing from the PRC, which will further support the development of industries in the region.

The Group will continue to cater to this growing cluster of manufacturers in Southeast Asia through its network of sales offices in the region.

R&D and specialised products to cater to the PRC's move up the value chain

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.

Stringent controls on costs and purchases

The Group will continue to take steps to streamline its operations and metal-purchasing protocols to contain costs and protect its margins, an outcome that will be challenging in the short-term given current market volatility and sudden changes in long-standing trade policies.

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

DIVIDEND

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

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company (the "Register of Members") will be closed from Tuesday, 20th August 2019 to Friday, 23rd August 2019, 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 (if the transfer will be lodged on or before 10th July 2019) or Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged on or after 11th July 2019) for registration not later than 4:30 p.m. on Monday, 19th August 2019.

Remark: The address of the Company's Hong Kong Branch Share Registrar and Transfer Office will be changed with effect from 11th July 2019. For details, please refers to the Company's relevant announcement.

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 31st March 2019, the Group had unrestricted cash and bank balances of approximately HK$357 million (2018: HK$300 million) and bank borrowings of approximately HK$196 million (2018: HK$265 million). As at 31st March 2019, the outstanding balance of mortgage loan amounted to HK$14.3 million (2018: HK$15.5 million).

The remaining borrowings, which are short term in nature, were made in United States dollars with interest chargeable at market rates. The gearing ratio (total borrowings to total equity) as at 31st March 2019 was 19.5% (2018: 23.8%). The Group has a current ratio of 431% as at 31st March 2019 (2018: 395%).

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 2019, the Group had approximately 200 employees (2018: 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$62 million (2018: HK$75 million).

DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 71, 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, 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 The Hong Kong Association for the Advancement of Science and Technology. Mr. Chan is the father of Ms. CHAN Yuen Shan Clara, MH, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian.

Ms. CHAN Yuen Shan Clara, MH, aged 47, 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 awarded The Medal Of Honour by HKSAR Government in 2018. She is a member of the Listing Committee of The Stock Exchange of Hong Kong Limited, 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, a member of the Hong Kong Housing Authority and its Subsidised Housing Committee, an Ex-officio Advisor of Hong Kong Young Industrialists Council, a member of the HKTDC Belt & Road Committee's SMEs and Younger Generation Working Group, a member of Vetting Committee of the Trade and Industrial Organisation Support Fund (TSF), a member of Advisory Board of The HKMA Institute of Advanced Management Development and a member of General Committee of The Chamber of Hong Kong Listed Companies. 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 46, 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 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, MH and Ms. OKUSAKO CHAN Pui Shan Lillian.

Ms. OKUSAKO CHAN Pui Shan Lillian ("Ms. Lillian Chan"), aged 44, 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 18 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, MH and Mr. CHAN Ka Chun Patrick.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Wai Kwok Jimmy, aged 69, 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 46, 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 20 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 57, 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 24 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).

SENIOR MANAGEMENT

Mr. CHEUK Wa Pang, aged 54, 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 26 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 71, 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.

Ms. CHENG Yuk Ching, age 43, is the Corporate Development Director of the Group. Ms. Cheng joined the Group in February 2015. She is now responsible for the Group's global marketing and various strategic projects on business development, process reengineering and open innovation. Prior to joining the Group, she held managerial positions in a number of advanced technology and engineering corporations including Flextronics (Global 500), Johnson Electric, and Nano and Advanced Materials Institute where she led corporate communications, business analytics and strategies, technology assessments, as well as pricing modelling and platform development. She has over 15 years' experience in strategic marketing. Ms. Cheng holds a Bachelor Degree of Social Sciences from the University of Hong Kong, a Master of Arts Degree from the University of Chicago and a Master Degree in Business Administration from London Business School.

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.

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 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.

DIRECTORS' SECURITIES TRANSACTIONS

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, MH, 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 2020, 13th May 2021 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 and procedure to develop 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 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, assessment of independence of INED, recommending reappointment of retiring Directors and considering the succession plan during the financial year.

The Company adopted a nomination policy to set out the general principles (namely, competency, fairness, responsibility and compliance) and process to identify and evaluate any candidate for the directorship selection considering a variety of factors, such as, minimum requirements (i.e., character, integrity, commitment, background, etc.), contribution from experience, skills, and ability that will be brought to the Board and the Company, board composition, compliance with diversity policy, potential conflict of interest. The nomination may be made by a referral or through a search firm/management at the request by Nomination Committee or shareholder(s) in accordance with the Company's Articles of Association. Upon verifying by the Secretary of the Company the qualifications of nominated candidate(s), the Nomination Committee will evaluate and select the candidate(s) with recommendation to the Board for consideration.

The Company has also adopted the diversity policy and set the measurable objective (such as minimum female board member). The Nomination Committee has 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, MH (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. Normally, the likely inside information upon noticed/reported will be assessed by the Executive Committee and the Board for consideration. During the financial year, the Corporate Governance Committee also implemented a series of program to enhance staff's awareness to the importance of compliance, such as quarterly training, strengthen compliance reporting from subsidiaries and departments.

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 (including reviewing the relevant policy and framework with appropriate opinion) and internal control (including selection of external internal auditor and advising the review scope) as well as discussing 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$1,780,000 for annual audit. The non-audit service fee was HK$210,000 during the Financial Year. The aggregate fee amounted to approximately HK$1,990,000.

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	–	2/2	3/3
Ms. CHAN Yuen Shan Clara, MH	8/8	–	–	–
Mr. CHAN Ka Chun Patrick	7/8	–	–	–
Ms. OKUSAKO CHAN Pui Shan Lillian	8/8	–	–	–
Mr. CHUNG Wai Kwok Jimmy	8/8	2/2	2/2	3/3
Mr. HU Wai Kwok	7/8	2/2	–	3/3
Mr. HO Kwai Ching Mark	8/8	2/2	2/2	–

All Directors attended the 2018 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 CONTROL

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.

The Company engages an external independent professional firm to review the internal control 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 sampling of checking transactions and documentation) with corresponding risk rating and the recommendation after communication with the management. The Audit Committee and the Board review the recommendations regularly to ensure implementation, particularly in relation to material defects (if any). 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 Committee (comprising CEO, CFO, COO) worked closely to enhance the risk management system. The management discussed and identified the risks that might impact the Group from the view of both internal and external factors in the short and medium term. 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 the most acute are: commodity price risk, currency risk, volume risk, credit risk, liquidity risk and cyber risk.

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, copper, aluminium, nickel and steel

   - 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 and adopt certain relevant measures/tools with reference to the materials from 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 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)

(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.

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 2019 (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 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

The Company adopted its dividend policy which set out the principles as a reference to determine dividend distribution. As an important principle, the Company will declare or pay any dividend only from consolidated profits and company reserves lawfully available for distribution and is subject to the Company's Articles of Association. There is no assurance that dividend of any amount will be declared or distributed in any year.

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

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 45.

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 Tuesday, 20th August 2019 to Friday, 23rd August 2019, 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 (if the transfer will be lodged on or before 10th July 2019) or Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged on or after 11th July 2019) for registration not later than 4:30 p.m. on Monday, 19th August 2019.

Remark: The address of the Company's Hong Kong Branch Share Registrar and Transfer Office will be changed with effect from 11th July 2019. For details, please refers to the Company's relevant announcement.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$250,000.

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.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2019 amounted to approximately HK$965,803,000.

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.

SHARE OPTIONS

The Company's Pre-IPO share option scheme (the "Pre-IPO Scheme") and the share option scheme (the "Share Option Scheme") adopted pursuant to the written resolutions of the shareholder of the Company passed on 15th September 2006 were lapsed. Share options granted under the Pre-IPO Scheme were all lapsed in prior years. No options have been granted under the Share Option Scheme since the adoption date on 15th September 2006 and up to the lapse of the scheme. There is no adoption of other share option schemes.

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, MH
Mr. CHAN Ka Chun Patrick
Ms. OKUSAKO CHAN Pui Shan Lillian

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, Ms. CHAN Yuen Shan Clara, MH, Mr. HO Kwai Ching Mark and Mr. HU Wai Kwok 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.

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 page 21 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 2019, 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 issues Shares
Mr. CHAN Pak Chung (Note 1)	Founder of a discretionary trust	600,000,000	72.40
Ms. CHAN Yuen Shan Clara, MH (Note 2)	Beneficiary of a trust	600,000,000	72.40
Mr. CHAN Ka Chun Patrick (Note 2)	Beneficiary of a trust	600,000,000	72.40
Ms. OKUSAKO CHAN Pui Shan Lillian (Note 2)	Beneficiary of a trust	600,000,000	72.40
Mr. HO Kwai Ching Mark (Note 3)	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, MH, 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 2019, 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.

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 2019, 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 (Note a)	Family interest	600,000,000	72.40
Gold Alliance Global Services Limited (Note b)	Registered owner	600,000,000	72.40
Gold Alliance International Management Limited (Note b)	Interest of controlled corporation	600,000,000	72.40
HSBC International Trustee Limited (Note b)	Trustee	600,000,000	72.40

Note:

a. 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.

b. 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 2019, 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 2019, 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 are set out in the sections headed "Management Discussion and Analysis" of this Annual Report respectively.

The ESG Report is published on the Company's website which could be viewed at www.leekeegroup.com for details. Such report has been prepared in accordance with the requirements of the ESG Reporting Guide, Appendix 27 ("ESG Reporting Guide") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The scope of the ESG report includes offices, warehouses, production and laboratory operations in Hong Kong. It provides an overview of Lee Kee Group's ESG policies and management approach and presents its sustainability initiatives and performance for the Financial Year. The Group was recognised through various awards and certificates for caring community services and environmental protection.

The Group has adopted its own Environmental Policy and is committed to minimising any negative impacts arising from the operations and raising environmental awareness among the staff and stakeholders. In addition to the Environmental Policy, the Group incorporated environmental protection guidelines, requirements, and measures to reduce resource consumption in daily operations. The Group constantly searches for opportunities to improve environmental performance throughout our business. Within environmental management system framework, an Environmental Aspects Identification and Assessment is performed regularly and respective control and measurement activities are carried out. Since 2015, the Group has involved in the Environment Protection Department's Carbon Footprint Repository and Carbon Audit Green Partner programme. The Group engages a qualified third-party consultant annually to conduct air quality assessments, and the results from the test reports are deemed satisfactory.

Certain laws and regulations are considered the most relevant to the Group, such as, the Listing Rules, Employment Ordinance (Cap 57), Minimum Wage Ordinance (Cap. 608), MPF Ordinance (Cap. 485), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527), Race Discrimination Ordinance (Cap. 602), and Inland Revenue Ordinance (Cap. 112). It was not aware of any non-compliance that caused material impact during the Financial Year.

Not merely compliance to laws but more, the Group recognizes the importance of staff and is dedicated to offering a supportive, safe and harmonious working environment to them. A Safety Committee was established to ensure safe workplace and implemented ISO 45001:2018 Safety Management System to mitigate and control occupational health and safety hazards in the operations. The Group also established open communication channels between staff and management, such as, encouraging direct communication by putting in place a CEO mailbox, organizing various recreational activities to enhance out of office relationship.

Other than staff, the Group also seeks to foster positive relationship with our suppliers and customers, and respond in a timely manner to address their concerns and expectations. To demonstrate the commitment to quality standards, the Group has adopted the international ISO 9001:2015 Quality Management Systems and IATF 16949:2016 Automotive Quality Management System standards, and products also comply with international standards for regulating product specifications. To demonstrate the environmental responsibility, the Group recognises the opportunity to extend sustainability considerations across our supply chain. The Group's requirements are stipulated in relevant guidelines and documents, such as the Environmental Agreement, Supplier Contractor Environmental Support Statement and Safety Agreement, which are distributed to suppliers and contractors. All suppliers and contractors are strictly required to comply with all local environmental, employment and safety regulations.

MAJOR SUPPLIERS AND CUSTOMERS

During the Financial Year, the Group sold approximately 12.1% 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	39.2%
— five largest suppliers combined	65.0%

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, MH, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian were revised with effect from 1st April 2019 from HK$255,190 to HK$260,260, HK$128,350 to HK$130,890 and HK$132,520 to HK$135,140 respectively.

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

Hong Kong, 24th June 2019

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 45 to 115, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019 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.

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(j).

The Key Audit Matter	How the matter was addressed in our audit
The principal activity of the Group is the trading of commodities, principally zinc, zinc alloys and other metal products, in Hong Kong and the Mainland China. At 31 March 2019, 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$597 million which included provisions of HK$21 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.	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.

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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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.

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

24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 March 2019 (Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 $'000
Revenue	5	**2,276,977**	2,711,441
Cost of sales		**(2,237,825)**	(2,499,210)
Gross profit		**39,152**	212,231
Other income	6	**6,040**	7,333
Distribution and selling expenses		**(28,350)**	(29,072)
Administrative expenses		**(86,756)**	(102,265)
Other net (losses)/gains	8	**(3,067)**	13,869
(Loss)/profit from operations	7	**(72,981)**	102,096
Finance income		**1,467**	645
Finance costs		**(10,181)**	(7,180)
Net finance costs	9	**(8,714)**	(6,535)
(Loss)/profit before taxation		**(81,695)**	95,561
Income tax	11	**(4,965)**	(5,408)
(Loss)/profit for the year		**(86,660)**	90,153
Attributable to:			
Equity shareholders of the Company		**(86,652)**	90,153
Non-controlling interests		**(8)**	–
(Loss)/profit for the year		**(86,660)**	90,153
(Loss)/earnings per share			
Basic and diluted (Hong Kong cents)	12	**(10.46)**	10.88

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated. See note 2(b)(i).

The notes on pages 51 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2019 (Expressed in Hong Kong dollars)

	2019 **$'000**	2018 $'000
(Loss)/profit for the year	**(86,660)**	90,153
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
Revaluation of financial assets at fair value through other comprehensive income, net of nil tax	**(4,965)**	–
Surplus on revaluation of land and buildings held for own use	**17,456**	–
Tax effect to surplus on revaluation of land and buildings	**(2,098)**	–
Items that may be reclassified subsequently to profit or loss, net of nil tax:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(11,590)**	14,901
Change in fair value of available-for-sale financial assets*	**–**	(5,104)
Reclassification adjustment for amounts transferred to profit or loss upon disposal of available-for-sale-securities*	**–**	(4,833)
	(1,197)	4,964
Total comprehensive income for the year	**(87,857)**	95,117
Attributable to:		
Equity shareholders of the Company	**(87,849)**	95,117
Non-controlling interests	**(8)**	–
Total comprehensive income for the year	**(87,857)**	95,117

* These amounts arose under the according policies applicable prior to 1 April 2018. As part of the opening balance adjustment as at 1 April 2018 the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not reclassified to profit or loss in any future periods. See note 2(b)(i).

The notes on pages 51 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2019 (Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 $'000
Non-current assets			
Interests in leasehold land held for own use under operating leases	14	**17,976**	18,604
Investment property	15	**64,600**	–
Other property, plant and equipment	15	**35,744**	86,316
Available-for-sale financial assets	16	**–**	16,174
Financial assets at fair value through other comprehensive income	16	**8,380**	–
Prepayments	18	**188**	–
Deferred tax assets	24	**2,600**	2,209
		129,488	123,303
Current assets			
Inventories	17	**596,869**	822,380
Trade and other receivables	18	**206,937**	215,679
Tax recoverable		**6**	150
Derivative financial instruments		**2,041**	544
Cash held on behalf of customers	19(a)	**9,605**	7,144
Cash and cash equivalents	19(b)	**356,734**	300,364
		1,172,192	1,346,261
Current liabilities			
Trade and other payables and contract liabilities	22	**83,894**	88,240
Bank borrowings	23	**183,284**	250,459
Tax payable		**959**	612
Derivative financial instruments		**3,755**	1,892
		271,892	341,203
Net current assets		**900,300**	1,005,058
Total assets less current liabilities		**1,029,788**	1,128,361

	Note	2019 $'000	2018 $'000
Non-current liabilities			
Bank borrowings	23	**13,183**	14,329
Employee retirement benefit obligations		**2,028**	1,142
Deferred tax liabilities	24	**4,397**	2,659
		19,608	18,130
Net assets		**1,010,180**	1,110,231
Capital and reserves			
Share capital	20	**82,875**	82,875
Reserves	21	**927,075**	1,027,356
Total equity attributable to equity shareholders of the Company		**1,009,950**	1,110,231
Non-controlling interests		**230**	–
Total equity		**1,010,180**	1,110,231

The consolidated financial statements on page 45 to 115 were approved by the Board of Directors on 24 June 2019 and were signed on its behalf.

CHAN Pak Chung
Director

CHAN Yuen Shan Clara, *MH*
Director

The notes on pages 51 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company												
	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	Fair value reserve (non-recycling) $'000	Exchange reserve $'000	Property revaluation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2017		82,875	470,429	(17,830)	125	2,352	19,707	–	(6,674)	–	497,282	1,048,266	–	1,048,266
Changes in equity for the year ended 31 March 2018:														
Profit for the year		–	–	–	–	–	–	–	–	–	90,153	90,153	–	90,153
Other comprehensive income		–	–	–	–	–	(9,937)	–	14,901	–	–	4,964	–	4,964
Total comprehensive income		–	–	–	–	–	(9,937)	–	14,901	–	90,153	95,117	–	95,117
Dividends approved in respect of the previous year and current year	13	–	(33,152)	–	–	–	–	–	–	–	–	(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	–	1,110,231

		Attributable to equity shareholders of the Company												
	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**	**Fair value reserve (non-recycling) $'000**	**Exchange reserve $'000**	**Property revaluation reserve $'000**	**Retained profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 April 2018		**82,875**	**437,277**	**(17,830)**	**125**	**3,667**	**9,770**	**–**	**8,227**	**–**	**586,120**	**1,110,231**	**–**	**1,110,231**
Impact on initial application of HKFRS 9		**–**	**–**	**–**	**–**	**–**	**(9,770)**	**9,770**	**–**	**–**	**–**	**–**	**–**	**–**
		82,875	**437,277**	**(17,830)**	**125**	**3,667**	**–**	**9,770**	**8,227**	**–**	**586,120**	**1,110,231**	**–**	**1,110,231**
Changes in equity for the year ended 31 March 2019:														
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(86,652)**	**(86,652)**	**(8)**	**(86,660)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(6,418)**	**(11,590)**	**15,358**	**1,453**	**(1,197)**	**–**	**(1,197)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(6,418)**	**(11,590)**	**15,358**	**(85,199)**	**(87,849)**	**(8)**	**(87,857)**
Contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**238**	**238**
Dividends approved in respect of the previous year and current year	13	**–**	**(12,432)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,432)**	**–**	**(12,432)**
Transfer to reserve fund		**–**	**–**	**–**	**–**	**1,723**	**–**	**–**	**–**	**–**	**(1,723)**	**–**	**–**	**–**
Balance at 31 March 2019		**82,875**	**424,845**	**(17,830)**	**125**	**5,390**	**–**	**3,352**	**(3,363)**	**15,358**	**499,198**	**1,009,950**	**230**	**1,010,180**

The notes on pages 51 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019 (Expressed in Hong Kong dollars)

	Note	**2019 $'000**	2018 $'000
Operating activities			
Net cash generated from operations	26(a)	**160,326**	10,970
Interest paid		**(9,853)**	(6,836)
Hong Kong Profits Tax paid		**(132)**	(311)
Mainland China Corporate Income Tax paid		**(5,063)**	(3,903)
Net cash generated from/(used in) operating activities		**145,278**	(80)
Investing activities			
Interest received		**1,467**	645
Proceeds from disposal of property, plant and equipment	26(b)	**–**	694
Proceeds from disposal of available-for-sale financial assets		**–**	7,737
Proceeds from disposal of financial assets at fair value through other comprehensive income		**2,819**	–
Payment for the acquisition of property, plant and equipment		**(7,572)**	(5,683)
Dividend received from listed securities		**258**	721
Net cash (used in)/generated from investing activities		**(3,028)**	4,114
Financing activities			
Proceeds from new bank borrowings	26(c)	**1,154,688**	1,109,680
Repayment of bank borrowings	26(c)	**(1,223,009)**	(1,023,738)
Interest paid on mortgage loan	26(c)	**(328)**	(344)
Dividends paid		**(12,432)**	(33,152)
Contribution from non-controlling interests		**238**	–
Net cash (used in)/generated from financing activities		**(80,843)**	52,446
Increase in cash and cash equivalents		**61,407**	56,480
Cash and cash equivalents at beginning of the year		**300,364**	237,851
Effect of foreign exchange rates changes		**(5,037)**	6,033
Cash and cash equivalents at end of the year	19(b)	**356,734**	300,364

The notes on pages 51 to 115 form part of these financial statements.

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 24 June 2019.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Application of new and revised Hong Kong financial reporting standards

(i) Changes in accounting policies for the year ended 31 March 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

(a) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Application of new and revised Hong Kong financial reporting standards (Continued)

(i) Changes in accounting policies for the year ended 31 March 2019 (Continued)

HKFRS 9, Financial instruments (Continued)

(a) Classification of financial assets and financial liabilities (Continued)

The impacts to transition to HKFRS 9 to the Group in respect of the classification of financial assets are as follows:

— available-for-sale financial assets of $16,174,000 at 31 March 2018 were classified as financial assets at FVOCI at 1 April 2018; and

— available-for-sale financial assets revaluation reserve of $9,770,000 was transferred to fair value reserve (non-recycling) at 1 April 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

For an explanation of how the Group classifies and measures financial assets under HKFRS 9, see accounting policy in notes 2(i), (l), (m) and (n).

(b) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, cash held on behalf of customers and trade and other receivables).

For further details on the Group's accounting policy for accounting for credit losses, see note 2(k).

There has been no significant impact to the Group's financial position and results of operations as a result of the change in accounting policy and accordingly, the Group's opening balances at 1 April 2018 have not been adjusted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Application of new and revised Hong Kong financial reporting standards (Continued)

(i) Changes in accounting policies for the year ended 31 March 2019 (Continued)

HKFRS 9, Financial instruments (Continued)

(c) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Any difference in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 is recognised in retained profits and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held; and

  — the designation of investments in equity instruments not held for trading to be classified as at FVOCI.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for revenue from construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Application of new and revised Hong Kong financial reporting standards (Continued)

(i) Changes in accounting policies for the year ended 31 March 2019 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and rendering of services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Application of new and revised Hong Kong financial reporting standards (Continued)

(i) Changes in accounting policies for the year ended 31 March 2019 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

There has been no impact on the Group as a result of this charge in policy.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect this change in presentation, the Group has reclassified prepayment from customers amounting to $10,782,000 from trade and other payables to contract liabilities at 1 April 2018. Trade and other payables and contract liabilities are aggregated into a single line item "Trade and other payables and contract liabilities" on the face of the statement of financial position.

HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Application of new and revised Hong Kong financial reporting standards (Continued)

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual improvements to HKFRSs 2015–2017 Cycle	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. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard 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 standard is initially applied in the Group's interim financial report for the six months ended 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Application of new and revised Hong Kong financial reporting standards (Continued)

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2019 (Continued)

HKFRS 16, Leases

As disclosed in note 2(w), currently the Group classifies leases into 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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. The Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Application of new and revised Hong Kong financial reporting standards (Continued)

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2019 (Continued)

HKFRS 16, Leases (Continued)

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in note 27, at 31 March 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to $1,742,000 for land and buildings. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to $1,529,000 and $1,390,000 respectively, after taking account the effects of discounting, as at 1 April 2019.

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Consolidation (Continued)

(i) Business combinations (Continued)

Business combinations involving entities under common control (Continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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 during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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$^1/_3$%
— Motor vehicles and yacht	10% to 30%
— Machinery	10% to 30%
— Furniture, fixtures and office equipment	20%
— Computer system	20% to 33$^1/_3$%

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(h)).

On the transfer of owner occupied property to investment property, increases in the carrying amount arising on revaluation are credited to other comprehensive income and accumulated in property revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property revaluation reserve directly in equity whereas all other decreases are charged to the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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 on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

(f) 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.

(g) 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.

(h) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below. Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

(i) Policy applicable from 1 April 2018

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(v).

(ii) Policy applicable prior to 1 April 2018

The Group classified the investments in equity securities as available-for-sales financial assets. Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified as loans and receivables. They were included in non-current assets unless the investment matures.

Regular way purchases and sales of financial assets were recognised on the trade-date — the date on which the Group committed to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets were derecognised when the rights to receive cash flows from the investments had expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets were subsequently carried at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Other investments in equity securities (Continued)

(ii) Policy applicable prior to 1 April 2018 (Continued)

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

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

(j) 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.

(k) Credit losses from financial instruments

(i) Policy applicable from 1 April 2018

The Group requires a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents, cash held on behalf of customers and trade and other receivables).

Financial assets measured at fair value, including equity securities measured at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses from financial instruments (Continued)

(i) Policy applicable from 1 April 2018 (Continued)

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses from financial instruments (Continued)

(i) Policy applicable from 1 April 2018 (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses from financial instruments (Continued)

(i) Policy applicable from 1 April 2018 (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. loans and receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses from financial instruments (Continued)

(ii) Policy applicable prior to 1 April 2018 (Continued)

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

For receivables, the amount of the loss was 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 was reduced and the amount of the loss was recognised in the consolidated statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was 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 was also evidence that the assets were impaired. If any such evidence existed 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 — was 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 were not reversed through profit or loss.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as contract assets.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(k)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(k)(i).

(n) 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".

(o) 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.

(p) 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.

(q) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

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.

(t) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

(u) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and income recognition

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from sale of goods is recognised when the customer take possession of and accepts the products, which generally coincides with the time when the goods are delivered to customers and title has passed.

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

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.

(w) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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.

(y) 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.

(z) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) 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.

(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 2019, if RMB had strengthened/weakened by 5% (2018: 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 $5,984,000 (2018: $4,107,000).

(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 2019, 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 $322,000 (2018: $420,000) 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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 financial assets at FVOCI (2018: available-for-sale financial assets).

At 31 March 2019, if the fair value of the listed equity instrument increased or decreased by 5%, the Group's equity would have been increased or decreased by approximately $419,000 (2018: $809,000).

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.

(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.

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

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group offers credit terms to customers ranging from cash on delivery to 90 days. Normally, the Group does not obtain collateral from customers.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past twelve months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(k)(ii) — policy applicable prior to 1 April 2018).

Receivables that were past due but not impaired related to a number of independent customers for whom there was no relevant history of default. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 **$'000**	2018 $'000
At beginning of the year	**747**	56
Amounts written off during the year	**(747)**	–
Impairment losses recognised during the year	**277**	691
At end of the year	**277**	747

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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 2019 are as follows:

	2019 **$'000**	2018 $'000
Bank balances and cash	**366,339**	307,508
Less: Cash held on behalf of customers	**(9,605)**	(7,144)
	356,734	300,364
Committed credit lines available (Note)	**579,652**	589,652
Less: Utilised credit lines for bank borrowings	**(200,787)**	(269,111)
	378,865	320,541

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

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					
	On demand or within one year $'000	Between 1–2 years $'000	Between 2–5 years $'000	Over 5 years $'000	Total $'000	Carrying amount $'000
At 31 March 2019						
Trade payables, accrued expenses and other payables	**74,042**	**–**	**–**	**–**	**74,042**	**74,042**
Bank borrowings	**185,609**	**1,538**	**4,581**	**9,223**	**200,951**	**196,467**
Derivative financial instruments	**3,755**	**–**	**–**	**–**	**3,755**	**3,755**
	263,406	**1,538**	**4,581**	**9,223**	**278,748**	**274,264**
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

3 FINANCIAL RISK MANAGEMENT (Continued)

(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.

The gearing ratios at of 31 March 2019 and 2018 are as follows:

	2019 **$'000**	2018 $'000
Total bank borrowings (note 23)	**196,467**	264,788
Total equity	**1,010,180**	1,110,231
Gearing ratio	**19.4%**	23.8%

3 FINANCIAL RISK MANAGEMENT (Continued)

(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

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value measurement (Continued)

	Fair value at 31 March 2019 $'000	Fair value measurement as at 31 March 2019 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets				
Derivative financial instruments	**2,041**	**–**	**2,041**	**–**
Financial assets at FVOCI	**8,380**	**8,380**	**–**	**–**
	10,421	**8,380**	**2,041**	**–**
Liabilities				
Derivative financial instruments	**3,755**	**–**	**3,755**	**–**

	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	–

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value measurement (Continued)

The fair values of financial assets at FVOCI and 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.

At 31 March 2019, the Group had outstanding future trading contracts mainly to sell/purchase nickel and zinc and future exchange contracts to sell Renminbi and New Taiwan dollars. The maximum notional principal amounts of these future contracts at 31 March 2019 and 2018 are as follows:

	2019 **$'000**	2018 $'000
Future trading contracts		
Buy	**373**	178
Future exchange contracts		
Renminbi	**114,422**	53,518
New Taiwan Dollars	**8,650**	–

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.

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; and (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.

4 ACCOUNTING ESTIMATES (Continued)

(c) Credit losses of trade and other receivables

The Group performs regular review of the receivables and makes loss allowance based on various factors including the ageing of the receivables, historical write-off experience and forward looking information. The identification of credit losses of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying values of receivables and the credit losses on receivable is recognised in the years in which such estimates have been changed.

(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.

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:

	2019 **$'000**	2018 $'000
Revenue		
Sales of goods	**2,276,977**	2,711,441

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.

5 REVENUE AND SEGMENT REPORTING (Continued)

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/losses and net finance costs.

The segment information for the reporting segments as at and for the year ended 31 March 2019 and 2018 is as follows:

	Hong Kong		Mainland China		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue	**1,341,464**	1,605,671	**935,513**	1,105,770	**2,276,977**	2,711,441
Segment results	**(92,376)**	64,531	**16,422**	16,363	**(75,954)**	80,894
Other segment expenditure items included in the segment results:						
Cost of inventories recognised as expense	**1,341,047**	1,439,547	**892,731**	1,061,594	**2,233,778**	2,501,141
Depreciation of property, plant and equipment	**8,657**	8,608	**783**	787	**9,440**	9,395
Amortisation of leasehold land	**437**	437	**131**	131	**568**	568
Provision for/(reversal of) write-down of inventories	**4,018**	(1,920)	**29**	(11)	**4,047**	(1,931)
Segment assets	**942,088**	1,131,297	**359,592**	338,267	**1,301,680**	1,469,564
Segment liabilities	**130,015**	225,588	**161,485**	133,745	**291,500**	359,333

5 REVENUE AND SEGMENT REPORTING (Continued)

(b) Reconciliation of segment results

	2019 **$'000**	2018 $'000
Segment results		
Total segment results	**(75,954)**	80,894
Other income	**6,040**	7,333
Other net (losses)/gains	**(3,067)**	13,869
Net finance costs	**(8,714)**	(6,535)
(Loss)/profit before taxation	**(81,695)**	95,561

6 OTHER INCOME

	2019 **$'000**	2018 $'000
Provision of technical consultancy services	**4,475**	4,036
Commission and brokerage income on dealings in securities	**20**	184
Dividend income from listed securities	**258**	721
Others	**1,287**	2,392
	6,040	7,333

7 (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is arrived at after charging/(crediting):

	2019 **$'000**	2018 $'000
Auditor's remuneration		
— audit services	**1,780**	1,350
— other services	**210**	–
Depreciation of property, plant and equipment	**9,440**	9,395
Amortisation of leasehold land	**568**	568
Staff costs, including directors' remuneration (note 10)	**61,585**	75,347
Operating lease charges: minimum lease payments — property rentals	**3,090**	2,970
Cost of inventories recognised as expense	**2,233,778**	2,501,141
Provision for/(reversal of) write-down of inventories	**4,047**	(1,931)
Impairment loss of trade receivables	**277**	691

8 OTHER NET (LOSSES)/GAINS

	2019 **$'000**	2018 $'000
(Loss)/gain on disposal of property, plant and equipment (note 26(b))	**(766)**	552
Gain on disposal of available-for-sale financial assets	**–**	4,833
Unrealised (loss)/gain on metal future trading contracts and foreign exchange forward contracts	**(1,165)**	200
Realised gain/(loss) on metal future trading contracts	**508**	(1,282)
Net foreign exchange (loss)/gain	**(1,644)**	9,566
	(3,067)	13,869

9 NET FINANCE COSTS

	2019 **$'000**	2018 $'000
Interest income	**1,467**	645
Interest on short-term bank borrowings	**(9,853)**	(6,836)
Interest on mortgage loan	**(328)**	(344)
	(8,714)	(6,535)

10 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2019 **$'000**	2018 $'000
Wages, salaries and allowances	**60,046**	73,930
Post employment benefits — pension	**1,539**	1,417
	61,585	75,347

11 INCOME TAX

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

	2019 $'000	2018 $'000
Current tax		
— Hong Kong Profits Tax	**840**	517
— Mainland China Corporate Income Tax	**5,003**	4,100
Over-provision in prior years	**(127)**	(582)
	5,716	4,035
Deferred tax (note 24)	**(751)**	1,373
Income tax expense	**4,965**	5,408

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) for the year. Taxation for Mainland China's subsidiaries is similarly calculated using the estimated annual effective rate of 25% (2018: 25%) for the year.

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

	2019 $'000	2018 $'000
(Loss)/profit before taxation	**(81,695)**	95,561
Notional tax on (loss)/profit before taxation, calculated at rates applicable to profits in the jurisdictions concerned	**(11,648)**	17,303
Income not subject to tax	**(1,377)**	(2,968)
Expenses not deductible for tax purposes	**807**	1,912
Tax losses not recognised	**18,484**	2,455
Utilisation of previously unrecognised tax losses	**(1,174)**	(12,712)
Over-provision in prior years	**(127)**	(582)
Income tax expense	**4,965**	5,408

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2019	2018
(Loss)/profit attributable to equity shareholders of the Company ($'000)	**(86,652)**	90,153
Average number of ordinary shares in issue ('000)	**828,750**	828,750
Basic (loss)/earnings per share (Hong Kong cents)	**(10.46)**	10.88

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 March 2019 and 2018 are the same as basic (loss)/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

	2019 **$'000**	2018 $'000
Interim dividend, declared and paid, of $Nil (2018: $0.015) per ordinary share	–	12,432
Final dividend, proposed, of $Nil (2018: $0.015) per ordinary share	–	12,432
	–	24,864

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

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

13 DIVIDENDS (Continued)

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

	2019 **$'000**	2018 $'000
Final dividend in respect of the previous financial year, approved and paid during the year ended 31 March 2019, of $0.015 (2018: $0.015) per ordinary share	**12,432**	12,432
Special dividend in respect of the previous financial year, approved and paid during the year ended 31 March 2019, of $Nil (2018: $0.01) per ordinary share	–	8,288
	12,432	20,720

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 2017	24,195
Exchange difference	138
At 31 March 2018 and 1 April 2018	24,333
Exchange difference	(91)
At 31 March 2019	24,242
Accumulated amortisation:	
At 1 April 2017	5,115
Exchange difference	46
Charge for the year	568
At 31 March 2018 and 1 April 2018	5,729
Exchange difference	(31)
Charge for the year	568
At 31 March 2019	6,266
Net book value:	
At 31 March 2019	17,976
At 31 March 2018	18,604

15 INVESTMENT PROPERTY AND OTHER 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	Sub-total $'000	Investment property $'000	Total $'000
Cost or valuation:										
At 1 April 2018	5,900	70,691	32,338	37,624	30,219	9,033	10,286	196,091	–	196,091
Exchange difference	–	(1,011)	–	(23)	(811)	(164)	(120)	(2,129)	–	(2,129)
Additions	–	–	3,215	606	2,800	122	641	7,384	–	7,384
Disposals	–	–	–	–	–	(1,421)	–	(1,421)	–	(1,421)
Surplus on revaluation	–	14,800	–	–	–	–	–	14,800	–	14,800
Transfer from buildings to investment property	–	(64,600)	–	–	–	–	–	(64,600)	64,600	–
At 31 March 2019	5,900	19,880	35,553	38,207	32,208	7,570	10,807	150,125	64,600	214,725
Representing:										
Cost	5,900	19,880	35,553	38,207	32,208	7,570	10,807	150,125	–	150,125
Valuation – 2019	–	–	–	–	–	–	–	–	64,600	64,600
At 31 March 2019	5,900	19,880	35,553	38,207	32,208	7,570	10,807	150,125	64,600	214,725
Accumulated depreciation:										
At 1 April 2018	2,265	8,220	32,019	30,495	21,285	6,612	8,879	109,775	–	109,775
Exchange difference	–	(623)	–	(9)	(662)	(133)	(96)	(1,523)	–	(1,523)
Charge for the year	124	1,382	342	3,357	3,203	488	544	9,440	–	9,440
Written back on disposals	–	–	–	–	–	(655)	–	(655)	–	(655)
Elimination on revaluation	–	(2,656)	–	–	–	–	–	(2,656)	–	(2,656)
At 31 March 2019	2,389	6,323	32,361	33,843	23,826	6,312	9,327	114,381	–	114,381
Net book value:										
At 31 March 2019	3,511	13,557	3,192	4,364	8,382	1,258	1,480	35,744	64,600	100,344

	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	Sub-total $'000	Investment property $'000	Total $'000
Cost:										
At 1 April 2017	5,900	69,154	32,163	35,259	29,233	8,170	9,631	189,510	–	189,510
Exchange difference	–	1,537	–	27	1,239	186	144	3,133	–	3,133
Additions	–	–	175	3,955	346	696	511	5,683	–	5,683
Disposals	–	–	–	(1,617)	(599)	(19)	–	(2,235)	–	(2,235)
At 31 March 2018	5,900	70,691	32,338	37,624	30,219	9,033	10,286	196,091	–	196,091
Accumulated depreciation:										
At 1 April 2017	2,141	5,412	31,881	29,212	17,590	5,795	8,228	100,259	–	100,259
Exchange difference	–	922	–	10	993	161	128	2,214	–	2,214
Charge for the year	124	1,886	138	2,890	3,161	673	523	9,395	–	9,395
Written back on disposals	–	–	–	(1,617)	(459)	(17)	–	(2,093)	–	(2,093)
At 31 March 2018	2,265	8,220	32,019	30,495	21,285	6,612	8,879	109,775	–	109,775
Net book value:										
At 31 March 2018	3,635	62,471	319	7,129	8,934	2,421	1,407	86,316	–	86,316

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's property measured at the end of the Reporting Period on a recurring basis, categorised into the 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 the 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

The fair value measurement of the investment property as at 31 March 2019 was categorised into level 3.

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 since the transfer to investment property from property, plant and equipment due to the change in use to leasing from self-occupation during the year ended 31 March 2019. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The valuation of the investment property at fair value as at 31 March 2019 were performed by the Group's independent valuer, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, using the market comparison method. The Group's management has reviewed the valuation results performed by the independent valuer for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

The unobservable input used for the Level 3 fair value measurements is as follows:

	2019
Premium on quality of the property	**15%**

The fair value of investment property is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's property compared to the recent sales. Higher premium for higher quality property will result in a higher fair value measurement.

The movements during the year in the balance of these Level 3 fair value measurements are disclosed in note 15. There was no change in fair value of investment property recognised in profit or loss during the year ended 31 March 2019.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 March 2019 $'000	1 April 2018 $'000	31 March 2018 $'000
Available-for-sale financial assets			
Equity securities listed in Hong Kong at fair value	–	–	16,174
Unlisted limited partnership, at fair value	–	–	–
	–	–	16,174
Financial assets at FVOCI (non-recycling)			
Equity securities listed in Hong Kong at fair value	8,380	16,174	–
Unlisted limited partnership, at fair value	–	–	–
	8,380	16,174	16,174

The above investments were classified as available-for-sale financial assets in accordance with the accounting policy set out in note 2(i)(ii) during the year ended 31 March 2018. Such available-for-sale financial assets were reclassified to financial assets measured at FVOCI upon the initial application of HKFRS 9 at 1 April 2019 (see note 2(b)(i)).

The Group designated its investments in Dai Ming International Holdings Limited (HKSE: 1090) and the unlisted limited partnership at FVOCI under HKFRS 9 as these investments are held for strategic purposes. Dai Ming International Holdings Limited is principally engaged in the processing, distribution and sale of stainless steel products and carbon steel products in the People's Republic of China ("PRC").

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

The investment cost of unlisted limited partnership of $7,046,000 was fully impaired prior to 31 March 2018 as management is expected to be irrecoverable as a result of the financial difficulties experienced by the investee. Accordingly, management estimated the fair value of the investment in unlisted partnership at 1 April 2018 and 31 March 2019 to be nil upon the application of HKFRS 9.

17 INVENTORIES

	2019 $'000	2018 $'000
Finished goods	**617,971**	839,349
Less: Write-down of inventories	**(21,102)**	(16,969)
	596,869	822,380

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately $2,233,778,000 (2018: $2,501,141,000) during the year ended 31 March 2019.

18 TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	**188**	–
Current portion		
Trade receivables, net of loss allowance	**173,210**	176,444
Prepayments to suppliers	**5,194**	13,119
Deposits	**2,951**	2,934
Other receivables	**25,582**	23,182
	206,937	215,679
	207,125	215,679

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

18 TRADE AND OTHER RECEIVABLES (Continued)

At the end of the reporting period, the ageing of trade receivables, based on invoice date and net of loss allowance, is as follows:

	2019 $'000	2018 $'000
Within 1 month	**143,263**	162,094
Over 1 but within 2 months	**19,012**	8,484
Over 2 but within 3 months	**9,787**	2,046
Over 3 months	**1,148**	3,820
	173,210	176,444

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

	2019 $'000	2018 $'000
HK dollars	**10,376**	12,945
US dollars	**55,741**	63,399
New Taiwan dollars	**8,582**	13,031
Renminbi	**98,511**	87,069
	173,210	176,444

The ageing of trade receivables, based on due date and net of loss allowance, is as follows:

	2019 $'000	2018 $'000
Current	**124,192**	138,810
Within 1 month past due	**41,748**	35,602
Over 1 but within 2 months past due	**5,730**	759
Over 2 but within 3 months past due	**696**	33
Over 3 months past due	**844**	1,240
	173,210	176,444

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 3(a)(iv).

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:

	2019 $'000	2018 $'000
HK dollars	**408**	420
Renminbi	**2,997**	2,686
US dollars	**6,200**	4,038
	9,605	7,144

(b) Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	**311,619**	275,039
Short-term bank deposits	**45,115**	25,325
	356,734	300,364

The weighted average effective interest rate on short-term bank deposits of the Group was 3.3% (2018: 3.0%) per annum as at 31 March 2019.

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:

	2019 $'000	2018 $'000
HK dollars	**71,504**	90,243
US dollars	**149,533**	97,115
New Taiwan dollars	**5**	16
Renminbi	**133,138**	112,445
Others	**2,554**	545
	356,734	300,364

20 SHARE CAPITAL

Authorised and issued capital

	Number of shares '000	Nominal amount $'000
Authorised:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	8,000,000	800,000
Issued and fully paid — ordinary shares of $0.1 each:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	828,750	82,875

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.

21 RESERVES (Continued)

Nature and purpose of reserves (Continued)

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(i)).

(v) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies set out in note 2(e).

22 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	Note	**31 March 2019 $'000**	**1 April 2018 (Note (i))** $'000	**31 March 2018 (Note (i))** $'000
Trade and other payables				
Trade payables		**52,570**	42,585	42,585
Prepayments from customers	(ii)	**–**	–	10,782
Accrued expenses and other payables		**21,472**	34,873	34,873
		74,042	77,458	88,240
Contract liabilities	(ii)	**9,852**	10,782	–
		83,894	88,240	88,240

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 April 2018. Comparative information has not been restated.

(ii) Upon the adoption of HKFRS 15, these amounts were reclassified from trade and other payables to contract liabilities. Trade and other payables and contract liabilities are aggregated into a single line item "Trade and other payables and contract liabilities" on the face of the statement of financial position (see note 2(b)(i)).

22 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

(a) Trade and other payables

Trade and other payables are expected to be settled within one year or are repayable on demand.

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

	2019 $'000	2018 $'000
Within 1 month	**52,401**	42,524
Over 1 month	**169**	61
	52,570	42,585

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

	2019 $'000	2018 $'000
US dollars	**45,792**	28,756
Renminbi	**6,778**	13,829
	52,570	42,585

(b) Contract liabilities

The Group receives deposits from customers for sale of goods. This amount is recognised as a contract liability until the sales are completed and the goods are legally assigned to the customers.

Movements in contract liabilities	$'000
Balance at 1 April 2018	10,782
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(10,782)
Increase in contract liabilities as a result of receiving prepayments from customers during the year in respect of sale of goods as at 31 March 2019	9,852
Balance at 31 March 2019	9,852

The contract liabilities are expected to be recognised as income within one year.

23 BANK BORROWINGS

	2019 $'000	2018 $'000
Non-current liabilities		
Mortgage loan	**13,183**	14,329
Current liabilities		
Short-term bank borrowings	**182,135**	249,326
Mortgage loan	**1,149**	1,133
	183,284	250,459
	196,467	264,788

As at 31 March 2019 and 2018, bank borrowings are repayable as follows:

	2019 $'000	2018 $'000
Within one year	**183,284**	250,459
After 1 year but within 2 years	**1,177**	1,158
After 2 years but within 5 years	**3,694**	3,626
After 5 years	**8,312**	9,545
	13,183	14,329
	196,467	264,788

Mortgage loan of $14,332,000 (2018: $15,462,000) was secured by investment property with carrying value of $64,600,000 (2018: property, plant and equipment of $47,642,000) as at 31 March 2019.

As at 31 March 2019 and 2018, all the remaining bank borrowings were guaranteed by the Company.

Banking facilities of $150,000,000 (2018: $288,652,000) as at 31 March 2019 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 2019, the Group had failed to fulfil certain financial covenants of a short-term bank borrowing of $43,500,000 (2018: $Nil). 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 after the year end and the Group considered such breach no longer exists since then. Management is of the opinion that the breach has no significant impact to the Group's financial position as the relevant bank borrowing has been classified as current liabilities as at 31 March 2019.

23 BANK BORROWINGS (Continued)

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

	2019 $'000	2018 $'000
HK dollars	**14,332**	15,462
US dollars	**182,135**	249,326
	196,467	264,788

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

	2019	2018
Short-term bank borrowings	**3.15%**	2.73%
Mortgage loan	**2.29%**	2.74%

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:

	2019 $'000	2018 $'000
Deferred tax assets	**2,600**	2,209
Deferred tax liabilities	**(4,397)**	(2,659)
	(1,797)	(450)

The net movement on the deferred tax is as follows:

	2019 $'000	2018 $'000
At beginning of the year	**(450)**	923
Credited/(charged) to profit or loss (note 11)	**751**	(1,373)
Charged to reserve	**(2,098)**	–
At end of the year	**(1,797)**	(450)

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	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
At beginning of the year	**1,008**	1,008	**92**	92	**2,117**	2,796	**(3,017)**	(2,323)	**(650)**	(650)
Credited/(charged) to profit or loss	**–**	–	**–**	–	**391**	(679)	**360**	(694)	**–**	–
Charged to reserve	**–**	–	**–**	–	**–**	–	**–**	–	**(2,098)**	–
At end of the year	**1,008**	1,008	**92**	92	**2,508**	2,117	**(2,657)**	(3,017)	**(2,748)**	(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 $43,462,000 (2018: $26,005,000) in respect of tax losses amounting to $263,408,000 (2018: $157,606,000) that can be carried forward against future taxable income. The tax losses arose in Hong Kong and have no expiry date.

25 SUBSIDIARIES

	The Company	
	2019 $'000	2018 $'000
Unlisted shares, at cost	**224,379**	224,379
Less: impairment loss	**(148,845)**	(148,845)
	75,534	75,534
Amounts due from subsidiaries	**972,440**	972,217
	1,047,974	1,047,751

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 2019 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 2019.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SUBSIDIARIES (Continued)

The following is a list of principal subsidiaries at 31 March 2019:

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued capital/ paid-up capital	Interest held 2019	Interest held 2018
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 Kee International Limited (formerly known as 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%
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 PRC, limited liability company	Distribution of non-ferrous metals in Mainland China	RMB30,954,000	**100%**	100%

(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 2019	2018
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.

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2019 $'000	2018 $'000
(Loss)/profit before taxation	**(81,695)**	95,561
Adjustments for:		
Depreciation of property, plant and equipment	**9,440**	9,395
Amortisation of leasehold land	**568**	568
Interest income	**(1,467)**	(645)
Interest expense	**10,181**	7,180
Dividend income from listed securities	**(258)**	(721)
Loss/(gain) on disposal of property, plant and equipment	**766**	(552)
Gain on disposal of available-for-sale financial assets	**–**	(4,833)
Provision for/(reversal of) employee retirement benefit obligations	**2,107**	(773)
Provision for/(reversal of) write-down of inventories	**4,047**	(1,931)
Impairment loss of trade receivables	**277**	691
Unrealised gain on derivative financial instruments	**(1,165)**	(200)
Effect of foreign exchange rates changes	**5,845**	(11,058)
Changes in working capital:		
Increase in cash held on behalf of customers	**(2,461)**	(4,135)
Decrease/(increase) in inventories	**215,956**	(137,127)
Decrease in trade and other receivables	**1,568**	11,302
(Decrease)/increase in trade and other payables	**(3,383)**	48,248
Net cash generated from operations	**160,326**	10,970

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

	2019 $'000	2018 $'000
Disposal of property, plant and equipment:		
Net book value	**766**	142
(Loss)/gain on disposal of property, plant and equipment	**(766)**	552
Proceeds from disposal of property, plant and equipment	**–**	694

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 (note 23)	
	2019 $'000 (note 23)	2018 $'000 (note 23)
At beginning of the year	**264,788**	178,846
Changes from financing cash flows:		
Proceeds from new bank loans	**1,154,688**	1,109,680
Repayment of bank loans	**(1,223,009)**	(1,023,738)
Interest paid on mortgage loan	**(328)**	(344)
Total changes from financing cash flows	**(68,649)**	85,598
Other change:		
Interest expense on mortgage loan (note 9)	**328**	344
At end of the year	**196,467**	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:

	2019 $'000	2018 $'000
Within one year	**1,402**	1,880
After one year but within five years	**331**	1,039
	1,733	2,919

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:

	2019 **$'000**	2018 $'000
Expense		
Rental paid to Sonic Gold Limited	**636**	600

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

(b) Key management compensation

	2019 **$'000**	2018 $'000
Salaries and other short term employee benefits	**15,834**	22,729
Post employment benefits — pension	**144**	90
	15,978	22,819

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 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 2019 fell within the following emolument bands:

	2019	2018
HK$0 to HK$1,000,000	**2**	1
HK$1,000,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$4,000,000	**–**	1
	3	3

29 COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2019 $'000	2018 $'000
Non-current assets			
Interests in subsidiaries	25	**1,047,974**	1,047,751
Current assets			
Prepayments		**129**	129
Tax recoverable		**–**	30
Cash and cash equivalents		**1,242**	1,216
		1,371	1,375
Current liabilities			
Other payables		**79**	18
Net current assets		**1,292**	1,357
Total assets less current liabilities		**1,049,266**	1,049,108
Non-current liabilities			
Employee retirement benefit obligations		**588**	755
Net assets		**1,048,678**	1,048,353
Capital and reserves (note a)			
Share capital		**82,875**	82,875
Reserves		**965,803**	965,478
Total equity		**1,048,678**	1,048,353

The statement of financial position of the Company was approved by the Board of Directors on 24 June 2019 and was signed on its behalf.

CHAN Pak Chung
Director

CHAN Yuen Shan Clara, *MH*
Director

29 COMPANY'S STATEMENT OF FINANCIAL POSITION (Continued)

Note (a): Changes in equity of the Company

	Share capital $'000	Share premium $'000	Contributed surplus (Note) $'000	Capital redemption reserve $'000	Accumulated losses $'000	Total $'000
At 1 April 2018	**82,875**	**437,277**	**640,631**	**125**	**(112,555)**	**1,048,353**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**12,757**	**12,757**
Dividends paid (note 13)	**–**	**(12,432)**	**–**	**–**	**–**	**(12,432)**
At 31 March 2019	**82,875**	**424,845**	**640,631**	**125**	**(99,798)**	**1,048,678**
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

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.

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 2019 and 2018 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
Year ended 31 March 2019						
Executive directors						
Mr Chan Pak Chung	**–**	**2,400**	**–**	**–**	**–**	**2,400**
Ms Chan Yuen Shan Clara, *MH* (Chief executive officer)	**–**	**2,400**	**–**	**636**	**18**	**3,054**
Ms Okusako Chan Pui Shan Lillian	**–**	**1,572**	**–**	**–**	**18**	**1,590**
Mr Chan Ka Chun Patrick	**–**	**1,522**	**–**	**–**	**18**	**1,540**
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	**7,894**	**–**	**636**	**54**	**9,304**
Year ended 31 March 2018						
Executive directors						
Mr Chan Pak Chung	–	2,985	1,600	–	–	4,585
Ms Chan Yuen Shan Clara, *MH* (Chief executive officer)	–	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

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.

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 (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: 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 (2018: 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 (2018: Nil).

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include four (2018: four) directors whose emoluments are reflected within this note above.

The emoluments payable to the remaining one (2018: one) of the five highest paid individuals during the year are as follows:

	2019 **$'000**	2018 $'000
Salaries and other allowances	**2,116**	3,417
Post employment benefits — pension	**18**	18
	2,134	3,435

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

	Number of individuals	
	2019	2018
$2,000,001 to $2,500,000	**1**	–
$3,000,001 to $3,500,000	**–**	1

31 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

At 31 March 2019, 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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